

Crossmaglen Credit Union Limited
Annual Report and Financial Statements
For the year ended
30 September 2022

**Crossmaglen Credit Union Limited
Annual Report and Financial Statements
for the year ended 30 September 2022**

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Crossmaglen Credit Union Limited
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Statement of Directors' Responsibilities

The Credit Unions (Northern Ireland) Order 1985 and amendments thereto require the directors to prepare financial statements for each financial year which give a true and fair view of the State of Affairs of the Credit Union and the Income and Expenditure Account of the Credit Union for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Credit Union will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Credit Union and to enable them to ensure that the financial statements are prepared in accordance with applicable law in Northern Ireland and UK Generally Accepted Accounting Practice, including the standards issued by the Financial Reporting Council, and in particular FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". They are 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.

Post Balance Sheet events

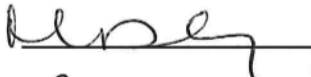
The potential economic slow-down as a result of the current cost of living crisis may in the short to medium term result in members struggling to repay their loans. In the opinion of the directors, Crossmaglen Credit Union Ltd has adequate provisions in place and has built up strong capital reserves over the years to absorb any potential future impairment losses. The directors believe that Crossmaglen Credit Union Ltd's trading activities and profitability will not be materially affected as a result.

On behalf of the Board of Directors

President : Mr Eugene Larkin



Treasurer: Ms Marguerite Donaghy



Secretary: Mrs Frances Rushe



Date: 19th October 2022

Crossmaglen Credit Union Limited
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for the year ended 30 September 2022

Independent Auditors' Report
to the Members of Crossmaglen Credit Union Limited

We have audited the financial statements of Crossmaglen Credit Union Limited for the year ended 30th September 2022, which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Changes in Reserves, the Cash Flow Statement and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their presentation 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 in all material respects:

- give a true and fair view of the state of the Credit Union's affairs as at 30th September 2022 and of its income and expenditure and cash flows for the year then ended
- have been properly prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council; and
- have been prepared in accordance with the requirements of the Credit Unions (Northern Ireland) Order 1985.

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.

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included the following :

We considered as part of our audit risk assessment of the nature of the company, its business model and related risks including the impact of Covid-19 pandemic, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

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Independent Auditors' Report
to the Members of Crossmaglen 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 directors' report.

We have nothing to report in respect of the following matters where the Credit Unions (Northern Ireland) Order 1985 requires us to report to you, if in our opinion:

- proper books of account have not been kept;
- the credit union has not maintained a satisfactory system of control over its transactions;
- the income and expenditure account to which our report relates, and the balance sheet are not in agreement with the books of account of the Credit Union;
- we have not obtained all the information and explanations which we considered were necessary for the purposes of our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, 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.

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. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

Identifying and Assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance
- results of our enquiries of management and internal auditors about their identification and assessment of the risks of irregularities
- any matters which we have identified having obtained from management whether they were aware of any instances of non-compliance and whether they have knowledge of any actual, suspected or alleged fraud; and reviewing the internal controls established to mitigate risk of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we have identified the greatest potential for fraud in the areas which management is required to exercise significant judgement. In common with all audits under ISA's (UK), we are also required to perform specific procedures to respond to the risk of management override. We also obtained an understanding of the legal and regulatory framework that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Credit Unions (Northern Ireland) Order 1985, pensions and tax legislation. In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included data protection, employment, environmental and health and safety regulations.

**Crossmaglen Credit Union Limited
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**Independent Auditors' Report
to the Members of Crossmaglen Credit Union Limited**

Audit response to risks identified

As a result of performing the above, we identified the potential for management override of the controls as a key audit matter related to the potential risk of fraud. Our procedures to respond to the risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 auditor's report.

Use of our report

This report is made solely to the Credit Union's members, as a body, in accordance with Article 47 of the Credit Unions (Northern Ireland) Order 1985. 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.



Fitzpatrick & Kearney Limited
Chartered Accountants and Statutory Auditors
10c Marcus Square
Newry
Co. Down
BT34 1AE

Date: 19th October 2022.

