

**Strategic Report, Report of the Directors and
Financial Statements
for the Year Ended 30 September 2020
for
Moneywise Credit Union Ltd**

Moneywise Credit Union Ltd

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for the Year Ended 30 September 2020**

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Moneywise Credit Union Ltd
Company Information
for the Year Ended 30 September 2020

DIRECTORS:	Andrew Breese Alistair Chisolm Suzanne Halliwell Geoffrey Ellingham Robert Buckley Phil Goad Dennis O'Neil David Allsopp Jane Edmends Thomas Lillie
SECRETARY:	A Breese
SOCIETY REGISTRATION NUMBER:	IP00257C
FINANCIAL CONDUCT AUTHORITY REGISTRATION NUMBER:	213486
REGISTERED OFFICE:	187 - 189 Shields Road Byker Newcastle Upon Tyne NE6 1DP
SENIOR STATUTORY AUDITOR:	Kevin Shotton BA BFP FCA
AUDITORS:	Clive Owen LLP Chartered Accountants & Statutory Auditors 140 Coniscliffe Road DARLINGTON County Durham DL3 7RT
BANKERS:	Unity Trust Bank Plc Nine Brindley Place 4 Oozells Square Birmingham B1 2HB

Moneywise Credit Union Ltd
Report of the Directors
for the Year Ended 30 September 2020

The directors present their report with the financial statements of the company for the year ended 30 September 2020.

PRINCIPAL ACTIVITY

The principal activities of the credit union are the promotion and encouragement of regular savings and prudent borrowings by its members, as defined in the Credit Unions Act 1979.

RESULTS AND DIVIDENDS

The surplus for the year, after taxation, amounted to £167,946 (2019 - £185,042 deficit).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2019 to the date of this report.

A Breese
A Chisolm
S Halliwell
G Ellingham
R Buckley
P Goad
D O'Neil
D Allsopp
J Edmonds
T Lillie

Other changes in directors holding office are as follows:

S Agnew - resigned 7 February 2020
S Dinning - resigned 15 September 2020

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below:

- Credit risk: All loan applications are assessed with reference to the Credit Union's lending policy. Changes to policy are approved by the Board.
- Interest rate Risk: The main interest rate risk arises from differences between interest rate exposures on assets and on liabilities that form an integral part of the credit union's operations. The Credit Union considers interest rates when deciding on the dividend rates to propose on share accounts.
- Liquidity Risk: The Credit Union's policy is to maintain sufficient funds in a liquid form at all times to ensure that the credit union can meet its liabilities as they fall due. The objective of liquidity is to help smooth mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

Moneywise Credit Union Ltd

**Report of the Directors
for the Year Ended 30 September 2020**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

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, including FRS 102 "The Financial Reporting Standards applicable in the UK and Ireland" (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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then 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 company 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 Co-operative and Community Benefit Societies Act 2014 and with 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 directors are aware, there is no relevant audit information (Information needed by the Credit Union's auditors in connection with preparing their report) of which the credit union's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:



..... Andrew Breese

Director

Date: 21 January 2021

Report of the Independent Auditors to the Members of Moneywise Credit Union Ltd

Opinion

We have audited the financial statements of Moneywise Credit Union Ltd (the 'credit union') for the year ended 30 September 2020 which comprise the Revenue Account, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable 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 2020 and of its profit 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 Unions Act 1979.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 these 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the credit union's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors but does not include the financial statements and our Report of the Auditors thereon.

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.

Opinions on other matters prescribed by the Credit Unions Act 1979

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of Moneywise Credit Union Ltd

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the credit union and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Credit Unions Act 1979 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors 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 directors determine 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 directors 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 directors either intend to liquidate the credit union or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the credit union's members, as a body, in accordance with Chapter 3 of Part 16 of the Credit Unions Act 1979. 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 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 company and the credit union's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Shotton BA BFP FCA (Senior Statutory Auditor)
for and on behalf of Clive Owen LLP
Chartered Accountants
& Statutory Auditors
140 Coniscliffe Road
DARLINGTON
County Durham
DL3 7RT

