

Croydon, Merton and Sutton Credit Union Limited

Report of the Directors and

Audited Financial Statements

For the Year Ended 30 September 2024

Croydon, Merton and Sutton Credit Union Limited

Contents

For the Year ended 30 September 2024

	Page
Credit Union information	1
Chair's Report	2
Report of the Directors	3 - 6
Independent Auditors' Report	7 - 9
Revenue Account	10
Balance Sheet	11
Statement of changes in Retained Earnings	12
Statement of Cash Flows	13
Notes to the financial statements	14 - 26

Croydon, Merton and Sutton Credit Union Limited

Administrative Information

For the Year ended 30 September 2024

Status: Co-operative and Community Benefit Society and Credit Union

Directors:	Victoria Tonks	Chair
	Simon Byrne	Vice Chair
	Clive Fraser	Honorary Secretary
	Philip Butlin	Treasurer
	Naomi Martin	
	Catherine Black	
	Laurie Pocock	
	Victoria Roberts-Thomas	

Registered Office: 241 The Lansdowne Building
2 Lansdowne Road
Croydon
Surrey
CR9 2ER

Credit Union

Registration Number: 569C

**Prudential Regulation Authority
and Financial Conduct Authority**

Firm Reference Number: 213603

Auditors: Hartley Fowler LLP
4th Floor Tuition House
27-37 St Georges Road
Wimbledon
London SW19 4EU

Bankers: The Co-operative Bank Plc
Metro Bank Plc
Nationwide Building Society
Arbuthnot Latham & Co Limited
Aldermore Bank Plc
Cambridge & Counties Bank Limited

Chair's Report

For the Year ended 30 September 2024

I am pleased to present to you our Annual Report and Accounts for 2023-2024.

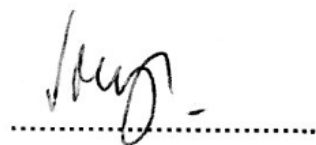
During the past year we've enjoyed moderate growth in our loan book which has helped increase our interest from loans income, this is vital for the financial health of the credit union as it enables us to pay our staff and our bills and provide a surplus with which to pay a dividend to our members with savings. This access to affordable borrowing for our members is a vital resource and I'm delighted that we were able to extend 2334 new loans to our members.

Establishing offices in central Croydon at Lansdowne House and at Oru Centre in Sutton provides our staff and volunteers with modern and pleasant work spaces and allows us to continue to offer a face to face service for members in Croydon. We're working with Merton Council to facilitate a permanent base in the borough which will give us an office presence in all our common bond areas. Working within our common bond communities is at the heart of the credit union ethos and we're keen to build on the success of this year's community partnerships to develop stronger ties and grow our membership.

Key Achievements:

- I'd like to commend the management team and governance committee on securing grant funding of £111,500 from Fair4All Finance for 2023/24 and 2024/25 to help us develop our IT systems and improve our member experience.
- Extending the Merton Young Savers scheme in partnership with Merton Council for another year. We saw our young member accounts from 265(2023) to 390 which is testament to the success of this partnership and heartening to see children starting their savings careers.
- Our members share accounts grew by £200,000 from £6.1 Million (2023) to £6.3 million which is a great achievement during the challenging economic climate.

I'd like to thank all or the staff, volunteers and my fellow board members who keep the wheels of the credit union turning for their efforts during 2023 – 2024. Your hard work and dedication is demonstrated by the continuing growth of our organisation. I'd like to thank our members who trust us with their savings and access our loans products; we look forward to serving you for another year.



Victoria Tonks 25/2/2025

Chair

Report of the Directors

For the Year ended 30 September 2024

The Directors present their report and financial statements of the Credit Union for the year ended 30 September 2024.

Principal Activities

The principal activity of the credit union is the provision of savings and loans facilities.

Results

The surplus for the year ended 30 September 2024 was £115,488 (2023 £80,313). The General Reserves are stated at £565,147 (2023 £449,649).

The Directors intend to recommend a dividend payment of 1% in respect of the year ended 30 September 2024.

