

Registration number: IP00718C

# 6 Towns Credit Union Limited

Annual Report and Financial Statements for the Year Ended

31 March 2016

## 6 Towns Credit Union Limited

### Contents

Credit Union Information	1
Directors Report	2 to 5
Independent Auditor's Report	6 to 8
Revenue Account	9
Balance Sheet	10
Statement of Changes in Equity	11
Statement of Cash Flows	12
Notes to the Financial Statements	13 to 34

## 6 Towns Credit Union Limited

### Credit Union Information

<b>FCA Number</b>	419396
<b>Society Number</b>	IP00718C
<b>Secretary</b>	Arun Budon
<b>Registered office</b>	382 High Street West Bromwich West Midlands B70 9LB
<b>Auditors</b>	Alexander Sloan 38 Cadogan Street Glasgow G2 7HF

6 Towns Credit Union Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

## **6 Towns Credit Union Limited**

### **Directors Report for the Year Ended 31 March 2016**

The Directors present their report and the financial statements for the year ended 31 March 2016.

#### **Principal activity**

The principal activity of the Credit Union continues to be that defined in the Credit Union Act 1979. The Credit Union's common bond covers anyone that live or works in Sandwell, South Birmingham and the whole of Worcestershire. This includes any business that operates within these areas.

#### **Directors of the Credit Union**

The directors who held office during the year were as follows:

Martyn Treadgold

Deborah Heighway

Elaine Morris

Reverend Peter Sellick

Paul Bailey

Janice MacMillan

Arun Budon - Secretary and director

Allison Allerson (resigned 8 October 2016)

Elemay Parkes (resigned 17 October 2016)

Philip May (resigned 23 August 2016)

## **6 Towns Credit Union Limited**

### **Directors Report for the Year Ended 31 March 2016**

#### **Fair review of the business**

The Board of Directors of 6Towns Credit Union submit their report to the Annual General Meeting.

We must apologise for the late submission of these accounts. The annual report was due to have been completed before the end of September last year and we have worked closely with our auditors to identify and resolve the issues which led to these delays. Our thanks are due to Steven Cunningham of Alexander Sloan for the professional and courteous conduct of the audit process.

The Financial Year 2015/16 was the second year in succession that the Board has the painful duty to report a trading loss. This year the loss has been heavier than in the preceding financial year.

There are a variety of reasons behind this unfortunate situation.

Firstly, many Credit Unions have seen a decline in the demand for loans and 6Towns is no exception to this trend. The income from interest on loans is one of our principal revenue streams and any decline in demand will impact upon the balance sheet.

Secondly, our capacity to implement the full range of banking services to all our customers was delayed way beyond our expectations and for reason completely outside our control. Inevitably this has meant not only a decline in projected income but has also resulted in potential customers deciding not to take up our services.

Thirdly, a new methodology has been introduced to calculate the value of loans that for any reason have not been repaid in accordance with the schedule in the original loan agreement. 6Towns has always been vigorous in pursuing members who do not make their repayments on time and will continue to do so. However, the new process has resulted in a significant one-off contingency figure which has adversely affected the annual accounts. This additional one-off expense amounted to £99,852 in these financial statements, which was not under the control of the board.

Our auditors advise us that if these trends are evident in 2016/17, we will continue to be in a position where our capital ratios is below the 3% level required by the Prudential Regulation Authority.

## 6 Towns Credit Union Limited

### Directors Report for the Year Ended 31 March 2016

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 (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 period. 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 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014. 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.

#### **Reappointment of auditors**

A resolution for the re-appointment of Alexander Sloan as auditors of the Credit Union is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 29 March 2017 and signed on its behalf by:

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Arun Budon  
Secretary

## **6 Towns Credit Union Limited**

### **Independent Auditor's Report**

We were engaged to audit the financial statements of 6 Towns Credit Union Limited for the year ended 31 March 2016, set out on pages 9 to 34. 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 the Co-operative and Community Benefit Society Act 2014. Our audit work has been undertaken so that we might state to the Credit Union's 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.