**Crossmaglen Credit Union Limited
Income and Expenditure Account
for the year ended 30 September 2022**

	Notes	2022 £	2021 £
Interest on members' loans	4	979,351	896,608
Other interest income and similar income	5	143,373	128,951
Net Interest income		<u>1,122,724</u>	<u>1,025,559</u>
Other income	7	106,233	28,567
Employment costs	9b	(349,154)	(299,451)
Depreciation	12	(35,100)	(38,110)
Other management expenses	Sch 1	(320,579)	(314,431)
Net recoveries/(losses) on loans to members	13d	(12,446)	24,000
Surplus for the financial year before taxation		<u>511,678</u>	<u>426,134</u>
Taxation	10	-	-
Surplus for the financial year after taxation		<u>511,678</u>	<u>426,134</u>
Other comprehensive income		-	-
Total comprehensive income		<u>511,678</u>	<u>426,134</u>

The financial statements were approved, and authorised for issue, by the Board on 19th October 2022 and signed on its behalf by:

President : Mr Eugene Larkin



Treasurer: Ms Marguerite Donaghy



Secretary: Mrs Frances Rushe



Crossmaglen Credit Union Limited
Balance Sheet
as at 30 September 2022


	Notes	2022 £	2021 £
ASSETS			
Cash and balances at bank	11	1,828,480	1,155,845
Tangible fixed assets	12	1,090,634	1,113,848
Loans to members - Gross	13a	9,395,672	8,588,957
Provisions against loans to members	13c	(500,000)	(500,000)
Prepayments and accrued income	14	167,342	125,691
Deposits - other	15	14,389,075	13,665,714
Total assets		<u>26,371,203</u>	<u>24,150,055</u>
LIABILITIES			
Members' shares	16	(21,065,199)	(19,150,253)
Minors' deposits	17	(1,807,990)	(1,648,938)
Other payables	18	(63,490)	(63,409)
Total liabilities		<u>(22,936,679)</u>	<u>(20,862,600)</u>
ASSETS LESS LIABILITIES		<u>3,434,524</u>	<u>3,287,455</u>
RESERVES			
General reserves		2,795,442	2,795,442
IT Development reserve		220,384	129,000
Unappropriated surplus		418,698	363,013
Total reserves		<u>3,434,524</u>	<u>3,287,455</u>

The financial statements were approved, and authorised for issue, by the Board on 19th October 2022 and signed on its behalf by:


President : Mr Eugene Larkin



Treasurer : Ms Marguerite Donaghy



Secretary: Mrs Frances Rushe



Crossmaglen Credit Union Limited
Statement of Changes in Reserves
for the year ended 30 September 2022

	General reserve £	IT Development reserve £	Unappropriated surplus £	Total £
Opening balance				
At 1 October 2020	2,795,442	70,000	353,752	3,219,194
Total comprehensive income for the year	-	59,000	367,134	426,134
Social charitable and educational	-	-	(2,816)	(2,816)
Dividends paid during the year (Note 6)	-	-	(86,284)	(86,284)
Loan interest rebate paid during the year (Note 6)	-	-	(268,773)	(268,773)
Closing balance	<u>2,795,442</u>	<u>129,000</u>	<u>363,013</u>	<u>3,287,455</u>
At 30 September 2021				
Opening balance				
At 1 October 2021	2,795,442	129,000	363,013	3,287,455
Total comprehensive income for the year	-	91,384	420,294	511,678
Social charitable and educational	-	-	(6,718)	(6,718)
Dividends paid during the year (Note 6)	-	-	(89,888)	(89,888)
Loan interest rebate paid during the year (Note 6)	-	-	(268,003)	(268,003)
Closing balance	<u>2,795,442</u>	<u>220,384</u>	<u>418,698</u>	<u>3,434,524</u>
At 30 September 2022				

(1) The General Reserve of the Credit Union as a % of total assets as at 30th September 2022 was 10.60% (2021: 11.58%). This was after transferring £NIL (2021: £NIL) of the Credit Union's current year surplus to the General Reserve. The General Reserve is in excess of the minimum threshold calculated in accordance with the PRA rulebook.

