

NEFIRST CREDIT UNION LIMITED

FIRM REFERENCE No 215686

REGISTERED No 679C

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2023

**STATEMENT OF THE DIRECTOR'S RESPONSIBILITIES TO THE MEMBERS OF
NEFIRST CREDIT UNION LIMITED
YEAR ENDED 30 SEPTEMBER 2023**

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 £22,814 (2022 - £10,630) prior to transfers to Reserves and payment of Dividends.

The current impact of the national economic situation that has resulted in high rates of interest and the increased availability of appropriate investment income opportunities to provide 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 £22,814 (2022 - £10,630 from the general reserve).
- A transfer from the Sub-Ordinated Loan Reserve of £9,562 (2022 - £9,562 to the reserve).

MEMBERS

During the period 1 October 2022 to 30 September 2023, adult membership decreased by 345 (2022 – 1,114), made up of 2,428 new members who joined, offset by 2,773 members who have lapsed in the period.

NEFIRST CREDIT UNION LIMITED**MANAGEMENT COMMITTEE REPORT
TO THE MEMBERS (CONTINUED)
YEAR ENDED 30 SEPTEMBER 2023****SHARES**

During the period 1 October 2022 to 30 September 2023, the share balances of adult members have decreased to £5,292,010 from opening balances of £5,588,288 and junior members savings balances have increased to £454,131 from £453,819 an overall decrease of £295,966 (2022 - £117,583 decrease).

During the year new deposits of £5,680,799 were received offset by withdrawals of £5,950,228 (2022 - £4,760,182 deposits and withdrawals of £4,883,720).

LOANS

During the period 1 October 2022 to 30 September 2023, loan balances (net of provisions) have increased to £1,964,244 from £1,813,513 a net increase of £150,731 (2022 - £91,017 increase).

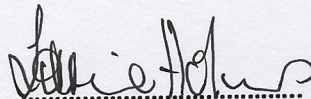
During the year loans to the value of £2,922,353 were granted to members and repayments were made to the value of £3,081,186 (2022 – loans £1,687,277, repayments £1,884,173).

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 2022 to 30 September 2023.

By Order of the Committee of Management



(Secretary)

Dated: 21/03/2024

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
NEFIRST CREDIT UNION LIMITED
YEAR ENDED 30 SEPTEMBER 2023**

OPINION ON FINANCIAL STATEMENTS

We have audited the financial statements of NE First Credit Union Ltd for the year ended 30 September 2023 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 2023 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 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 2023**

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 2023**

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
Bulman House
Regent Centre
Henry Street
Newcastle upon Tyne
NE3 3LS**

Dated: 25 March 2024

NEFIRST CREDIT UNION LIMITED

INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 30 SEPTEMBER 2023

		<u>2023</u>	<u>2022</u>
INCOME			
Entrance fees		8,999	7,743
Interest from members' loans	2	412,072	368,490
Bank interest		91,281	32,916
Other income		27,678	25,825
Grants and funding	8	46,710	32,039
Bad debts recovered		29,343	45,333
Donations		17,687	4,639
Annual Membership Fees		21,302	15,439
Loan Admin Fees		<u>15,120</u>	-
Total Income		<u>670,192</u>	<u>532,424</u>
EXPENDITURE			
Salaries and National Insurance		229,690	179,691
Travel expenses		4,229	1,384
Rent and rates		23,921	42,670
Insurance		721	664
Postage and telephone		8,521	9,301
Printing and stationery		2,060	2,275
Advertising and marketing		20,244	19,986
Meeting expenses		-	544
Auditor's remuneration		5,280	4,800
Software support		27,845	23,479
PRA/FSCS fees		1,315	790
Incentives		-	2,850
ABCUL fees		6,393	12,309
SOAR costs		87,901	53,053
Loan/Share insurance		35,721	33,409
Credit search/bad debt recovery charges		477	1,400
Bank charges		13,985	4,515
Paypoint costs		3,669	11,693
Fidelity bond insurance		3,606	3,910
Corporation tax		17,020	6,250
Bad debts written off		72,508	11,322
Bad debt provisions		30,000	69,255
Staff Training		3,836	-
Consultancy fees		3,398	1,131
Interest charge on borrowings		7,620	7,620
Operating Lease Payments		1,172	-
Sundries		21,946	5,488
Depreciation charge	3	<u>14,300</u>	<u>12,005</u>
Total Expenditure		<u>647,378</u>	<u>521,794</u>
Surplus/Deficit to Appropriation Account		<u>22,814</u>	<u>10,630</u>

Appropriation Account

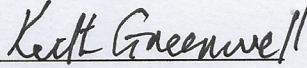
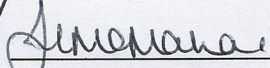
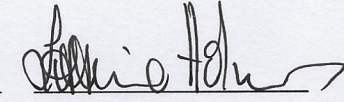
To General Reserve compulsory transfer		4,563	2,126
To/(from) General Reserve voluntary transfer		12,251	2,711
To Dividend reserve	5	6,000	5,793
To Sub-Ordinated Loan	10	-	-
TOTAL APPROPRIATIONS		<u>22,814</u>	<u>10,630</u>