#### **Respective responsibilities of Directors and auditor**

As explained more fully in the Director's Responsibility statement (set out on page 4), the Directors are 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 (APB's) Ethical Standards for Auditors to the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

#### **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.

#### **Other Matters**

The financial statements of the Credit Union for the period ended 31 March 2015, were audited by another auditor who expressed an unmodified opinion on those statements.

## **6 Towns Credit Union Limited**

### **Independent Auditor's Report**

#### **Basis for disclaimer of opinion on financial statements**

During the year there was an unidentified difference in the 30th September 2016 bank reconciliation of £10,263. The difference has been written off to expenditure at the year end. As a result of this we are unable to determine whether any adjustments were necessary in respect of the Credit Union's shares, loans, income or expenditure.

#### **Disclaimer on view given by the financial statements**

Because of the possible effect to the financial statements of the above we are unable to form an opinion as to whether the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as at 31 March 2016 and of its loss 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 Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014.

#### **Emphasis of matter**

The Credit Union has generated a loss during the year of 298,642. As outlined in Note 1 the Directors have plans to reduce the loss in the forthcoming period. The Credit Union's reserves are below the minimum capital requirements set by the Prudential Regulation Authority (PRA). The Credit Union's ability to continue as a going concern depends on the success of the Director's plans and support from the PRA.

## 6 Towns Credit Union Limited

### Revenue Account for the Year Ended 31 March 2016

		2016	2015
	Note	£	£
Loan interest receivable and similar income	3	84,222	95,853
Interest payable and similar charges	4	(13,610)	-
Net interest income		70,612	95,853
Fees and commissions receivable	5	102,248	76,705
Fees and commissions payable	6	(59,824)	(20,531)
Net fees and commissions		42,424	56,174
Other operating income	7	83,931	86,474
Administrative expenses	8	(397,413)	(359,651)
Depreciation and amortisation		(14,921)	(15,300)
Impairment on loans for bad and doubtful debts		(78,633)	3,661
Deficit before tax		(294,000)	(132,789)
Corporation Tax	13	(4,642)	-
Deficit for the financial year		(298,642)	(132,789)
Other comprehensive income		-	-
Total comprehensive income for the year		(298,642)	(132,789)

The notes on pages 13 to 34 form an integral part of these financial statements.

## 6 Towns Credit Union Limited

### Balance Sheet as at 31 March 2016

	Note	2016 £	2015 £
<b>Assets</b>			
Cash and balances at central banks	14	679	579
Loans and advances to banks	14	1,645,243	1,603,869
Loans and advances to customers	15	328,252	403,127
Intangible assets	17	32,017	14,118
Tangible fixed assets	18	11,995	12,188
Other receivables	19	13,390	13,316
Prepayments and accrued income		37,500	1,792
Total assets		2,069,076	2,048,989
<b>Liabilities</b>			
Customer accounts	20	1,964,377	1,650,559
Other liabilities	21	50,343	45,432
Accruals and deferred income	22	15,000	15,000
		2,029,720	1,710,991
General reserve	24	39,356	337,998
Total liabilities		2,069,076	2,048,989

Approved and authorised by the Board on 29 March 2017 and signed on its behalf by:

.....

Martyn Treadgold

Director

.....

Reverend Peter Sellick

Director

.....

Arun Budon

Secretary

The notes on pages 13 to 34 form an integral part of these financial statements.

## 6 Towns Credit Union Limited

### Statement of Changes in Equity for the Year Ended 31 March 2016

	<b>General reserve £</b>	<b>Total £</b>
At 1 April 2015	337,998	337,998
Deficit for the year	(298,642)	(298,642)
At 31 March 2016	<u>39,356</u>	<u>39,356</u>
	<b>General reserve £</b>	<b>Total £</b>
At 1 April 2014	470,787	470,787
Deficit for the year	(132,789)	(132,789)
At 31 March 2015	<u>337,998</u>	<u>337,998</u>

The notes on pages 13 to 34 form an integral part of these financial statements.

