

NEFIRST CREDIT UNION LIMITED

FIRM REFERENCE No 215686

REGISTERED No 679C

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2020

**STATEMENT OF THE DIRECTOR'S RESPONSIBILITIES TO THE MEMBERS OF
NEFIRST CREDIT UNION LIMITED
YEAR ENDED 30 SEPTEMBER 2020**

RESPONSIBILITIES OF MANAGEMENT COMMITTEE

The Rules of the Credit Union and Credit Union Regulations require the Committee of Management to prepare Financial Statements for each accounting period in accordance with applicable law and regulations and in accordance with United Kingdom Generally Accepted Accounting Practice, which give a true and fair view of the state of affairs of the Credit Union and of the surplus of income over expenditure for the period covered by the Financial Statements. In preparing those Statements, the Committee of Management are required to:-

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable 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 Committee of Management is also responsible for:-

- Keeping proper accounting records, (in accordance with the requirements of section 1(1)(a) FIPSA), 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 legislation;
- Ensuring that a satisfactory system of control is maintained over the transactions of the Credit Union in accordance with section 1(1)(b) FIPSA;
- Safeguarding the Assets of the Credit Union and hence taking reasonable steps for the prevention of fraud and other irregularities.

FINANCIAL RESULTS

The net profit for the accounting period was £446 (2019 - £280,169 loss) prior to transfers to Reserves and payment of Dividends.

The continued impact of the national economic situation that has resulted in both very low rates of interest and the lack of availability of appropriate investment income continues to suppress investment income.

The Committee of Management considers the level of activity to be satisfactory considering the difficult trading period experienced. They have, however, noted the lack of growth in the loan book and subsequent decrease in the interest earned on loans but these were anticipated in the budget forecast and the year end figures are in line with these forecasts.

The Committee of Management recommends:-

- The payment of a dividend of 0.0% on the average value of ordinary members shares and the junior members shares;
- A transfer to the General Reserve of £446 (2019 - £280,169 from the general reserve).
- A transfer to the Sub-Ordinated Loan Reserve of £272,970 (2019 - £nil).

MEMBERS

During the period 1 October 2019 to 30 September 2020, adult membership decreased by 2,643 (2019 – 2,040), made up of 1,409 new members who joined, offset by 4,052 members who have lapsed in the period.

NEFIRST CREDIT UNION LIMITED
MANAGEMENT COMMITTEE REPORT
TO THE MEMBERS (CONTINUED)
YEAR ENDED 30 SEPTEMBER 2020

SHARES

During the period 1 October 2019 to 30 September 2020, the share balances of adult members have increased to £5,433,208 from opening balances of £4,777,057 and junior members savings balances have increased to £462,337 from £417,636 an overall increase of £700,852 (2019 - £564,261).

During the year new deposits of £3,931,098 were received offset by withdrawals of £3,230,261 (2019 - £4,166,012 deposits and withdrawals of £3,610,724).

LOANS

During the period 1 October 2019 to 30 September 2020, loan balances (net of provisions) have decreased from £2,947,572 to £2,014,807 a net decrease of £932,765 (2019 - £433,574).

During the year loans to the value of £955,198 were granted to members and repayments were made to the value of £2,108,768 (2019 – loans £2,069,905, repayments £2,597,801).

The provision for bad debt and the value of bad debts written off is calculated in line with F.C.A. and P.R.A. regulations but is augmented by a prudent risk assessment of the value of individual bad debts.

ACCOUNTING PERIOD

These financial Statements cover an accounting period from 1 October 2019 to 30 September 2020.

AUDITORS

A resolution to appoint the Auditors, Azets Audit Services, will be proposed at the Annual General Meeting, under the provisions of Rules 140 and 141.

