

**Report of the Directors and
Financial Statements
for the year ended 31 December 2020
for
Darlington Credit Union Limited**

FCA registration number 283C

Darlington Credit Union Limited
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for the year ended 31 December 2020

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Darlington Credit Union Limited
Company Information
for the year ended 31 December 2020

DIRECTORS:

R W Carson
A Coultas
J Furness
K Johnston
J Lincoln
M Roche
M C Snedker

REGISTERED OFFICE:

41 Tubwell Row
Market Place
Darlington
County Durham
DL1 1PD

REGISTERED NUMBER:

IP00283C (England and Wales)

SENIOR STATUTORY AUDITOR:

Christopher Beaumont BA(Hons) BFP FCA DChA

AUDITORS:

Clive Owen LLP
Chartered Accountants & Statutory Auditors
140 Coniscliffe Road
Darlington
County Durham
DL3 7RT

Darlington Credit Union Limited
Report of the Directors
for the year ended 31 December 2020

The directors present their report with the financial statements of the company for the year ended 31 December 2020.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

Robert Wilfred Carson
Alan Coultas
Karen Johnston
Janice Lincoln
Matthew Roche
Matthew Snedker

Other changes in directors holding office are as follows:

Nigel Foster sadly passed away in early July 2020. He was an asset to the Board and his wise council and support will be greatly missed.

Carol Miller - resigned 6 May 2020
John Furness - co-opted 13 November 2020.

PRINCIPAL ACTIVITY

The principal activity of the credit union is that of the provision of savings and lending facilities for the benefit of its members.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law 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 company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Darlington Credit Union Limited
Report of the Directors
for the year ended 31 December 2020

GOING CONCERN

The Directors assess on an annual basis whether it is appropriate to continue to adopt going concern when signing the accounts. This assessment is based on a view of the ability of the Credit Union to continue to trade financially for the next 12 months. The effects of Covid-19 and the economic outlook remain fragile and uncertain which may impact on future trading circumstances. The Directors have set out in Note 2 on page 11 detail regarding the steps they have taken to ensure this is the case however with the prevailing uncertainties despite those actions the Directors believe the adoption of going concern with material uncertainties is appropriate in signing the financial statements.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the 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 company's auditors are aware of that information.

AUDITORS

This report has been prepared in accordance with the special provisions for small credit unions under the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



J Lincoln (Treasurer)

Date:

Report of the Independent Auditors to the Members of Darlington Credit Union Limited

Opinion

We have audited the financial statements of Darlington Credit Union Limited (the 'credit union') for the year ended 31 December 2020 which comprise the Income and Expenditure Account, Balance Sheet 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 31 December 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Credit 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 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.

Material uncertainty relating to going concern

We draw attention to note 2 in the financial statements which indicates that the effects of the Covid-19 pandemic has had a detrimental impact on the credit union's operations and cash flows. As stated in note 2, these events or conditions, along with other matters as set forth in note 2 indicate that a material uncertainty exists that may cast significant doubt on the credit union's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information in 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.

Report of the Independent Auditors to the Members of Darlington Credit Union Limited

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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:

- a satisfactory system of control over transactions has not been maintained; or
- the society has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; 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 two, 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 company'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 company 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Our audit must be alert to the risk of manipulation of the financial statements and seek to understand the incentives and opportunities for management to achieve this.

We undertake the following procedures to identify and respond to these risks of non-compliance:

- Understanding the key legal and regulatory frameworks that are applicable to the Company. We communicated identified laws and regulations throughout the audit team and remained alert to any indications of non-compliance throughout the audit. We determined the most significant of these to be the FCA and Prudential Regulation Authority regulations.
- Enquiry of directors and management as to policies and procedures to ensure compliance and any known instances of non-compliance.
- Review of board minutes and correspondence with regulators.
- Enquiry of directors and management as to areas of the financial statements susceptible to fraud and how these risks are managed.
- Challenging management on key estimates, assumptions and judgements made in the preparation of the financial statements. These key areas of uncertainty are disclosed in the accounting policies.
- Identifying and testing unusual journal entries, with a particular focus on manual journal entries.

**Report of the Independent Auditors to the Members of
Darlington Credit Union Limited**

Through these procedures, we did not become aware of actual or suspected non-compliance.

