

NEFIRST CREDIT UNION LIMITED

FIRM REFERENCE No 215686

REGISTERED No 679C

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2021

**STATEMENT OF THE COMMITTEE MANAGEMENT'S RESPONSIBILITIES TO THE MEMBERS OF
NEFIRST CREDIT UNION LIMITED
YEAR ENDED 30 SEPTEMBER 2021**

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 £39,321 (2020 - £446) 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 0.10% on the average value of ordinary members shares and the junior members shares;
- A transfer to the General Reserve of £39,321 (2020 - £446 from the general reserve).
- A transfer to the Sub-Ordinated Loan Reserve of £12,030 (2020 - £272,970).

MEMBERS

During the period 1 October 2020 to 30 September 2021, adult membership decreased by 2,661 (2020 – 2,643), made up of 971 new members who joined, offset by 3,632 members who have lapsed in the period.

NEFIRST CREDIT UNION LIMITED**MANAGEMENT COMMITTEE REPORT
TO THE MEMBERS (CONTINUED)
YEAR ENDED 30 SEPTEMBER 2021****SHARES**

During the period 1 October 2020 to 30 September 2021, the share balances of adult members have increased to £5,705,518 from opening balances of £5,433,208 and junior members savings balances have decreased to £454,172 from £462,337 an overall increase of £264,145 (2020 - £700,852).

During the year new deposits of £4,592,266 were received offset by withdrawals of £4,328,100 (2020 - £3,931,098 deposits and withdrawals of £3,230,261).

LOANS

During the period 1 October 2020 to 30 September 2021, loan balances (net of provisions) have decreased from £2,014,807 to £1,722,496 a net decrease of £292,311 (2020 - £932,765).

During the year loans to the value of £1,294,941 were granted to members and repayments were made to the value of £1,837,603 (2020 – loans £955,198, repayments £2,108,768).

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.

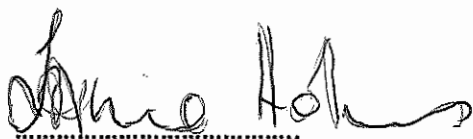
ACCOUNTING PERIOD

These financial Statements cover an accounting period from 1 October 2020 to 30 September 2021.

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



Secretary

Dated: 10.3.22

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
NEFIRST CREDIT UNION LIMITED
YEAR ENDED 30 SEPTEMBER 2021**

OPINION ON FINANCIAL STATEMENTS

We have audited the financial statements of NE First Credit Union Ltd for the year ended 30 September 2021 set out on pages 6 to 12, 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 2021 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 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

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

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

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

OTHER INFORMATION

The other information comprises the information included in the annual report, other than 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.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
NEFIRST CREDIT UNION LIMITED
YEAR ENDED 30 SEPTEMBER 2021**

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:

- 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.

RESPONSIBILITIES OF COMMITTEE MEMBERS

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 credit union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the committee of management either intends to liquidate the credit union or to cease operations, or has no realistic alternative to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
NEFIRST CREDIT UNION LIMITED
YEAR ENDED 30 SEPTEMBER 2021**

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.