(2) The Credit Union received £91,384 from the Irish League of Credit Unions in 2022 which they added to the IT Development reserve created for the purpose of making investments into an information technology services for future years. In 2020 they transferred £59,000 of their surplus to the same reserve.

(3) The Unappropriated surplus is the accumulated surpluses to date that have not been declared as dividends or loan interest rebate returnable to members or set aside to the General reserve.

Crossmaglen Credit Union Limited
Cash Flow Statement
for the year ended 30 September 2022

	Notes	2022 £	2021 £
Cash flows from operating activities			
Loans repaid by members	13a	3,552,848	3,383,340
Loans granted to members	13a	(4,404,520)	(4,473,119)
Loan interest received	4	980,463	898,186
Investment income received	5	95,632	124,101
Other income received	7	106,233	28,567
Bad debts recovered	13d	32,511	46,666
Dividends paid	6	(89,888)	(79,420)
Loan interest rebate paid	6	(268,003)	(268,773)
Operating expenses paid to include employment costs		(671,395)	(611,847)
Corporation tax paid		-	(13,328)
Net cash flows from operating activities		<u>(666,117)</u>	<u>(965,625)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(11,886)	(6,889)
Purchase of investments		(4,059,984)	(4,993,002)
Proceeds from sale of investments		3,336,623	2,943,968
Net cash flows from investing activities		<u>(735,247)</u>	<u>(2,055,923)</u>
Cash flow from financing activities			
Members' shares received	16	12,520,235	9,607,470
Members' shares withdrawn	16	(10,605,289)	(7,298,377)
Minors' deposits received	17	363,748	352,441
Minors' deposits repaid	17	(204,696)	(222,117)
Net cash flows from financing activities		<u>2,073,998</u>	<u>2,439,417</u>
Net increase/(decrease) in cash and cash equivalents		672,634	(582,131)
Cash and cash equivalents at beginning of year		<u>1,155,846</u>	<u>1,744,840</u>
Cash and cash equivalents at 30 September	11	<u>1,828,480</u>	<u>1,155,846</u>

**Crossmaglen Credit Union Limited
Annual Report and Financial Statements
for the year ended 30 September 2022**

Notes to the Financial Statements

1 Legal and regulatory framework

Crossmaglen Credit Union Limited is established under the Credit Unions (Northern Ireland) Order 1985. The Credit Union is registered with the Department for the Economy and is regulated by the Financial Conduct Authority ("FCA") and Prudential Regulation Authority ("PRA"). The principal place of business is 40, Cardinal O'Fiach Square, Crossmaglen, Newry, Co. Down.

2 Accounting policies

2.1 Statement of compliance and 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" ("FRS 102").

The financial statements have been prepared on the historical cost basis.

2.2 Currency

The financial statements are prepared in Sterling, which is the functional currency of the Credit Union. Monetary amounts in these financial statements are rounded to the nearest £.

2.3 Going Concern

The financial statements are prepared on the going concern basis. The directors of Crossmaglen Credit Union Limited believe this is appropriate as the Credit Union:

- Is generating annual surpluses;
- Maintains an appropriate level of liquidity; and
- Has reserves that are currently above the minimum requirements of the PRA.

2.4 Income

Interest on members' loans

Interest on loans to members is recognised using the effective interest method, and is calculated and accrued on a daily basis.

Investment income

The Credit Union currently only has investments that are valued at amortised cost, and use the effective interest method to recognise investment income.

Other income

Other income such as commissions receivable on paypoint, rental income and foreign exchange services arises in connection to specific transactions. Income relating to individual transactions is recognised when the transaction is completed.

**Crossmaglen Credit Union Limited
Annual Report and Financial Statements
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Notes to the Financial Statements

2.5 Dividends on shares and loan interest rebates

Dividends are made from current year's surplus or the unappropriated surpluses set aside for that purpose. The Board's proposed distribution to members each year is based on the dividend and loan interest rebate policy of the Credit Union.

