

Abbey Credit Union Limited
Annual Report and Financial
Statements
For the year ended 30 September 2023

Abbey Credit Union Limited

Contents

	Page
Company Information	3
Statement of Directors' Responsibilities	4
Independent Auditors' Reporting to the Members of Abbey Credit Union Limited	5 – 7
Income and Expenditure Account	8
Balance Sheet	9
Statement of Changes in Equity	10
Cash Flow Statement	11
Notes to the Financial Statements	12 - 29

Abbey Credit Union Limited Company Information

Directors

S.D. Ferguson
M. Mulholland
J. Robinson
G. Wilson
N. Richmond
D. Johnston
J. McDonnell
M. McCracken

Supervisors

W. Wilson
J. Brady
S. Hughes

Registered office

2 Green Walk
Rathcoole
Newtownabbey
BT37 9AB

Auditors

PGM Chartered Accountants
405 Lisburn Rd
Belfast
BT9 7EW

Bankers

Bank of Ireland
Antrim Road
Glengormley
BT36 7QN

Ulster Bank
Glengormley (A) Branch
Glengormley
BT36 7QU

Santander
4-10 Donegall Square East
Belfast
BT1 5HD

Progressive Building Society
33/37 Wellington Place
Belfast
BT1 6HH

Hampshire Trust Bank
55 Bishopsgate
London
EC2N 3AS

Abbey Credit Union Limited

Statement of Directors' Responsibilities

For the year ended 30 September 2023

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.

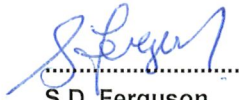
Statement of Disclosure to Auditors

So far as the directors are aware, there is no relevant audit information of which the credit union's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the credit union's auditors are aware of that information.

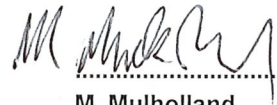
On behalf of the Board of Directors



J. McDonnell
Secretary



S.D. Ferguson
President



M. Mulholland
Treasurer

17 January 2024

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

Opinion

We have audited the financial statements of Abbey Credit Union Ltd (the 'Credit Union') for the year ended 30th September 2023, 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 2023 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Credit Union's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The 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.

Independent Auditors' Report to the Members of Abbey Credit Union Limited (Cont'd)

Matters on which we are required to report by exception

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 by the Credit Union in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Credit Union in accordance with the requirements of the legislation;
- 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 extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the credit union through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, such as the Credit Unions (Northern Ireland) Order 1985;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

Independent Auditors' Report to the Members of Abbey Credit Union Limited (Cont'd)

Auditor's responsibilities for the audit of the financial statements (continued)

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Purpose of our audit work and to whom we owe our responsibilities

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.



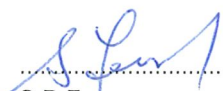
PGM Chartered Accountants
405 Lisburn Road
Belfast
BT9 7EW

17 January 2024

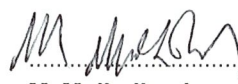
Abbey Credit Union Limited
Income and Expenditure Account
For the year ended 30 September 2023

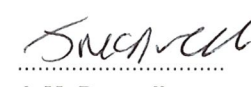
	Note	2023	2022
		£	£
Interest on members' loans	4	171,201	162,410
Other interest income and similar income	5	72,218	20,027
Net interest income		243,419	182,437
Other income	7	715	17,612
Depreciation	12	(10,995)	(10,994)
Other management expenses (Schedule 1)	8	(139,539)	(138,317)
Net losses on loans to members	13d	(18,517)	(18,447)
Surplus/ (Deficit) for the financial year before taxation		75,083	32,291
Taxation	10	(14,557)	(3,805)
Surplus/ (Deficit) for the financial year after taxation		60,526	28,486

The financial statements were approved, and authorised for issue, by the Board on 17 January 2024 and signed on its behalf by:


.....
S.D. Ferguson
President

Credit Union No. CU000001


.....
M. Mulholland
Treasurer


.....
J. McDonnell
Secretary

Abbey Credit Union Limited
Balance Sheet
as at 30 September 2023

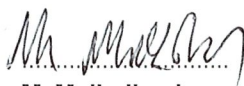
	Note	2023	2022
		£	£
ASSETS			
Cash and cash equivalents	11	174,393	620,905
Tangible fixed assets	12	220,873	231,868
Loans to members – Gross	13a	1,549,674	1,609,310
Provisions against loans to members	13c	(135,000)	(140,000)
Prepayments and accrued income	14	42,233	23,639
Investments	15	3,102,125	2,456,412
Total assets		4,954,298	4,802,134
LIABILITIES			
Members' shares	16	(4,489,736)	(4,405,106)
Minors' deposits	17	(12,349)	(1,413)
Other payables	18	(31,312)	(23,934)
Total liabilities		(4,533,397)	(4,430,453)
ASSETS LESS LIABILITIES		420,901	371,681
RESERVES			
General reserve		420,901	371,681
Total reserves		420,901	371,681

The financial statements were approved, and authorised for issue, by the Board on 17 January 2024 and signed on its behalf by:



S.D. Ferguson
President

Credit Union No. CU000001



M. Mulholland
Treasurer



J. McDonnell
Secretary

Abbey Credit Union Limited

Statement of Changes in Reserves

For the year ended 30 September 2023

	General reserve £	Unappropriated surplus/(deficit) £	Total reserves £
Opening balance at 1 October 2021	353,159	-	353,159
Total comprehensive income for the year	-	28,486	28,486
Interest rebate paid during the Year	-	(6,036)	(6,036)
Dividends paid during the year (Note 6)	-	(3,928)	(3,928)
Transfer between reserves	18,522	(18,522)	-
Closing balance at 30 September 2022	371,681	-	371,681
Opening balance at 1 October 2022	371,681	-	371,681
Total comprehensive income for the year	-	60,526	60,526
Interest rebate paid during the Year (Note 6)	-	(7,176)	(7,176)
Dividends paid during the year (Note 6)	-	(4,130)	(4,130)
Transfer between reserves	49,220	(49,220)	-
Closing balance at 30 September 2023	420,901	-	420,901

(1) The general reserve of the Credit Union as a % of total assets as at 30 September 2023 was 8.5% (2022: 7.8%) which is in excess of the required limit of 3%. This was after transferring £49,220 (2022: £18,522) from the general reserve from surplus to the Credit Union's general reserve.

(2) 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.

Abbey Credit Union Limited
Cash Flow Statement
for the year ended 30th September 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
Loans repaid by members	13a	1,338,836	1,193,676
Loans granted to members	13a	(1,307,698)	(1,417,233)
Loan interest received	4	172,308	161,879
Investment income received	5	53,201	21,684
Other income received	7	715	17,612
Bad debts recovered	13d	4,981	3,531
Dividends and interest rebates paid	6	(11,306)	(9,964)
Operating expenses paid		(140,051)	(138,284)
Corporation tax paid	10	(3,805)	(3,854)
Net cash flows from operating activities		107,181	(170,953)
Cash flows from investing activities			
Purchase of property, plant and equipment	12	-	-
Purchase of investments		(1,359,355)	(478,235)
Proceeds from sale of investments		713,642	457,057
Net cash flows from investing activities	15	(645,713)	(21,178)
Cash flow from financing activities			
Minors' deposits received	17	10,936	1,413
Members' shares received	16	839,892	802,307
Members' shares withdrawn	16	(755,262)	(620,322)
Net cash flows from financing activities		95,566	183,398
Net increase / (decrease) in cash and cash equivalents		(442,966)	(8,733)
Increase/ (decrease) in bank overdraft		(3,546)	(6,762)
Cash and cash equivalents at beginning of year		620,905	636,400
Cash and cash equivalents at end of year	11	174,393	620,905

Abbey Credit Union Limited

Notes to the Financial Statements

For the year ended 30 September 2023

1. Legal and regulatory framework

Abbey Credit Union Ltd. 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 2 Green Walk, Rathcoole, Newtownabbey.

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 Abbey Credit Union Ltd. believe this is appropriate as the Credit Union:

- 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 insurance products and foreign exchange services arises in connection to specific transactions. Income relating to individual transactions is recognised when the transaction is completed.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions, it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Abbey Credit Union Limited

Notes to the financial statements

For the year ended 30 September 2023

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.