Date: 21 January 2021

Moneywise Credit Union Ltd
Revenue Account
for the Year Ended 30 September 2020

	Notes	2020 £	2019 £
Loan interest receivable and similar income	4	574,072	603,616
Interest payable	5	<u>(21,604)</u>	<u>(17,660)</u>
Net interest income		552,468	585,956
Fees and commissions receivable	6	12,575	8,144
Fees and commissions payable		<u>(7,069)</u>	<u>(7,243)</u>
Net fees and commissions payable		5,506	901
Other Income	7	309,823	222,411
Administrative expenses	8	(480,910)	(466,813)
Depreciation and amortisation		(26,331)	(33,347)
Other operating expenses	8	(140,904)	(127,798)
Impairment losses on loans to members		<u>(50,707)</u>	<u>(364,883)</u>
Surplus (Deficit) Before Taxation		<u>168,945</u>	<u>(183,573)</u>
Taxation	10	(999)	(1,469)
Surplus (Deficit) for the Financial Year		<u>167,946</u>	<u>(185,042)</u>
Gain on merger		0	0
Total comprehensive income		<u>167,946</u>	<u>(185,042)</u>

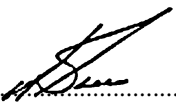
The notes form part of these financial statements

Moneywise Credit Union Ltd

**Balance Sheet
30 September 2020**

	Notes	2020	2019
		£	£
FIXED ASSETS			
Tangible assets	11	52,422	78,303
CURRENT ASSETS			
Debtors	12	2,467,194	2,890,717
Prepayments		54,178	54,698
Cash at bank and in hand		<u>3,274,916</u>	<u>1,665,240</u>
		5,796,288	4,610,655
CREDITORS			
Amounts falling due within one year	14	<u>77,684</u>	<u>140,635</u>
NET CURRENT ASSETS		<u>5,718,604</u>	<u>4,470,020</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,771,026	4,548,323
SUBSCRIBED CAPITAL	13	<u>5,336,246</u>	<u>4,281,499</u>
NET ASSETS		<u><u>434,780</u></u>	<u><u>266,824</u></u>
RESERVES			
Deferred member shares		35,000	35,000
Retained earnings		<u>399,780</u>	<u>231,824</u>
		<u><u>434,780</u></u>	<u><u>266,824</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 21 January 2021 and were signed on its behalf by:


Andrew Bræese.....
 Director

Moneywise Credit Union Ltd

**Statement of Changes in Equity
for the Year Ended 30 September 2020**

	Retained earnings £	Deferred member shares £	Total equity £
Balance at 1 October 2018	416,866	35,000	451,866
Changes in equity			
Total comprehensive income	<u>(185,042)</u>	<u>-</u>	<u>(185,042)</u>
Balance at 30 September 2019	<u>231,824</u>	<u>35,000</u>	<u>266,824</u>
Changes in equity			
Dividends	10	-	10
Total comprehensive income	<u>167,946</u>	<u>-</u>	<u>167,946</u>
Balance at 30 September 2020	<u><u>399,780</u></u>	<u><u>35,000</u></u>	<u><u>434,780</u></u>

The notes form part of these financial statements

Moneywise Credit Union Ltd

**Cash Flow Statement
for the Year Ended 30 September 2020**

	Notes	2020 £	2019 £
Cash flows from operating activities			
Cash generated from operations	1	1,611,586	182,036
Tax paid		<u>(1,470)</u>	<u>(1,469)</u>
Net cash from operating activities		<u>1,610,116</u>	<u>180,567</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(450)	(100,622)
Net cash flow from liquid deposits		<u>(455,486)</u>	<u>(4,061)</u>
Net cash from investing activities		<u>(455,936)</u>	<u>(104,683)</u>
Cash flows from financing activities			
Equity dividends paid		<u>10</u>	<u>-</u>
Net cash from financing activities		<u>10</u>	<u>-</u>
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	1,154,190	75,884
		<u>1,405,966</u>	<u>1,330,082</u>
Cash and cash equivalents at end of year	2	<u>2,560,156</u>	<u>1,405,966</u>