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 2023

	Notes	2023	2022
INVESTMENTS			
Fixed term deposits	3,598,378	3,783,439	
Lloyds	<u>-</u>	<u>3,598,378</u>	3,783,439
IMMEDIATE LIQUIDITY			
Cash at bank on current account	561,482	945,337	
Cash in hand	<u>4,336</u>	<u>565,818</u>	947,846
MEMBERS LOAN ACCOUNTS			
	2		
Current balances	2,335,415	2,154,684	
Less provision for un-performing loans	<u>(371,171)</u>	<u>1,964,244</u>	1,813,513
FIXED ASSETS			
	3	17,941	15,068
SUNDRY DEBTORS			
		159,341	42,485
TOTAL ASSETS		<u>6,305,722</u>	<u>6,602,351</u>
LIABILITIES			
Ordinary members shares repayable on demand	2	5,292,010	5,588,288
Junior members shares		<u>454,131</u>	<u>453,819</u>
		5,746,141	6,042,107
OTHER PAYABLES			
Creditors and accruals		31,277	46,417
Revenue grants carried forward		48,736	41,597
Loan guarantee schemes – restricted fund		70,714	81,600
Taxation due within one year		<u>17,016</u>	<u>6,250</u>
		167,743	175,864
RETAINED EARNINGS			
General reserve	9	94,962	78,148
Dividend reserve	5	6,000	5,794
Sub-Ordinated Loan	10	<u>290,876</u>	<u>300,438</u>
		391,838	384,380
TOTAL LIABILITIES		<u>6,305,722</u>	<u>6,602,351</u>

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




21/03/2024
 Committee Member Committee Member Secretary Date

NEFIRST CREDIT UNION LIMITED

**NOTES TO THE ACCOUNTS
YEAR ENDED 30 SEPTEMBER 2023**

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	
	2023	2022	2023	2022
Balances brought forward from last year	6,042,107	6,159,690	2,154,684	1,994,412
Shares saved and loans repaid	5,680,799	4,760,182	(3,081,186)	(1,884,173)
Dividends paid	5,604	5,392	-	-
Shares withdrawn	(5,950,228)	(4,883,720)	-	-
Loans granted	-	-	2,922,353	1,687,277
Interest / fees charged	(32,141)	563	412,072	368,490
Loans written off	-	-	(72,508)	(11,322)
Balances carried forward to next year	<u>5,746,141</u>	<u>6,042,107</u>	<u>2,335,415</u>	<u>2,154,684</u>

NEFIRST CREDIT UNION LIMITED

NOTES TO THE ACCOUNTS (cont)
YEAR ENDED 30 SEPTEMBER 2023

3. TANGIBLE FIXED ASSETS

	<u>Property Improvements</u>	<u>Fixtures & Fittings</u>	<u>Computer Equipment</u>	<u>Total</u>
COST				
Cost at 30 September 2022	28,090	52,371	94,918	175,379
Additions during year	-	10,562	6,612	17,174
Disposals during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cost at 30 September 2023	<u>28,090</u>	<u>62,933</u>	<u>101,530</u>	<u>192,553</u>
DEPRECIATION				
Depreciation at 30 September 2022	28,090	42,354	89,868	160,312
Charged in these accounts	-	3,630	10,670	14,300
Depreciation on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation at 30 September 2023	<u>28,090</u>	<u>45,984</u>	<u>100,538</u>	<u>174,612</u>
VALUE ON 30 SEPTEMBER 2023	<u>-</u>	<u>16,949</u>	<u>992</u>	<u>17,941</u>
VALUE ON 30 SEPTEMBER 2022	<u>-</u>	<u>10,017</u>	<u>5,050</u>	<u>15,067</u>

4. NUMBER OF MEMBERS

	2023	2022
Number at beginning of year	8,517	9,631
Joined during year	2,428	1,788
Dormant/Written Off	(1,023)	-
Lapsed during year	<u>(1,750)</u>	<u>(2,902)</u>
Number at end of year	<u>8,172</u>	<u>8,517</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:-

	2023	2022
Balance transferred from dividend reserve last year	5,794	-
Less: Dividends paid during the year	(5,604)	-
Less: Transfer to general reserve	<u>(190)</u>	<u>-</u>
	<u>-</u>	<u>-</u>
To: Dividends proposed 0.10% (2022: 0.10%)	<u>6,000</u>	<u>5,794</u>
Balance transferred from revenue accounts to be carried forward to next year	<u>6,000</u>	<u>5,794</u>

NEFIRST CREDIT UNION LIMITED

NOTES TO THE ACCOUNTS (cont)
YEAR ENDED 30 SEPTEMBER 2023

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:

2023	2022
6.20%	5.82%

8. GRANTS RECEIVED

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

DCC – Chester Le Street Promotion	3,900	
DCC – Business Development Officer Funding	42,500	
Fair4All	<u>53,158</u>	<u>99,558</u>

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

DCC – AAP Leaflet Drop	3,900	
DCC – Business Development Officer Funding	40,973	
ABCUL – Bounce Back Fund	2,204	
IMLT Incentives	535	
Fair4All	<u>5,442</u>	<u>53,054</u>

Paid Direct to Members Accounts	(1,655)	
Fair4All Loan Admin Fees (Offset to Expenses)	<u>(4,689)</u>	<u>46,710</u>

NEFIRST CREDIT UNION LIMITED

NOTES TO THE ACCOUNTS (cont)
YEAR ENDED 30 SEPTEMBER 2023

9. GENERAL RESERVE

	2023	2022
Reserves as at 1 October 2022	78,148	73,312
Transfer	22,814	10,630
Transfer to Dividend Reserve	<u>(6,000)</u>	<u>(5,794)</u>
Reserves as at 30 September 2023	<u>94,962</u>	<u>78,148</u>

10. SUB-ORDINATED LOAN RESERVE

	2023	2022
Sub-Ordinated Loan	-	5,000
Sub-Ordinated Loan – DCC	180,000	180,000
Sub-Ordinated Loan – GMBC	<u>110,876</u>	<u>115,438</u>
Total	<u>290,876</u>	<u>300,438</u>