Abbey Credit Union Limited

Notes to the financial statements

For the year ended 30 September 2023

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 held at amortised cost are measured at amortised cost using the effective interest method less impairment. This means that the investment is measured at the amount paid for the investment, minus any repayments of the principal; plus or minus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount; minus, in the case of a financial asset, any reduction for impairment or un-collectability. This effectively spreads out the return on such investments over time, but does take account immediately of any impairment in the value of the investment.

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.

Abbey Credit Union Limited

Notes to the financial statements

For the year ended 30 September 2023

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. Abbey Credit Union Ltd. 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 deposits

Members' shares, Money Management Accounts and 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 property, plant and 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 property, plant and equipment, less its estimated residual value over its estimated useful life. The categories of property, plant and equipment are depreciated as follows:

Land and buildings	50 years straight line
Fixtures and equipment	10 years straight line

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

Abbey Credit Union Limited

Notes to the financial statements

For the year ended 30 September 2023

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. Reserves

General reserve

The Credit Union is required to maintain and establish a minimum general reserve of at least 3% of the assets of the Credit Union in accordance with the PRA Rulebook: Non-CRR Firms: Credit Unions Instrument 2016.

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 Abbey Credit Union Ltd.'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:

Impairment losses on loans to members

The Credit Union's accounting policy for impairment of financial assets is set out in accounting policy in Note 2.16.

The estimation of loan losses is inherently uncertain and depends upon many factors, including loan loss trends, credit risk characteristics in loan classes, local and international economic climates, conditions in various sectors of the economy to which the Credit Union is exposed, and, other external factors such as legal and regulatory requirements.

Credit risk is identified, assessed and measured through the use of rating and scoring tools with emphasis on weeks in arrears and other observable credit risk metrics.

The ratings influence the management of individual loans. The credit rating triggers the impairment assessment and if relevant the raising of specific provisions on individual loans where there is doubt about their recoverability.

Abbey Credit Union Limited

Notes to the financial statements

For the year ended 30 September 2023

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. All at times the Credit Union ensures that its provisions meet the minimum requirements contained within the PRA Credit Union Rule book. Key assumptions underpinning the Credit Union's estimates of collective provisions for loans with similar credit risk characteristics, and, incurred but Not Reported provisions ("IBNR") are based on the historical experiences of the Credit Union allied to the Credit Union's judgement of relevant conditions in the wider technological, market, economic or legal environment in which the Credit Union operates.

If a loan is impaired, the impairment loss is the difference between the carrying amount of the loan and the present value of the expected cash flows discounted at the asset's original effective interest rate taking account of pledged shares and other security as appropriate. Assumptions are back tested with the benefit of experience. After a period of time, when it is concluded that there is no real prospect of recovery of loans/part of loans which have been subjected to a specific provision, the Credit Union writes off that amount of the loan deemed irrecoverable against the specific provision held against the loan.

4. Interest on members' loans

	2023 £	2022 £
Opening accrued loan interest receivable	(12,469)	(11,938)
Loan interest received in year	172,308	161,879
Closing accrued loan interest receivable	11,362	12,469
Total interest on members' loans	171,201	162,410

5. Other interest income and similar income

	2023 £	2022
Opening accrued interest on investments	(7,379)	(9,036)
Investment income in the year	53,201	21,684
Closing accrued interest on investments	26,396	7,379
Total investment income	72,218	20,027

Abbey Credit Union Limited

Notes to the financial statements

For the year ended 30 September 2023

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:

	2023 £	2022 £
Dividend paid during the year	4,130	3,928
Dividend rate:		
Members' shares	0.10%	0.10%
Dividend proposed, but not recognised	13,001	4,140
Dividend rate:		
Members' shares	0.30%	0.10%
Loan rebate paid during the year	7,176	6,036
Loan rebate rate:		
	4.5%	4.0%
Loan rebate proposed, but not recognised	11,917	7,190
Loan rebate rate:		
	7.0%	4.5%

Abbey Credit Union Limited
Notes to the financial statements
For the year ended 30 September 2023

7. Other income

	2023 £	2022 £
Miscellaneous income	715	182
SPS Rebate	-	17,430
Total other income	715	17,612

8. Expenses

	Note	2023 £	2022 £
Depreciation	12	10,995	10,994
Other management expenses (Schedule 1)		139,539	138,317
		150,534	149,311

8a. Auditors' remuneration

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

	2023 £	2022 £
Fees payable for the audit of the annual accounts	6,000	5,700
Fees payable to the auditor for other services:	1,020	900
Total auditors' remuneration	7,020	6,600

9. Employees and employment costs

All officers / staff work on a voluntary basis and thus, there are no paid employees.

