



**Alexander Sloan**  
Accountants and Business Advisers

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**Manchester Credit Union Limited**  
**Annual Report and Financial Statements**  
**Year Ended 30 September 2018**

Registration number: 235C

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180 St Vincent Street  
**Glasgow**  
G2 5SG

Telephone  
0141 204 8989

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50 Meville Street  
**Edinburgh**  
EH3 7HF

Telephone  
0131 228 7979

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[www.alexandersloan.co.uk](http://www.alexandersloan.co.uk)  
[info@alexandersloan.co.uk](mailto:info@alexandersloan.co.uk)

# Manchester Credit Union Limited

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## **Manchester Credit Union Limited**

### **Credit Union Information**

<b>FCA Number</b>	213400
<b>Society Number</b>	235C
<b>Registered office</b>	24 Queen Street Manchester M2 5HX
<b>Auditors</b>	Alexander Sloan 180 St Vincent Street Glasgow G2 5SG

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

## **Manchester Credit Union Limited**

### **Directors' Report for the Year Ended 30 September 2018**

The Directors present their report and the financial statements for the year ended 30 September 2018.

#### **Principal activity**

The principal activity of the Credit Union continues to be that defined in the Credit Unions Act 1979. The Credit Union's common bond covers everyone who resides or is employed in the City of Manchester, or the metropolitan boroughs of Rochdale, Tameside, Trafford, Stockport, Bury and the High Peak.

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

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

P Mitchell - Chairman

C Davies (resigned 1 September 2018)

B James

P Jones (resigned 1 March 2018)

J Lee

C Moore

M Suringar

R Rosewell

D Bodey

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

The accounts show the results for the year's activities for the combined operations.

The surplus for the year, after taxation, amounted to £402,279 (2017 - £16,371). Particulars of dividends paid are detailed in note 4 to the financial statements.

## **Manchester Credit Union Limited**

### **Directors' Report for the Year Ended 30 September 2018**

#### **Principal risks and uncertainties**

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and interest rate risk.

**Credit Risk** - The Credit Union is exposed to the risk of default on loans and bank balances. All loans are required by the Credit Union to be assessed against the Credit Union's lending policy.

**Liquidity Risk** - The Credit Union's policy is to maintain sufficient funds in liquid forms at all times to be able to meet its liabilities as they fall due and to meet the regulator's liquidity requirements.

**Interest Rate Risk** - The main interest rate risk arises from differences between interest rate exposures on assets and liabilities that form an integral part of the Credit Union's activities. The Credit Union considers interest rates when setting the level of proposed dividends each period.

#### **Disclosure of information to the auditors**

Each Director has taken steps that they ought to have taken as a Director 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. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

## Manchester Credit Union Limited

### Directors' Report for the Year Ended 30 September 2018

#### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report 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 (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 have 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 Unions 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 19/3/19 and signed on its behalf by:



P Mitchell  
Chairman

## **Manchester Credit Union Limited**

### **Independent Auditor's Report to the Members of Manchester Credit Union Limited**

#### **Opinion**

We have audited the financial statements of Manchester Credit Union Limited (the 'Credit Union') for the year ended 30 September 2018, which comprise the Revenue Account, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, 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).

This report is made solely to the Credit Union's members, as a body, in accordance with the Co-operative and Community Benefit Societies 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.

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 2018 and of its results 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.

#### **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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Credit Union 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.

## **Manchester Credit Union Limited**

### **Independent Auditor's Report to the Members of Manchester Credit Union Limited**

#### **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 included in the annual report, other than the financial statements and our auditor's report 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.

#### **Matters on which we are required to report by exception**

In the light of our 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 Directors' Report.



## **Manchester Credit Union Limited**

### **Independent Auditor's Report to the Members of Manchester Credit Union Limited**

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; or
- a satisfactory system of control over transactions has not been maintained by the Credit Union in accordance with the requirements of the legislation; or
- the Revenue Account and Balance Sheet are not in agreement with the books of account of the Credit Union; 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 4], 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

## Manchester Credit Union Limited

### Independent Auditor's Report to the Members of Manchester Credit Union Limited

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Credit Union audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Alexander Sloan