The notes form part of these financial statements

Moneywise Credit Union Ltd

**Notes to the Cash Flow Statement
for the Year Ended 30 September 2020**

1. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2020	2019
	£	£
Profit/(loss) before taxation	168,946	(183,573)
Depreciation charges	26,331	33,347
Impairment losses	44,494	375,831
Cash inflow from subscribed capital	10,240,366	12,439,047
Cash outflow from repaid capital	(9,185,619)	(12,082,352)
New loans to members	(2,497,870)	(3,057,347)
Repayment of loans by members	<u>3,200,643</u>	<u>2,605,670</u>
	1,997,291	130,623
Increase in trade and other debtors	(323,225)	(6,733)
(Decrease)/increase in trade and other creditors	<u>(62,480)</u>	<u>58,146</u>
Cash generated from operations	<u><u>1,611,586</u></u>	<u><u>182,036</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 30 September 2020

	30.9.20	1.10.19
	£	£
Cash and cash equivalents	<u><u>2,560,156</u></u>	<u><u>1,405,966</u></u>

Year ended 30 September 2019

	30.9.19	1.10.18
	£	£
Cash and cash equivalents	<u><u>1,405,966</u></u>	<u><u>1,330,082</u></u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.10.19	Cash flow	At 30.9.20
	£	£	£
Net cash			
Cash at bank and in hand	<u>1,405,966</u>	<u>1,154,190</u>	<u>2,560,156</u>
	<u>1,405,966</u>	<u>1,154,190</u>	<u>2,560,156</u>
Liquid resources			
Current asset investments	<u>259,274</u>	<u>455,486</u>	<u>714,760</u>
	<u>259,274</u>	<u>455,486</u>	<u>714,760</u>
Total	<u><u>1,665,240</u></u>	<u><u>1,609,676</u></u>	<u><u>3,274,916</u></u>

The notes form part of these financial statements

Moneywise Credit Union Ltd

Notes to the Financial Statements for the Year Ended 30 September 2020

1. LEGAL AND REGULATORY FRAMEWORK

The Credit Union is a society established under the Co-operative and Community Benefits Societies Act 2014, whose principal activity is to operate as a credit union, within the meaning of the Credit Unions Act 1979. The Credit Union has registered with the Financial Conduct Authority and is regulated by the Prudential Regulation Authority under the provisions of the Financial Services and Markets Act 2000.

In accordance with the regulatory environment for credit unions, deposits from members can be made by subscription for redeemable shares, deferred shares and interest-bearing shares. At present the Credit Union has issued redeemable and deferred shares.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with FRS102 - the Financial Reporting Standard applicable in the UK and Ireland.

The financial statements are prepared on the historical cost basis.

Turnover

Loan interest receivable and similar income: interest on both loans to members and loans to banks (i.e. cash and cash equivalents held on deposit with other financial institutions) is recognised using the effective interest method, and is calculated and accrued on a daily basis. Exempt interest on members loans is not recognised.

Fees and commissions receivable: Fees and charges either arise in connection with a specific transaction, or accrue evenly over the year. Income relating to individual transactions is recognised when the transaction is completed.

Other income: Other income is recognised either evenly over the period to which it relates or when the transaction is complete.

Tangible fixed assets

Tangible assets comprise items of property, plant and equipment, which are stated at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value, on a straight line basis over its estimated useful life. The categories of property, plant and equipment are depreciated as follows:

Fixtures, Fittings, Office Equipment & Furniture - 5 years
Computers & Hardware - 3-5 years

Taxation

The tax charge for the year reflects current tax payable. Current tax is the expected corporation tax payable for the year, using tax rates in force for the year. The Credit Union is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as a trade. However, corporation tax is payable on investment income.

As a result of the limited activities of the Credit Union from which profits are chargeable to corporation tax, it is unlikely that deferred tax will arise.

Moneywise Credit Union Ltd

Notes to the Financial Statements - continued for the Year Ended 30 September 2020

2. ACCOUNTING POLICIES - continued

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand with the Bank of England and advances to banks (i.e. cash deposited with banks) with maturity of less than or equal to three months.

Deferred grants and funding / revenue contributions

Deferred grants in respect of capital expenditure are credited to the income and expenditure account over the estimated useful life of the relevant fixed assets. Deferred grants and funding in respect of revenue items are credited to the income and expenditure account over the period to which they relate to to match the relevant expenditure. The grants/funding shown in the balance sheet represents the grant/funding receivable to date less the amount so far credited to the income and expenditure account.