Joanne Regan FCA (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

Dated: 9 February 2022

**Chartered Accountants
Statutory Auditor**

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

NEFIRST CREDIT UNION LIMITED

INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 30 SEPTEMBER 2021

		<u>2021</u>	<u>2020</u>
INCOME			
Entrance fees		2,905	2,337
Interest from members' loans	2	329,514	392,017
Bank interest		29,609	19,288
Other income		30,119	20,628
Grants and funding	8	13,070	47,278
Bad debts recovered		25,377	10,633
Donations		20,031	-
Annual Membership Fees		16,013	-
Miscellaneous income		<u>208</u>	<u>1,735</u>
Total Income		<u>466,846</u>	<u>493,916</u>
EXPENDITURE			
Salaries and National Insurance		146,873	95,016
Travel expenses		1,963	2,266
Rent and rates		24,583	28,297
Insurance		1,236	1,291
Postage and telephone		17,584	13,560
Printing and stationery		2,978	5,813
Advertising and marketing		6,714	1,583
Meeting expenses		2,890	3,048
Auditor's remuneration		4,200	4,800
Software support		18,385	26,804
PRA/FSCS fees		1,120	65
Incentives		-	3,570
ABCUL fees		11,057	10,561
SOAR costs		5,590	-
Loan/Share insurance		31,394	25,736
Credit search/bad debt recovery charges		5,566	16,162
Bank charges		4,571	6,833
Paypoint costs		11,444	12,327
Fidelity bond insurance		3,310	2,740
Corporation tax		5,795	3,961
Bad debts written off		367,371	176,994
Bad debt provisions		(287,788)	(7,500)
Restructure costs		-	5,574
Consultancy fees		5,190	34,530
Interest charge on borrowings		7,811	5,271
Sundries		9,424	4,842
Depreciation charge	3	<u>18,264</u>	<u>9,326</u>
Total Expenditure		<u>427,525</u>	<u>493,470</u>
Surplus/Deficit to Appropriation Account		<u>39,321</u>	<u>446</u>

**NEFIRST CREDIT UNION LIMITED
INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 30 SEPTEMBER 2021 (CONT)**

Appropriation Account

To General Reserve compulsory transfer		7,864	89
To/(from) General Reserve voluntary transfer		25,757	357
To Dividend reserve	5	5,700	-
To Sub-Ordinated Loan	10	-	-
TOTAL APPROPRIATIONS		<u>39,321</u>	<u>446</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 2021

	Notes	2021	2020
INVESTMENTS			
Ipswich gold reserve account	100,000	93,354	
Santander bond account	-	92,213	
Fixed term deposits	3,668,716	2,400,000	
Lloyds	-	<u>275,695</u>	2,861,262
IMMEDIATE LIQUIDITY			
Cash at bank on current account	1,121,465	1,421,936	
Cash in hand	<u>3,599</u>	<u>1,125,064</u>	<u>3,937</u>
MEMBERS LOAN ACCOUNTS			
Current balances	2 1,994,412	2,574,511	
Less provision for un-performing loans	(271,916)	1,722,496	(559,704)
FIXED ASSETS			
	3	18,110	23,937
SUNDRY DEBTORS			
		31,717	31,635
TOTAL ASSETS		<u>6,666,103</u>	<u>6,357,514</u>
LIABILITIES			
Ordinary members shares repayable on demand	2 5,705,518	5,433,208	
Junior members shares	<u>454,172</u>	6,159,690	<u>462,337</u>
OTHER PAYABLES			
Creditors and accruals	26,612	39,879	
Revenue grants carried forward	19,261	19,317	
Loan guarantee schemes – restricted fund	65,928	61,642	
Taxation due within one year	<u>5,600</u>	117,401	<u>3,470</u>
RETAINED EARNINGS			
General reserve	9 73,312	39,691	
Dividend reserve	5 5,700	-	
Sub-Ordinated Loan	10 <u>310,000</u>	<u>297,970</u>	
		389,012	337,661
TOTAL LIABILITIES		<u>6,666,103</u>	<u>6,357,514</u>

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

P Macne
Committee Member

Keith Greenwood
Committee Member

John H. H. H.
Secretary

Date

10/03/2022

NEFIRST CREDIT UNION LIMITED

NOTES TO THE ACCOUNTS
YEAR ENDED 30 SEPTEMBER 2021

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	
	2021	2020	2021	2020
Balances brought forward from last year	5,895,545	5,194,693	2,574,511	3,514,776
Shares saved and loans repaid	4,592,266	3,931,098	(1,837,603)	(2,108,768)
Dividends paid	-	-	-	-
Shares withdrawn	(4,328,100)	(3,230,261)	-	-
Merger with Prince Bishop Community Bank	-	-	-	-
Loans granted	-	-	1,294,941	955,198
Interest / fees charged	(21)	15	329,754	392,017
Loans written off	-	-	(367,371)	(178,712) *
Balances carried forward to next year	<u>6,159,690</u>	<u>5,895,545</u>	<u>1,994,412</u>	<u>2,574,511</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 2021