Board Membership and Directors

Current

- Victoria Tonks – Chair (elected 2023 AGM)
- Simon Byrne – Vice Chair (elected 2023 AGM)
- Clive Fraser – Secretary (re-elected 2024 AGM)
- Philip Butlin – Treasurer (re-elected 2022 AGM)
- Naomi Martin (re-elected 2023 AGM)
- Catherine Black (Corporate Director)
- Laurie Pocock (elected 2022 AGM)
- Victoria Roberts (elected 2023 AGM)

Previous

- Daniel Ayeni (term completed)
- Carol Squires (Corporate Director, resigned)
- John Tooze (term completed)

Review of the Year

During the year an average of 38 new members joined the Credit Union and activated their accounts each month with more than half of those from Merton or Sutton. Approximately 750 dormant accounts with nil balances and no transactions in the last year were closed. As at 30 September 2024 total membership was 6,676 (2023 6,869). There were also 390 junior members (2023 265). Members share accounts totalled £6.3m at the year end, up from £6.1m in 2023.

A total of 2334 new loans were allocated in the year with a total value of £2.8m. At the year end the value of loans outstanding, before provisions, was £3.8m (2023 £3.7m). Total interest receivable from loans to members was £576,537 (2023 £525,813).

The agreement with the London Borough of Merton to operate a scheme for young savers entering school Year 7 has been extended for a second year. Eligible young people will receive an initial deposit into their account and an associated adult account will have their joining fee paid. This should boost member numbers in Merton and help to improve financial literacy.

Providing a timely and professional service to our members is a key priority. We continually review our systems and processes to ensure we can provide the best service we can, whether by telephone, electronic channels or face to face.

Report of the Directors

For the Year ended 30 September 2024

During the year we handled over 23,500 calls via our VoIP telephony system. About 84% of calls received were answered against a target of 80%.

Online services have continued to be provided via our website and Nivo. Work continues to improve our online self service capabilities with the aim to have a fully functioning mobile app during 2024/25.

We attended over 500 pre-booked face to face appointments with our members and served around 800 members via a walk-in service. We continue to provide services to some of the most vulnerable members of our community, providing them with access to financial services.

We processed over 1,500 cheques enabling vulnerable members to access their benefits.

CroydonPlus has a permanent presence on Sutton High Street at Oruspace in Times Square. This should improve service to Sutton-based members and make it easier to attract new members from Sutton. We also occupy space at Lansdowne House in central Croydon and in Job Centre Plus, Croydon.

We are working with an ethical community focused IT support provider and have successfully migrated and future proofed our core IT infrastructure.

During the year CroydonPlus made a successful application to Fair4All Finance for grant funding to support premises and IT related costs. The grant awarded was £111,500 to be used during 2023/24 and 2024/25.

Staff & Volunteers

The Credit Union staff team has continued to provide excellent service to our members. Three staff have joined the team during the year.

The team is supported by volunteer members who give their time to ensure that the needs of our members are met.

All new and existing team members undergo regular training to ensure that they keep up to date with the latest developments in the financial services sector.

The Directors would like to express their appreciation for the commitment and enthusiasm of all our staff and volunteers.

Staff Team

- Michael Wilson
- Peter Robinson
- Eniola Akinosho
- Ruby Begum
- Hayden Brenen
- Amanda Browne
- Emma Duncanson
- Eniola Akinosho
- Humma Khan
- Kavitha Kumaresan
- Steph Hunt
- Steven Obigbesan
- Thiviya Sunthar
- Tracy Wager

Report of the Directors

For the Year ended 30 September 2024

Volunteers 2023-2024

- Jentine Nelson
- Rosa Bensouda

Supervisory committee

During 2023-24 we have continued to develop the Supervisory Committee which provides an independent review function for the Credit Union.

Current members are:

- Megha Agarwal
- Henry Basing

Supporting Communities

We would like to thank the many organisations with whom we have worked and who have supported the Credit Union and the local community over the last year. These include:

Croydon

- Co-op Bank East Croydon
- Croydon Council
- Croydon Job Centre Plus (Access Croydon)
- New Addington Family Centre

Merton

- Merton Council (Merton Young Saver and Cost of Living Events)
- FLEX FM 101.4 - Community Radio
- Merton Adult Learning

Sutton

- Sutton Council
- Oru Space Sutton
- Sutton Housing Partnership (SHP)
- Together for Sutton (Kate Lawman)

Other

- Association of British Credit Unions Limited (ABCUL)
- Citizens Advice Bureau (Croydon, Merton and Sutton)
- Credit Union Foundation
- CU Apps
- ENGAGE
- All our Pay Roll Partners
- Fair 4 All Finance
- Illegal Money Lending Team (IMLT)
- London Capital Credit Union
- Lewisham Plus Credit Union
- Money and Pension Service (MaPS)
- Nivo
- Sercla
- SCIP | IT Services for Charities and Community
- Voip Studio
- Wix

Feedback

We value the views of our members and welcome any suggestions for improvement.

