

CARLISLE & DISTRICT CREDIT UNION LTD

Firm Reference No 401116

Registered No IP00712C

**DIRECTORS REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

30 SEPTEMBER 2016

CARLISLE & DISTRICT CREDIT UNION LTD

ADMINISTRATIVE INFORMATION

Directors	Michele Gwillim Myrna Angela Hill Catherine Mary Hunt Caroline Jane Jewitt Denise Moses Christian Reid Robertson Stephen Soars Frances Westmorland Julian Thomas Whittle Simon David Williams Moreen Wilson Gillian Brough
Chief Executive Officer	Amanda Johnstone
Secretary	Frances Westmorland
Society Registration Number	IP00712C
Financial Conduct Authority Registration Number	401116
Registered Office	95 Lowther Street Carlisle Cumbria CA3 8ED
Auditors	Lindley Adams Limited Chartered Accountants and Statutory Auditors 28, Prescott Street Halifax, HX1 2LG
Bankers	Unity Trust Bank Plc Nine Brindleyplace 4 Oozells Square Birmingham B1 2HB

CARLISLE & DISTRICT CREDIT UNION LTD

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CARLISLE & DISTRICT CREDIT UNION LTD

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

The Directors present their report and the financial statements for the year ended 30 September 2016.

Principal activity and Business Review

The principal activities of the credit union are the promotion and encouragement of regular saving and prudent borrowing by its members, as defined in the Credit Unions Act 1979.

Results and Dividends

The surplus for the year, after taxation, amounted to £10,563 (2015 - £4,512). In addition, there were 2,769 (2015 2,694) adult members with 1,142 (2015 1,066) members holding loans with the Credit Union.

Based upon the performance of the Credit Union as set out in these financial statements, the Directors recommend the payment of a 1% dividend. This will be voted upon at the forthcoming Annual General Meeting.

Directors

The directors who served during the year are listed below:

Michele Gwillim	Frances Westmorland
Myrna Angela Hill	Julian Thomas Whittle
Catherine Mary Hunt	Simon David Williams
Caroline Jane Jewitt	Moreen Wilson
Denise Moses	Gillian Brough
Christian Reid Robertson	
Stephen Soars	

Financial risk management objectives and policies

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and interest-rate risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below:

- Credit Risk: All loan applications are assessed with reference to the Credit Union's lending policy. Changes to policy are approved by the Board.
- Interest Rate Risk: The main interest rate risk arises from differences between interest rate exposures on assets and on liabilities that form an integral part of the credit union's operations. The Credit Union considers interest rates when deciding on the dividend rates to propose on share accounts.
- Liquidity Risk: The Credit Union's policy is to maintain sufficient funds in a liquid form at all times to ensure that the Credit Union can meet its liabilities as they fall due. The objective of liquidity is to help smooth mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

These areas are outlined in greater detail in section 15 of the Notes to the Financial Statements.

Statement of Directors' Responsibilities

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

Credit Union legislation requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland" (United Kingdom Accounting Standards and applicable law). Under Credit Union legislation the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the credit union and of the surplus or deficit of the Credit Union for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the credit union will continue in business.

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

In so far as the directors are aware:

- there is no relevant audit information (information needed by the Credit Union's auditors in connection with preparing their report) of which the Credit Union's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Credit Union's auditors are aware of that information.

This report was approved by the Board on 21.11.16 and signed on its behalf by:

Name of Director: CHRISTIAN ROBERTSON

Signature Christian Robertson

Name of Director: SIMON WILLIAMS

Signature

[Handwritten Signature]

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF CARLISLE & DISTRICT CREDIT UNION LTD**

We have audited the financial statements of Carlisle & District Credit Union Ltd for the year ended 30 September 2016 as set out on pages 5 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland".

The report is made solely for the Credit Union's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Credit Union's members those matters that 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 Credit Union's members as a body for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors including APB Ethical Standard – Provisions Available for Small Entities (Revised).

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Credit Union's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON THE FINANCIAL STATEMENTS

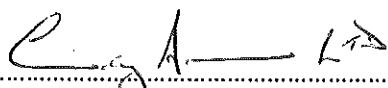
In our opinion the financial statements:

- Give a true and fair view of the state of the Credit Union's affairs as at 30 September 2016 and of its income and expenditure for the year then ended; and,
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and with the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- Proper books of account have not been kept by the Credit Union in accordance with the requirements of the legislation.
- A satisfactory system of control over transactions has not been maintained by the Credit Union in accordance with the requirements of the legislation,
- The revenue account or the other accounts (if any) to which our report relates, and the balance sheet are not in agreement with the books of account of the credit union.
- We have not obtained all the information and explanations necessary for the purposes of our audit.

