

**Report of the Directors and
Financial Statements
for the Year Ended 31 December 2019
for
Darlington Credit Union Limited**

Darlington Credit Union Limited

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for the Year Ended 31 December 2019**

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Darlington Credit Union Limited
Company Information
for the Year Ended 31 December 2019

DIRECTORS: R W Carson (Chairman)
A T Brockley
A Coultas
N Foster
K Johnston
J Lincoln
C Miller
M Roche
M 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 2019

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

DIRECTORS

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

Robert Wilfred Carson,
Alan Coultas,
Nigel Foster,
Karen Johnston,
Carol Miller.

Other changes in directors holding office are as follows:

Joe Hannon – resigned 26 January 2019
Matt Roche, co-opted (17 May 2019)
Matthew Snedker, co-opted (14 June 2019)
Janice Lincoln, co-opted (17 May 2019)
Samuel Paul Johnson (Treasurer)(Resigned June 2019)

PRINCIPAL ACTIVITY

The principle 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.

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

The auditors, Clive Owen LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

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.

Darlington Credit Union Limited
Report of the Directors
for the Year Ended 31 December 2019

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)
6 May 2020

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 2019 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 2019 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. The credit union was already reviewing the ability of the organisation to generate both income from Members loans whilst ensuring bad debts are minimised. The country, and the rest of the world, is currently dealing with the Covid-19 pandemic and the potential ramifications on the economy are currently unknown. The pandemic will have significant implications for collection of Members loans and therefore bad debts. Although there are plans in place to deal with the financial impact on the credit union these plans include additional unconfirmed funding which whilst the Directors are confident of securing has not yet been agreed.

Our opinion is not modified in respect of this matter.

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.

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.

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

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.

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

6 May 2020

Darlington Credit Union Limited
Income and Expenditure Account
for the Year Ended 31 December 2019

	Notes	2019 £	2018 £
INCOME		358,307	325,207
Expenditure		<u>473,408</u>	<u>402,714</u>
GROSS DEFICIT		(115,101)	(77,507)
Grants received		<u>47,163</u>	<u>83,027</u>
OPERATING (DEFICIT)/SURPLUS and (DEFICIT)/SURPLUS BEFORE TAXATION	4	(67,938)	5,520
Tax on (deficit)/surplus		<u>780</u>	<u>70</u>
(DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR		<u><u>(68,718)</u></u>	<u><u>5,450</u></u>

The notes form part of these financial statements

Darlington Credit Union Limited (Registered number: IP00283C)

**Balance Sheet
31 December 2019**

		2019		2018	
Notes	£	£	£	£	£
INVESTMENTS					
Tangible assets	8		328,311		342,291
CURRENT ASSETS					
Member loans	5	1,760,657		1,876,517	
Debtors	9	25,750		64,030	
Investments		859,730		294,810	
Cash at bank and in hand		427,308		795,074	
		3,073,445		3,303,431	
CREDITORS					
Amounts falling due within one year	10	(43,124)		(19,565)	
			3,030,321		3,010,866
NET ASSETS					
			3,358,632		3,353,157
FINANCED BY					
CAPITAL					
Member shares	12		3,180,095		3,101,458
RESERVES					
Deferred member shares	13		85,000		85,000
Subordinated loan			50,000		50,000
Income and expenditure account			43,537		116,699
			3,358,632		3,353,157

The financial statements have been prepared in accordance with the version one provisions for credit unions under the Co-operative and Community Benefit Societies Act 2014, the Credit Union Act 1979, and the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the directors on 6 May 2020 and were signed on its behalf by:

.....
J Lincoln (Treasurer)

Darlington Credit Union Limited
Notes to the Financial Statements
for the Year Ended 31 December 2019

1. **STATUTORY INFORMATION**

Darlington Credit Union Limited is a private company, limited by guarantee, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. **ACCOUNTING POLICIES**

Legal and regulatory framework

Darlington Credit Union Limited is a society established 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 Unions Act 1979. Darlington Credit Union Limited has registered with the Financial Conduct Authority and is regulated by the Prudential Regulation Authority under the provision 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.

