DARLINGTON CREDIT UNION – AGM 2017

TREASURER’S REPORT

**Intro**

Good evening, I am pleased to report to you the financial results for the year ended 31st December 2017. You will have a copy of the statutory accounts in your AGM pack, so I do not intend to do more than give you an overview and welcome any questions you may have.

I would like to mention that it is an absolute privilege to work with the Credit Union and its dedicated team and Board and I would like to thank my predecessor – Liz Lyle, for her support and advice.

Our Auditors for the year were, again, Clive Owen & Co of Darlington. This is the fourth year that they have performed our audit.

Their opinion is that the accounts give a true and fair view of the state of the credit union’s affairs as at 31st December 2017 and have been properly prepared in accordance with UK Financial Reporting Standards and appropriate Credit Union legislation.

**Statutory Accounts**

I would like to comment on some figures from the accounts:

**[SLIDE 1 – Loan Book and Loan Interest]**

The Loan Book has increased from £1,540,000 at the start of the year to £2,035,000 (an increase of 32%) and our interest earned from those loans has grown from £238,000 last year to £363,000 this year – a pleasing increase of 53%.

Our revenue expenditure during the year has increased by 32%. This is in part due to an increase in Bad Debt. Whilst it is inherent in this type of business to experience high bad debts, this has been a challenge. Clearly, we can’t stop lending. There has been significant focus on this area, from both Tony & his team and the board, to manage factors within our control. This has meant that we have increased credit control resource and approved incurring extra ‘one-off’ spend on legal costs to recover sums through the court process.

Grants and Other Income has been a sizeable portion of our results in both 2016 & 2017, I’m expecting these to reduce by 50% in 2018, from roughly £100k per annum to £50k per annum. This is due to completion of historical grants paired with less available grant funding. That said we have planned for this is in our 2018 Budget and Medium-Term Forecast, but we will continue to seek further funding opportunities.

The result for 2017, is a surplus after tax of £6,221, which is narrowly down on 2016’s result of £8,261. Given the effect of bad debt during the year, this result is pleasing and reflects a robust.

**Balance Sheet items**:

During the year we have sought to strengthen the capital section of the balance sheet. We have attracted an investment by way of sub-ordinated loan, which means that our Capital to Assets ratio – which is a Bank of England measure, is further strengthened. We will continue to seek further opportunities to strengthen our Balance Sheet.

Despite the increase in lending activity we have maintained the liquidity ratio at a level above that required by regulation of credit unions. The liquidity ratio is the total of bank and investment accounts as a proportion of members’ share accounts. Ours was 21% at the year end.

**[SLIDE 2 – Members’ Shares]**

Members’ share account balances also increased this year – up by 14%. And you can see in the notes to the accounts, the number of members has also increased in the year by a net 300.

**[SLIDE 3 – Net Assets]**

The overall increase in net assets is £399,000 – 16% - in the year 2017.

**Does anyone have any questions?**

**AUDITORS**

I would like to propose the re-appointment of Clive Owen and Company as auditors for financial year 2018.

**DIVIDEND**

Given the surplus of £6,221 for the year, I am proposing a dividend of 0.125% for both adult and junior members to reflect the success achieved in 2017, with the balance of the surplus being transferred to reserves.

*Note: Requirement for proposal to be seconded*