

Cheshire Neighbours Credit Union
Report of the Management Committee and
Financial Statements
for the year ended
30 September 2016

Gardners Accountants Limited
Statutory Auditors
Chartered Accountants
Brynford House
21 Brynford Street
Holywell
Flintshire
CH8 7RD

**Contents of the Financial Statements
for the year ended 30 September 2016**

	Page
Company Information	1
Report of the Management Committee	2
Report of the Independent Auditors	3
Profit and Loss Account	4
Balance Sheet	5
Notes to the Financial Statements	6
Profit and Loss Account	10

Cheshire Neighbours Credit Union
Company Information
for the year ended 30 September 2016

DIRECTORS & OFFICERS:	W M Thompson K Deeley S Edgar M Pemberton G Dunker S Corcoran
REGISTERED OFFICE:	Delamere House Delamere Street Crewe Cheshire CW1 2JZ
REGISTERED NUMBER:	IP00687C (England and Wales)
AUDITORS:	Gardners Accountants Limited Statutory Auditors Chartered Accountants Brynford House 21 Brynford Street Holywell Flintshire CH8 7RD

Cheshire Neighbours Credit Union
Report of the Management Committee
for the year ended 30 September 2016

The Management Committee present their report with the financial statements of the Credit Union for the year ended 30 September 2016.

PRINCIPAL ACTIVITY

The principal activity of the Credit Union in the year under review was that of a financial co-operative owned and controlled by its members. It offers savings and a source of credit for the benefit of its members at a fair and reasonable rate of interest.

DIRECTORS AND OFFICERS

Following the Annual General Meeting in March 2016 the elected officers were:

W M Thompson
S Edgar
M Pemberton
K Deeley – resigned 6th March 2016
G Dunker – appointed 26th January 2016
S Corcoran – appointed 1st May 2016

STATEMENT OF THE MANGEMENT COMMITTEE'S RESPONSIBILITIES

The management committee are responsible for preparing the Report of the Management Committee and the financial statements in accordance with applicable laws and regulations.

The Co-operative and Community Benefit Societies Act 2014 requires the management committee to prepare the financial statements for the financial year. Under that law the management committee have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The management committee 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 profit or loss of the credit union for that period. In preparing these financial statements, the management committee are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the credit union will continue in business.

The management committee 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 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the management committee are aware, there is no relevant audit information of which the credit union's auditors are unaware, and they have taken all steps that they ought to have taken as management in order to make themselves aware of any relevant audit information and to establish that the credit union's auditors are aware of that information.

AUDITORS

The auditors, Gardners Accountants Limited, will be proposed for re-election at the forthcoming Annual General Meeting.

ON BEHALF OF THE MANAGEMENT COMMITTEE

Director

24th January 2017

Report of the Independent Auditors to the Members of Cheshire Neighbours Credit Union

We have audited the financial statements of Cheshire Neighbours Credit Union for the year ended 30 September 2016, which comprise of the Income and Expenditure Account, Balance Sheet and the related notes, on pages four to nine. 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).

This report is made solely to the credit union's members, as a body, in accordance with Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979. 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 a Report of the Auditors 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 unions' members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of management committee and auditors

As explained more fully in the Statement of the Management Committee's Responsibilities set out on page two, the management committee is responsible for the preparation of the financial statements and for being satisfied that they 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 Ethical Standards for Auditors.

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 management committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, and the Credit Union Act 1979.

Emphasis of matter – Going concern

In forming our opinion of the financial statements, which remain unqualified, we have considered the adequacy of the disclosure in note 1 to the financial statements concerning the Credit Union's ability to continue as a going concern. The Credit Union incurred a net surplus for the year of £14,573, which had been aided in most part by a cash injection received from Cheshire East Council of £35,000. This, along with the other matters explained in note 1 to the financial statements, indicates that there is an existence of a material uncertainty which may cast significant doubt about the Credit Union's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Credit Union was unable to continue as a going concern.

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 requires 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;
- we have not received all the information and explanations we require for our audit; or
- the revenue account or other accounts to which our report relates, and the balance sheet are not in agreement with the books of account of the credit union.