The rate of dividend and loan interest rebate recommended by the Board will reflect:

- the risk profile of the Credit Union, particularly in its loan and investment portfolios;
- the Board's desire to maintain a stable rather than a volatile rate of dividend each year; and
- members' legitimate dividend and loan interest rebate expectations;

all dominated by prudence and the need to sustain the long-term welfare of the Credit Union.

For this reason the Board will seek to build up its reserves to absorb unexpected shocks and still remain above minimum regulatory requirements.

The Credit Union accounts for dividends and rebates of loan interest when members ratify such payments at the Annual General Meeting.

2.6 Taxation

Corporation tax is provided for on taxable interest from investments. All other income of the Credit Union is exempt from Corporation tax.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise operating cash on hand and cash deposited with banks with original maturity of less than or equal to three months.

2.8 Financial instruments

The Credit Union has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised when the Credit Union becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets and liabilities are classified according to the substance of the contractual arrangements entered into.

**Crossmaglen Credit Union Limited
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for the year ended 30 September 2022**

Notes to the Financial Statements

2.9 Basic financial assets

Basic financial assets are initially measured at the transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method. Basic financial instruments include the following:

Loans to members

Loans to members are financial assets with fixed or determinable payments. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

Investments held at amortised cost

Investments comprise cash deposits which are initially measured at the amount deposited and are subsequently measured at amortised cost using the effective interest method.

2.10 Other receivables

Other receivables such as prepayments are initially measured at transaction price including transaction costs and are subsequently measured at amortised cost using the effective interest method.

2.11 Impairment of financial assets

Financial assets, other than those held at fair value, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the expected cash flows discounted at the asset's original effective interest rate.

In the case of impairment of loans to members, the loans are assessed collectively in groups that share similar credit risk characteristics except for individually significant loans which are assessed on a loan by loan basis for impairment.

Any impairment losses are recognised in the Income and Expenditure account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the Income and Expenditure account.

**Crossmaglen Credit Union Limited
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Notes to the Financial Statements

2.12 De-recognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Credit Union transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

In the case of loans to members, loans are derecognised, when the right to receive cash flows from the loans have expired, usually when all amounts outstanding have been repaid by the member. Crossmaglen Credit Union Limited does not transfer loans to third parties.

2.13 Basic financial liabilities

Basic financial liabilities are initially recognised at the transaction price, including transaction costs, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities are subsequently carried at amortised cost using the effective interest method.

Financial liabilities members' shares and minors' deposits

Members' shares and minors' deposits are redeemable and therefore are classified as financial liabilities. They are initially recognised at the amount of cash deposited and subsequently minors' deposits are measured at amortised cost.

Other payables

Other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

2.14 De-recognition of financial liabilities

Financial liabilities are derecognised when the obligations of the Credit Union specified in the contract are discharged, cancelled or expire.

2.15 Tangible fixed assets

Tangible fixed assets comprises items of freehold premises, fixtures and fittings and office and computer equipment which are stated at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is provided to write off the cost of each item of freehold premises and fixtures and fittings, less its estimated residual value over its estimated useful life. The categories of freehold premises, fixtures and fittings and office and computer equipment are depreciated as follows:

Freehold premises	2% straight line
Fixtures and fittings	10% straight line
Office and computer equipment	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying value of the asset, and is recognised in the Income and Expenditure account.

**Crossmaglen Credit Union Limited
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Notes to the Financial Statements

2.16 Impairment of tangible fixed assets

At each reporting end date, the Credit Union reviews the carrying value of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income and Expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Income and Expenditure account.

2.17 Employee benefits

Pension Scheme: Crossmaglen Credit Union Limited participates in an industry-wide pension scheme for employees (Mercer Pension Scheme). This is a funded defined benefit scheme with assets managed by the scheme's trustees.

The scheme is a multi-employer scheme and due to the nature of the scheme, it is not possible for the Credit Union to separately identify its share of the scheme's underlying assets and liabilities. Consequently, the Credit Union accounts for the scheme as a defined contribution plan.

Other employee Benefits

The costs of short-term employee benefits, including holiday pay, are recognised as a liability and as an expense (unless those costs are required to be recognised as part of the cost of fixed assets) over the period they are earned.