## 6 Towns Credit Union Limited

### Statement of Cash Flows for the Year Ended 31 March 2016

	Note	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Deficit for the year		(298,642)	(132,789)
<u>Adjustments to cash flows from non-cash items</u>			
Depreciation and amortisation	10	14,921	15,300
Corporation tax expense	13	4,642	-
Provision movement		89,989	12,029
Interest income on loans		(75,719)	(85,010)
Distribution on member shares		13,610	-
		(251,199)	(190,470)
<u>Working capital adjustments</u>			
(Increase)/decrease in other receivables and prepayments	19	(35,782)	384
Increase in trade and other payables	21	3,140	34,544
Increase in deferred income, including government grants		-	15,000
		(32,642)	49,928
<b>Cash flows from changes in operating assets and liabilities</b>			
Loan repayments less loans advanced		60,605	206,621
Customer balance cash movement		300,208	374,832
Movement on funds on deposit		(3,341)	(115,515)
		357,472	465,938
Income taxes paid	13	(2,871)	-
<b>Net cash flow from operating activities</b>		70,760	325,396
<b>Cash flows from investing activities</b>			
Acquisitions of property plant and equipment		(4,832)	(3,276)
Acquisition of intangible assets	17	(27,795)	-
<b>Net cash flows from investing activities</b>		(32,627)	(3,276)
Net increase in cash and cash equivalents		38,133	322,120
Cash and cash equivalents at 1 April		1,488,933	1,166,813
Cash and cash equivalents at 31 March		1,527,066	1,488,933

The notes on pages 13 to 34 form an integral part of these financial statements.

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 1 General information

6 Towns Credit Union Limited is registered in the UK as a society 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 Union Act 1979. The Credit Union is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The address of its registered office is:

382 High Street  
West Bromwich  
West Midlands  
B70 9LB

These financial statements were authorised for issue by the Board on 29 March 2017.

#### 2 Accounting policies

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

##### **Basis of preparation**

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The accounts are presented in UK Sterling and rounded to the nearest pound.

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 2 Accounting policies (continued)

##### **Going concern**

The financial statements have been prepared on a going concern basis. The Credit Union has generated losses in the current and previous financial years leading to a reduction in reserves. The Credit Union is currently below the required capital to asset ratio. The Directors are introducing plans to reduce costs and improve the profitability of the Credit Union. The Credit Union's ability to continue as a going concern depends on the success of these plans and support of the regulator. The accounts do not contain any adjustment that would be necessary if the Credit Union was not able to continue as a going concern.

##### **Key sources of estimation uncertainty**

Impairment of Financial Assets:

The Credit Union assess at each reporting date, if there is objective evidence that any of its loans to customers are impaired. The loans are assessed collectively in groups that share similar credit-risk characteristics. 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.

##### **Grants**

Grants are credited to deferred income. Grants for capital expenditure are released to the Revenue Account over the expected useful life of the asset. Grants for revenue expenditure are released to the Revenue Account as the expenditure is incurred.

##### **Finance income and costs policy**

Interest receivable on loans to members and banks interest is recognised using the effective interest rate basis, and is calculated and accrued on a daily basis.

##### **Tax**

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 2 Accounting policies (continued)

##### Tangible fixed assets

Tangible fixed assets is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible fixed assets includes directly attributable incremental costs incurred in their acquisition and installation.

##### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Office equipment	20% straight line
Computer equipment	20% straight line

##### Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Credit Union's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Negative goodwill arising on an acquisition is recognised on the face of the balance sheet on the acquisition date and subsequently the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered.

##### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

<b>Asset class</b>	<b>Amortisation method and rate</b>
Computer software	20% straight line

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 2 Accounting policies (continued)

##### Financial instruments

###### Classification

Loans to members are a debt instrument measured at amortised cost using the effective interest rate.

###### Recognition and measurement

Loans to members are financial assets with fixed or determinable payments, and are not quoted in an active market. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest rate method. Loans are derecognised when the rights to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

###### Impairment

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 expected cash flows.

