

**NEFIRST CREDIT UNION LIMITED**

**FIRM REFERENCE No 215686**

**REGISTERED No 679C**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 SEPTEMBER 2022**

**STATEMENT OF THE DIRECTOR'S RESPONSIBILITIES TO THE MEMBERS OF  
NEFIRST CREDIT UNION LIMITED  
YEAR ENDED 30 SEPTEMBER 2022**

**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 £10,630 (2021 - £39,321) 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 £10,630 (2021 - £39,321 from the general reserve).
- A transfer from the Sub-Ordinated Loan Reserve of £9,562 (2021 - £12,030 to the reserve).

**MEMBERS**

During the period 1 October 2021 to 30 September 2022, adult membership decreased by 1,114 (2021 – 2,661), made up of 1,788 new members who joined, offset by 2,902 members who have lapsed in the period.

MANAGEMENT COMMITTEE REPORT  
TO THE MEMBERS (CONTINUED)  
YEAR ENDED 30 SEPTEMBER 2022

**SHARES**

During the period 1 October 2021 to 30 September 2022, the share balances of adult members have decreased to £5,588,288 from opening balances of £5,705,518 and junior members savings balances have decreased to £453,819 from £454,172 an overall decrease of £117,583 (2021 - £264,145 increase).

During the year new deposits of £4,760,182 were received offset by withdrawals of £4,883,720 (2021 - £4,592,266 deposits and withdrawals of £4,328,100).

**LOANS**

During the period 1 October 2021 to 30 September 2022, loan balances (net of provisions) have increased to £1,813,513 from £1,722,496 a net increase of £91,017 (2021 - £292,311 decrease).

During the year loans to the value of £1,687,277 were granted to members and repayments were made to the value of £1,884,173 (2021 – loans £1,294,941, repayments £1,837,603).

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 2021 to 30 September 2022.

**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: 24/03/2023

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
NEFIRST CREDIT UNION LIMITED  
YEAR ENDED 30 SEPTEMBER 2022**

**OPINION ON FINANCIAL STATEMENTS**

We have audited the financial statements of NE First Credit Union Ltd for the year ended 30 September 2022 set out on pages 7 to 13, 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 2022 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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 #wd6\director\ 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 2022**

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

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

**RESPECTIVE RESPONSIBILITIES OF COMMITTEE OF MANAGEMENT**

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/auditorsresponsibilities>. 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 2022**

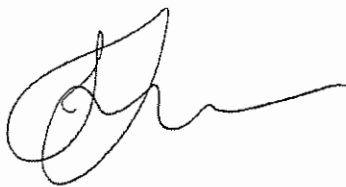
In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

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

**Dated:** 16 March 2023

## NEFIRST CREDIT UNION LIMITED

INCOME AND EXPENDITURE ACCOUNT  
YEAR ENDED 30 SEPTEMBER 2022

		<u>2022</u>	<u>2021</u>
<b>INCOME</b>			
Entrance fees		7,743	2,905
Interest from members' loans	2	368,490	329,514
Bank interest		32,916	29,609
Other income		25,825	30,119
Grants and funding	8	32,039	13,070
Bad debts recovered		45,333	25,377
Donations		4,639	20,031
Annual Membership Fees		15,439	16,013
Miscellaneous income		-	208
<b>Total Income</b>		<u><b>532,424</b></u>	<u><b>466,846</b></u>
<b>EXPENDITURE</b>			
Salaries and National Insurance		179,691	146,873
Travel expenses		1,384	1,963
Rent and rates		42,670	24,583
Insurance		664	1,266
Postage and telephone		9,301	17,584
Printing and stationery		2,275	2,978
Advertising and marketing		19,986	6,714
Meeting expenses		544	2,890
Auditor's remuneration		4,800	4,200
Software support		23,479	18,385
PRA/FSCS fees		790	1,120
Incentives		2,850	-
ABCUL fees		12,309	11,057
SOAR costs		53,053	5,590
Loan/Share insurance		33,409	31,394
Credit search/bad debt recovery charges		1,400	5,566
Bank charges		4,515	4,571
Paypoint costs		11,693	11,444
Fidelity bond insurance		3,910	3,310
Corporation tax		6,250	5,795
Bad debts written off		11,322	367,371
Bad debt provisions		69,255	(287,788)
Restructure costs		-	-
Consultancy fees		1,131	5,190
Interest charge on borrowings		7,620	7,811
Sundries		5,488	9,424
Depreciation charge	3	<u>12,005</u>	<u>18,264</u>
<b>Total Expenditure</b>		<u><b>521,794</b></u>	<u><b>427,525</b></u>
Surplus/Deficit to Appropriation Account		<u><b>10,630</b></u>	<u><b>39,321</b></u>

**Appropriation Account**

To General Reserve compulsory transfer		2,126	7,864
To/(from) General Reserve voluntary transfer		2,711	25,757
To Dividend reserve	5	5,793	5,700
To Sub-Ordinated Loan	10	-	-
<b>TOTAL APPROPRIATIONS</b>		<b><u>10,630</u></b>	<b><u>39,321</u></b>