Crossmaglen Credit Union Limited
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Notes to the Financial Statements

2.18 Reserves

General reserve

The Credit Union is required to maintain and establish a minimum General reserve at the relevant minimum threshold calculated in accordance with the PRA Rulebook: Non-CRR Firms: Credit Unions Instrument 2016. A credit union that has total assets of more than £5 million must have:

- (1) capital of at least 5% of total assets up to and including £10 million; and
- (2) capital of at least 8% of total assets above £10 million up to and including £50 million; and
- (3) capital of at least 10% of total assets above £50 million.

Unappropriated surplus

The Unappropriated surplus is the accumulated surpluses to date that have not been declared as dividends or loan interest rebate returnable to members or set aside to the General reserve.

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 Crossmaglen 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:

The Credit Union's accounting policy for impairment of financial assets is set out in accounting policy in Note 2.11. Loan loss provisioning is monitored by the Credit Union, and the Credit Union assesses and approves its provisions and provision adequacy on a quarterly basis. At all times the Credit Union ensures that its provisions meet the minimum requirements contained within the PRA Credit Union Rule book. Over and above the regulatory requirements, the Credit Union reviews the loan book for evidence of impairment. If the loan is impaired, the Credit Union writes off that amount of the loan deemed irrecoverable directly to the Income & Expenditure Account.

4 Interest on members' loans	2022	2021
	£	£
Opening accrued loan interest receivable	(28,364)	(29,942)
Loan interest received	980,463	898,186
Closing accrued loan interest receivable	<u>27,252</u>	<u>28,364</u>
Total interest on members' loans	<u>979,351</u>	<u>896,608</u>
5 Other interest income and similar income	2022	2021
	£	£
Opening accrued investment income receivable	(76,385)	(71,535)
Investment income received	95,632	124,101
Closing accrued investment income receivable	<u>124,126</u>	<u>76,385</u>
Total investment income	<u>143,373</u>	<u>128,951</u>

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6 Dividends and Loan Interest Rebate

The dividend and any loan interest rebate are formally proposed by the directors after the year end and are confirmed at an AGM of the members. As a result the proposed dividend for the current year does not represent a liability at the Balance Sheet date and the dividend included in the Statement of Reserves in the current year relates to dividends paid to members for the prior year.

The dividends and loan interest rebate for the current and prior year periods were as follows:

		2022	2021
		£	£
Dividend paid during the year		<u>89,888</u>	<u>79,420</u>
Dividend rate:			
Members' shares		<u>0.50%</u>	<u>0.50%</u>
Loan interest rebate paid during the year		<u>268,003</u>	<u>268,773</u>
Loan interest rebate rate			
Members' loans		<u>30%</u>	<u>30%</u>
Dividend proposed but not recognised		<u>164,260</u>	<u>89,928</u>
Dividend rate:			
Members' shares		<u>0.75%</u>	<u>0.50%</u>
Loan interest rebate proposed but not recognised		<u>244,754</u>	<u>268,003</u>
Loan interest rebate rate			
Members' loans		<u>25%</u>	<u>30%</u>
7 Other income		2022	2021
		£	£
Entrance fees		225	235
Claims experience refund		3,939	17,612
International foundation income		3,670	3,560
Affiliation fees		4,917	4,762
Sundry income		2,098	2,398
Payment from ILCU SPS Fund		91,384	-
		<u>106,233</u>	<u>28,567</u>
8 Expenses	Note	2022	2021
		£	£
Employment costs	9b	349,154	299,451
Depreciation	12	35,100	38,110
Other management expenses	Sch 1	<u>320,579</u>	<u>314,431</u>
		<u>704,833</u>	<u>651,992</u>

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9 Employees and employment costs

9a Number of employees

The average number of employees during the year was

	2022	2021
	Number	Number
Chief Executive Officer	1	1
Other Staff	13	11
Total	<u>14</u>	<u>12</u>

9b Employment costs

	2022	2021
	£	£
Wages and salaries	222,041	196,269
Social security costs	59,040	50,540
Payments to defined contribution pension schemes	66,227	52,069
Training and sundry expenses	1,846	573
Total	<u>349,154</u>	<u>299,451</u>