Accounting convention

These financial statements have been prepared in accordance with the provisions of Section 1A "Small Entities" of Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

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

The Directors assess whether the use of going concern is 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 is in the midst of dealing with the Covid-19 pandemic. The credit union has taken steps to deal with the financial impact of this including the furloughing of staff. Of particular concern is the recoverability of Member loans. The plans prepared to deal with this situation include additional third-party funding which, whilst not confirmed, the Directors are confident of securing. Whilst there is uncertainty around the length of time the Covid-19 pandemic will last and the full impact on the economy, the Directors believe that it is appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

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

Darlington Credit Union Limited

**Notes to the Financial Statements
for the Year Ended 31 December 2019**

2. ACCOUNTING POLICIES (continued)

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	- 3 years
Core Banking platform	- 7 years

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

Taxation

The tax charge for the year reflects current tax payable. Darlington Credit Union Limited is not liable to corporation tax payable on its activity of making loans to members, and investing surplus funds, as these are not classified as trade. However, corporation tax is payable on investment income on an accrued basis.

Pension costs and other post-retirement benefits

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

Financial instruments

Basic financial instruments are recognised at amortised cost with changes recognised in income and expenditure.

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 10 (2018: 9).

4. OPERATING (DEFICIT)/SURPLUS

The operating (deficit)/ surplus is stated after charging:

	2019	2018
	£	£
Depreciation - owned assets	39,778	40,133
Auditors remuneration (inclusive of VAT):-		
Audit of the annual accounts current year	5,940	6,252
Additional fees in relation to the audit of the prior year	3,078	
Fees for other services	<u>1,054</u>	<u>899</u>

5. MEMBER LOANS

	2019	2018
	£	£
Loan Accounts	2,120,287	2,139,338
Budget Loan Accounts	14,078	30,061
Bad debt provision	<u>(373,708)</u>	<u>(292,882)</u>
	<u>1,760,657</u>	<u>1,876,517</u>

6. BAD DEBT PROVISIONS

	2019	2018
	£	£
Opening balance	292,882	203,151
Written off during the year	(2,340)	(9,869)
Increase in year	<u>83,166</u>	<u>99,600</u>
	<u>373,708</u>	<u>292,882</u>

Darlington Credit Union Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

7. TAXATION

Analysis of the tax charge

The tax charge on the (deficit)/surplus on ordinary activities for the year was as follows:

	2019	2018
	£	£
Current tax:		
UK corporation tax	<u>780</u>	<u>70</u>
Tax on (deficit)/surplus on ordinary activities	<u><u>780</u></u>	<u><u>70</u></u>

8. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1 January 2019	280,428	1,961	56,858	114,134	453,381
Additions	-	-	-	25,798	25,798
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,120)</u>	<u>(25,120)</u>
At 31 December 2019	<u>280,428</u>	<u>1,961</u>	<u>56,858</u>	<u>114,812</u>	<u>454,059</u>
DEPRECIATION					
At 1 January 2019	23,389	1,961	36,623	49,117	111,090
Charge for year	7,213	-	11,376	21,189	39,778
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,120)</u>	<u>(25,120)</u>
At 31 December 2019	<u>30,602</u>	<u>1,961</u>	<u>47,999</u>	<u>45,186</u>	<u>125,748</u>
NET BOOK VALUE					
At 31 December 2019	<u>249,826</u>	<u>-</u>	<u>8,859</u>	<u>69,626</u>	<u>328,311</u>
At 31 December 2018	<u>257,039</u>	<u>-</u>	<u>20,235</u>	<u>65,017</u>	<u>342,291</u>

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Other debtors	-	30,262
Prepayments	<u>25,750</u>	<u>33,768</u>
	<u><u>25,750</u></u>	<u><u>64,030</u></u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Tax & social security	780	70
Other creditors	2,795	62
Bridge to loan funds	543	243
Accruals and deferred income	<u>39,006</u>	<u>19,190</u>
	<u><u>43,124</u></u>	<u><u>19,565</u></u>