#### 3 Interest receivable and similar income

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Interest income on loans	75,719	85,010
Interest income on bank deposits	8,503	10,843
	<u>84,222</u>	<u>95,853</u>

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 4 Interest payable and similar charges

As non-deferred shares are classed as a liability the dividend on these shares is classed as interest for accounting purposes under FRS 102:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Ordinary share dividend	13,185	-
Juvenile share distribution	425	-
	<hr/>	<hr/>
Total distributions to customers	<u>13,610</u>	<u>-</u>

The distributions on member's shares represents distributions paid in the year which were approved at the last Annual General Meeting. The dividend rates approved at the previous AGM were:

	<b>2016</b>	<b>2015</b>
	<b>%</b>	<b>%</b>
<b>Dividends paid during the period</b>		
Dividend paid relating to 2012-14	3.29	-
	<hr/>	<hr/>

The dividend based on the 2014/15 results of £14,014 was paid in the financial year 2016/17 and will be included within that year's financial results as there was no commitment as at 31 March 2016. At the forthcoming Annual General Meeting no dividend will be proposed.

	<b>2016</b>	<b>2015</b>
	<b>%</b>	<b>%</b>
<b>Proposed distribution to members</b>		
Proposed dividend on juvenile shares	-	1.09
Proposed dividend on ordinary shares	-	1.09
Proposed dividend on corporate shares	-	1.09
	<hr/>	<hr/>

#### 5 Fees and commissions receivable

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 5 Fees and commissions receivable (continued)

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Banking Services	102,248	76,705

#### 6 Fees and commissions payable

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Bank charges	25,832	18,314
Banking services charges	33,992	2,217
Fees and commissions payable	59,824	20,531

#### 7 Other operating income

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Donations	1,000	-
Government grants	82,931	86,474
	83,931	86,474

#### 8 Administrative expenses

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Employee benefits expense	172,525	173,319
Auditors remuneration	6,400	18,800
Member communication and advertising	25,358	24,291
Legal, professional and credit costs	54,146	49,410
Computer costs	67,266	33,268
Other admin costs	31,961	24,577
Administrative expenses	357,656	323,665

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 9 Other operating expenses

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Regulatory costs	9,186	8,381
Office costs	30,571	27,605
Other operating expenses	<u>39,757</u>	<u>35,986</u>

#### 10 Operating surplus

Arrived at after charging/(crediting)

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Depreciation expense	5,025	10,659
Amortisation expense	<u>9,896</u>	<u>4,641</u>

#### 11 Staff costs

The aggregate remuneration (including key management remuneration) were as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Wages and salaries	161,178	161,568
Social security costs	<u>11,347</u>	<u>11,751</u>
	<u>172,525</u>	<u>173,319</u>

The average number of persons employed by the Credit Union (excluding Directors) during the year, analysed by category was as follows:

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 11 Staff costs (continued)

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
Management	2	2
Administration and support	6	6
	8	8
	8	8

#### 12 Auditors' remuneration

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Audit of the financial statements	6,400	6,600
<b>Other fees to auditors</b>		
All other non-audit services	-	12,200
	-	12,200
	-	12,200

#### 13 Corporation tax

Tax charged/(credited) in the revenue account

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Current taxation</b>		
UK corporation tax	1,771	-
UK corporation tax adjustment to prior periods	2,871	-
	4,642	-
	4,642	-

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2015 - the same as the standard rate of corporation tax in the UK) of 20% (2015 - 20%).

The differences are reconciled below:

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 13 Corporation tax (continued)

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Deficit before tax	(294,000)	(132,789)
Corporation tax at standard rate	(58,800)	(26,558)
Effect of revenues exempt from taxation	60,571	26,558
Increase (decrease) in UK and foreign current tax from adjustment for prior periods	2,871	-
Total tax charge	4,642	-

#### 14 Loans and advances to banks

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Cash at bank	1,526,387	1,488,354
Short-term deposits	118,856	115,515
Loans and advances to banks	1,645,243	1,603,869
Cash balances	679	579
Total cash and bank balances and deposits	1,645,922	1,604,448
Less amounts maturing more than 8 days	(118,856)	(115,515)
Cash and cash equivalents in statement of cash flows	1,527,066	1,488,933