Financial assets - loans and advances to members

Loans to members are financial assets with fixed or determinable payments. Loans are made to members for provident or productive purposes on such security (or without security) and terms as the rules of the Credit Union provide. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

Impairment of financial assets

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 loan and the net present value of the expected cash flows.

Financial liabilities - subscribed capital

Members' shareholdings in the Credit Union are redeemable and therefore are classified as financial liabilities, and described as subscribed capital. They are initially recognised at the amount of cash deposited and subsequently measured at amortised cost.

Deferred members' shareholdings in the Credit Union are only redeemable in the event of liquidation and therefore is classified as equity in accordance with Section 22 of FRS102. Interest expenses made in dividends are classified as distributions to owners and are recognised in the Statement of Changes in Retained Earnings.

Employee benefits

Defined contribution plans: The amounts charged as expenditure for the defined contributions plan are the contributions payable by the Credit Union for the relevant period.

Other employee benefits: Other short and long term employee benefits, including holiday pay, are recognised as an expense over the period they are earned.

Reserves

Retained earnings are the accumulated surpluses and deferred shares to date that have not been declared as dividends returnable to members.

Moneywise Credit Union Ltd

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying the Credit Union's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

Impairment losses on loans to members

Impaired losses are stated after specifically reviewing all loans in arrears. The criteria used is whether the loan will be repaid within the term of the loan based upon the current regular pattern of repayments.

4. LOAN INTEREST RECEIVABLE AND SIMILAR INCOME

	2020	2019
	£	£
Loan interest receivable from members	568,812	595,885
Bank interest receivable from cash and liquid deposits	<u>5,260</u>	<u>7,731</u>
 Total loan interest receivable and similar income	 <u><u>574,072</u></u>	 <u><u>603,616</u></u>

5. INTEREST EXPENSE

Interest expense is the dividend paid to members for the prior year. The dividend is formally proposed by the Directors after the year end and is confirmed at the following AGM. As a result it does not represent a liability at the balance sheet date.

	2020	2019
	£	£
Interest paid during the year	<u>21,604</u>	<u>17,660</u>
Dividend rate	0.50%	0.50%
Interest proposed, but not recognised	<u>0</u>	<u>0</u>
Dividend rate	0.00%	0.00%

6. FEES AND COMMISSIONS RECEIVABLE

	2020	2019
	£	£
Bad debt charge	10,986	7,520
OYO/YHN Commission	0	0
Nexus / LHA BACS charges	1,213	0
Entrance fees	0	5
Ancillary service charges	<u>376</u>	<u>619</u>
 Total fees and commissions receivable	 <u><u>12,575</u></u>	 <u><u>8,144</u></u>

Moneywise Credit Union Ltd

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

7. OTHER INCOME

	2020	2019
	£	£
Capital Grant release	17,065	17,735
Revenue Grant release:	0	11,666
Lloyds Banking Foundation		
Middlesbrough Community Banking	175,542	149,113
Sunderland Council	10,000	0
Release of service income	40,000	40,000
Loan guarantee funds release	24,322	1,962
Small donations and other income	26,023	185
Insurances claimed	0	1,750
Contracts delivered	8,375	0
Furlough Income	8,496	0
	<u>309,823</u>	<u>222,411</u>

8. EXPENSES

	Note	2020		2019
		£		£
Administrative expenses		480,910		466,813
Depreciation and amortisation		26,331		33,347
Other operating expenses		140,904		127,798
		<u>648,145</u>		<u>627,957</u>

	Note	2020		2019
		£		£
Administrative expenses				
Employment costs		317,675		320,710
Training and conference		1,656		3,780
Marketing and publicity		28,311		15,403
Travelling		9,289		13,955
Auditors remuneration		7,925		4,760
Telephone		7,498		12,817
Computer maintenance		45,787		37,212
Legal and professional		20,047		24,170
General expenses		6,046		3,856
Printing, Postage and Stationery		13,255		15,647
Other insurances		6,012		4,399
Additional services		17,409		10,104
		<u>480,910</u>		<u>466,813</u>
Total administrative expenses		<u>480,910</u>		<u>466,813</u>