180 St Vincent Street

Glasgow, G2 5SG

Date: 21 March 2019

## Manchester Credit Union Limited

### Revenue Account for the Year Ended 30 September 2018

	Note	2018 £	2017 £
Loan interest receivable and similar income	3	1,578,756	869,223
Interest payable and similar charges	4	(39,633)	(11,132)
Net interest income		<u>1,539,123</u>	<u>858,091</u>
Fees and commissions receivable	5	5,369	40,829
Fees and commissions payable	6	(2,389)	(1,691)
Net fees and commissions		2,980	39,138
Other operating income	7	105,938	23,323
Administrative expenses	8	(644,668)	(626,798)
Depreciation and amortisation		(15,151)	(12,558)
Other operating expenses	9	(56,373)	(53,591)
Impairment on loans for bad and doubtful debts	16	(529,308)	(208,255)
Surplus before tax		402,541	19,350
Corporation Tax	13	(262)	(2,979)
Surplus for the financial year		<u>402,279</u>	<u>16,371</u>
Total comprehensive income for the year		<u><u>402,279</u></u>	<u><u>16,371</u></u>

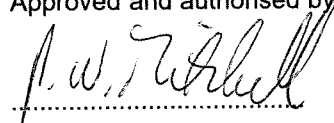
The notes on pages 13 to 32 form an integral part of these financial statements.

## Manchester Credit Union Limited

### Balance Sheet as at 30 September 2018

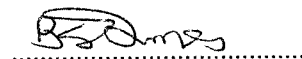
	Note	2018 £	2017 £
<b>Assets</b>			
Cash and balances at central banks	14	310	1,260
Loans and advances to banks	14	692,979	1,268,215
Loans and advances to customers	15	7,701,341	4,981,247
Tangible fixed assets	17	24,030	34,428
Other receivables	18	-	15,000
Prepayments and accrued income		35,808	75,695
<b>Total assets</b>		<b>8,454,468</b>	<b>6,375,845</b>
<b>Liabilities</b>			
Customer accounts	19	6,762,461	5,498,456
Other liabilities	20	478,652	66,313
		7,241,113	5,564,769
Other reserves	22	-	731,455
General reserve	22	1,213,355	79,621
<b>Total reserves</b>		<b>1,213,355</b>	<b>811,076</b>
<b>Total liabilities</b>		<b>8,454,468</b>	<b>6,375,845</b>

Approved and authorised by the Board on 19/3/19 and signed on its behalf by:



P Mitchell

Chairman



B James

Director

The notes on pages 13 to 32 form an integral part of these financial statements.

**Manchester Credit Union Limited**

**Statement of Changes in Equity for the Year Ended 30 September 2018**

	<b>Growth fund</b>	<b>General</b>	<b>Total</b>
	<b>reserve</b>	<b>reserve</b>	<b>£</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 October 2017	731,455	79,621	811,076
Surplus for the year	-	402,279	402,279
Other reserve movements	(731,455)	731,455	-
At 30 September 2018	-	1,213,355	1,213,355
	<b>Growth fund</b>	<b>General</b>	<b>Total</b>
	<b>reserve</b>	<b>reserve</b>	<b>£</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 October 2016	731,455	63,250	794,705
Surplus for the year	-	16,371	16,371
At 30 September 2017	731,455	79,621	811,076

The notes on pages 13 to 32 form an integral part of these financial statements.

## Manchester Credit Union Limited

### Statement of Cash Flows for the Year Ended 30 September 2018

	Note	2018 £	2017 £
<b>Cash flows from operating activities</b>			
Surplus for the year		402,279	16,371
<u>Adjustments to cash flows from non-cash items</u>			
Depreciation and amortisation	10	15,151	12,558
Corporation tax expense	13	262	2,979
Provision movement		571,568	261,931
Interest income on loans	3	(1,577,381)	(853,944)
Interest on loans	4	14,967	-
Distribution on member shares		24,666	11,132
		(548,488)	(548,973)
<u>Working capital adjustments</u>			
Decrease/(increase) in other receivables and prepayments		54,887	(29,268)
Increase/(decrease) in trade and other payables	20	415,057	(23,197)
		469,944	(52,465)
<b>Cash flows from changes in operating assets and liabilities</b>			
Loan repayments less loans advanced	15	(1,714,281)	(692,139)
Customer balance cash movement		1,239,339	396,771
Movement on funds on deposit	14	708,143	300,826
		233,201	5,458
Income taxes paid		(2,980)	(2,647)
		151,677	(598,627)
<b>Cash flows from investing activities</b>			
Acquisitions of property plant and equipment		(4,753)	(3,558)
<b>Cash flows from financing activities</b>			
Interest paid	4	(14,967)	-
Net increase/(decrease) in cash and cash equivalents		131,957	(602,185)
Cash and cash equivalents at 1 October		556,332	1,158,517
Cash and cash equivalents at 30 September		688,289	556,332

The notes on pages 13 to 32 form an integral part of these financial statements.