By Order of the Committee of Management



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(Secretary)

Dated: 15th February 2021

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
NEFIRST CREDIT UNION LIMITED
YEAR ENDED 30 SEPTEMBER 2020**

OPINION ON FINANCIAL STATEMENTS

We have audited the financial statements of NEFirst Credit Union Ltd for the year ended 30 September 2020 set out on pages 6 to 11, which comprise the Income and Expenditure Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard application in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2020 and of its income and expenditure for the year then ended; 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.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISA's (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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and the provisions available for small entities, in the circumstances set out in note 2.1 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those 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 ISA's require us to report where:

- the committee of management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the committee of management have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company'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.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
NEFIRST CREDIT UNION LIMITED
YEAR ENDED 30 SEPTEMBER 2020**

OTHER INFORMATION

The other information comprises the information included in the annual report, other than financial statements and our auditor's report thereon. The committee of management 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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the committee of management report.

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:

- 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.

RESPECTIVE RESPONSIBILITIES OF COMMITTEE OF MANAGEMENT AND AUDITOR

As explained more fully in the committee of management's responsibilities statement set out on page 1, the committee of management 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 the committee of management 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 committee of management are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using Compendium of illustrative auditor's reports.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
NEFIRST CREDIT UNION LIMITED
YEAR ENDED 30 SEPTEMBER 2020**

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 ISA's (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 <https://www.frc.org.uk>. This description forms part of our audit 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 unions' 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.

**Azets Audit Services
32 Brenkley Way
Seaton Burn
Newcastle upon Tyne
NE13 6DS**

Dated: 15th February 2021

NEFIRST CREDIT UNION LIMITED

INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 30 SEPTEMBER 2020

		<u>2020</u>	<u>2019</u>
INCOME			
Entrance fees		2,337	2,519
Interest from members' loans	2	392,017	541,512
Bank interest		19,288	7,549
Other income		20,628	594
Grants and funding	8	47,278	27,487
Bad debts recovered		10,633	14,978
Miscellaneous income		<u>1,735</u>	<u>2,129</u>
Total Income		<u>493,916</u>	<u>596,768</u>
EXPENDITURE			
Salaries and National Insurance		95,016	201,708
Travel expenses		2,266	8,555
Rent and rates		28,297	28,700
Insurance		1,291	1,200
Postage and telephone		13,560	17,666
Printing and stationery		5,813	5,707
Advertising and marketing		1,583	5,195
Meeting expenses		3,048	1,672
Auditor's remuneration		4,800	6,840
Software support		26,804	33,106
PRA/FSCS fees		65	3,000
Incentives		3,570	7,507
ABCUL fees		10,561	8,077
Loan/Share insurance		25,736	29,268
Credit search/bad debt recovery charges		16,162	13,096
Bank charges		6,833	7,278
Paypoint costs		12,327	12,477
Fidelity bond insurance		2,740	4,389
Corporation tax		3,961	1,100
Bad debts written off		176,994	144,828
Bad debt provisions		(7,500)	302,362
Restructure costs		5,574	-
Consultancy fees		34,530	-
Interest charge on borrowings		5,271	-
Sundries		4,842	23,882
Depreciation charge	3	<u>9,326</u>	<u>9,324</u>
Total Expenditure		<u>493,470</u>	<u>876,937</u>
Surplus/Deficit to Appropriation Account		<u>446</u>	<u>(280,169)</u>
Appropriation Account			
To General Reserve compulsory transfer		89	(56,034)
To/(from) General Reserve voluntary transfer		357	(224,135)
To Dividend reserve	5	-	-
To Sub-Ordinated Loan	10	<u>-</u>	<u>-</u>
TOTAL APPROPRIATIONS		<u>446</u>	<u>(280,169)</u>

Note: There are no recognised gains or losses other than those included on the income and expenditure account.