We planned and performed our audit in accordance with auditing standards but owing to the inherent limitations of procedures required in these areas, there is an unavoidable risk that we may not have detected a material misstatement in the accounts. The further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve concealment, collusion, forgery, misrepresentations, or override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the credit union those matters we are required to state to it in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the credit union, for this report, or for the opinions we have formed.



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

Date: 9th June 2021

Darlington Credit Union Limited
Revenue Account
for the year ended 31 December 2020

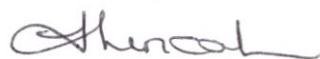
		2020	2019
	Note	£	£
Loan interest receivable and similar income	4	347,375	361,447
Interest payable	5	-	(4,444)
Net interest income		<u>347,375</u>	<u>357,003</u>
Fees and commissions receivable	6	36,223	8,111
Fees and commissions payable		-	-
Net fees and commissions receivable		<u>36,223</u>	<u>8,111</u>
Other income		87,916	50,283
Administrative expenses	7a	(265,696)	(283,339)
Depreciation and amortisation	10	(31,411)	(39,778)
Other operating expenses	7b	(21,960)	(33,043)
Impairment losses on loans to members	11e	(162,124)	(131,619)
Deficit before taxation		(9,677)	(72,382)
Taxation	9a	(528)	(780)
Deficit for the financial year		<u>(10,205)</u>	<u>(73,162)</u>
Other comprehensive income		-	-
Total comprehensive income		<u><u>(10,205)</u></u>	<u><u>(73,162)</u></u>

Darlington Credit Union Limited

**Balance Sheet
for the year ended 31 December 2020**

	Note	2020 £	2019 £
ASSETS			
Cash, cash equivalents and liquid deposits	15	2,078,073	1,287,038
Cash and balances with the Bank of England	15	-	-
Loans and advances to banks	15	-	-
		2,078,073	1,287,038
Loans and advances to members	11	1,623,164	1,760,657
Tangible fixed assets	10	305,269	328,311
Prepayments and accrued income		23,929	25,750
Total assets		4,030,435	3,401,756
 LIABILITIES			
Subscribed capital – repayable on demand	12	3,775,337	3,180,095
Other payables	13	86,766	43,124
		3,862,103	3,223,219
Retained earnings		33,332	43,537
Subordinated loan		50,000	50,000
Deferred member shares		85,000	85,000
Total liabilities		4,030,435	3,401,756

The financial statements were approved, and authorised for issue, by the Board on 14th May 2021 and signed on its behalf by:



J Lincoln (Treasurer)

Darlington Credit Union Limited

Statement of Changes in Retained Earnings
for the year ended 31 December 2020

	Retained earnings £	Subordinated loan £	Deferred member shares £	Total £
Balance as at 1 January 2019	116,699	50,000	85,000	251,699
Total comprehensive income for the year	(73,162)			(73,162)
As at 31 December 2019	43,537	50,000	85,000	178,537
Total comprehensive income for the year	(10,205)	-	-	(10,205)
Dividends paid	-	-	-	-
As at 31 December 2020	33,332	50,000	85,000	168,332

Darlington Credit Union Limited

**Cash Flow Statement
for the year ended 31 December 2020**

	Note	2020 £	2019 £
Cash flows from operating activities			
Deficit before taxation		(9,677)	(72,382)
Adjustments for non-cash items:			
Depreciation	10	31,411	39,778
Impairment losses	11e	<u>162,124</u>	<u>131,619</u>
		193,535	171,397
Movements in:			
Interest received		(344,924)	(352,559)
Other receivables		(1,821)	38,280
Other payables		<u>45,068</u>	<u>22,849</u>
		(301,677)	(291,430)
Cash flows from changes in operating assets and liabilities			
Cash inflow from subscribed capital	12	7,853,443	6,543,620
Cash outflow from repaid capital	12	(7,258,201)	(6,469,427)
New loans to members	11a	(891,976)	(995,266)
Repayment of loans by members	11a	<u>1,212,269</u>	<u>1,336,939</u>
		915,535	415,866
Taxation paid		(763)	(70)
Net cash flows from operating activities		<u>796,953</u>	<u>223,381</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(12,869)	(25,798)
Loss on disposal of asset		4,500	-
Bank interest received		<u>2,451</u>	<u>4,015</u>
Net cash flows from investing activities		<u>(5,918)</u>	<u>(21,783)</u>
Cash flows from financing activities			
Dividends paid	12	-	(4,444)
Net cash flow from managing liquid deposits		<u>-</u>	<u>-</u>
Net cash flows from financing activities		<u>-</u>	<u>(4,444)</u>
Net increase in cash and cash equivalents		791,035	197,154
Cash and cash equivalents at beginning of year		<u>1,287,038</u>	<u>1,089,884</u>
Cash and cash equivalents at end of year	15	<u>2,078,073</u>	<u>1,287,038</u>