Report of the Directors

For the Year ended 30 September 2024

Future aims

- Maintain and improve the financial resilience of the Credit Union and its Members.
- Achieve continuous improvement in the quality, accessibility and inclusiveness of our services to members.
- Offer ethical and competitive savings and loan products.
- Increase our membership across Croydon, Merton and Sutton.
- Improve financial competence and resilience within the communities that we serve.
- Work collaboratively with partner organisations to achieve shared goals.
- Identify and secure accommodation across Croydon, Merton and Sutton that supports the delivery of our business strategy.

Statement of Directors' Responsibilities

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

Co-Operative and Community Benefit Society law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (Financial Reporting Standard 102 and applicable law). Under that law 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 income and expenditure of the Credit Union for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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. 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.

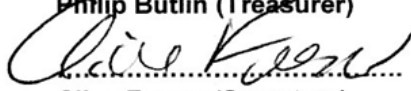
Disclosure of information to auditors

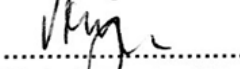
Each person who was a director at the time this report was approved confirms that:

- so far as he/she is aware, there is no relevant audit information of which the Credit Union's auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the Credit Union's auditor is aware of that information.

This report was approved by the Board of Directors on 25 February 2025 and signed on its behalf by:


.....
Philip Butlin (Treasurer)


.....
Clive Fraser (Secretary)


.....
Victoria Tonks (Chair)

**Report of the Independent Auditors to the Members of
Croydon, Merton and Sutton Credit Union Limited**

Opinion

We have audited the financial statements of Croydon, Merton and Sutton Credit Union Limited for the year ended 30 September 2024 which comprise the Revenue Account, the Balance Sheet, the Statement of changes in Retained Earnings, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Credit Union's members, as a body, in accordance with the Credit Unions Act 1979. 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 auditors' 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 the credit union's affairs as at 30 September 2024 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

Basis of 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

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 unions ability to continue to adopt the going concern basis of accounting for a period of a least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the report of the directors, but does not include the financial statements and our Report of the Auditors thereon.

In our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

**Report of the Independent Auditors to the Members of
Croydon, Merton and Sutton Credit Union Limited**

Opinion on other matters prescribed by the Cooperative and Community Benefits Societies Act 2014

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the credit union and its environment obtained during the audit, we have not identified material misstatements in the Report of the Directors.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by the law are not made; or
- we have not received all the information and explanations we require for our audit; or

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page seven, 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 the directors determine 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 company'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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but it is not 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 aggregate, they could reasonable be expected to influence the economic decisions of users taken on the basis of these financial statements. We identify and assess risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- results of our enquiries of management about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;

Report of the Independent Auditors to the Members of
Croydon, Merton and Sutton Credit Union Limited

- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in. The key laws and regulations we considered in this context included the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

In addition we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

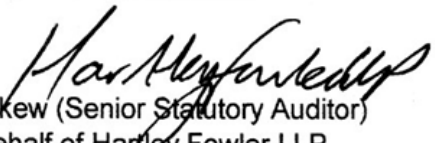
As a result of performing the above, we did not identify any key matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provision of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reviewing minutes of meetings of those charged with governance, reviewing internal reports and reviewing correspondence with Bank of England, and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments, assessing whether the judgements made in making accounting estimates are indicative of a potential bias and evaluating the business rationale for any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indication of fraud or non-compliance with laws and regulations throughout the audit.