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 15 Loans and advances to customers

	Note	2016 £	2015 £
<b>Loan movement in the period</b>			
Opening balance		482,803	604,414
Interest accrued on loans during period		75,719	85,010
Loans advanced during the period		389,090	601,948
Repayments received during period		(449,695)	(808,569)
		497,917	482,803
Loan impairment		(169,665)	(79,676)
		328,252	403,127
<b>Loan repayments</b>			
Loans due within one year		453,790	423,584
Due after one year		44,127	59,219
Loan impairment		(169,665)	(79,676)
		328,252	403,127
<b>Classification of loans</b>			
Loans to individual members		328,252	403,127
		328,252	403,127

#### 16 Loan Impairment

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 16 Loan Impairment (continued)

	Provision for written off debts	Doubtful debt provision	Total provision
Opening impairment	-	79,676	79,676
Charge to Revenue Account	(11,356)	89,989	78,633
Bad debt recovered	11,356	-	11,356
	<hr/>	<hr/>	<hr/>
Closing provision	-	169,665	169,665
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Under Financial Reporting Standard 102 (FRS 102), the criteria for writing off a loan is different from the Board writing off the loan for internal purposes. As a result for the financial statements loans written off by the Board that do not meet the criteria in FRS 102 for being written off are moved into the Provision for Written Off Debts. There is no net effect on the surplus or net assets of the Credit Union from this reallocation.

#### 17 Intangible assets

	Software costs £	Total £
<b>Cost or valuation</b>		
At 1 April 2015	23,797	23,797
Additions acquired separately	27,795	27,795
	<hr/>	<hr/>
At 31 March 2016	51,592	51,592
	<hr/>	<hr/>
<b>Amortisation</b>		
At 1 April 2015	9,679	9,679
Amortisation charge	9,896	9,896
	<hr/>	<hr/>
At 31 March 2016	19,575	19,575
	<hr/>	<hr/>
<b>Carrying amount</b>		
At 31 March 2016	32,017	32,017
	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2015	14,118	14,118
	<hr/> <hr/>	<hr/> <hr/>

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 18 Tangible fixed assets

	Furniture, fittings and equipment £	Office equipment £	Total £
<b>Cost or valuation</b>			
At 1 April 2015	70,327	12,395	82,722
Additions	4,394	438	4,832
	74,721	12,833	87,554
<b>Depreciation</b>			
At 1 April 2015	66,844	3,690	70,534
Charge for the year	2,519	2,506	5,025
	69,363	6,196	75,559
<b>Carrying amount</b>			
At 31 March 2016	5,358	6,637	11,995
At 31 March 2015	3,483	8,705	12,188

#### 19 Other receivables

	2016 £	2015 £
Other debtors	13,390	13,316
	13,390	13,316
Other receivables	13,390	13,316

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 20 Customer accounts

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Customer balance movement in the period</b>		
Opening balance	1,650,559	1,275,727
Deposited during the period	8,262,890	1,477,837
Withdrawn during the period	(7,949,072)	(1,103,005)
	1,964,377	1,650,559
	1,964,377	1,650,559
<b>Classification of Customer balances</b>		
Individual member shares	1,736,526	1,469,161
Current accounts	169,675	137,122
	1,906,201	1,606,283
Member balances	1,906,201	1,606,283
Juvenile deposits	58,176	44,276
	1,964,377	1,650,559
	1,964,377	1,650,559

#### 21 Other liabilities

		<b>2016</b>	<b>2015</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
<b>Due within one year</b>			
Social security and other taxes		6,493	3,419
Other creditors		841	-
Accrued expenses		41,238	42,013
Corporation tax liability	13	1,771	-
		50,343	45,432
		50,343	45,432

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 22 Accruals and deferred income

	Note	2016 £	2015 £
Deferred income brought forward		15,000	-
Deferred income received		-	15,000
Deferred income		<u>15,000</u>	<u>15,000</u>

#### 23 Obligations under leases and hire purchase contracts

##### Operating leases

The total of future minimum lease payments is as follows:

	2016 £	2015 £
Later than one year and not later than five years	83,088	106,253

The amount of non-cancellable operating lease payments recognised as an expense during the year was £23,173 (2015 - £23,173).