NEFIRST CREDIT UNION LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 2020

	Notes	2020	2019
INVESTMENTS			
Ipswich gold reserve account	93,354	91,859	
Santander bond account	92,213	91,736	
Fixed term deposits	2,400,000	-	
Lloyds	<u>275,695</u>	2,861,262	<u>100,425</u> 284,020
IMMEDIATE LIQUIDITY			
Cash at bank on current account	1,421,936	2,100,341	
Cash in hand	<u>3,937</u>	1,425,873	<u>5,852</u> 2,106,193
MEMBERS LOAN ACCOUNTS			
	2		
Current balances	2,574,511	3,514,776	
Less provision for un-performing loans	(<u>559,704</u>)	2,014,807	(<u>567,204</u>) 2,947,572
FIXED ASSETS			
	3	23,937	18,650
SUNDRY DEBTORS			
		31,635	25,179
TOTAL ASSETS		<u>6,357,514</u>	<u>5,381,614</u>
LIABILITIES			
Ordinary members shares repayable on demand	2	5,433,208	4,777,057
Junior members shares		<u>462,337</u>	<u>417,636</u> 5,194,693
OTHER PAYABLES			
Creditors and accruals		39,879	17,814
Revenue grants carried forward		19,317	103,918
Loan guarantee schemes – restricted fund		61,642	-
Taxation due within one year		<u>3,470</u>	<u>944</u> 122,676
RETAINED EARNINGS			
General reserve	9	39,691	39,245
Dividend reserve	5	-	-
Sub-Ordinated Loan	10	<u>297,970</u>	<u>25,000</u>
		337,661	64,245
TOTAL LIABILITIES		<u>6,357,514</u>	<u>5,381,614</u>

We hereby approve and adopt the attached accounts for circulation to our members.



Committee Member



Committee Member



Secretary

Date 15th February 2021

NEFIRST CREDIT UNION LIMITED

**NOTES TO THE ACCOUNTS
YEAR ENDED 30 SEPTEMBER 2020**

1. ACCOUNTING POLICIES

- a. The Credit Union is registered under the Co-operative & Community Benefit Societies Act 2014. The financial statements have been prepared under the historic cost accounting rules in accordance with the Co-operative & Community Benefit Societies Act 2014 and the Credit Union Act 1979. Applicable accounting standards have been followed.
- b. Fixed Assets are stated at cost. Depreciation of fixed assets is charged by equal instalments commencing in the year of acquisition at rates estimated to write off their cost less any residual value over their expected useful lives as follows:-
- | | |
|-----------------------------|---------|
| Property improvements | 3 years |
| Office furniture & fittings | 3 years |
| Computers | 3 years |
- c. Interest is accounted for on the basis of amounts receivable or payable in the year covering these accounts.
- d. Provision for doubtful debts is stated after specifically reviewing all loans in arrears. The criteria used is whether the loan will be repaid within the medium term and whether there is a regular pattern of repayments.
- e. Juvenile transactions are included within the accounts unless specifically shown otherwise.

2. SUMMARY OF MEMBERS SHARE (including Juniors) AND LOAN ACCOUNTS

	SHARES		LOANS	
	2020	2019	2020	2019
Balances brought forward from last year	5,194,693	4,630,432	3,514,776	3,645,988
Shares saved and loans repaid	3,931,098	4,166,012	(2,108,768)	(2,597,801)
Dividends paid	-	8,977	-	-
Shares withdrawn	(3,230,261)	(3,610,724)	-	-
Merger with Prince Bishop Community Bank	-	-	-	-
Loans granted	-	-	955,198	2,069,905
Interest / fees charged	15	(4)	392,017	541,512
Loans written off	-	-	<u>(178,712)</u> *	<u>(144,828)</u>
Balances carried forward to next year	<u>5,895,545</u>	<u>5,194,693</u>	<u>2,574,511</u>	<u>3,514,776</u>

* The difference in the loans written off above and the loans written off in the accounts is due to £1,718 worth of debts being covered by loan guarantee schemes.