Moneywise Credit Union Ltd

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

8. EXPENSES - Continued

Other Operating Expenses	Note	2020	2019
Cost of occupying offices (excluding depreciation)		£	£
Rent and rates		54,042	43,305
Repairs, removals and maintenance		12,105	10,940
Heating and Lighting		<u>19,923</u>	<u>5,724</u>
		86,070	59,969
Regulatory and financial management costs			
Financial Conduct Authority Fees		1,390	897
National Body Dues		3,600	3,804
Financial Services Compensation Scheme Levy		0	86
Fidelity Insurance		2,750	3,420
Loan Protection and life savings insurance		13,674	12,228
Credit checks & Loan collection costs		<u>33,420</u>	<u>47,394</u>
		<u>54,834</u>	<u>67,829</u>
Total Other Operating Expenses		<u><u>140,904</u></u>	<u><u>127,798</u></u>

Auditors remuneration

The Credit Union voluntarily presents an analysis of its auditors' remuneration in accordance with Companies (Disclosure of Auditor Remunerations and Liability Limitation Agreements) Regulations 2008.

	2020	2019
	£	£
Fees payable for the audit of the Credit Union's annual accounts	7,805	4,670
Fees payable to the Credit Union's Auditor for other services:		
Services relating to taxation	<u>120</u>	<u>90</u>
Total Auditors remuneration	<u><u>7,925</u></u>	<u><u>4,760</u></u>

Moneywise Credit Union Ltd

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

9. EMPLOYEES AND EMPLOYMENT COSTS

Employment costs	2020	2019
	£	£
Wages and salaries	288,767	294,086
Social Security costs	19,247	19,785
Payment to defined contribution pension schemes	<u>9,681</u>	<u>6,839</u>
Total employment costs	<u><u>317,695</u></u>	<u><u>320,710</u></u>

The Directors of the Credit Union are mostly unpaid volunteers, with the exception of two directors who were paid an honorarium and the Chief Executive Officer who is paid a salary. The key management team for the Credit Union includes the Chief Executive Officer, two senior staff and the managers at the Stockton and Redcar branches.

	2020	2019
	£	£
Short term employee benefits	132,595	133,217
Payments to defined contribution pension schemes	<u>4,600</u>	<u>3,603</u>
Total key management personnel compensation (benefit)	<u><u>137,195</u></u>	<u><u>136,820</u></u>

Short-term employee benefits include wages, social security contributions and prepaid annual leave.

Number of employees

The average monthly number of employees during the year were:

	2020	2019
Office staff	<u>18</u>	<u>17</u>

10. TAXATION

Analysis of the tax charge

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

	2020	2019
	£	£
Current tax:		
UK corporation tax	<u>999</u>	<u>1,469</u>
Tax on profit/(loss)	<u><u>999</u></u>	<u><u>1,469</u></u>

Moneywise Credit Union Ltd

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

10. **TAXATION - continued**

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £	2019 £
Profit/(loss) before tax	<u>168,946</u>	<u>(183,573)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	32,100	(34,879)
Effects of: Non-taxable surplus/(deficit) on transactions with members	<u>(31,101)</u>	<u>36,348</u>
Total tax charge	<u>999</u>	<u>1,469</u>

Moneywise Credit Union Ltd

**Notes to the Financial Statements - continued
for the Year Ended 30 September 2020**

11. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 October 2019	97,385	111,348	208,733
Additions	<u>-</u>	<u>450</u>	<u>450</u>
At 30 September 2020	<u>97,385</u>	<u>111,798</u>	<u>209,183</u>
DEPRECIATION			
At 1 October 2019	37,295	93,135	130,430
Charge for year	<u>16,725</u>	<u>9,606</u>	<u>26,331</u>
At 30 September 2020	<u>54,020</u>	<u>102,741</u>	<u>156,761</u>
NET BOOK VALUE			
At 30 September 2020	<u>43,365</u>	<u>9,057</u>	<u>52,422</u>
At 30 September 2019	<u>60,090</u>	<u>18,213</u>	<u>78,303</u>

