

FUSION CREDIT UNION LTD

Firm Reference No 400081

Registered No IP00717C

**DIRECTORS REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

30 SEPTEMBER 2018

FUSION CREDIT UNION LTD
ADMINISTRATIVE INFORMATION

Directors	Janet Bamber Timothy Warner Richard Hobbs	
Secretary	Michelle Bongiovi (resigned March 2019)	
Society Registration Number	IP00717C	
Financial Conduct Authority Registration Number	400081	
Registered Office	Jigsaw 72 Dimbles Lane Lichfield Staffs, WS13 7HL	
Auditors	Lindley Adams Limited Chartered Accountants and Statutory Auditors 28, Prescott Street Halifax, HX1 2LG	
Bankers	Lloyds Bank Plc 25 Gresham Street London EC2 7HN	
	Unity Trust Bank Plc Nine Brindleyplace 4 Oozells Square Birmingham B1 2HB	
	Cambridge & Counties Bank Limited Charnwood Court, New Walk Leicester LE1 6TE	

FUSION CREDIT UNION LTD

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FUSION CREDIT UNION LTD

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2018

The Directors present their report and the financial statements for the year ended 30 September 2018.

Principal activity and Business Review

The principal activities of the credit union are the promotion and encouragement of regular saving and prudent borrowing by its members, as defined in the Credit Unions Act 1979.

Results and Dividends

The surplus for the year, after taxation, amounted to £11,743 (2017 - £9,563). In addition, there were 696 (2017 - 672) adult members with 150 (2017 - 172) members holding loans with the Credit Union.

The Directors recommend the payment of a 0.75% dividend at the year end. This will be voted upon at the Annual General Meeting.

Directors

The directors who served during the year are as stated below:

Janet Bamber	-	
Valerie Wale	-	resigned 31.10.2017
Timothy Warner	-	
Maurice Keenan	-	resigned March 2019
Paul Mangan	-	resigned 30.11.2017
Nicholas Kilford	-	resigned March 2019
Michelle Bongiovi	-	resigned March 2019
Richard Hobbs	-	appointed 01.08.2018

Financial risk management objectives and policies

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and interest-rate risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below:

- Credit Risk: All loan applications are assessed with reference to the Credit Union's lending policy. Changes to policy are approved by the Board.
- Interest Rate Risk: The main interest rate risk arises from differences between interest rate exposures on assets and on liabilities that form an integral part of the credit union's operations. The Credit Union considers interest rates when deciding on the dividend rates to propose on share accounts.
- Liquidity Risk: The Credit Union's policy is to maintain sufficient funds in a liquid form at all times to ensure that the Credit Union can meet its liabilities as they fall due. The objective of liquidity is to help smooth mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

These areas are outlined in greater detail in section 15 of the Notes to the Financial Statements.

Statement of Directors' Responsibilities

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

Credit Union legislation requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland" (United Kingdom Accounting Standards and applicable law). Under Credit Union legislation the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the credit union and of the surplus or deficit of the Credit Union for that year. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the credit union will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Credit Union's transactions and disclose with reasonable accuracy at any time the financial position of the Credit Union and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and with the Credit Union Act 1979. They are also 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.

In so far as the directors are aware:

- There is no relevant audit information (information needed by the Credit Union's auditors in connection with preparing their report) of which the Credit Union's auditors are unaware, and
- The directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Credit Union's auditors are aware of that information.

This report was approved by the Board on 16.5.19..... and signed on its behalf by:

Name of Director 1: JANET BAMBER

Signature 

Name of Director 2: RUTH GILLESON

Signature 

**REPORT OF THE INDEPENDENT AUDITOR
TO FUSION CREDIT UNION LTD**

OPINION

We have audited the financial statements of Fusion Credit Union Ltd (the 'credit union') for the year ended 30 September 2018 which comprise revenue account, balance sheet, statement of changes to retained earnings, 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 preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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 the provisions available for small entities in the circumstances as set out in note 22 to the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 17 of the Financial Statement. During the year the board of directors have been in dispute. Since the year end several directors have resigned, this has caused a material uncertainty that may cast significant doubt as to the Credit Union's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Board is responsible for the other information.