# Manchester Credit Union Limited

## Notes to the Financial Statements for the Year Ended 30 September 2018

### 1 General information

Manchester 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. As a financial institution the Credit Union is governed by The Financial Services and Markets Act 2000.

The address of its registered office is:

24 Queen Street  
Manchester  
M2 5HX

### 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.

## Manchester Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 2 Accounting policies (continued)

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

###### **Impairment of Financial Assets:**

The Credit Union assesses 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.

###### **Revenue recognition**

Fees and charges receivable 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 complete. The recognition of interest is covered in the Finance Income and Costs Policy.

###### **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 bank 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 charge 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.



## Manchester Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 2 Accounting policies (continued)

##### **Tangible fixed assets**

Tangible fixed assets are 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>
Fixture and fittings	15% reducing balance
Computer equipment	33% 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.

##### **Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Revenue Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

## Manchester Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 2 Accounting policies (continued)

##### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Credit Union has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

##### **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 loan and the discounted expected cash flows.

**Manchester Credit Union Limited**

**Notes to the Financial Statements for the Year Ended 30 September 2018**

**3 Interest receivable and similar income**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Interest income on loans	1,577,381	853,944
Interest income on bank deposits	1,375	15,279
	<u>1,578,756</u>	<u>869,223</u>

## Manchester Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 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>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Ordinary share dividend	24,318	10,950
Juvenile share distribution	348	182
	<hr/>	<hr/>
Total distributions to customers	24,666	11,132
Interest on bank overdrafts and borrowings	14,967	-
	<hr/>	<hr/>
	<b>39,633</b>	<b>11,132</b>
	<hr/> <hr/>	<hr/> <hr/>

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>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
<b>Dividends paid during the period</b>		
Ordinary member dividend	.50	.25
	<hr/>	<hr/>

At the forthcoming Annual General Meeting the Directors will propose the following dividends based on the results for the current year. If approved this dividend will be included in next year's financial accounts once it has been paid.

	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
<b>Proposed distribution to members</b>		
Proposed dividend on ordinary shares	1.00	.50
	<hr/>	<hr/>

**Manchester Credit Union Limited**

**Notes to the Financial Statements for the Year Ended 30 September 2018**

**5 Fees and commissions receivable**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Annual service charges	5,369	40,829

**6 Fees and commissions payable**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Bank charges	2,389	1,691

**7 Other operating income**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Other income	5,938	2,823
Grants	100,000	20,500
	<u>105,938</u>	<u>23,323</u>

## Manchester Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 8 Administrative expenses

	2018	2017
	£	£
Employee benefits expense	416,851	430,439
Auditors remuneration	4,415	7,405
Death benefit costs	35,148	33,097
Member communication and advertising	45,844	46,099
Legal, professional and credit costs	89,950	69,793
Computer costs	31,083	30,912
Travel costs	6,815	6,203
Other admin costs	14,562	2,850
Administrative expenses	<u>644,668</u>	<u>626,798</u>

#### 9 Other operating expenses

	2018	2017
	£	£
Regulatory costs	2,276	1,309
Office costs	54,097	52,282
Other operating expenses	<u>56,373</u>	<u>53,591</u>

#### 10 Operating surplus

Arrived at after charging/(crediting)

	2018	2017
	£	£
Depreciation expense	<u>15,151</u>	<u>12,558</u>

## Manchester Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 11 Staff costs

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

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Wages and salaries	381,490	396,990
Social security costs	31,696	32,272
Pension costs, defined contribution scheme	3,665	1,177
	<u>416,851</u>	<u>430,439</u>

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

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Administration and support	<u>18</u>	<u>16</u>

#### 12 Auditor's remuneration

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Audit of the financial statements	<u>4,415</u>	<u>7,405</u>

## Manchester Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 13 Corporation tax

Tax charged/(credited) in the revenue account

	2018 £	2017 £
<b>Current taxation</b>		
UK corporation tax	262	2,979

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2017 - 19% (2017 - 19.5%).