12. LOANS AND ADVANCES TO MEMBERS

Loans and advances to members		Note	2020 £	2019 £
As at 1 October 2019			2,890,717	3,504,210
Advanced during the year			2,497,870	3,057,347
Interest receivable			568,812	595,885
Repaid during the year			<u>(2,707,497)</u>	<u>(3,201,555)</u>
Gross loans and advances to members			3,249,902	3,955,887
Impairment losses:	Individual financial assets		(248,552)	(78,404)
	Group of financial assets		<u>(534,156)</u>	<u>(986,766)</u>
			<u>(782,708)</u>	<u>(1,065,170)</u>
As at 30 September 2020			<u>2,467,194</u>	<u>2,890,717</u>
Memorandum - Total loan assets regulatory purposes		Note	2020 £	2019 £
Gross loans and advances to members			3,249,902	3,955,887
Impairment of individual financial assets			<u>(248,552)</u>	<u>(78,404)</u>
Total loan assets for regulatory purposes			<u>3,001,350</u>	<u>3,877,483</u>

Moneywise Credit Union Ltd

**Notes to the Financial Statements – continued
for the Year Ended 30 September 2020**

12. LOANS AND ADVANCES TO MEMBERS - continued

Credit risk disclosures

The Credit Union does not offer mortgages and as a result all loans to members are unsecured, except where there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding.

The carrying amount of the loans to members represents the credit union's maximum exposure to credit risk. the following table provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amount repayable will be received in full.

	2020		2019	
	Amount	Proportion	Amount	Proportion
Not impaired:				
Neither past due nor impaired	1,923,148	59.18%	2,505,952	63.33%
Up to 3 months past due	263,547	8.11%	226,792	5.73%
Between 3 and 6 months past due	28,494	0.88%	35,141	0.89%
Between 6 and 9 months past due	957	0.03%	1,257	0.03%
Between 9 months and 1 year past due	3,267	0.10%	2,281	0.06%
Over 1 year past due	25,649	0.79%	28,691	0.73%
Sub total: loans not impaired	<u>2,245,062</u>	<u>69.09%</u>	<u>2,800,114</u>	<u>70.77%</u>
Individually impaired:				
Not yet past due, but impaired	2,783	0.09%	7,781	0.20%
Up to 3 months past due	36,048	1.11%	36,305	0.93%
Between 3 and 6 months past due	83,501	2.56%	60,218	1.52%
Between 6 and 9 months past due	77,857	2.40%	57,244	1.45%
Between 9 months and 1 year past due	72,686	2.23%	98,078	2.48%
Over 1 year past due	<u>731,965</u>	<u>22.52%</u>	<u>895,847</u>	<u>22.65%</u>
Total loans	3,249,902	30.91%	3,955,887	29.23%
Impairment allowance	<u>(782,708)</u>		<u>(1,065,170)</u>	
Total carrying value	<u>2,467,194</u>		<u>2,890,717</u>	

Allowance account for impairment losses	Note	2020	2019
		£	£
As at 1 October 2019		986,766	689,339
Allowance for losses made during the year		<u>(204,058)</u>	<u>297,427</u>
As at 30 September 2020		<u>782,708</u>	<u>986,766</u>

Impairment losses recognised for the year	Note	2020	2019
		£	£
Impairment of individual financial assets		248,552	78,404
Increase in impairment allowances during the year		<u>(204,058)</u>	<u>297,427</u>
Reversal of impairment where debts recovered		<u>44,494</u>	<u>375,831</u>
Total impairment losses recognised for the year		<u>33,605</u>	<u>364,883</u>

Moneywise Credit Union Ltd

**Notes to the Financial Statements – continued
for the Year Ended 30 September 2020**

13. SUBSCRIBED CAPITAL - FINANCIAL LIABILITIES

Subscribed capital - financial liabilities	2020	2019
	£	£
As at 1 October 2019	4,281,499	3,924,804
Received during the year	10,240,366	12,421,387
Dividends paid during the year	0	17,660
Repaid during the year	<u>(9,185,619)</u>	<u>(12,082,352)</u>
As at 30 September 2020	<u>5,336,246</u>	<u>4,281,499</u>

14. OTHER PAYABLES

Other payables	Note	2020	2019
		£	£
UK Corporation tax		999	1,470
Creditors and accruals		32,289	45,007
Loan guarantee fund		258	32,955
Capital Grant		<u>44,138</u>	<u>61,203</u>
		<u>77,684</u>	<u>140,635</u>

15. FINANCIAL RISK MANAGEMENT

The Credit Union manages its subscribed capital and loans to members so that it earns income from the margin between interest receivable and interest payable.