Darlington Credit Union Limited

Notes to the Financial Statements for the year ended 31 December 2020

1. Legal and regulatory framework

Darlington Credit Union Limited is a society established under the Industrial and Provident Societies Act 1965, whose principal activity is to operate as a credit union, within the meaning of the Credit Unions Act 1979. Darlington Credit Union Limited 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 Darlington Credit Union Limited has only issued redeemable shares and deferred shares.

2. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are prepared on the historical cost basis.

There were no material departures from that standard.

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year, and also have been consistently applied within the same accounts.

Going concern

As stated in the Directors Report the Directors are obliged to consider whether the use of going concern remains appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the credit union to continue as a going concern. The Directors make this assessment in respect of a period of at least one year from the date the financial statements are approved. The Directors had already reviewed the ability of the organisation to both generate income from Members loans whilst ensuring that bad debts were minimised. At the date of approval, the country and indeed the rest of the world continued to deal with the Covid-19 pandemic. The credit union has taken steps to deal with the financial impact of this. Of particular concern is the recoverability of Member loans. The plans prepared to deal with this situation include:

- Additional third-party funding which is supported by an investment prospectus. Whilst no additional funding has yet been confirmed the Directors are confident of securing some to increase reserves.
- Further grant funding bids secured for the next five years in support of the work of the Credit Union.
- Extension of the subordinated loan by two years to improve reserves.
- Loan campaigns that reduce the period over which they are taken out and are for lower amounts which are believed to be more recoverable in the time period; and
- Reduction in staff and overheads to limit Management expenses.

On the basis of the actions taken and the ongoing activity as stated above but with the prevailing uncertainties despite those actions the Directors believe the adoption of going concern with material uncertainties is appropriate in signing the financial statements.

Darlington Credit Union Limited

Notes to the Financial Statements - continued for the year ended 31 December 2020

2. Accounting policies (continued)

Income

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.

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 is recognised when Darlington Credit Union Limited obtains the right to the income and is matched versus the relevant costs.

Government grants

Revenue based government grants are credited to the revenue account on receipt.

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. Darlington Credit Union Limited 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 Darlington Credit Union Limited from which profits are chargeable to corporation tax, it is unlikely that deferred tax will arise.

Tangible fixed assets

Fixed assets are stated at cost less depreciation. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Freehold property	-	25 years
Fixtures and fittings	-	5 years
Computer equipment	-	2 to 6 years
Core banking platform	-	7 years

Freehold property is deemed to have a residual value of £100,000.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and with various banks and loans and advances to banks (ie cash deposited with banks) with maturity of less than or equal to three months.

Financial assets - loans and advances to members

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 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. In accordance with relevant regulations Darlington Credit Union Limited does not transfer loans to third parties.

Darlington Credit Union Limited

Notes to the Financial Statements - continued for the year ended 31 December 2020

2. Accounting policies (continued)

Impairment of financial assets

Darlington Credit Union Limited 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 Darlington Credit Union Limited 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 classed 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

Darlington Credit Union Limited operates a defined contribution pension scheme. Contributions payable to the credit union's pension scheme are charged to the revenue account in the period to which they relate.

Reserves

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

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 Darlington Credit Union Limited'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:

Darlington Credit Union Limited

**Notes to the Financial Statements - continued
for the year ended 31 December 2020**

3. Impairment losses on loan to members

Impairment 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. Provisions are included based on the requirements set out by the Prudential Regulation Authority, however is reviewed by management monthly and adjustments made to provision where required.