#### 24 Reserves

##### General Reserve

The general reserve represents the base capital of the Credit Union and is the retained surpluses and deficits which have not been allocated to another specific reserve.

##### Appropriation Reserve

The appropriation reserve represents funds allocated by the Board for the future payment of dividends.

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 25 Capital

6 Towns Credit Union Limited classes all of its reserves as capital. The Credit Union manages its reserves through its financial and budgeting policies and procedures. The Prudential Regulation Authority sets out requirements for the capital ratio that the Credit Union must maintain. The ratio is calculated after proposed dividends. The Credit Union's compliance with the ratio at the year end is set out below:

	2016	2015
	%	%
<b>Regulatory Requirement</b>		
Minimum capital to asset ratio	3.00	3.00
Actual Capital to Asset Ratio	1.22	15.15

#### 26 Financial Risk Management

6 Towns Credit Union Limited manages its shares and loans so that it earns income from the margin between interest receivable and interest payable (including dividends paid).

The main financial risks arising from the activities of 6 Towns Credit Union Limited are credit risk, liquidity risk and market 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 repayment to 6 Towns Credit Union Limited, resulting in financial loss to the Credit Union. In order to manage this risk the Board approves the lending policy of 6 Towns Credit Union Limited 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 the likelihood of repayment has changed. The Credit Union also monitors its banking arrangements for Credit Risk.

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 26 Financial Risk Management (continued)

##### Liquidity Risk

The policy of 6 Towns Credit Union Limited is to maintain sufficient funds in liquid form at time to ensure that it can meet its liabilities as they fall due and meet the liquidity ratios set by the regulators. The objective of the policy is to provide a degree of protection against any unexpected developments that may arise.

##### Market Risk

Market risk generally comprises of interest rate risk, currency risk and other price risk. The main risks impacting the Credit Union are set out below:

Interest rate risk: The main interest rate risk for 6 Towns Credit Union Limited arises between the interest rate exposure on loans, bank deposits and shares that form an integral part of a Credit Union's operations. 6 Towns Credit Union Limited considers rates of interest receivable when deciding on proposed dividend rates. Dividend rates are based on the historical results of the Credit Union and the Credit Union's strategic plans. The Credit Union does not use interest rate options to hedge its own positions.

Foreign Currency Risk: All transactions are carried out in sterling and therefore the Credit Union is not exposed to any form of foreign currency risk.

Other price risk: The Credit Union does not hold any listed investments.

#### 27 Credit Risk Disclosure

The Credit Union holds the following security against its loans to members:

	<b>2016</b>
	<b>£</b>
<b>Security for loans</b>	
Attached Shares	30,367

The carrying amount of the loans to members represents the Credit Union's maximum exposure to 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. The status 'past due' includes any loan where payments are in arrears. The amount included is the entire loan amount and not just the overdue amount.

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 27 Credit Risk Disclosure (continued)

	Note	2016 £	2015 £
<b>Loans not impaired</b>			
Not past due		344,541	360,275
<b>Individually impaired</b>			
Not past due		-	-
Up to 3 months past due		-	-
Between 3 months and 6 months due		5,290	-
Between 6 months and 1 year past due		28,465	33,385
Over 1 year past due		119,621	89,143
		153,376	122,528
		497,917	482,803
Impairment allowance		(169,665)	(79,676)
		328,252	403,127

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 28 Interest Rate Disclosure

The following table shows the interest received during the year divided by the closing loan balance and the dividend paid during the year divided by the closing share balance:

	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>Amount</b>	<b>Rates</b>	<b>Amount</b>	<b>Rates</b>
	<b>£</b>	<b>received in</b>	<b>£</b>	<b>received in</b>
		<b>year</b>		<b>year</b>
		<b>%</b>		<b>%</b>
<b>Financial assets</b>				
Loans to members	328,252	23.07	403,127	21.09
	<u>328,252</u>	<u>23.07</u>	<u>403,127</u>	<u>21.09</u>
	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>Amount</b>	<b>Rates paid</b>	<b>Amount</b>	<b>Rates paid</b>
	<b>£</b>	<b>in year</b>	<b>£</b>	<b>in year</b>
		<b>%</b>		<b>%</b>
<b>Financial liabilities</b>				
Juvenile deposits	58,176	.73	44,276	-
Member shares	1,736,526	.76	1,469,161	-
Current accounts	169,675	-	137,122	-
	<u>1,964,377</u>	<u>.69</u>	<u>1,650,559</u>	<u>-</u>

#### 29 Contingent liabilities

The Credit Union participates in the Financial Services Compensation Scheme (FSCS) which provides protection for its members up to the level of protection offered by the FSCS. As a result of the Credit Unions participation it has a contingent liability, which cannot be quantified in respect of future contributions to the FSCS, as required by the Financial Services and Markets Act 2000.

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 30 Related party transactions

##### Key management personnel

The Credit Union classes Directors and members of the Senior Management team as Key Management.

##### Key management compensation

	2016	2015
	£	£
Salaries and other short term employee benefits	66,403	63,802

##### Summary of transactions with key management

Loans to key management are issued on standard terms and conditions. At the year end £2,950 was owed by Key Management in loans to the Credit Union.

#### 31 Transition to FRS 102

The financial statements have been updated to comply with Financial Reporting Standard 102 (FRS 102). This has involved the following changes to the figures in previous years:

- reallocate software from tangible fixed assets to intangible assets
- recalculate financial assets using amortised cost using the effective interest rate. Any accrued interest previously included within debtors is now included as part of the financial asset balance.
- reallocate junior deposits to customer accounts.
- derecognising loans only where they meet criteria of FRS 102. This has led to an increase in the level of loans and a new provision for loans the credit union has written off for internal purposes but which do not meet the criteria within FRS 102.

Comparative figures have also been updated to defer grant income received in the previous year of £15,000. This has resulted in the deficit increasing by £15,000 and net assets decreasing by the same amount.

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 31 Transition to FRS 102 (continued)

##### Balance Sheet at 1 April 2014

Note	As originally reported £	FRS102 adjustment £	Prior year restatement £	As restated £
<b>Assets</b>				
Loans and advances to banks	1,166,813	-	-	1,166,813
Loans and advances to customers	536,767	-	-	536,767
Intangible assets	-	13,943	-	13,943
Tangible fixed assets	38,330	(13,943)	-	24,387
Other receivables	11,242	-	-	11,242
	<u>1,753,152</u>	<u>-</u>	<u>-</u>	<u>1,753,152</u>
<b>Liabilities</b>				
Customer accounts	1,275,727	-	-	1,275,727
Other liabilities	10,888	-	-	10,888
	<u>1,286,615</u>	<u>-</u>	<u>-</u>	<u>1,286,615</u>
<b>Reserves</b>				
General reserves	470,787	-	-	470,787
Total Liabilities and Reserves	<u>1,757,402</u>	<u>-</u>	<u>-</u>	<u>1,757,402</u>

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 31 Transition to FRS 102 (continued)

##### Balance Sheet at 31 March 2015

Note	As originally reported £	FRS102 adjustment £	Prior year restatement £	As restated £
<b>Assets</b>				
Cash and balances at central banks	579	-	-	579
Loans and advances to banks	1,603,869	-	-	1,603,869
Loans and advances to customers	403,127	-	-	403,127
Intangible assets	-	14,118	-	14,118
Tangible fixed assets	26,306	(14,118)	-	12,188
Other receivables	13,316	-	-	13,316
	<u>2,047,197</u>	<u>-</u>	<u>-</u>	<u>2,047,197</u>
<b>Liabilities</b>				
Customer accounts	1,650,559	-	-	1,650,559
Other liabilities	45,432	-	-	45,432
Deferred income	-	-	15,000	15,000
	<u>1,695,991</u>	<u>-</u>	<u>15,000</u>	<u>1,710,991</u>
<b>Reserves</b>				
General reserves	352,998	-	(15,000)	337,998
Total Liabilities and Reserves	<u>2,048,989</u>	<u>-</u>	<u>-</u>	<u>2,048,989</u>