NEFIRST CREDIT UNION LIMITED

NOTES TO THE ACCOUNTS (cont)
YEAR ENDED 30 SEPTEMBER 2020

3. TANGIBLE FIXED ASSETS

	Property Improvements	Fixtures & Fittings	Computer Equipment	Total
COST				
Cost at 30 September 2019	28,090	23,614	87,663	139,367
Additions during year	-	14,613	-	14,613
Disposals during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cost at 30 September 2020	<u>28,090</u>	<u>38,227</u>	<u>87,663</u>	<u>153,980</u>
DEPRECIATION				
Depreciation at 30 September 2019	28,090	23,614	69,013	120,717
Charged in these accounts	-	-	9,326	9,326
Depreciation on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation at 30 September 2020	<u>28,090</u>	<u>23,614</u>	<u>78,339</u>	<u>130,043</u>
VALUE ON 30 SEPTEMBER 2020	<u>-</u>	<u>14,613</u>	<u>9,324</u>	<u>23,937</u>
VALUE ON 30 SEPTEMBER 2019	<u>-</u>	<u>-</u>	<u>18,650</u>	<u>18,650</u>

4. NUMBER OF MEMBERS

	2020	2019
Number at beginning of year	14,935	17,338
Joined during year	1,409	2,736
Lapsed during year	<u>(4,052)</u>	<u>(5,139)</u>
Number at end of year	<u>12,292</u>	<u>14,935</u>

5. DIVIDEND RESERVE

A dividend reserve will now be used to ensure that future dividend proposals are met and distributed properly. This is summarised as follows:-

	2020	2019
Balance transferred from dividend reserve last year	-	9,144
Less: Dividends paid during the year	-	8,977
Less: Transfer to general reserve	<u>-</u>	<u>167</u>
	<u>-</u>	<u>-</u>
To: Dividends proposed 0.0% (2019: 0.0%)	<u>-</u>	<u>-</u>
Balance transferred from revenue accounts to be carried forward to next year	<u>-</u>	<u>-</u>

NEFIRST CREDIT UNION LIMITED

NOTES TO THE ACCOUNTS (cont)
YEAR ENDED 30 SEPTEMBER 20206. **RELATED PARTY TRANSACTIONS**

During the year, members of the board, staff and their close relatives had loans with the Credit Union. These loans were approved on the same basis as loans to other members of the Credit Union and none of the directors and staff had any preferential terms on their loans.

7. **GOING CONCERN**

The Credit Union must maintain a minimum Capital-To-Total assets ratio of 5% in accordance with PRA Guidelines outlined under CREDS 5.3.13. The relevant ratios are:

	2020	2019
	5.31%	1.19%

Whilst the ratio has dropped below the PRA Guidelines, the Credit Union received sufficient funding after the year end to increase the ratio to within the guidelines.

8. **GRANTS RECEIVED**

During the year, the Credit Union received the following grants:

Members' Incentives Grants

Livin Housing	500	
Illegal Money Lending Team	<u>2,550</u>	
Misc (from PBCB)		3,050
Gateshead MBC ECF Grant		12,600
Alnwick TC		500
Durham CC Grant		6,200
Morpeth TC		750
Gateshead MBC RHL Grant	<u>25,000</u>	<u>48,100</u>

During the year, the following grants were drawn down to the income and expenditure account:

Durham Furniture Pilot Grant	12,588	
Chester App	125	
2 Way Tenancy	75	
Livin Housing – Incentives	450	
Durham CC Merger Grant	6,200	
Gateshead MBC RHL Grant	25,000	
IMLT Incentives	<u>2,840</u>	<u>47,278</u>

NEFIRST CREDIT UNION LIMITED

NOTES TO THE ACCOUNTS (cont)
YEAR ENDED 30 SEPTEMBER 2020

9. GENERAL RESERVE

	2020	2019
Reserves as at 1 October 2019	39,245	289,987
Transfer	446	(280,169)
Northumberland Credit Union Reserves	-	29,427
Prince Bishop Community Bank Reserves	-	-
Reserves as at 30 September 2020	<u>39,691</u>	<u>39,245</u>

10. SUB-ORDINATED LOAN RESERVE

	2020	2019
Sub-Ordinated Loan	18,720	25,000
Sub-Ordinated Loan – DCC	167,250	-
Sub-Ordinated Loan – GMBC	<u>112,000</u>	-
Total	<u>297,970</u>	<u>25,000</u>