 3/1/2017

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

CARLISLE & DISTRICT CREDIT UNION LTD

Revenue account for the year ended 30 September 2016

	Note	2016 £	2015 £
Loan Interest receivable and similar income	4	141,601	132,294
Interest payable	5	<u>(14,369)</u>	<u>(16,741)</u>
Net interest income		127,232	115,553
Fees and commissions receivable	6	511	347
Fees and commissions payable		<u>(2,617)</u>	<u>(2,421)</u>
Net fees and commissions payable		(2,106)	(2,074)
Other income	7	6,024	19,820
Administrative expenses	8a	(89,262)	(83,055)
Depreciation and amortisation	11	(9,847)	(12,385)
Other operating expenses	8b	(20,825)	(24,190)
Impairment gains (losses) on loans to members	12e	2,307	(5,599)
Surplus before taxation		<u>13,523</u>	<u>8,070</u>
Taxation		(2,960)	(3,558)
Surplus for the financial year		<u>10,563</u>	<u>4,512</u>
Other comprehensive income		0	0
Total comprehensive income		<u><u>10,563</u></u>	<u><u>4,512</u></u>

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

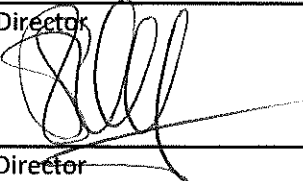
CARLISLE & DISTRICT CREDIT UNION LTD

Balance sheet as at 30 September 2016

	Note	2016 £	2015 £
ASSETS			
Loans and advances to banks		<u>922,849</u>	<u>939,030</u>
Loans and advances to members	13	748,306	664,486
Tangible fixed assets	11	212,529	221,440
Prepayments and accrued income		10,175	1,588
Total assets		<u><u>1,893,859</u></u>	<u><u>1,826,544</u></u>
LIABILITIES			
Subscribed capital - repayable on demand	13	1,601,858	1,538,894
Other payables	14	<u>6,825</u>	<u>7,678</u>
		1,608,683	1,546,572
Retained earnings		285,176	279,972
Total liabilities		<u><u>1,893,859</u></u>	<u><u>1,826,544</u></u>

The financial statements were approved, and authorised for issue by the board on 21.11.16 and signed on its behalf by:

Christian Robertson
Director


Director

F Westmoreland
Secretary

CARLISLE & DISTRICT CREDIT UNION LTD

Statement of changes in retained earnings for the year ended 30 September 2016

	2016	2015
	£	£
As at 1 October 2015	279,972	280,801
Total comprehensive income for the year	10,563	4,512
Capital grants release	(5,359)	(5,341)
As at 30 September 2016	285,176	279,972

Movement in reserves

	Retained earnings			Capital Grant	Other capital
	General	Revenue	Development	fund	Growth fund
	reserve	reserve	reserve	phase 2	reserve
As at 1 October 2015	42,284	14,789	42,635	129,235	51,029
Surplus for year	10,563	0	0	0	0
Other movements	(348)	348	0	(5,359)	0
As at 30 September 2016	52,499	15,137	42,635	123,876	51,029

	Overall Total
As at 1 October 2015	279,972
Surplus for year	10,563
Other movements	(5,359)
As at 30 September 2016	285,176

CARLISLE & DISTRICT CREDIT UNION LTD

Cash flow statement for the year ended 30 September 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Surplus before taxation		13,523	8,070
Adjustments for non-cash items			
Depreciation	11	9,847	12,385
Impairment losses	12e	8,825	17,061
		<u>18,672</u>	<u>29,446</u>
 Movements in:			
Prepayments and accrued income		(8,587)	(835)
Capital grant release		(5,359)	(5,341)
Other payables		(853)	(14,093)
		<u>(14,799)</u>	<u>(20,269)</u>
 Cash flows from changes in operative assets and liabilities			
Cash inflow from subscribed capital	13	1,088,784	1,050,688
Cash outflow from repaid capital	13	(1,025,820)	(1,039,785)
New loans to members	12a	(1,157,481)	(1,049,659)
Repayment of loans by members	12a	1,064,836	967,219
		<u>(29,681)</u>	<u>(71,537)</u>
 Taxation paid		(2,960)	(3,558)
Net cash flows from operating activities		<u>(15,245)</u>	<u>(57,848)</u>
 Cash flows from investing activities			
Purchase of property, plant and equipment	11	(936)	(816)
Net cash flow from managing liquid deposits		0	0
		<u>(936)</u>	<u>(816)</u>
 Net decrease in cash and cash equivalents		<u>(16,181)</u>	<u>(58,664)</u>
Cash and cash equivalents at beginning for year		939,030	997,694
Cash and cash equivalents at end of year		<u>922,849</u>	<u>939,030</u>