The differences are reconciled below:

	2018 £	2017 £
Surplus before tax	402,541	19,350
Corporation tax at standard rate	76,483	3,773
Effect of transactions exempt from taxation	(76,221)	(794)
<b>Total tax charge</b>	<b>262</b>	<b>2,979</b>

#### 14 Loans and advances to banks

	2018 £	2017 £
Cash at bank	687,979	555,072
Short-term deposits	5,000	713,143
Loans and advances to banks	692,979	1,268,215
Cash balances	310	1,260
<b>Total cash and bank balances and deposits</b>	<b>693,289</b>	<b>1,269,475</b>
Less amounts maturing more than 8 days	(5,000)	(713,143)
<b>Cash and cash equivalents in statement of cash flows</b>	<b>688,289</b>	<b>556,332</b>



## Manchester Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 15 Loans and advances to customers

	2018	2017
	£	£
<b>Loan movement in the period</b>		
Opening balance	5,494,150	4,162,802
Interest accrued on loans during period	1,577,381	853,944
Loans advanced during the period	9,414,480	5,357,584
Repayments received during period	(7,700,199)	(4,665,445)
Loans derecognised	(373,998)	(214,735)
	8,411,814	5,494,150
Loan impairment	(710,473)	(512,903)
	7,701,341	4,981,247
<b>Loan repayments</b>		
Loans due within one year	6,662,769	3,312,646
Due after one year	1,749,045	2,181,504
Loan impairment	(710,473)	(512,903)
	7,701,341	4,981,247
<b>Classification of loans</b>		
Loans to individual members	7,701,341	4,981,247
	7,701,341	4,981,247

Loans derecognised represent loans which the Credit Union no longer considers recoverable and have consequently been deducted from the overall loan balance.

## Manchester Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 16 Loan Impairment

	<b>Bad debts written off</b>	<b>Provision for written off debts</b>	<b>Doubtful debt provision</b>	<b>Total provision</b>
Opening impairment	-	-	512,903	512,903
Charge to Revenue Account	331,738	-	197,570	529,308
Adjustment to provision for bad debts actually written off	<u>(331,738)</u>	<u>-</u>	<u>-</u>	<u>(331,738)</u>
Closing provision	<u>-</u>	<u>-</u>	<u>710,473</u>	<u>710,473</u>

## Manchester Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 17 Tangible fixed assets

	<b>Furniture, fittings and equipment £</b>	<b>Total £</b>
<b>Cost or valuation</b>		
At 1 October 2017	307,281	307,281
Additions	4,753	4,753
At 30 September 2018	312,034	312,034
<b>Depreciation</b>		
At 1 October 2017	272,853	272,853
Charge for the year	15,151	15,151
At 30 September 2018	288,004	288,004
<b>Carrying amount</b>		
At 30 September 2018	24,030	24,030
At 30 September 2017	34,428	34,428

#### 18 Other receivables

	<b>2018 £</b>	<b>2017 £</b>
Loans to other Credit Unions	-	15,000
	-	15,000

## Manchester Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 19 Customer accounts

	2018	2017
	£	£
<b>Customer balance movement in the period</b>		
Opening balance	5,498,456	5,090,553
Deposited during the period	12,604,002	8,039,973
Withdrawn during the period	(11,339,997)	(7,632,070)
	6,762,461	5,498,456
<b>Classification of Customer balances</b>		
Individual member shares	6,676,845	5,414,506
Juvenile deposits	85,616	83,950
	6,762,461	5,498,456

#### 20 Other liabilities

	2018	2017
	£	£
<b>Due within one year</b>		
Loans from other Credit Unions	400,000	-
Other payables	47,506	41,460
Accrued expenses	30,885	21,874
Corporation tax liability	261	2,979
	478,652	66,313

## Manchester Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018

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

##### Operating leases

The total of future minimum lease payments is as follows:

	2018	2017
	£	£
Not later than one year	50,731	2,038
Later than one year and not later than five years	202,925	-
Later than five years	236,746	-
	<u>490,402</u>	<u>2,038</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £40,560 (2017 - £42,500).