Abbey Credit Union Limited

Notes to the financial statements

For the year ended 30 September 2023

10. Taxation

	2023 £	2022 £
Corporation tax charge in respect of current year	14,557	3,805
Reconciliation of tax charge to taxable income		
Investment income	72,218	20,027
Corporation Tax at 20% (2022: 19%)	14,557	3,805

As disclosed in the accounting policy for taxation in note 2.6 all income other than income from investments is exempt from Corporation Tax.

11. Cash and cash equivalents

	2023 £	2022 £
Deposits with banks	174,393	620,905
Total cash and cash equivalents	174,393	620,905

Short term deposits with banks are deposits with original maturity of less than or equal to three months. All other deposits with banks are included under Investments in the Balance Sheet and disclosed in Note 15.

Abbey Credit Union Limited
Notes to the financial statements
For the year ended 30 September 2023

12. Tangible fixed assets

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

	Freehold land and buildings £	Fixtures and equipment £	Total £
Cost			
At 1 October 2022	297,083	164,122	461,205
Additions	-	-	-
At 30 September 2023	297,083	164,122	461,205
Depreciation			
At 1 October 2022	95,069	134,269	229,337
Charge for the year	5,942	5,052	10,995
At 30 September 2023	101,011	139,321	240,332
Net book value			
At 30 September 2023	196,072	24,801	220,873
At 30 September 2022	202,014	29,854	231,868

Abbey Credit Union Limited

Notes to the financial statements

For the year ended 30 September 2023

13. Loans to members – financial assets

13a. Loans to members

	Note	2023 £	2022 £
As at 1 October 2022		1,609,310	1,417,731
Advanced during the year		1,307,698	1,417,233
Repaid during the year		(1,338,836)	(1,193,676)
Loans written off		(28,498)	(31,978)
Gross loans to members	13b	1,549,674	1,609,310
Impairment allowances			
Individual loans		(93,778)	(102,469)
Groups of loans		(41,222)	(37,531)
Loan provision	13c	(135,000)	(140,000)
As at 30 September 2023	13b	1,414,674	1,469,310

Abbey Credit Union Limited

Notes to the financial statements

For the year ended 30 September 2023

13b. Credit risk disclosures

Abbey Credit Union Ltd. 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 Abbey Credit Union Ltd.'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.

	2023		2022	
	Amount £	Proportion %	Amount £	Proportion %
Not impaired:				
Neither past due nor impaired	1,341,546	86.6%	1,362,833	84.7%
More than 3 months past due	51,255	3.3%	57,430	3.6%
More than 6 months past due	28,046	1.8%	46,477	2.9%
More than 9 months past due	24,243	1.6%	30,731	1.9%
More than 12 months past due	104,584	6.7%	111,839	6.9%
Gross loans not impaired	1,341,546	86.6%	1,362,833	84.7%
Gross loans individually impaired	208,128	13.4%	246,477	15.3%
Total gross loans	1,549,674	100.0%	1,609,310	100.0%
Impairment allowance				
Individual loans	(93,778)		(102,469)	
Groups of loans	(41,222)		(37,531)	
Total carrying value	1,414,674		1,469,310	

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

Abbey Credit Union Limited

Notes to the financial statements

For the year ended 30 September 2023

13c. Loan provision account for impairment losses

	2023 £	2022 £
As at 1 October 2022	140,000	150,000
Allowance / (reduction) for loan losses made during the year	(5,000)	(10,000)
As at 30 September 2023	135,000	140,000

13d. Net recoveries or losses recognised for the year

	2023 £	2022 £
Bad debts recovered	4,981	3,531
(Increase)/Reduction in loan provisions during the year	5,000	10,000
	9,981	13,531
Loans written off	(28,498)	(31,978)
Net losses on loans to members recognised for the year	(18,517)	(18,447)

14. Prepayments and accrued income

	2023 £	2022 £
Accrued income investments	26,396	7,379
Accrued loan interest income	11,362	12,469
Prepayments	4,475	3,791
	42,233	23,639