## 6 Towns Credit Union Limited

### Notes to the Financial Statements for the Year Ended 31 March 2016

#### 31 Transition to FRS 102 (continued)

##### Revenue Account for the year ended 31 March 2015

	As originally reported	FRS 102 adjustment	Prior year restatement	As restated
Note	£	£	£	£
Interest receivable and similar income	95,853	-	-	95,853
Fees and commissions receivable	76,705	-	-	76,705
Fees and commissions payable	(20,531)	-	-	(20,531)
Other operating income	101,474	-	(15,000)	86,474
Administrative expenses	(359,651)	-	-	(359,651)
Depreciation and amortisation	(15,300)	-	-	(15,300)
Impairment on loans	3,661	-	-	3,661
	<u>(117,789)</u>	<u>-</u>	<u>(15,000)</u>	<u>(132,789)</u>
Surplus before taxation				
Deficit for the financial year	<u><u>(117,789)</u></u>	<u><u>-</u></u>	<u><u>(15,000)</u></u>	<u><u>(132,789)</u></u>

## **6 Towns Credit Union Limited**

**The following pages do not form part of the statutory accounts**

This page does not form part of the statutory financial statements.

## 6 Towns Credit Union Limited

### Detailed Revenue Account for the Year Ended 31 March 2016

	Note	2016 £	2015 £
<b>Income</b>			
Interest income on loans		75,719	85,010
Interest income on bank deposits		8,503	10,843
		84,222	95,853
<b>Fees and Commissions Receivable</b>			
Banking service charge		-	76,705
Weekly account charge		47,137	-
ATM Fees		15,359	-
Point of Sale Fees		5,686	-
Card fees		10,010	-
Other banking fees		1,983	-
Landlord services		14,535	-
Cheque fees		7,538	-
<b>Other operating income</b>			
Government grants receivable		82,931	86,474
Donations		1,000	-
		270,401	259,032
<b>Expenditure</b>			
Employee benefits expense		172,525	173,319
Auditor's remuneration - The audit of the company's annual accounts		6,400	6,600
Auditor's remuneration - Other services		-	12,200
Bank charges		25,832	18,314
Banking services charges		-	2,217
Card fees		23,568	-
Card maintenance fees		47	-
ATM and POS fees		7,609	-
EZ Cards		2,124	-
Other banking service costs		644	-
Regulatory costs		9,186	8,381
Office costs		30,571	27,605
Hire of plant and machinery (Operating leases)		6,177	-

This page does not form part of the statutory financial statements.

## 6 Towns Credit Union Limited

### Detailed Revenue Account for the Year Ended 31 March 2016

	Note	2016 £	2015 £
Volunteer and staff training		950	2,732
Travelling		5,871	1,409
Office service costs		-	13,424
Trade subscriptions		402	-
Sundry expenses		424	-
Differences written off		9,439	-
Control account differences written off		824	-
Foreign currency (gains)/losses		13	-
Trade association dues		7,861	7,012
Member communication and advertising		25,358	24,291
Legal, professional and credit costs		54,146	49,410
Computer costs		67,266	33,268
Depreciation and amortisation		14,921	15,300
Impairment on loans for bad and doubtful debts		78,633	(3,661)
		<u>550,791</u>	<u>391,821</u>
Operating Surplus/(Deficit)		<u>(280,390)</u>	<u>(132,789)</u>
Deficit before tax		(280,390)	(132,789)
Corporation Tax	13	(4,642)	-
Deficit for the financial year before dividend		(285,032)	(132,789)
Distributions		(13,610)	-
Deficit for the financial year after dividend		<u><u>(298,642)</u></u>	<u><u>(132,789)</u></u>

This page does not form part of the statutory financial statements.