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



## BALANCE SHEET AS AT 30 SEPTEMBER 2022

	Notes	2022	2021
<b>INVESTMENTS</b>			
Ipswich gold reserve account	-	100,000	
Santander bond account	-	-	
Fixed term deposits	3,783,439	3,668,716	
Lloyds	-	3,783,439	3,768,716
<b>IMMEDIATE LIQUIDITY</b>			
Cash at bank on current account	945,337	1,121,465	
Cash in hand	2,509	3,599	1,125,064
<b>MEMBERS LOAN ACCOUNTS</b>			
Current balances	2	2,154,684	1,994,412
Less provision for un-performing loans		( 341,171)	( 271,916)
<b>FIXED ASSETS</b>			
	3	15,068	18,110
<b>SUNDRY DEBTORS</b>			
		42,485	31,717
<b>TOTAL ASSETS</b>		<u>6,602,351</u>	<u>6,666,103</u>
<b>LIABILITIES</b>			
Ordinary members shares repayable on demand	2	5,588,288	5,705,518
Junior members shares		453,819	454,172
<b>OTHER PAYABLES</b>			
Creditors and accruals		46,417	26,612
Revenue grants carried forward		41,597	19,261
Loan guarantee schemes – restricted fund		81,600	65,928
Taxation due within one year		6,250	5,600
<b>RETAINED EARNINGS</b>			
General reserve	9	78,148	73,312
Dividend reserve	5	5,794	5,700
Sub-Ordinated Loan	10	300,438	310,000
		384,380	389,012
<b>TOTAL LIABILITIES</b>		<u>6,602,351</u>	<u>6,666,103</u>

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

P. Darby  
Committee Member  
(Paul Darby)

Keith Green Committee Member  
Julie Holmes Secretary

Date 21/03/2023

**NEFIRST CREDIT UNION LIMITED**

**NOTES TO THE ACCOUNTS  
YEAR ENDED 30 SEPTEMBER 2022**

**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	
	2022	2021	2022	2021
Balances brought forward from last year	6,159,690	5,895,545	1,994,412	2,574,511
Shares saved and loans repaid	4,760,182	4,592,266	(1,884,173)	(1,837,603)
Dividends paid	5,392	-	-	-
Shares withdrawn	(4,883,720)	(4,328,100)	-	-
Loans granted	-	-	1,687,277	1,294,941
Interest / fees charged	563	(21)	368,490	329,754
Loans written off	-	-	( 11,322)	( 367,371)
Balances carried forward to next year	<u>6,042,107</u>	<u>6,159,690</u>	<u>2,154,684</u>	<u>1,994,412</u>

## NEFIRST CREDIT UNION LIMITED

NOTES TO THE ACCOUNTS (cont)  
YEAR ENDED 30 SEPTEMBER 2022

## 3. TANGIBLE FIXED ASSETS

	<u>Property Improvements</u>	<u>Fixtures &amp; Fittings</u>	<u>Computer Equipment</u>	<u>Total</u>
<b>COST</b>				
Cost at 30 September 2021	28,090	50,664	87,663	166,417
Additions during year	-	1,707	7,255	8,962
Disposals during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cost at 30 September 2022	<u>28,090</u>	<u>52,371</u>	<u>94,918</u>	<u>175,379</u>
<b>DEPRECIATION</b>				
Depreciation at 30 September 2021	28,090	32,554	87,663	148,307
Charged in these accounts	-	9,800	2,205	12,005
Depreciation on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation at 30 September 2022	<u>28,090</u>	<u>42,354</u>	<u>89,868</u>	<u>160,312</u>
<b>VALUE ON 30 SEPTEMBER 2022</b>	<u>-</u>	<u>10,017</u>	<u>5,050</u>	<u>15,067</u>
<b>VALUE ON 30 SEPTEMBER 2021</b>	<u>-</u>	<u>18,110</u>	<u>-</u>	<u>18,110</u>

## 4. NUMBER OF MEMBERS

	<b>2022</b>	<b>2021</b>
Number at beginning of year	9,631	12,292
Joined during year	1,788	971
Lapsed during year	<u>( 2,902)</u>	<u>( 3,632)</u>
Number at end of year	<u>8,517</u>	<u>9,631</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:-

	<b>2022</b>	<b>2021</b>
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 0.10% (2021: 0.23%)	<u>5,794</u>	<u>5,700</u>
Balance transferred from revenue accounts to be carried forward to next year	<u>5,794</u>	<u>5,700</u>

## NEFIRST CREDIT UNION LIMITED

**NOTES TO THE ACCOUNTS (cont)**  
**YEAR ENDED 30 SEPTEMBER 2022**

**6. RELATED PARTY TRANSACTIONS**

During the year, members of the board, staff and their close relatives had no loans with the Credit Union.

**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:

	<b>2022</b>	<b>2021</b>
	5.82%	5.84%

**8. GRANTS RECEIVED**

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

DCC – AAP Leaflet Drop	9,513	
ABCUL – Bounce Back Fund	2,480	
DCC – Business Development Officer Funding	42,500	
IMLT Incentives	2,750	
Morpeth TC	<u>800</u>	<u>58,043</u>

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

Morpeth TC	800	
IMLT Website Promotion	75	
DCC – AAP Leaflet Drop	6,312	
DCC – Business Development Officer Funding	12,052	
Chester AAP	95	
IMLT Incentives	2,875	
Believe Housing MT Inc	10	
Housing Solutions	886	
Gateshead MBC ECF Grant	<u>12,600</u>	<u>35,705</u>
DCC – APP Leaflet Drop (Offset to Expenses)	( 2,747)	
Housing Solutions (Offset to Expenses)	( 886)	
IMLT Incentives (Offset to Expenses)	<u>( 33)</u>	<u>32,039</u>

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

9. GENERAL RESERVE

	2022	2021
Reserves as at 1 October 2021	73,312	39,691
Transfer	10,630	39,321
Transfer to Dividend Reserve	<u>(5,794)</u>	<u>(5,700)</u>
Reserves as at 30 September 2022	<u>78,148</u>	<u>73,312</u>

10. SUB-ORDINATED LOAN RESERVE

	2022	2021
Sub-Ordinated Loan	5,000	10,000
Sub-Ordinated Loan – DCC	180,000	180,000
Sub-Ordinated Loan – GMBC	<u>115,438</u>	<u>120,000</u>
Total	<u>300,438</u>	<u>310,000</u>