15. Investments

Investments at the current and prior Balance Sheet date were all measured at amortised cost as appropriate and comprised of the following:

	2023 £	2022 £
Fixed term deposits with banks	3,102,125	2,456,412
Total investments at amortised cost	3,102,125	2,456,412

Abbey Credit Union Limited

Notes to the financial statements

For the year ended 30 September 2023

16. Members' Shares – financial liabilities

	2023 £	2022 £
As at 1 October 2022	4,405,106	4,223,121
Received during the year	839,892	802,307
Repaid during the year	(755,262)	(620,322)
As at 30 September 2023	4,489,736	4,405,106

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

	2023 £	2022 £
Attached shares	950,279	989,218
Unattached shares	3,539,457	3,415,888
Total members' shares	4,489,736	4,405,106

17. Minors' Deposits – financial liabilities

	2023 £	2022
As at 1 October 2022	1,413	-
Received during the year	10,936	1,413
Repaid during the year	-	-
As at 30 September 2023	12,349	1,413

Minors' deposits are repayable on demand.

18. Other payables

	2023 £	2022 £
Corporation tax	14,557	3,805
Bank overdraft	946	4,492
Creditors and other accruals	15,809	15,637
	31,312	23,934

Abbey Credit Union Limited

Notes to the financial statements

For the year ended 30 September 2023

19. Additional financial instruments disclosures

19a. Financial risk management

Abbey Credit Union Ltd. 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 Abbey Credit Union'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 Abbey Credit Union Ltd., 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.

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.

Market risk: Market risk is generally comprised of interest rate risk, currency risk and other price risk. Abbey Credit Union Ltd. 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.

Abbey Credit Union Limited

Notes to the financial statements

For the year ended 30 September 2023

19b. Interest rate risk disclosures

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

	2023		2022	
	Amount £	Average interest rate	Amount £	Average interest rate
Financial assets				
Gross loans to members	1,549,674	12%	1,609,310	12%
Financial liabilities				
Members' shares	4,489,736	0.10%	4,405,106	0.10%
	4,489,736		4,405,106	

The interest rates applicable to general loans to members are fixed at 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 disclosures

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

Abbey Credit Union Ltd. 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 minimum requirement set down by the PRA, and stands at 8.5% (2022: 7.8%) 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 to disclose.

21. Contingent liabilities

Abbey Credit Union Ltd. 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.

Abbey Credit Union Limited

Notes to the financial statements

For the year ended 30 September 2023

24. Related party transactions

Loans to directors, employees, supervisors and their related parties

Directors, employees, supervisors and their related parties had the following loan transactions during the year. These loans are given under the normal loan policy terms for all credit union members.

Description	Loan balances at 1 October 2022 £	Loans issued during the year £	Amounts repaid during the year £	Loan balances at 30 September 2023 £
Directors, employees, supervisors and their related parties	27,760	28,700	(21,466)	34,953
	27,760	28,700	(21,466)	34,953

Directors, employees, supervisors and their related parties share balances

Directors, employees, supervisors and their related parties had the following share balances at the year end.

	Share balances at 30 September 2023 £	Share balances at 30 September 2022 £
Directors, employees, supervisors and their related parties	106,643	111,887
	106,643	111,887

25. Approval of Financial Statements

The financial statements were approved, and authorised for issue, by the Board on 17 January 2024.

Abbey Credit Union Limited

Schedule to the Financial Statements

For the year ended 30 September 2023

Schedule 1 - Other management expenses

	2023 £	2022 £
Staff training	747	650
Rent and rates	4,187	4,020
Treasurers honorarium	3,000	3,000
General Insurance	6,946	6,692
Members' balances insurance	31,073	29,762
Death benefit insurance	60,537	61,806
Affiliation fees	2,760	2,723
Light and heat	3,637	3,703
Repairs and renewals	7,548	8,162
Stationery and printing	1,451	1,100
Telephone and postage	2,631	1,468
Chapter and convention	-	77
FCA fees	1,489	752
Audit fees	7,020	6,600
Legal and professional fees	894	1,360
Bank charges	4,493	4,419
Collection differences	188	50
Charitable donations	-	400
Unfunded death claim	-	1,204
Miscellaneous expenses	938	369
Total other management expenses	139,539	138,317