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


Jonathan Askew (Senior Statutory Auditor)
for and on behalf of Harley Fowler LLP
Statutory Auditors & Chartered Accountants
4th Floor Tuition House
27/37 St George's Road
London
SW19 4EU

..... 4/3/25

Croydon, Merton and Sutton Credit Union Limited

Revenue Account

For the Year ended 30 September 2024

		2024	2023
		Total	Total
	Note	£	£
Loan interest receivable	5	576,537	525,813
Interest payable	5.1	<u>(59,173)</u>	<u>-</u>
Net interest income		517,364	525,813
 Fees receivable		 <u>13,444</u>	 <u>14,008</u>
		530,808	539,821
 Other operating income	6	 201,568	 5 ,658
Administrative expenses	8.1	(523,398)	(447,089)
Other operating expenses	8.2	(13,235)	(2 ,430)
Impairment losses on loans to members	12.4	<u>(60,600)</u>	<u>(3 ,387)</u>
Surplus before taxation		135,143	8 ,573
Taxation	9	<u>(19,655)</u>	<u>(6,260)</u>
Surplus for the financial year		115,488	8 ,313
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>115,488</u></u>	<u><u>8 0,313</u></u>

Croydon, Merton and Sutton Credit Union Limited

Balance sheet

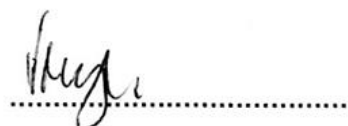
For the Year ended 30 September 2024

	Note	2024 £	2023 £
ASSETS			
Tangible Fixed Assets	11	20,786	3,831
Loans to members	12	3,542,977	3,4 7,511
Other debtors		116,549	32,566
Loans and advances to banks	19	1,977,984	1,8 9,289
Cash and cash equivalents	19	<u>1,312,119</u>	<u>1,3 1,136</u>
Total assets		<u>6,970,415</u>	<u>6,6 4,333</u>
LIABILITIES			
Members' Share Capital	15	6,309,194	6,135,971
Subordinated Loans	14	42,000	63,000
Other creditors	13	<u>54,074</u>	<u>35,703</u>
		6,405,268	6,234,674
RESERVES			
Retained earnings	17	<u>565,147</u>	<u>449,659</u>
Total liabilities		<u>6,970,415</u>	<u>6,684,333</u>

The financial statements were approved, and authorised for issue, by the board on 25 February 2025 and signed on its behalf by:



Philip Butlin (Treasurer)



Victoria Tonks (Chair)



Clive Fraser (Secretary)

Croydon, Merton and Sutton Credit Union Limited

Statement of changes in Retained Earnings

For the Year ended 30 September 2024

	2024	2023
	£	£
As at 1 October 2023	449,659	369,346
Total comprehensive income for the year	115,488	80,313
As at 30 September 2024	<u>565,147</u>	<u>449,659</u>

Croydon, Merton and Sutton Credit Union Limited

Statement of Cash Flows

For the Year ended 30 September 2024

	Note	2024 £	2023 £
Cash flows from operating activities			
Surplus before taxation		135,143	86,573
Adjustments for non-cash items:			
Add: Depreciation	11	7,415	6,758
Provision for impairment losses	12.4	73,030	49,986
Less: Impairment of individual financial assets	12.4	<u>(94,535)</u>	<u>(72,480)</u>
		(14,090)	(15,736)
Movements in:			
Debtors		(83,983)	(25,291)
Creditors		<u>4,976</u>	<u>3,746</u>
		(79,007)	(21,545)
Cash flows from changes in operating assets and liabilities			
Cash inflow from members' deposits	15	6,969,673	6,659,900
Cash outflow from repaid members' deposits	15	(6,796,450)	(6,472,701)
New loans to members	12.1	(2,804,299)	(2,586,455)
Interest Income on loans	5	(576,537)	(525,813)
Repayment of loans by members	12.1	<u>3,316,875</u>	<u>3,131,795</u>
		109,262	206,726
Corporation tax paid	10	(6,260)	(1,280)
Net cash flows from operating activities		<u>145,048</u>	<u>254,738</u>
Financing activities			
Repayment of subordinated loans		(21,000)	(21,000)
Net cash flows from investing activities			
Purchase of tangible fixed assets	11	(24,370)	-
Net cash flow from managing liquid deposits	19	(88,695)	(925,220)
Cash and cash equivalents at 1 October 2023	19	<u>1,301,136</u>	<u>1,992,618</u>
Cash and cash equivalents at 30 September 2024	19	<u><u>1,312,119</u></u>	<u><u>1,301,136</u></u>

Notes to the financial statements

For the Year ended 30 September 2024

1. Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

2. Legal and regulatory framework

Croydon, Merton and Sutton Credit Union Limited is an organisation established under the Co-operative and Community Benefit Societies Act 2014 whose principal activity of the society is to operate as a credit union within the meaning of the Credit Unions Act 1979. Croydon, Merton and Sutton Credit Union Limited 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 Croydon, Merton and Sutton Credit Union Limited has only issued redeemable shares.

3. Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with FRS102 The Financial Reporting Standard applicable in the UK and Republic Ireland. The financial statements are prepared on the historical cost basis. The financial statements are prepared in sterling, which is the functional currency of the credit union. Monetary amounts in these financial statements are rounded to the nearest pound.

Going Concern

The financial statements are prepared on a going concern basis.

Income recognition

Interest on members' loans

Interest on loans to members is recognised on an accrual basis using the effective interest method

Dividends

Dividends are paid to members based on then actual deposits held with the credit union.

Fee receivable

Fees receivable comprise entrance fees.

Grant income

Revenue Grant income is recognised in the Revenue account in the period to which it relates. Grant income relating to future periods is credited to deferred income.

Investment income

Investment income comprises interest on funds held on deposit and is included when receivable and the amount can be measured reliably; this is normally upon notification of the interest paid or payable by the bank.

Other income

Other income predominately comprises bad debts recovered. Other income is recognised when the criteria have been performed that enable the credit union to claim the income concerned.

Notes to the financial statements

For the Year ended 30 September 2024

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. Croydon, Merton and Sutton Credit Union Limited is not liable to corporation tax payable on its activities of makings 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 Croydon, Merton and Sutton Credit Union Limited 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 office 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 the office equipment, less its estimated residual value, on a straight line basis over its estimated useful. Office equipment is depreciated over 3 years.

Loans and advances to banks

Loans and advances to banks comprises loans and advances to banks (ie cash deposited with banks) with a maturity of more than 8 days.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and loans and advances to banks (ie cash deposited with banks) with a maturity of less than or equal to 8 days.

Financial assets - loans to members

Loans to members are financial assets with fixed to 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.

Impairment of financial assets

Impairment losses on loans to members are provided in accordance with the guidelines issues by the Prudential Regulatory Authority. 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. 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.

Financial liabilities - members deposits

Members' shareholdings in Croydon, Merton and Sutton Credit Union Limited are redeemable and therefore are classified as financial liabilities. They are recognised at the amount of cash deposited.

Creditors

Short term creditors are measured at transaction price (which is usually the invoice price).

Employee Benefits

Defined contribution plans: The amounts charged as expenditure for the defined contribution plan are the contributions payable by Croydon, Merton and Sutton Credit Union Limited for the relevant period. Other employee benefits: Other short and long term employee benefits, including holiday pay, are recognised as an expense over the period they are earned.

Notes to the financial statements

For the Year ended 30 September 2024

Reserves

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

Pensions

Contributions to defined contribution plans are charged in the period to which they relate.

4. Critical accounting 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 Croydon, Merton and Sutton Credit Union Limited'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

This is made by the judgement of the Directors in accordance with the guidance issued by the Prudential Regulation Authority.

5. Loan interest receivable	2024	2023
	£	£
Loan interest receivable from members	<u>576,537</u>	<u>525,813</u>

The loan interest receivable from members is derived from the area within its common bond

5.1 Interest payable	2024	2023
	£	£
Dividends paid on members' shares in the year	<u>59,173</u>	<u>-</u>

The distributions on member's shares represents distributions paid in the year.