#### 22 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.

##### Growth Fund Reserve

The growth fund reserve represents surpluses and deficits on growth fund activities, including unused growth fund funding.

## Manchester Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 23 Capital

Manchester 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:

	2018	2017
	%	%
<b>Regulatory Requirement</b>		
Minimum capital to asset ratio	8.00	8.00
Capital buffer	2.00	-
	<u>10.00</u>	<u>8.00</u>
Actual Capital to Asset Ratio	<u>13.67</u>	<u>12.34</u>

#### 24 Financial Risk Management

Manchester 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 Manchester 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 repayments to Manchester Credit Union Limited, resulting in financial loss to the Credit Union. In order to manage this risk the Board approves the lending policy of Manchester 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.

## Manchester Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 24 Financial Risk Management (continued)

##### Liquidity Risk

The policy of Manchester Credit Union Limited is to maintain sufficient funds in liquid form at all times 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 Manchester 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. Manchester 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.

#### 25 Credit risk on loans to members

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

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Security for loans</b>		
Attached Shares	<u>734,594</u>	<u>523,501</u>

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.

**Manchester Credit Union Limited**

**Notes to the Financial Statements for the Year Ended 30 September 2018**

**25 Credit risk on loans to members (continued)**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Loans not impaired</b>		
Not past due	6,837,430	4,531,069
Up to 3 months past due	586,729	320,864
	<u>7,424,159</u>	<u>4,851,933</u>
<b>Loans impaired</b>		
Between 3 months and 6 months due	319,767	110,136
Between 6 months and 1 year past due	404,972	178,948
Over 1 year past due	262,916	353,133
	<u>987,655</u>	<u>642,217</u>
	8,411,814	5,494,150
Impairment allowance	<u>(710,473)</u>	<u>(512,903)</u>
	<u>7,701,341</u>	<u>4,981,247</u>



## Manchester Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 26 Interest rates

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:

	2018 Amount £	Rates received in current year %	2017 Amount £	Rates received in previous year %
<b>Financial assets</b>				
Loans to members	7,701,341	20.48	4,981,247	17.14
	<u>2018</u> Amount £	<u>Rates paid</u> in year %	<u>2017</u> Amount £	<u>Rates paid</u> in year %
<b>Financial liabilities</b>				
Juvenile deposits	85,616	.41	83,950	.22
Member shares	6,676,845	.36	5,414,506	.20
	<u>6,762,461</u>	<u>.36</u>	<u>5,498,456</u>	<u>.20</u>

#### 27 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 Union's 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.

## Manchester Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 28 Related party transactions

##### Key management personnel

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

##### Key management remuneration

	2018	2017
	£	£
Salaries and other short term employee benefits	<u>101,089</u>	<u>90,833</u>

##### Summary of transactions with key management

Loans to key management are issued on standard terms and conditions. At the year end £23,979 (2017 - £28,496) was owed by key management and close family in loans to the Credit Union. Key management and their close family held shares totalling £41,886 (2017 - £4,879) in the Credit Union.

**Manchester 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.

## Manchester Credit Union Limited

### Detailed Revenue Account for the Year Ended 30 September 2018

	Note	2018 £	2017 £
<b>Income</b>			
Interest income on loans		1,577,381	853,944
Interest income on bank deposits		1,375	15,279
		1,578,756	869,223
Interest Received		1,578,756	869,223
Fees and commissions receivable	5	5,369	40,829
Other operating income	7	105,938	23,323
		1,690,063	933,375
<b>Expenditure</b>			
Employee benefits expense		416,851	430,439
Auditors remuneration		4,415	7,405
Death benefit costs		35,148	33,097
Bank charges		2,389	1,691
Regulatory costs		2,276	1,309
Office costs		54,097	52,282
Member communication and advertising		45,844	46,099
Legal, professional and credit costs		89,950	69,793
Computer costs		31,083	30,912
Travel costs		6,815	6,203
Other admin costs		14,562	2,850
Depreciation and amortisation		15,151	12,558
Impairment on loans for bad and doubtful debts		529,308	208,255
		1,247,889	902,893
Operating Surplus/(Deficit)		442,174	30,482
Surplus before tax		442,174	30,482
Corporation Tax	13	(262)	(2,979)
Surplus for the financial year before dividend		441,912	27,503
Distributions		(39,633)	(11,132)
Surplus for the financial year after dividend		402,279	16,371

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