3. TANGIBLE FIXED ASSETS

	<u>Property Improvements</u>	<u>Fixtures & Fittings</u>	<u>Computer Equipment</u>	<u>Total</u>
COST				
Cost at 30 September 2020	28,090	38,227	87,663	153,980
Additions during year	-	12,437	-	12,437
Disposals during the year	-	-	-	-
Cost at 30 September 2021	<u>28,090</u>	<u>50,664</u>	<u>87,663</u>	<u>166,417</u>
DEPRECIATION				
Depreciation at 30 September 2020	28,090	23,614	78,339	130,043
Charged in these accounts	-	8,940	9,324	18,264
Depreciation on disposals	-	-	-	-
Depreciation at 30 September 2021	<u>28,090</u>	<u>32,554</u>	<u>78,339</u>	<u>148,307</u>
VALUE ON 30 SEPTEMBER 2021	<u>-</u>	<u>18,110</u>	<u>-</u>	<u>18,110</u>
VALUE ON 30 SEPTEMBER 2020	<u>-</u>	<u>14,613</u>	<u>9,324</u>	<u>23,937</u>

4. NUMBER OF MEMBERS

	2021	2020
Number at beginning of year	12,292	14,935
Joined during year	971	1,409
Lapsed during year	(3,632)	(4,052)
Number at end of year	<u>9,631</u>	<u>12,292</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:-

	2021	2020
Balance transferred from dividend reserve last year	-	-
Less: Dividends paid during the year	-	-
Less: Transfer to general reserve	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
To: Dividends proposed 0.1% (2020: 0.0%)	<u>5,700</u>	<u>-</u>
Balance transferred from revenue accounts to be carried forward to next year	<u>5,700</u>	<u>-</u>

NEFIRST CREDIT UNION LIMITED

NOTES TO THE ACCOUNTS (CONT)
YEAR ENDED 30 SEPTEMBER 2021

6. 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 committee of management 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:

	2021	2020
	5.84%	5.31%

8. GRANTS RECEIVED

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

Members' Incentives Grants		
Durham CC – Stanley Refurbishment	2,395	
Gateshead MBC Covid 19 Grant	2,500	
Illegal Money Lending Team	4,000	
IMLT Incentives Grant	480	
Believe Housing MT INC	400	
Morpeth TC	<u>800</u>	<u>10,575</u>

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

Gateshead MBC Covid 19 Support Grant	2,500	
Durham Furniture Pilot Grant	2,395	
East Durham Partnership	23	
IMLT Incentives	235	
Durham CC Furniture Pilot Grant	2,417	
Living Housing	110	
Durham CC Merger Grant	2,890	
Alnwick TC	1,000	
Morpeth TC	<u>1,500</u>	<u>13,070</u>

NEFIRST CREDIT UNION LIMITED

NOTES TO THE ACCOUNTS (CONT)
YEAR ENDED 30 SEPTEMBER 2021

9. GENERAL RESERVE

	2021	2020
Reserves as at 1 October 2020	39,691	39,245
Transfer	39,321	446
Transfer to Dividend Reserve	<u>(5,700)</u>	-
Reserves as at 30 September 2021	<u>73,312</u>	<u>39,691</u>

10. SUB-ORDINATED LOAN RESERVE

	2021	2020
Sub-Ordinated Loan	10,000	18,720
Sub-Ordinated Loan – DCC	180,000	167,250
Sub-Ordinated Loan – GMBC	<u>120,000</u>	<u>112,000</u>
Total	<u>310,000</u>	<u>297,970</u>