6. Other operating income	2024	2023
	£	£
Investment income	57,968	17,386
Bank interest received	30,354	15,562
Grant Income	112,523	20,000
Other income	723	710
	<u>201,568</u>	<u>53,658</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2024

7. Operating surplus/(deficit)	2024	2023
	£	£

This is stated after charging:

Depreciation of owned assets	7,415	6,758
Auditors' remuneration for audit services	<u>4,700</u>	<u>4,550</u>

8. Expenses		2024	2023
	Note	£	£
Administrative expenses	8.1	523,398	447,089
Other operating expenses	8.2	13,235	22,430
		<u>536,633</u>	<u>469,519</u>

8.1 Administrative expenses

Employment costs	9.2	383,624	355,638
Electronic Computer Crime and Public liability insurance		595	400
Travel and meetings		5,629	2,733
Auditors' remuneration for audit services		4,700	4,550
Auditors' remuneration for non audit services		1,920	1,850
Volunteer expenses		79	393
Training costs		6,381	5,720
Computer maintenance		40,072	29,999
Advertising and promotion		8,985	7,902
Printing, stationery and postage		2,303	2,933
Bank charges		9,744	9,593
Depreciation		7,415	6,758
Telephone and internet		6,548	5,729
Legal and professional fees		910	71
Directors' and officers' insurance		900	900
Office expenses		43,143	11,270
Interest on subordinated loans		450	650
		<u>523,398</u>	<u>447,089</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2024

8.2 Other operating expenses

Other operating expenses comprise regulatory and financial management costs.

	2024	2023
	£	£
Regulatory and financial management costs		
Financial Conduct Authority and Prudential Regulation Authority fees and Financial Services Compensation Scheme levy	1,426	1,400
Association of British Credit Unions Limited dues	5,604	5,169
Fidelity bond insurance	3,606	3,260
Credit agency fees	<u>2,599</u>	<u>12,601</u>
	<u>13,235</u>	<u>22,430</u>

9. Employees and employment costs

9.1 Number of employees

The average monthly number of employees during the year were:

	2024	2023
	Number	Number
Office staff	<u>13</u>	<u>13</u>

9.2 Employment costs

	2024	2023
	£	£
Wages and salaries	342,460	318,687
Social security costs	26,295	23,068
Payments to defined contribution pension schemes	7,007	6,845
Staff benefit insurance	5,778	5,091
Payroll bureau costs	<u>2,084</u>	<u>1,947</u>
Total employment costs	<u>383,624</u>	<u>355,638</u>

9.3 Key Management Remuneration

The Directors of Croydon, Merton and Sutton Credit Union Limited do not receive any remuneration.

The key management personnel is considered to be the Chief Executive Officer and the Operations Manager. Total remuneration paid to key management during the year was £115,496 (2023: £101,956).

Notes to the financial statements

For the Year ended 30 September 2024

10. Corporation Tax

10.1 Recognised in the Revenue Account

The taxation charge for the year, based on the standard rate of corporation tax of 25% less marginal relief (2023: 19%) comprised:

	Note	2024 £	2023 £
Current tax			
UK Corporation tax	10.2	19,655	6,260
Total current tax and total taxation expense recognised in the Revenue Account		<u>19,655</u>	<u>6,260</u>

10.2 Reconciliation of taxation expense

Croydon, Merton and Sutton Credit Union Limited 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 trade. However, corporation tax is payable on investment income. As a result, the tax charge for the year differs from the standard rate of Corporation tax. The differences are explained below:

	2024 £	2023 £
Surplus / (deficit) before taxation	<u>135,143</u>	<u>86,573</u>
Surplus / (deficit) before taxation multiplied by the standard rate of corporation tax in the UK of 25% less marginal relief (2023: 19%)	30,069	16,449
Effects of:		
Non-taxable surplus / (deficit) on transactions with members	(10,414)	(10,189)
Total tax charge for the year	<u>19,655</u>	<u>6,260</u>

Notes to the financial statements

For the Year ended 30 September 2024

11. Tangible fixed assets

Tangible fixed assets comprise office equipment:

	Fixtures & Fittings £	Office Equipment £	Total £
Cost			
At 1 October 2023	-	59,104	59,104
Additions	1,322	23,048	24,370
At 30 September 2024	<u>1,322</u>	<u>82,152</u>	<u>83,474</u>
Depreciation			
At 1 October 2023	-	55,273	55,273
Charge for the year	404	7,011	7,415
At 30 September 2024	<u>404</u>	<u>62,284</u>	<u>62,688</u>
Net book value			
At 30 September 2024	<u>918</u>	<u>19,868</u>	<u>20,786</u>
At 30 September 2023	<u>-</u>	<u>3,831</u>	<u>3,831</u>