9c Key management personnel

The remuneration of key management personnel was as follows:

	2022	2021
	£	£
Short term employee benefits	109,337	99,500
Payments to defined contribution pension schemes	20,357	23,099
Total	<u>129,694</u>	<u>122,599</u>

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

10 Taxation

	2022	2021
	£	£
Corporation tax charge in respect of current year	<u>-</u>	<u>-</u>
<i>Reconciliation of tax charge to taxable income</i>		
Investment income and non-mutual income	<u>143,373</u>	<u>128,951</u>
Corporation tax at 19% /19%	<u>-</u>	<u>-</u>

As disclosed in the accounting policy for taxation in note 2.6 all income other than income from investments is exempt from Corporation Tax. Community Investment Tax Relief of £25,000 claimed on £500,000 investment with a Community Development Finance Institution. In addition another £2,241 of Community Investment Tax Relief was claimed at 5% on £250,000 (restricted) investment with a Community Development Finance Institution in March 2022.

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11	Cash and cash equivalents	2022	2021
		£	£
	Current Account & Deposits with Banks - Minors	189,074	137,236
	Current Account & Deposits with banks	1,639,406	1,018,609
	Total cash and cash equivalents	<u>1,828,480</u>	<u>1,155,845</u>

Deposits with banks categorised under cash and cash equivalents above are those with original maturity of less than or equal to three months.

12 Tangible fixed assets

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

	Freehold Premises	Office & Computer Equipment	Fixtures & Fittings	Total
<u>Cost</u>	£	£	£	£
Balance @ 01/10/21	1,204,203	115,415	28,931	1,348,549
Additions	-	9,430	2,456	11,886
Disposals	-	-	-	-
Balance @ 30/09/22	<u>1,204,203</u>	<u>124,845</u>	<u>31,387</u>	<u>1,360,435</u>

Depreciation

Balance @ 01/10/21	125,393	95,080	14,228	234,702
Charge for the year	21,584	10,398	3,118	35,100
On disposals	-	-	-	-
Balance @ 30/09/22	<u>146,977</u>	<u>105,478</u>	<u>17,346</u>	<u>269,801</u>

Net Book Value

30th September 2022	<u>1,057,226</u>	<u>19,367</u>	<u>14,041</u>	<u>1,090,634</u>
30th September 2021	<u>1,078,810</u>	<u>20,335</u>	<u>14,703</u>	<u>1,113,848</u>

13 Loans to members - financial assets

13a Loans to members

		2022	2021
		£	£
As at 1st October	Note		
Loans to members		8,588,957	7,519,993
Advanced during the year		4,404,520	4,473,119
Repaid during the year		(3,552,848)	(3,383,340)
Loans written off		(44,957)	(20,815)
Gross loans to members	13b	<u>9,395,672</u>	<u>8,588,957</u>
Impairment allowances			
Groups of loans		(500,000)	(500,000)
Loan provision		<u>(500,000)</u>	<u>(500,000)</u>
As at 30th September		<u>8,895,672</u>	<u>8,088,957</u>

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13b Credit risk disclosures

Crossmaglen 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. There are maximum amounts set down by the PRA in terms of what amount a member can borrow from the Credit Union.

The carrying amount of the loans to members represents Crossmaglen 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.

	2022 Amount £	2022 Proportion %	2021 Amount £	2021 Proportion %
Not impaired:				
Neither past due nor impaired	9,088,999	91.85%	7,886,603	91.83%
More than 3 months past due	171,303	1.73%	146,135	1.70%
More than 6 months past due	88,913	0.90%	40,494	0.47%
More than 9 months past due	20,443	0.21%	11,067	0.13%
More than 12 month past due	26,014	0.26%	4,658	0.05%
Gross loans not impaired	<u>9,395,672</u>	94.95%	<u>8,088,957</u>	94.18%
Gross loans collectively impaired	500,000	5.05%	500,000	5.82%
Total gross loans	<u>9,895,672</u>	100.00%	<u>8,588,957</u>	100.00%
Impairment allowance				
Groups of loans	<u>(500,000)</u>		<u>(500,000)</u>	
Total carrying value	<u>9,395,672</u>		<u>8,088,957</u>	

Factors that are considered in determining whether loans are impaired are discussed in Note 3, dealing with estimates.