Membership fees

Membership fees relate to a non refundable annual payment. As there are deemed to be no associated costs, the fees are recognised in full when paid.

4. Loan interest receivable and similar income

	2020	2019
	£	£
Loan interest receivable from members	344,924	357,432
Bank interest receivable on cash and liquid deposits	<u>2,451</u>	<u>4,015</u>
Total loan interest receivable and other income	<u>347,375</u>	<u>361,447</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>-</u>	<u>4,444</u>
Dividend rate:		
Share accounts	0.0%	0.14%
Interest proposed, but not recognised	<u>-</u>	<u>-</u>

6. Fees and commissions receivable

	2020	2019
	£	£
Entrance fees	<u>36,223</u>	<u>8,111</u>
Total fees and commissions receivable	<u>36,223</u>	<u>8,111</u>

Darlington Credit Union Limited

**Notes to the Financial Statements - continued
for the year ended 31 December 2020**

7. Expenses

		2020	2019
	Note	£	£
Administrative expenses	7a	265,696	283,339
Depreciation and amortisation	10	31,411	39,778
Other operating expenses	7b	<u>21,960</u>	<u>33,043</u>
		<u><u>319,066</u></u>	<u><u>356,160</u></u>

7a. Administrative expenses

		2020	2019
	Note	£	£
Employment costs	8b	159,452	171,631
Other staff expenses		4,900	5,525
Auditors' remuneration	7c	8,040	9,018
Telephone		1,183	1,020
Computer maintenance		39,466	31,734
Legal and professional		14,493	19,590
General expenses		27,902	31,834
Printing, postage and stationery		5,759	10,419
Other insurance		<u>4,501</u>	<u>2,568</u>
Total administrative expenses		<u><u>265,696</u></u>	<u><u>283,339</u></u>

7b. Other operating expenses

Other operating expenses comprise the costs of occupying offices and regulatory and financial management costs:

	2020	2019
	£	£
Cost of occupying offices (excluding depreciation)		
Cleaning	1,019	1,905
Repairs and maintenance	613	7,346
Heating and lighting	3,723	4,548
Rates	410	1,446
Security	<u>2,601</u>	<u>4,201</u>
	<u>8,366</u>	<u>19,446</u>
Regulatory and financial management costs		
Financial Conduct Authority fees	651	417
Association of British Credit Unions Limited dues	6,949	6,538
Automated Lending Decision software	<u>5,994</u>	<u>6,642</u>
	<u>13,594</u>	<u>13,597</u>
	<u><u>21,960</u></u>	<u><u>33,043</u></u>

Darlington Credit Union Limited

**Notes to the Financial Statements - continued
for the year ended 31 December 2020**

7c. Auditors remuneration

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

	2020	2019
	£	£
Fees payable for the audit of Darlington Credit Union Limited's annual accounts	7,140	5,940
Fees payable to Darlington Credit Union Limited's auditor for other services	900	3,078
	<u>8,040</u>	<u>9,018</u>

8. Employees and employment costs

8a. Number of employees

The average monthly number of employees during the year were:

	2020	2019
	Number	Number
Office staff	<u>8</u>	<u>10</u>

8b. Employment costs

	2020	2019
	£	£
Wages and salaries	148,989	132,797
Social security	7,530	32,043
Payments to defined benefit contribution schemes	2,933	6,791
	<u>159,452</u>	<u>171,631</u>

8c. Key management remuneration

	2020	2019
	£	£
Short term employee benefits	62,490	63,222
Payments to defined benefit contribution schemes	-	-
	<u>62,490</u>	<u>63,222</u>

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

Darlington Credit Union Limited

**Notes to the Financial Statements - continued
for the year ended 31 December 2020**

9. Taxation

9a. Recognised in the Revenue Account

The taxation charge for the year, based on the small profits rate of Corporation Tax of 19% (2019: 19%) comprised:

	Note	2020 £	2019 £
Current tax			
UK Corporation tax	9b	<u>528</u>	<u>780</u>
		<u><u>528</u></u>	<u><u>780</u></u>

9b. Reconciliation of tax expense

Darlington Credit Union Limited 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, the tax charge for the year differs from the standard rate of Corporation Tax. The differences are explained below:

	2020 £	2019 £
Deficit before taxation	<u>(9,677)</u>	<u>(72,382)</u>
Deficit before taxation multiplied by small profits rate of corporation tax in the UK of 19% (2019: 19%)	(1,839)	(13,753)
Effects of:		
Non-taxable deficit on transactions with members	<u>2,367</u>	<u>14,533</u>
Total tax charge for the year	<u><u>528</u></u>	<u><u>780</u></u>

10. Tangible fixed assets

Tangible fixed assets comprise the following property, plant and equipment:

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 2020	280,428	1,961	56,858	114,812	454,059
Additions	-	-	-	12,869	12,869
Disposals	-	-	-	(12,322)	(12,322)
At 31 December 2020	<u>280,428</u>	<u>1,961</u>	<u>56,858</u>	<u>115,359</u>	<u>454,606</u>
Depreciation					
At 1 January 2020	30,602	1,961	47,999	45,186	125,748
Charge for the year	7,212	-	8,859	15,340	31,411
Disposals	-	-	-	(7,822)	(7,822)
At 31 December 2020	<u>37,814</u>	<u>1,961</u>	<u>56,858</u>	<u>52,704</u>	<u>149,337</u>
Net book value					
At 31 December 2020	<u><u>242,614</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>62,655</u></u>	<u><u>305,269</u></u>
At 1 January 2020	<u>249,826</u>	<u>-</u>	<u>8,859</u>	<u>69,626</u>	<u>328,311</u>

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**Notes to the Financial Statements - continued
for the year ended 31 December 2020**

11. Loans and advances to members - financial assets

11a. Loans and advances to members

	Note	2020 £	2019 £
As at 1 January 2020		2,134,365	2,169,399
Advanced during the year		891,976	995,266
Interest receivable		344,924	357,432
Repaid during the year		<u>(1,212,269)</u>	<u>(1,336,939)</u>
Gross loans and advances to members	11b	2,158,996	2,185,158
Impairment losses		(522,879)	(422,161)
Balances written off		(12,953)	(2,340)
Individual financial assets	11b, 11d	-	-
Groups of financial assets	11c	<u>-</u>	<u>-</u>
		<u>(535,832)</u>	<u>(424,501)</u>
As at 31 December 2020		<u>1,623,164</u>	<u>1,760,657</u>

11b. Memorandum - Total loan assets for regulatory purposes

	Note	2020 £	2019 £
Gross loans and advances to members		2,130,890	2,120,287
Budget loans to members		15,153	14,078
Impairment of individual financial assets		<u>(522,879)</u>	<u>(373,708)</u>
Gross loans and advances to members	14b	<u>1,623,164</u>	<u>1,760,657</u>

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11c. Credit risk disclosure

Darlington Credit Union Limited does not offer mortgages and as a result all loans to members are unsecured, except that there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding. Members may borrow up to a maximum of £7,500 in total.

The carrying amount of the loans to members represents Darlington Credit Union Limited'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 amounts repayable will be received in full.

	2020		2019	
	Amount £	Proportion %	Amount £	Proportion %
Not impaired:				
Neither past due nor impaired	1,154,799	54%	1,563,078	72%
Up to 3 months past due	217,739	10%	99,577	5%
Between 3 and 6 months past due	8,743	0%	15,797	1%
Between 6 months and 1 year past due	19,279	1%	6,389	0%
Over 1 year past due	30,075	1%	8,371	0%
Sub-total: loans not impaired	1,430,635	67%	1,693,212	78%
Individually impaired:				
Not yet past due, but impaired	-	0%	-	0%
Up to 3 months past due	-	0%	-	0%
Between 3 and 6 months past due	72,412	3%	17,854	1%
Between 6 months and 1 year past due	91,695	4%	71,546	3%
Over 1 year past due	551,301	26%	400,206	18%
Total loans	2,146,043	100%	2,182,818	100%
Impairment allowance	(522,879)		(422,161)	
Total carrying value	1,623,164		1,760,657	

11d. Allowance account for impairment losses

	Note	2020 £	2019 £
As at 1 January 2020		422,161	292,882
Allowance for losses made during the year		(12,953)	(2,340)
Allowances reversed during the year		-	-
Increase in allowances during the year	11e	162,124	131,619
As at 31 December 2020		571,332	422,161