12. Loans to members - financial assets

12.1 Loans to members

	Note	2024 £	2023 £
At 1 October 2023		3,713,452	3,732,979
Loans advanced during the year		2,804,299	2,586,455
Loan Interest charged	5	576,537	525,813
Loans written off during the year	12.4	(94,535)	(72,480)
Loans recovered during the year	12.4	12,430	12,599
Loans repaid during the year		<u>(3,234,770)</u>	<u>(3,071,914)</u>
Gross loans to members	12.2	3,777,413	3,713,452
Impairment losses			
Individual financial assets		(200,542)	(223,648)
Groups of financial assets		<u>(33,894)</u>	<u>(32,293)</u>
	12.2	<u>(234,436)</u>	<u>(255,941)</u>
At 30 September 2024	12.2	<u>3,542,977</u>	<u>3,457,511</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2024

Memorandum - Total loan assets for regulatory purposes		2024	2023
		£	£
Gross loans to members		3,777,413	3,713,452
Impairment of individual financial assets		<u>(200,542)</u>	<u>(223,648)</u>
Total loan assets for regulatory purposes	16.2	<u>3,576,871</u>	<u>3,489,804</u>

12.2 Credit risk disclosures

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

	2024	2023
	£	£
Not impaired:		
Neither past due nor impaired	1,830,009	1,861,708
Up to 3 months past due	<u>1,694,674</u>	<u>1,614,644</u>
	3,524,683	3,476,352
Individually impaired:		
Between 3 and 6 months past due	57,122	47,226
Between 6 and 9 months past due	22,149	48,638
Between 9 and 12 months past due	31,001	26,223
Over 12 months past due	<u>142,458</u>	<u>115,013</u>
	3,777,413	3,713,452
Impairment allowance	<u>(234,436)</u>	<u>(255,941)</u>
Total carrying value as at 30 September 2024	<u>3,542,977</u>	<u>3,457,511</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2024

12.3 Allowance account for impairment losses

	Note	2024 £	2023 £
At 1 October 2023		255,941	278,435
Allowances (reversed) / made during the year		<u>(21,505)</u>	<u>(22,494)</u>
At 30 September 2024		<u>234,436</u>	<u>255,941</u>

12.4 Impairment losses recognised for the year

	2024 £	2023 £
Impairment of individual financial assets	94,535	72,480
Allowances (reversed) / made during the year	<u>(21,505)</u>	<u>(22,494)</u>
Total impairment losses recognised for the year	73,030	49,986
Reversal of impairment where debts recovered	<u>(12,430)</u>	<u>(12,599)</u>
Total impairment recognised for the year	<u>60,600</u>	<u>37,387</u>

13. Other creditors

	2024 £	2023 £
UK Corporation tax	19,655	6,260
Sundry Creditors	<u>34,419</u>	<u>29,443</u>
	<u>54,074</u>	<u>35,703</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2024

14. Subordinated loans	Note	2024 £	2023 £
London Borough of Croydon subordinated loans	14.1	40,000	60,000
Related party subordinated loans	14.2	<u>2,000</u>	<u>3,000</u>
		<u>42,000</u>	<u>63,000</u>

14.1 During the year ended 30 September 2015 the credit union received an unsecured subordinated loan from London Borough of Croydon of £100,000. The rate of interest on this loan is 1% per annum.

The loan will be repaid in the following instalments:	£
Year ended 30 September 2025	20,000
Year ended 30 September 2026	20,000
	<u>40,000</u>

Only 40% of this subordinated loan can be treated as capital under the capital assets ratio in accordance with PRA rule 8.4. During the year the third repayment was made of £20,000.

14.2 During the year ended 30 September 2015 the credit union received two unsecured subordinated loans from two directors. One has been repaid. The remaining loan is for £5,000 with a rate of interest of 2% per annum.

The loans will be repaid in the following instalments:	£
Year ended 30 September 2025	1,000
Year ended 30 September 2026	1,000
	<u>2,000</u>

Only 40% of this subordinated loan can be treated as capital under the capital assets ratio in accordance with PRA rule 8.4. During the year the third repayment was made of £1,000.