Our opinion on the financial statements does not cover the other information and 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF THE BOARD

As explained more fully in the Statement of Directors' responsibilities set out on page 2, the Board 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 they 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 Board is 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 Board either intend to liquidate the Credit Union or to cease operations, or have no realistic alternative but to do so.

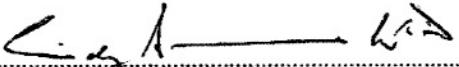
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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.

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


Lindley Adams Limited
Chartered Accountants and Statutory Auditors
28 Prescott Street,
Halifax, HX1 2LG

Date.....23/5/19.....

FUSION CREDIT UNION LTD

Revenue Account for the year ended 30 September 2018

	Note	2018 £	2017 £
Loan Interest receivable and similar income	4	20,328	17,953
Interest payable	5	(2,621)	(2,430)
Net interest income		17,707	15,523
Fees and commissions receivable	6	141	190
Fees and commissions payable		(1,529)	(1,273)
Net fees and commissions payable		(1,388)	(1,083)
Other income	7	20,951	25,754
Administrative expenses	8a	(5,077)	(17,476)
Depreciation and amortisation	11	(372)	(474)
Other operating expenses	8b	(15,512)	(10,265)
Impairment losses on loans to members	12e	(3,759)	(1,950)
Surplus Before Taxation		12,550	10,029
Taxation		(807)	(466)
Surplus for the Financial Year		11,743	9,563
Total comprehensive income		11,743	9,563

Note: There is no comprehensive income other than those included on the Revenue Account.

FUSION CREDIT UNION LTD

Balance Sheet as at 30 September 2018

	Note	2018 £	2017 £
ASSETS			
Loans and advances to banks	16	<u>425,848</u>	<u>396,018</u>
Loans and advances to members	12	49,368	85,160
Tangible fixed assets	11	657	1,029
Prepayments and accrued income		19,944	1,406
Total assets		<u>495,817</u>	<u>483,613</u>
LIABILITIES			
Subscribed capital - repayable on demand	13	390,741	370,586
Other payables	14	<u>60,546</u>	<u>80,240</u>
		451,287	450,826
Retained earnings		44,530	32,787
Total liabilities		<u>495,817</u>	<u>483,613</u>

The financial statements were approved, and authorised for issue by the board on 16.5.15, and signed on its behalf by:

B. B. B. B.

Director

M. W. M. M.

Director

R. A. A. A.

Secretary

FUSION CREDIT UNION LTD

Statement of Changes in Retained Earnings for the year ended 30 September 2018

	2018	2017
	£	£
As at 1 October 2017	32,787	23,224
Total comprehensive income for the year	11,743	9,563
 As at 30 September 2018	 <u><u>44,530</u></u>	 <u><u>32,787</u></u>

Movement in reserves

	Retained earnings			Total
	General reserve	Revenue reserve	Development reserve	
As at 1 October 2017	24,261	2,700	5,826	32,787
Surplus for year	11,543	200	0	11,743
 As at 30 September 2018	 <u><u>35,804</u></u>	 <u><u>2,900</u></u>	 <u><u>5,826</u></u>	 <u><u>44,530</u></u>

FUSION CREDIT UNION LTD

Cash flow statement for the year ended 30 September 2018

	Note	2018 £	2017 £
Cash Flows from operating activities			
Surplus Before Taxation		12,550	10,029
Adjustments for non-cash items			
Depreciation	11	372	474
Impairment losses	12e	3,759	1,950
		<u>4,131</u>	<u>2,424</u>
Movements in:			
Prepayments and accrued income		(18,538)	402
Other payables		<u>(19,694)</u>	<u>49,919</u>
		<u>(38,232)</u>	<u>50,321</u>
Cash flows from changes in operative assets and liabilities			
Cash inflow from subscribed capital	13	241,447	183,879
Cash outflow from repaid capital	13	(221,292)	(182,691)
New loans to members	12a	(82,955)	(109,297)
Repayment of loans by members	12a	<u>114,988</u>	<u>113,510</u>
		<u>52,188</u>	<u>5,401</u>
Taxation paid		<u>(807)</u>	<u>(466)</u>
Net Cash flows from operating activities		29,830	67,709
Cash flows from investing activities			
Purchase of property, plant and equipment		0	(1,095)
Net cash flow from managing liquid deposits		<u>(51,988)</u>	<u>(141,075)</u>
		<u>(51,988)</u>	<u>(142,170)</u>
Net decrease in cash and cash equivalents		(22,158)	(74,461)
Cash and cash equivalents at beginning of year		113,698	188,159
Cash and cash equivalents at end of year	16	<u>91,540</u>	<u>113,698</u>