CARLISLE & DISTRICT CREDIT UNION LTD

Notes to the financial statements for the year ended 30 September 2016

1 Legal and regulatory framework

The Credit Union is a society established under the Co-operative and Community Benefit Societies Act 2014, whose principal activity is to operate as a credit union, within the meaning of the Credit Unions Act 1979. The Credit Union has registered with the Financial Conduct Authority and is regulated by the Prudential Regulation Authority under the provisions of the Financial Services and Markets Act 2000.

In accordance with the regulatory environment for credit unions, deposits from members can be made by subscription for redeemable shares, deferred shares and interest - bearing shares. At present the Credit Union has only issued redeemable shares.

2 Accounting policies**Basis of preparation**

These financial statements have been prepared in accordance with FRS 102 - the Financial Reporting Standard applicable in the UK and Ireland.

The financial statements are prepared on the historical cost basis.

First-time adoption of FRS 102

These are the Credit Union's first financial statements to comply with FRS 102. The date of transition to FRS 102 is 1 October 2014.

The transition to FRS 102 has resulted in a small number of accounting policy changes compared to those applied previously. Note 19 to the financial statements describes the differences between the retained earnings and surplus or deficit presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ended at 30 September 2015 (i.e. comparative information), as well as the retained earnings presented in the opening balance sheet (i.e. at 1 October 2014). It also describes all the required changes in accounting policies made on first time adoption of FRS 102.

Going concern

The directors of the Credit Union believe that it is appropriate to prepare the financial statements on the going concern basis. In accordance with PRA Rulebook Guidelines outlined in Section 8.5 (1), the credit union must maintain a minimum Capital to Total assets ratio of 3%.

	2016	2015
The relevant ratios are:-	15.06%	15.33%

Income

Loan interest receivable and similar income: Interest on both loans to members and loans to banks (i.e. cash and cash equivalents held on deposit with other financial institutions) is recognised using the effective interest method, and is calculated and accrued on a daily basis. Exempt interest on members loans is not recognised.

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

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

Taxation

The tax charge for the year reflects current tax payable. Current tax is the expected corporation tax payable for the year, using tax rates in force for the year. The Credit Union is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as a trade. However, corporation tax is payable on investment income.

As a result of the limited activities of the Credit Union from which profits are chargeable to corporation tax, it is unlikely that deferred tax will arise.

CARLISLE & DISTRICT CREDIT UNION LTD

Notes to the financial Statements for the year ended 30 September 2016 (continued)

2 Accounting policies (cont.)

Tangible fixed assets

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

Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value, on a straight line basis over its estimated useful life. The categories of property, plant and equipment are depreciated as follows:

Office Furniture & Fittings	5 Years
Computers	3 years
Property	50 years

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and with the Bank of England and loans and advances to banks (i.e. cash deposited with banks) with maturity of less than or equal to three months.

Deferred grants and funding / revenue contributions

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

Financial assets – loans and advances to members

Loans to members are financial assets with fixed or determinable payments. Loans are made to members for provident or productive purposes on such security (or without security) and terms as the rules of the Credit Union provide. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

Impairment of financial assets

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

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

Financial liabilities – subscribed capital

Members' shareholdings in the Credit Union are redeemable and therefore are classified as financial liabilities, and described as subscribed capital. They are initially recognised at the amount of cash deposited and subsequently measured at amortised cost.

Employee benefits

Defined contribution plans: The amounts charged as expenditure for the defined contribution plan are the contributions payable by the Credit Union 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.

Reserves

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

CARLISLE & DISTRICT CREDIT UNION LTD

Notes to the financial Statements for the year ended 30 September 2016 (continued)

3 Use of estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying the Credit Union's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

Impairment losses on loans to members

Impaired losses are stated after specifically reviewing all loans in arrears. The criteria used is whether the loan will be repaid within the term of the loan based upon the current regular pattern of repayments.