15. Members' deposits	2024 £	2023 £
At 1 October 2023	6,135,971	5,£ 48,772
Received during the year	6,969,673	6,£ 59,900
Repaid during the year	<u>(6,796,450)</u>	<u>(6,£ 72,701)</u>
At 30 September 2024	<u>6,309,194</u>	<u>6,£ 35,971</u>

16. Additional financial instruments disclosures

16.1 Financial risk management

Croydon, Merton and Sutton Credit Union Limited manages its members' deposits and loans to members so that it earns income which is adequate to meet the overheads of the credit union and to provide a reasonable return to members on shares.

The main financial risks arising from Croydon, Merton and Sutton Credit Union Limited'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 Croydon, Merton and Sutton Credit Union Limited, 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 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.

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 and to provide a degree of protection against any unexpected developments that may arise.

Market risk:

Market risk is generally comprised of interest rate risk, currency risk and other price risk. Croydon, Merton and Sutton Credit Union Limited 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:

Croydon, Merton and Sutton Credit Union Limited'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. Croydon, Merton and Sutton Credit Union Limited maintains its members shares in non-interest bearing accounts. The credit union considers rates of interest receivable when deciding on the dividend rate payable on member's deposits. Croydon, Merton and Sutton Credit Union Limited does not use interest rate options to hedge its own positions.

Notes to the financial statements

For the Year ended 30 September 2024

16.2 Interest rate risk disclosures

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

	2024	Average	2023	Average
	Amount	Interest	Amount	Interest
	£	rate	£	rate
Financial assets				
Loans to members	<u>3,576,871</u>	<u>16.1%</u>	<u>3,489,804</u>	<u>15.1%</u>
Financial liabilities				
Members shares	<u>6,309,194</u>	<u>0%</u>	<u>6,135,971</u>	<u>0%</u>

The interest rates applicable to loans to members are fixed and range from 1% to 36%.

Any interest payable in the form of dividends is determined after the end of the relevant financial year, as a result, the surplus or deficit for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

16.3 Liquidity risk disclosures

Excluding short-term other creditors, Croydon, Merton and Sutton Credit Union Limited's financial liabilities are mainly repayable on demand.

16.4 Fair value of financial instruments

Croydon, Merton and Sutton Credit Union Limited does not hold any financial instruments at fair value.

17. Reserves

Retained earnings represent the base capital of the credit union. It consists of the retained surpluses and deficits which have not been distributed as dividends.

18. Capital

The credit union classes all of its reserves as capital. Additionally capital comprises the subordinated debt that qualifies as capital. The credit union manages its reserves through its financial policies and procedures. The Prudential Regulation Authority (PRA) sets out the requirements for regulatory capital which the credit union must maintain. The credit union's compliance with the requirements at the year end is set out below:

	2024	2023
	%	%
Regulatory capital as % of total assets	<u>8.33</u>	<u>7.10</u>
Minimum threshold stipulated in Rule 8.5a (PRA rulebook)	<u>5.00</u>	<u>5.00</u>

Croydon, Merton and Sutton Credit Union Limited

Notes to the financial statements

For the Year ended 30 September 2024

19. Cash and cash equivalents	2024	2023
	£	£
Loans and advances to banks and cash and cash equivalents	3,290,103	3,190,425
Less: Loans and advances to banks - amounts maturing after 8 days	<u>(1,977,984)</u>	<u>(1,889,289)</u>
Total cash and cash equivalents	<u>1,312,119</u>	<u>1,301,136</u>

20. Contingent liabilities

Croydon, Merton and Sutton Credit Union Limited 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. 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 Croydon, Merton and Sutton Credit Union Limited will have to pay.

21. Related party transactions

Balances held by directors and their close family members in the credit union are set out below. Loans to directors and their close family members are on the same terms as those on offer to other members.

	2024	2023
	£	£
Loans to directors and their close family	10,260	10,260
Shares held by directors and their close family	11,878	13,465

Balances held by members of key management and their close family members in the credit union are set out below. Loans to key management are provided at a discounted rate of 25% of the normal rate for the relevant loan product. Loans to close family members of key management are on standard terms.

	2024	2023
	£	£
Loans to key management and their close family	11,223	14,613
Shares held by key management and their close family	7,295	12,781

During the year ended 30 September 2015 the credit union received a subordinated loan of £5,000 from a now former director with a rate of interest of 2% per annum. During the year the third repayment was made of £1,000. (see note 14.2).