13c Loan provision account

	2022 £	2021 £
As at 1st October	500,000	498,149
Increase/(Decrease) in loan provisions during the year	-	1,851
As at 30th September	<u>500,000</u>	<u>500,000</u>

13d Net recoveries /(losses) recognised for the year

	2022 £	2021 £
Bad debts recovered	32,511	46,666
(Increase)/decrease in loan provisions during the year	-	(1,851)
	<u>32,511</u>	<u>44,815</u>
Loans written off	<u>(44,957)</u>	<u>(20,815)</u>
Net recoveries /(losses) on loans to members recognised for the year	<u>(12,446)</u>	<u>24,000</u>

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14	Prepayments and accrued income	2022	2021
		£	£
	Prepayments	15,964	20,942
	Accrued loan interest income	27,252	28,364
	Accrued investment income	124,126	76,385
		<u>167,342</u>	<u>125,691</u>

15 **Deposits**

Deposits with banks at the current and prior Balance sheet date were all measured at amortised cost as appropriate and comprised the following:

	2022	2021
	£	£
Other (Original maturity after 3 months)		
Fixed term deposits with banks - minors	1,618,916	1,511,702
Fixed term deposits with banks	12,770,159	12,154,012
Total other	<u>14,389,075</u>	<u>13,665,714</u>

The category of counterparties with whom the deposits were held was as follows:

	2022	2021
	£	£
A1	3,000,000	1,000,000
A2	64	-
Aa2	-	500,000
A3	-	2,067,702
Aa3	2,168,916	64
Baa2	1,750,000	3,150,000
Unspecified	7,470,095	6,947,948
Total deposits	<u>14,389,075</u>	<u>13,665,714</u>

16 **Members' shares - financial liabilities**

	2022	2021
	£	£
As at 1st October	19,150,253	16,841,160
Received during the year	12,520,235	9,607,470
Repaid during the year	(10,605,289)	(7,298,377)
As at 30th September	<u>21,065,199</u>	<u>19,150,253</u>

Members' shares are repayable on demand except for shares attached to loans. The breakdown of the shares between attached and unattached is as follows:

	2022	2021
	£	£
Unattached shares	13,825,931	12,550,010
Attached shares	7,239,268	6,600,243
Total members' shares	<u>21,065,199</u>	<u>19,150,253</u>

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Notes to the Financial Statements

17	Minors' deposits - financial liabilities	2022 £	2021 £
	As at 1st October	1,648,938	1,518,614
	Received during the year	363,748	352,441
	Repaid during the year	<u>(204,696)</u>	<u>(222,117)</u>
	As at 30th September	<u>1,807,990</u>	<u>1,648,938</u>
	Minors' deposits are repayable on demand		
18	Other payables	2022 £	2021 £
	Corporation tax	-	-
	Pensions and short term payroll accruals	22,382	21,939
	Creditors and other accruals	<u>41,108</u>	<u>41,470</u>
		<u>63,490</u>	<u>63,409</u>

19 Additional financial instruments disclosures

19a Financial risk management

Crossmaglen Credit Union Limited is a provider of personal and business loans and also provides savings products to its members. The Credit Union invests excess funds with a view to ensuring that the return from members' loans and investments is adequate to meet the overheads of the Credit Union and provide a reasonable return to members on shares and deposits. The Credit Union has a risk register in place to help the directors manage the various risks arising from its activities to include the issuing of loans to members and investing the excess funds of the Credit Union.

The main financial risks arising from Crossmaglen Credit Union Limited's activities are credit risk, liquidity risk, market 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 Crossmaglen Credit Union Limited., resulting in financial loss to the Credit Union. In order to manage this risk the Board approves the Credit Union's credit policy, and all changes to it. All loan applications are assessed with reference to the credit policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed. The credit risk on members' loans is disclosed in Note 13b. The Credit Union's investments are also exposed to credit risk and the Credit Union mitigates the risk by only placing investments with financial institutions where the counterparties have strong credit ratings and using investment products authorised by the PRA. The credit ratings of the financial institutions where investments are held are disclosed in Note 15.