Mrs M J Langton-Davies (ACA, FCCA) (Senior Statutory Auditor)
for and on behalf of Gardners Accountants Limited
Statutory Auditors
Chartered Accountants
Brynford House
21 Brynford Street
Holywell
Flintshire
CH8 7RD

Date:

Cheshire Neighbours Credit Union (Registered number: IP00687C)

**Profit and Loss Account
for the year ended 30 September 2016**

	Notes	2016 £	2015 £
TURNOVER		68,487	122,173
Administrative expenses		<u>52,649</u>	<u>69,599</u>
OPERATING PROFIT and PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	15,838	52,574
Tax on profit on ordinary activities	4	<u>1,265</u>	<u>1,389</u>
Amounts transferred to general reserve		<u>14,573</u>	<u>51,185</u>
SURPLUS AVAILABLE FOR DISTRIBUTION		<u><u>-</u></u>	<u><u>-</u></u>

The notes form part of these financial statements

Cheshire Neighbours Credit Union (Registered number: IP00687C)

Balance Sheet
30 September 2016

	Notes	2016	2015
		£	£
FIXED ASSETS			
Intangible assets	5	-	-
Tangible assets	6	<u>1,501</u>	<u>3,448</u>
		1,501	3,448
CURRENT ASSETS			
Debtors	7	143,606	160,035
Cash at bank and in hand		<u>863,734</u>	<u>795,760</u>
		1,007,340	955,795
CREDITORS			
Amounts falling due within one year	8	<u>48,176</u>	<u>47,958</u>
NET CURRENT ASSETS		<u>959,164</u>	<u>907,837</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		960,665	911,285
PROVISIONS FOR LIABILITIES	9	<u>6,009</u>	<u>6,009</u>
NET ASSETS		<u><u>954,656</u></u>	<u><u>905,276</u></u>
CAPITAL AND RESERVES			
Called up share capital		908,937	874,130
General Reserve	10	<u>45,719</u>	<u>31,146</u>
		<u><u>954,656</u></u>	<u><u>905,276</u></u>

The credit union is exempt from audit under Section 477 of the Companies Act 2006 for the year ended 30 September 2016.

The financial statements have been prepared and audited in accordance with the Co-operative and Community Benefit Societies Act 2014.

The financial statements were approved by the Management Committee on 24th January 2017 and were signed by:

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The notes form part of these financial statements

**Notes to the Financial Statements
for the year ended 30 September 2016**

1. GOING CONCERN

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) that are applicable to a going concern.

The Credit Union have suffered from significant financial troubles during prior periods which resulted in them having to stop lending money to members from September 2012 to February 2013 and from September 2015 to January 2016. Due to the lending restrictions that were put in place for the Credit Union from September 2012 to February 2013, and September 2015 to January 2016, its income has been reduced as the interest generated on loans is its main income stream.

During the year, £35,000 was received from Cheshire East Council. This cash injection was not on a recurring basis, and as the amount has contributed significantly to the credit union achieving a surplus for the year, if the Credit Union is unable to secure further grants or income streams then it is likely that a deficit will occur in the 2016/17 accounts year and doubt may be cast upon the Credit Union's ability to continue as a going concern. However, given the continuing efforts to implement better overall systems within the Credit Union, but more specifically for debt recovery and ensuring that loan applications are assessed more readily, as well as a reasonable expectation of receiving some donations or grants in 2016/17 the directors continue to adopt the going concern basis of accounting.

The financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the Credit Union were unable to realise its assets and settle its liabilities as a going concern in the normal course of operations and such adjustments could be material.

2. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the Co-operative and Community Benefit Societies Act 2014 with the Financial Conduct Authority, and the historical cost convention and in accordance with the Credit Union Act 1979.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. Interest on members' loans is recognised when payment is receivable. Bank interest and fixed term deposit interest is valued at the deposit amount plus any accrued interest.

Intangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer software	- 33% on cost
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**Notes to the Financial Statements
for the year ended 30 September 2016**

2. **ACCOUNTING POLICIES CONT:**

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	- 20% on cost
Plant and machinery	- 25% on cost
Fixtures and fittings	- 25% on cost
Computer equipment	- 33% on cost

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Grants

Grants are credited to deferred income. Grants towards capital expenditure are released to the profit and loss account over the expected useful economic life of the assets. Grants received in relation to revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

3. **OPERATING PROFIT**

The operating profit is stated after charging:

	2016	2015
	£	£
Depreciation - owned assets	1,947	1,895
Computer software amortisation	-	1,058
Auditors' remuneration	3,700	3,200
Pension costs	-	31
	<u>-</u>	<u>31</u>
Director's remuneration and other benefits etc	<u>-</u>	<u>-</u>

4. **TAXATION**

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2016	2015
	£	£
Current tax:		
UK corporation tax	<u>1,265</u>	<u>1,389</u>
Tax on profit on ordinary activities	<u>1,265</u>	<u>1,389</u>

Notes to the Financial Statements - continued
for the year ended 30 September 2016

5.	INTANGIBLE FIXED ASSETS		Computer software £
	COST		
	At 1 October 2015 and 30 September 2016		<u>11,223</u>
	AMORTISATION		
	At 1 October 2015 and 30 September 2016		<u>11,223</u>
	NET BOOK VALUE		
	At 30 September 2016		<u><u>-</u></u>
	At 30 September 2015		<u><u>-</u></u>
6.	TANGIBLE FIXED ASSETS		Computer equipment £
	COST		
	At 1 October 2015 and 30 September 2016		<u>8,645</u>
	DEPRECIATION		
	At 1 October 2015		5,197
	Charge for year		<u>1,947</u>
	At 30 September 2016		<u>7,144</u>
	NET BOOK VALUE		
	At 30 September 2016		<u><u>1,501</u></u>
	At 30 September 2015		<u><u>3,448</u></u>
7.	DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
		2016	2015
		£	£
	Loans to members	138,310	129,734
	Other debtors	4,417	29,847
	Prepayments and accrued income	<u>879</u>	<u>454</u>
		<u><u>143,606</u></u>	<u><u>160,035</u></u>
8.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
		2016	2015
		£	£
	Creditors and accruals	4,861	5,894
	Other creditors	2,154	1,297
	Tax	1,265	1,389
	Social security and other taxes	7	7
	Pension account	2,410	2,410
	Provision for bad debts	<u>37,479</u>	<u>36,961</u>
		<u><u>48,176</u></u>	<u><u>47,958</u></u>

Cheshire Neighbours Credit Union (Registered number: IP00687C)

Notes to the Financial Statements - continued
for the year ended 30 September 2016

9. **PROVISIONS FOR LIABILITIES**

	2016	2015
	£	£
Other provisions	<u>6,009</u>	<u>6,009</u>

10. **RESERVES**

	General Reserve £
At 1 October 2015	31,146
Surplus for the year	<u>14,573</u>
At 30 September 2016	<u>45,719</u>

11. **CAPITAL COMMITMENTS**

At the 30 September 2016 the credit union held no capital commitments (2015: NIL)

12. **CONTINGENT LIABILITIES**

At the 30 September 2016 the credit union held no contingent liabilities (2015: NIL)

Profit and Loss Account
for the year ended 30 September 2016

	2016		2015	
	£	£	£	£
Turnover				
Interest on loans	23,443		23,417	
Bank interest (Gross)	6,323		6,944	
Entrance fees	560		750	
Other income	3,161		5,122	
General grants release	<u>35,000</u>		<u>85,940</u>	
		68,487		122,173
Expenditure				
Rent	2,604		9,769	
Wages	24,012		23,811	
Pensions	-		31	
FSA fees	1,072		1,017	
Trade association dues	2,347		2,864	
Staff expenses	410		729	
Heat and light	(119)		169	
Telephone	1		516	
Stationery, postage and copying	2,959		2,731	
Computer supplies	4,141		5,774	
Other expenses	177		98	
Building maintenance	-		120	
Business rates	-		(118)	
Bad debts	(131)		4,842	
Advertising	946		1,036	
Training	193		-	
Unreconciled differences	351		(5,245)	
Legal & professional fees	3,755		9,040	
General insurance	984		1,019	
Auditors' remuneration	3,200		3,200	
Auditors' remuneration for non audit work	<u>500</u>		<u>1,260</u>	
		<u>47,402</u>		<u>62,663</u>
		21,085		59,510
Finance costs				
Bank charges		<u>3,301</u>		<u>3,982</u>
		17,784		55,528
Depreciation				
Computer software	-		1,058	
Computer equipment	<u>1,946</u>		<u>1,896</u>	
		<u>1,946</u>		<u>2,954</u>
NET PROFIT		<u><u>15,838</u></u>		<u><u>52,574</u></u>