11e. Impairment losses recognised for the year

	2020 £	2019 £
Impairment of individual financial assets	-	-
Increase in impairment allowances during the year	165,980	138,138
Reversal of impairment where debts recovered	(3,856)	(6,519)
Total impairment losses recognised for the year	162,124	131,619

Darlington Credit Union Limited

Notes to the Financial Statements - continued
for the year ended 31 December 2020

12. Subscribed capital - financial liabilities

	Note	2020 £	2019 £
As at 1 January 2020		3,180,095	3,101,458
Received during the year		7,853,443	6,543,620
Dividends paid		-	4,444
Repaid during the year		(7,258,201)	(6,469,427)
As at 31 December 2020	14b	<u><u>3,775,337</u></u>	<u><u>3,180,095</u></u>

Deposits from members may only be made by way of subscription for shares.

Subscribed capital can be split as follow:

	2020 £	2019 £
Non-deferred member shares	3,586,646	3,007,185
Junior member shares	<u>188,691</u>	<u>172,910</u>
	<u><u>3,775,337</u></u>	<u><u>3,180,095</u></u>

13. Other payables

	2020 £	2019 £
UK Corporation Tax	545	780
Other creditors	45,473	2,795
Bridge to loan funds	950	543
Accruals and deferred income	<u>39,798</u>	<u>39,006</u>
	<u><u>86,766</u></u>	<u><u>43,124</u></u>

Darlington Credit Union Limited

Notes to the Financial Statements - continued for the year ended 31 December 2020

14. Financial risk management

Darlington Credit Union Limited 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 risks arising from Darlington Credit Union Limited's 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 Darlington Credit Union Limited, resulting in financial loss to Darlington Credit Union Limited. In order to manage this risk the Board approves Darlington Credit Union Limited's 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 that the likelihood of repayment has changed.

Liquidity risk: Darlington Credit Union Limited's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due. The objective of Darlington Credit Union Limited's 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. Note 2 provides further details about the impact of the maturity mismatch on the going concern status of Darlington Credit Union Limited.

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

Interest rate risk: Darlington Credit Union Limited's 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 union's operations. Darlington Credit Union Limited considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital. Darlington Credit Union Limited does not use interest rate options to hedge its own positions.

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**Notes to the Financial Statements - continued
for the year ended 31 December 2020**

14b. Interest rate risk disclosure

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	<u>1,623,164</u>	21.25%	<u>1,760,657</u>	20.30%
Financial liabilities				
Subscribed capital:				
Member share accounts	(3,775,337)	0.00%	(3,180,095)	0.00%
	<u>(3,775,337)</u>		<u>(3,180,095)</u>	

The interest rates applicable to loans to members are fixed and range from 15% to 42.58%. The interest payable on subscribed capital is determined on the basis of income less administrative expenses and, as can be seen above, a consistent margin is maintained between interest receivable and interest payable. As a result, the surplus for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

14c. Liquidity risk disclosure

Excluding short-term other payables, as noted in the balance sheet, Darlington Credit Union Limited's financial liabilities, the subscribed capital, are repayable on demand.

14d. Fair value of financial instruments

Darlington Credit Union Limited does not hold any financial instruments at fair value.

15. Cash and cash equivalents

	2020 £	2019 £
Cash, cash equivalents and liquid deposits	2,078,073	1,287,038
Cash and balances with the Bank of England	-	-
Loans and advances to banks	-	-
	<u>2,078,073</u>	<u>1,287,038</u>
Less: amounts maturing after three months	<u>(1,623,957)</u>	<u>(859,730)</u>
Total cash and cash equivalents	<u>454,116</u>	<u>427,308</u>

16. Post balance sheet events

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

17. Contingent liabilities

Darlington Credit Union Limited 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) had 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 Darlington Credit Union Limited will have to pay.

Darlington Credit Union Limited

**Notes to the Financial Statements - continued
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18. Related party transactions

During the year, 5 members of the Board, staff and their close family members (2019: 5 members) had loans with Darlington Credit Union Limited. These loans were approved on the same basis as loan to other members of Darlington Credit Union Limited. None of the directors, staff or their close family members, have any preferential terms on their loans.