Liquidity risk: The Credit Union'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 Credit Union adheres on an ongoing basis to the minimum liquidity ratio as set out in the PRA Rulebook.

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

Interest rate risk: The Credit Union'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. The Credit Union considers rates of interest receivable on investments and members' loans when deciding on the dividend rate payable on shares and on any loan interest rebate.

19b Interest rate risk disclosures

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

	2022 Amount	2022 Average Interest Rate	2021 Amount	2021 Average Interest Rate
	£	%	£	%
Financial assets				
Gross loans to members	<u>9,395,672</u>	<u>10.42%</u>	<u>8,588,957</u>	<u>10.46</u>
Financial liabilities				
Members' shares	21,065,199	0.50	19,150,253	0.50
Minors' deposits	1,807,990	0.50	1,648,938	0.50
	<u>22,873,189</u>		<u>20,799,191</u>	

The interest rates applicable to loans to members are fixed and range from 6% to 12%. The dividend on shares and interest on deposits 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 dividend on shares and interest payable on deposits. As a result, the surplus for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

19c Liquidity risk disclosure

All of the financial liabilities of the Credit Union are repayable on demand except for some members' shares attached to loans.

19d Fair value of financial instruments

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

19e Capital

The Credit Union maintains sufficient reserves to buffer the Credit Union against any losses on its members' loans and also its investments. The current General reserve is in excess of the relevant minimum threshold calculated in accordance with the PRA Rulebook, and stands at 10.60% (2021: 11.58%) of the total assets of the Credit Union at the Balance Sheet date.

20 Post Balance Sheet events

There are no material events after the balance sheet date which would necessitate a change in the above figure.

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Notes to the Financial Statements

- 21 Contingent liabilities**
Crossmaglen Credit Union Limited had no contingent liabilities at the current or prior Balance Sheet date.
- 22 Capital Commitments**
There were no capital commitments either contracted for or approved by the Board at the year end.
- 23 Insurance against fraud**
The Credit Union has insurance against fraud in compliance with the PRA Rulebook.
- 24 Related party transactions**
During the year loans were advanced to directors, supervisors and the management team of the Credit Union (to include their spouses) in the amount of £222,178 (2021: £104,950). The loans outstanding from these parties at 30th September 2022 were £216,120 (2021: £151,712). These loans amounted to 2.30% of total gross loans due at 30th September 2022 (2021: 1.77%)
- The directors and management team share balances stood at £172,189 at 30th September 2022 (2021: £179,031)
- 25 Approval of Financial Statements**
The financial statements were approved, and authorised for issue, by the Board on 26th October 2022.

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Schedule 1 - Other Management Expenses

	2022	2021
	£	£
Treasurers Honorarium	1,000	1,000
Staff training	5,351	4,786
Rent and rates	13,492	24,762
Heat, light and cleaning	10,285	10,103
Repairs and renewals	5,161	3,796
Telephone and postage	7,116	7,121
Printing, stationery and advertising	10,831	5,762
Computer maintenance and accessories	53,569	53,988
Cusop expenses	11,616	12,613
Loan and share insurance - net	101,143	99,268
Death benefit insurance	39,275	33,957
General insurance	16,437	14,600
Audit fees	7,735	7,500
Consultancy fees	5,655	5,699
FCA regulatory and advisory fees	2,387	717
Compliance Advisory fee	1,991	1,877
Chapter dues	155	149
Legal and professional fees	946	683
AGM, convention and seminar expenses	1,253	4,425
Affiliation fees	5,860	5,277
Savings protection scheme	1,571	1,275
National Advertising Campaign	2,373	2,127
International foundation	3,670	3,560
Bank charges	8,894	5,226
Sundry expenses	2,813	4,160
Total other management expenses	<u>320,579</u>	<u>314,431</u>