Darlington Credit Union Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

11. MEMBERSHIP

	2019	2018
	£	£
Non-deferred member shares	3,007,185	2,985,292
Junior member shares	<u>172,910</u>	<u>116,166</u>
	<u><u>3,180,095</u></u>	<u><u>3,101,458</u></u>

Membership Numbers

	2019	2018
Memberships at beginning of the year	6,442	7,227
Members added during the year	1,231	851
Members ceased during the year	<u>(1,050)</u>	<u>(1,636)</u>
Total Members	<u><u>6,623</u></u>	<u><u>6,442</u></u>

12. SHAREHOLDINGS & LOANS TO MEMBERS

Shareholdings

	2019	2018
	£	£
Shareholdings at beginning of the year	3,101,458	2,757,646
Shares in	6,543,620	4,846,479
Dividends paid	4,444	3,060
Shares withdrawn	<u>(6,469,427)</u>	<u>(4,505,727)</u>
	<u><u>3,180,095</u></u>	<u><u>3,101,458</u></u>

Average Member Shareholding	480	481
Value of unattached shares	2,780,072	2,799,373

Loans

	2019	2018
	£	£
Opening balance	2,169,399	2,237,698
Loans made to members	995,266	1,190,102
Interest receivable	357,432	347,726
Total repayments	(1,385,392)	(1,602,908)
Loans written off	<u>(2,340)</u>	<u>(3,217)</u>
	<u><u>2,134,365</u></u>	<u><u>2,169,399</u></u>

Darlington Credit Union Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**

13. RESERVES

	Income and expenditure account	Subordinated loan	Deferred member shares	Totals
	£	£	£	£
At 1 January 2019	116,699	50,000	85,000	251,699
Deficit for the year	(68,718)	-	-	(68,718)
Dividends	<u>(4,444)</u>	<u>-</u>	<u>-</u>	<u>(4,444)</u>
At 31 December 2019	<u><u>43,537</u></u>	<u><u>50,000</u></u>	<u><u>85,000</u></u>	<u><u>178,537</u></u>

14. CAPITAL COMMITMENTS

Capital commitments as at 31 December for which no provision has been included in the accounts were as follows:

	2019	2018
	£	£
Contracted but not provided for	<u>25,500</u>	<u>51,000</u>

15. POST BALANCE SHEET EVENTS

The bad debt provision has been included on the basis of industry guidance which is based on a combination of the profile of the Members loans and missed loan repayments. As the year end is the 31 December 2019 Covid-19 is considered a non-adjusting event. However, the Directors are aware of the significant possibility that as a result of the Covid-19 pandemic that the bad debt provision may be understated. Given the significant uncertainty the Directors are not able to accurately calculate any potential adjustment.

Darlington Credit Union Limited

**Detailed Income and Expenditure Account
for the Year Ended 31 December 2019**

	2019		2018	
	£	£	£	£
Income				
Income from loans to members	357,432		347,726	
Interest received on investments	4,015		369	
Bad debts recovered net of costs	(14,371)		(26,940)	
Other income- Fees	8,111		4,052	
Other Income	<u>3,120</u>		<u>-</u>	
		358,307		325,207
Expenditure				
Interest on Subordinated debt	1,250		1,000	
Salaries	164,840		141,147	
Pension costs	6,791		6,267	
Other Staff Expenses	5,525		6,518	
Office overheads	21,616		17,644	
Insurance	2,568		7,505	
Fees Payable	13,930		16,043	
Administration costs	69,954		52,759	
Bad and Doubtful Debts	138,138		107,446	
Auditor's remuneration	9,018		6,252	
Depreciation	<u>39,778</u>		<u>40,133</u>	
		<u>473,408</u>		<u>402,714</u>
GROSS DEFICIT		(115,101)		(77,507)
Other income				
Money Works Grant released	47,163		-	
Capital grant released	-		7,286	
Lloyds grant	-		30,000	
W Morrison grant	-		45,720	
Money Smart grant released	<u>-</u>		<u>21</u>	
		<u>47,163</u>		<u>83,027</u>
NET (DEFICIT)/SURPLUS		<u>(67,938)</u>		<u>5,520</u>

This page does not form part of the statutory financial statements