4 Loan interest receivable and similar income	2016	2015
	£	£
Loan interest receivable from members	126,799	114,505
Bank interest receivable from cash and liquid deposits	14,802	17,789
Total loan interest receivable and similar income	141,601	132,294

5 Interest expense

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

	2016	2015
	£	£
Interest paid during the year	14,369	16,741
Dividend rate	1.00%	1.25%
Interest proposed, but not recognised	15,137	14,789
Dividend rate	1.00%	1.00%

6 Fees and commissions receivable

	2016	2015
	£	£
Entrance fees	276	347
Dormant members fee	235	0
Total fees and commissions receivable	511	347

7 Other income

	2016	2015
	£	£
Revenue grants released	0	14,479
Capital grants released	5,359	5,341
Donations & Other Income	665	0
	6,024	19,820

8 Expenses

	Note	2016	2015
		£	£
Administrative expenses	8a	89,262	83,055
Depreciation and amortisation	11	9,847	12,385
Other operating expenses	8b	20,825	24,190
		119,934	119,630

CARLISLE & DISTRICT CREDIT UNION LTD

Notes to the financial Statements for the year ended 30 September 2016 (continued)

8a Administrative expenses	Note	2016	2015
		£	£
Employment costs	9a	64,455	61,477
Training and conference		1,550	3,631
Advertising		3,387	2,442
Travelling		1,253	2,494
Auditors remuneration	8c	2,684	2,124
Telephone		1,834	2,243
Computer maintenance		6,646	1,423
Legal and professional		827	35
General expenses		965	1,473
Printing, postage and stationery		4,910	4,868
Other insurance		751	845
Total administrative expenses		89,262	83,055
8b Other operating expenses		2016	2015
Cost of occupying offices (excluding depreciation)		£	£
Rates & water		202	209
Repairs and maintenance		4,901	1,858
Heating and lighting		1,461	1,759
		<u>6,564</u>	<u>3,826</u>
Regulatory and financial management costs			
Financial Conduct Authority and Prudential Regulation Authority fees		302	736
National Body dues		1,304	1,469
Financial Services Compensation Scheme levy		498	976
Fidelity insurance		2,383	2,005
Loan protection and life savings insurance		8,385	13,835
Bad debt recovery & credit searches		1,389	1,343
		<u>14,261</u>	<u>20,364</u>
Total other operating Expenses		20,825	24,190
8c Auditors remuneration			
The Credit Union voluntarily presents an analysis of its auditors' remuneration in accordance with Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008.			
		2016	2015
		£	£
Fees payable for the audit of the Credit Union's financial statements		2,594	2,034
Fees payable to the Credit Union's auditor for other services:			
Services relating to taxation		90	90
Total Auditors remuneration		2,684	2,124

CARLISLE & DISTRICT CREDIT UNION LTD

Notes to the financial Statements for the year ended 30 September 2016 (continued)

9 Employees and employment costs

9a Number of employees	2016	2015
The average monthly number of employees during the year were:	Number	Number
Office staff	<u>4</u>	<u>4</u>
9b Employment costs	2016	2015
	£	£
Wages, salaries and social security costs	64,455	61,477
Total employment costs	<u>64,455</u>	<u>61,477</u>

The Directors of the Credit Union are all unpaid volunteers. The key management team for the Credit Union includes the Chief Executive Officer and 3 members of staff.

	2016	2015
	£	£
Short term employee benefits	671	879
Total key management personnel compensation	<u>671</u>	<u>879</u>

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

10 Taxation**10a Recognised in the revenue account**

The taxation charge for the year, based on the small profits rate of Corporation Tax of 20% (2015/6 20%) comprised:

	Note	2016	2015
		£	£
Current tax		£	£
UK Corporation tax	10b	2,960	3,558
Total current tax and total taxation expense recognised in the Revenue Account		<u>2,960</u>	<u>3,558</u>

10b Reconciliation of taxation expense

The Credit Union is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as a trade. However, corporation tax is payable on investment income. As a result, tax charge for the year differs from the standard rate of corporation tax. The differences are explained below:

	2016	2015
	£	£
Surplus before taxation	<u>13,523</u>	<u>8,070</u>
Surplus before taxation multiplied by small profits rate of corporation tax in the UK of 20% (2015 20%)	2,705	1,614
Effects of:		
Non-taxable adjustment re holiday pay	(671)	(879)
Non-taxable deficit on transactions with members	926	2,823
Total tax charge for the year	<u>2,960</u>	<u>3,558</u>

CARLISLE & DISTRICT CREDIT UNION LTD

Notes to the financial Statements for the year ended 30 September 2016 (continued)

11 Tangible fixed assets

Tangible fixed assets comprise the following property, plant and equipment:

	Property	Computers	Office Furniture & Fittings	Total
Cost	£	£	£	
As at 1 October 2015	234,479	29,889	1,400	265,768
Additions	0	600	336	936
Disposals	0	(1,433)	0	(1,433)
As at 30 September 2016	234,479	29,056	1,736	265,271
Depreciation				
As at 1 October 2015	21,840	21,521	967	44,328
Charge for the year	4,692	4,780	375	9,847
Charge on disposal	0	(1,433)	0	(1,433)
As at 30 September 2016	26,532	24,868	1,342	52,742
Net Book Value				
As at 30 September 2016	207,947	4,188	394	212,529
As at 30 September 2015	212,639	8,368	433	221,440

12 Loans and advances to members**12a Loans and advances to members**

Note	2016 £	2015 £
	737,613	686,149
	1,157,481	1,049,659
	126,799	114,505
	(1,191,635)	(1,081,724)
12b	830,258	768,589
Impairment losses:		
Individual financial assets	0	(30,976)
Groups of financial assets	(81,952)	(73,127)
	(81,952)	(104,103)
As at 30 September 2016	748,306	664,486

12b Memorandum - Total loan assets regulatory purposes

Note	2016 £	2015 £
	830,258	768,589
	0	(30,976)
15b	830,258	737,613

CARLISLE & DISTRICT CREDIT UNION LTD

Notes to the financial Statements for the year ended 30 September 2016 (continued)

12c Credit risk disclosures

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

The carrying amount of the loans to members represents the credit union's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full.

	2016		2015	
	Amount	Proportion	Amount	Proportion
Not impaired:				
Neither past due nor impaired	585,306	70.50%	555,177	72.21%
Up to 3 months past due	125,487	15.11%	108,368	14.10%
Between 3 and 6 months past due	13,883	1.67%	2,810	0.37%
Between 6 and 9 months past due	6,080	0.73%	1,227	0.16%
Between 9 months and 1 year past due	5,648	0.68%	424	0.06%
Over 1 year past due	7,049	0.85%	7,509	0.98%
Sub-total: loans not impaired	743,453	89.54%	675,515	87.88%
Individually impaired:				
Not yet past due, but impaired	13,208	1.59%	13,312	1.73%
Up to 3 months past due	3,053	0.37%	8,967	1.17%
Between 3 and 6 months past due	8,707	1.05%	13,436	1.75%
Between 6 and 9 months past due	19,506	2.35%	12,030	1.57%
Between 9 months and 1 year past due	9,723	1.17%	10,627	1.38%
Over 1 year past due	32,608	3.93%	34,702	4.52%
Total loans	830,258	10.46%	768,589	12.12%
Impairment allowance	(81,952)		(104,103)	
Total carrying value	748,306		664,486	

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

12d Allowance account for impairment losses	Note	2016	2015
		£	£
As at 1 October 2015		73,127	87,042
Allowance for losses made during the year		8,825	0
Allowances reversed during the year		0	(13,915)
Increase (decrease) in allowance during the year	12e	8,825	(13,915)
As at 30 September 2016		81,952	73,127
12e Impairment losses recognised for the year		2016	2015
		£	£
Impairment for individual financial assets		0	30,976
Increase (decrease) in impairment allowances during the year		8,825	(13,915)
		8,825	17,061
Reversal of impairment where debts recovered		(11,132)	(11,462)
Total impairment losses (gains) recognised for the year		(2,307)	5,599

CARLISLE & DISTRICT CREDIT UNION LTD

Notes to the financial Statements for the year ended 30 September 2016 (continued)

13 Subscribed capital - financial liabilities	2016	2015
	£	£
As at 1 October 2015	1,538,894	1,527,991
Received during the year	1,074,415	1,033,947
Dividends paid during the year	14,369	16,741
Repaid during the year	(1,025,820)	(1,039,785)
As at 30 September 2016	<u>1,601,858</u>	<u>1,538,894</u>

Deposits from members may only be made by way of subscription of shares. The balance includes shares made by juvenile members - £36,106 (2015 £35,323).