The main financial risk arising from the Credit Union activities are credit risk, liquidity risk and interest rate 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 repayments to the Credit Union, resulting in financial loss to the Credit Union. In order to manage the risk the Board approves the Credit Unions lending policy, 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 payment has changes. The Credit Union also monitors its banking arrangements closely in light of the current banking situation.

Liquidity risk: The Credit Unions policy is to maintain sufficient funds in liquid form at all times to ensure that it meets its liabilities as they fall due. The objective of the Credit Unions liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

Market risk: Market risk is generally comprised of interest rate risk, currency risk and other price risk. The Credit Union conducts all its transactions in sterling and does not deal in derivatives or commodity markets. Therefore the credit union is not exposed to any form of currency risk or other price risk.

Interest rate risk: The Credit Unions main interest rate risk arises from differences between the interest rate exposures on the receivables and payables that form an integral part of a credit unions operations. The credit union considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital. The Credit Union does not use interest rate options to hedge its own positions.

Moneywise Credit Union Ltd

**Notes to the Financial Statements – continued
for the Year Ended 30 September 2020**

15. FINANCIAL RISK MANAGEMENT - continued

Interest rate disclosures

The following table shows the average interest rates applicable to relevant financial assets and financial liabilities.

	2020		2019	
	Amount	Average Interest rate	Amount	Average Interest rate
Financial assets	£	%	£	%
Loans to members	3,168,522	14.86%	3,877,483	16.14%

The interest rates applicable to loans to members are fixed and range from 3% to 36%.

Liquidity risk disclosures

Excluding short-term other payables, as noted on the balance sheet, the Credit Unions financial liabilities, the subscribed capital, are repayable on demand.

Fair value of financial instruments

The credit union does not hold any financial instruments at fair value.

16. CASH AND CASH EQUIVALENTS

	2020	2019
	£	£
Loans and advances to banks	3,274,916	1,665,240
Less: amounts maturing after 3 months	<u>(714,760)</u>	<u>(259,274)</u>
Total cash and cash equivalents	<u>2,560,156</u>	<u>1,405,966</u>

17. FINANCIAL COMMITMENTS

At 30 September 2020 the credit union had total commitments under non-cancellable leases over the remaining life of those leases of £118,560 (2019 - £234,673).

18. POST BALANCE SHEET EVENTS

There are no material events after the balance sheet date to disclose.

19. CONTINGENT LIABILITIES

The Credit Union participates in the Financial Services Compensation Scheme (FSCS) and therefore has a contingent liability, which cannot be quantified, in respect of contributions to the FSCS, as required by the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) has provided details of how the calculation of next year's contribution towards the FSCS will be calculated and full provision has been included for this liability. However, this is subject to future changes in interest rates and levels of deposits held by UK deposit takers. Therefore, there is inherent uncertainty regarding the totality of the levy that the Credit Union will have to pay.

Moneywise Credit Union Ltd

Notes to the Financial Statements - continued for the Year Ended 30 September 2020

27. NON-AUDIT SERVICES

In common with many other Credit Unions of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist us with the preparation of the financial statements.

28. RELATED PARTY TRANSACTIONS

During the year no members of the board, staff, volunteers or close family members, had or were issued with loans with the Credit union (2019 – 8 members). These loans were approved on the same basis as loans to other members of the Credit Union. None of the directors, staff, volunteers and close family members have any preferential terms on their loans.

During the year, £15,259 (2019 - £10,104) was paid to Phil Goad and Andrew Breese, directors of the Credit Union, for the provision of board minutes and internal audit services.

Andrew Breese and Geoff Ellingham, directors of the credit union, are both directors of CU Forms Limited, who provides the credit union with an online platform for loan applications and agreements. The credit union have paid £4,125 (2019 - £3,793) for monthly support and consultancy.

Finally, Andrew Breese a director at the Credit Union is also a director at ACE Credit Union Services, a national trade association. The credit union is affiliated with ACE and have paid £3,600 (2019 - £3,080) in annual subscriptions and conference fees.