14 Other payables	2016	2015
	£	£
UK Corporation tax	2,960	3,558
Accruals and deferred income	2,705	2,843
Dormant account reserve	478	595
Grants carried forward: Revenue	682	682
	<u>6,825</u>	<u>7,678</u>

15 Additional financial instruments disclosures

15a Financial risk management

The Credit Union manages its subscribed capital and loans to members so that it earns income from the margin between interest receivable and interest payable.

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and interest rate risk. The board reviews and agrees policies for managing each of these risks, which are summarised below.

Credit risk: Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to the Credit Union, resulting in financial loss to the Credit Union. In order to manage the risk the Board approves the Credit Union's lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of payment has changed. The Credit Union also monitors its banking arrangements closely in light of the current banking situation.

Liquidity risk: The Credit Union's policy is to maintain sufficient funds in liquid form at all times to ensure that it meets its liabilities as they fall due. The objective of the Credit Union's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise. Note 2 provides further details about the impact of the maturity mismatch on the going concern status of the Credit Union.

Market risk: Market risk is generally comprised of interest rate risk, currency risk and other price risk. The Credit Union conducts all its transactions in sterling and does not deal in derivatives or commodity markets. Therefore the Credit Union is not exposed to any form of *currency risk* or *other price risk*.

Interest rate risk: The Credit Union's main interest rate risk arises from differences between the interest rate exposures on the receivables and payables that form an integral part of a credit union's operations. The Credit Union considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital. The Credit Union does not use interest rate options to hedge its own positions.

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Notes to the financial Statements for the year ended 30 September 2016 (continued)

15b Interest rate risk disclosures

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

	2016		2015	
	Amount	Average Interest Rate	Amount	Average Interest Rate
Financial assets	£	%	£	%
Loans to members	830,258	16.17%	737,613	16.08%

The interest rates applicable to loans to members are fixed and range from 7.6% to 24% per annum.

15c Liquidity risk disclosures

Excluding short-term other payables, as noted on the balance sheet, the Credit Union's financial liabilities, the subscribed capital, are repayable on demand.

15d Fair value of financial instruments

The Credit Union does not hold any financial instruments at fair value.

16 Post balance sheet events

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

17 Contingent liabilities

The Credit Union participates in the Financial Services Compensation Scheme (FSCS) and therefore has a contingent liability, which cannot be quantified, in respect of contributions to the FSCS, as required by the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) has provided details of how the calculation of next year's contribution towards the FSCS will be calculated and full provision has been included for this liability. However this is subject to future changes in interest rates and levels of deposits held by UK deposit takers. Therefore there is inherent uncertainty regarding the totality of the levy that the Credit Union will have to pay.

18 Related Party Transactions

During the year, 6 members of the board, staff, volunteers and 4 of their close family members, had or were issued with loans with the Credit Union (2015 10 Members). These loans were approved on the same basis as loans to other members of the Credit Union. None of the directors, staff, volunteers and close family members have any preferential terms on their loans.

CARLISLE & DISTRICT CREDIT UNION LTD

Notes to the financial Statements for the year ended 30 September 2016 (continued)

19 Transition to FRS 102

The Credit Union has adopted FRS 102 for the first time in these financial statements for the year ended 30 September 2016. The reconciliations below highlight the key impacts on both the surplus for the financial year and the retained earnings.

Reconciliation of surplus from previous UK accounting standards to FRS 102	2016	2015
	£	£
Surplus as previously reported	10,563	20,374
Dividends payable	0	(16,741)
Short term employee benefits	0	879
Surplus (in accordance with FRS 102)	<u>10,563</u>	<u>4,512</u>

Reconciliation of retained earnings from previous UK accounting standards to FRS 102	2016	2015
	£	£
Retained earnings	285,176	149,858
Capital Grant fund	0	129,235
Short term employee benefits	0	879
Retained earnings (in accordance with FRS 102)	<u>285,176</u>	<u>279,972</u>

The adjustments are:

19b Employee benefits

Under UK accounting standards, the Credit Union did not make a provision for holiday pay, i.e. holiday entitlement earned but not taken prior to the year end. In contrast, FRS 102 requires the cost of short-term compensated absences to be recognised when employees render the service that increases their entitlement. As a result an additional accrual has been made to reflect this.