FUSION CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018

1 Legal and regulatory framework

The Credit Union is a society established under the Co-operative and Community Benefit Societies Act 2014, whose principal activity is to operate as a credit union, within the meaning of the Credit Unions Act 1979. The Credit Union has registered with the Financial Conduct Authority and is regulated by the Prudential Regulation Authority under the provisions of the Financial Services and Markets Act 2000.

In accordance with the regulatory environment for credit unions, deposits from members can be made by subscription for redeemable shares, deferred shares and interest - bearing shares. At present the Credit Union has only issued redeemable shares.

2 Accounting policies**Basis of preparation**

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

The financial statements are prepared on the historical cost basis.

Going concern

The directors of the Credit Union believe that it is appropriate to prepare the financial statements on the going concern basis. In accordance with PRA Rulebook Guidelines outlined in Section 8.5 (1), the credit union must maintain a minimum Capital-To-Total assets ratio of 3%.

	2018	2017
The relevant ratios are:-	8.98%	6.78%

Income

Loan interest receivable and similar income: Interest on both loans to members and loans to banks (i.e. cash and cash equivalents held on deposit with other financial institutions) is recognised using the effective interest method, and is calculated and accrued on a daily basis. Exempt interest on members loans is not recognised.

Fees and commissions receivable: Fees and charges either arise in connection with a specific transaction, or accrue evenly over the year. Income relating to individual transactions is recognised when the transaction is completed.

Other income: Other income is recognised either evenly over the period to which it relates or when the transaction is complete.

Donations: Donations are recognised in income when the credit union has control over them and any conditions attached with the donation are met. Where the conditions attached to donations have not been met the income is deferred on the Balance Sheet.

Taxation

The tax charge for the year reflects current tax payable. Current tax is the expected corporation tax payable for the year, using tax rates in force for the year. The Credit Union is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as a trade. However, corporation tax is payable on investment income.

As a result of the limited activities of the Credit Union from which profits are chargeable to corporation tax, it is unlikely that deferred tax will arise.

FUSION CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

2 Accounting policies (cont.)

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, on a straight line basis over its estimated useful life. The categories of property, plant and equipment are depreciated as follows:

Software, printer & equipment	3 years
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Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and with the Bank of England and loans and advances to banks (i.e. cash deposited with banks) with maturity of less than or equal to three months.

Financial assets – loans and advances to members

Loans to members are financial assets with fixed or determinable payments. Loans are made to members for provident or productive purposes on such security (or without security) and terms as the rules of the Credit Union provide. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

Impairment of financial assets

The Credit Union assesses, at each balance sheet date, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised.

Any impairment losses are recognised in the revenue account, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

Financial liabilities – subscribed capital

Members' shareholdings in the Credit Union are redeemable and therefore are classified as financial liabilities, and described as subscribed capital. They are initially recognised at the amount of cash deposited and subsequently measured at amortised cost.

Employee benefits

Defined contribution plans: The amounts charged as expenditure for the defined contribution plan are the contributions payable by the Credit Union for the relevant period.

Other employee benefits: Other short and long term employee benefits, including holiday pay, are recognised as an expense over the period they are earned.

Reserves

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

Operating lease commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

FUSION CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

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 the Credit Union'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

Impaired losses are stated after specifically reviewing all loans in arrears. The criteria used is whether the loan will be repaid within the term of the loan based upon the current regular pattern of repayments.

4 Loan interest receivable and similar income

	2018	2017
	£	£
Loan interest receivable from members	16,081	15,565
Bank interest receivable from cash and liquid deposits	4,247	2,388
Total loan interest receivable and similar income	20,328	17,953

5 Interest expense

Interest expense is the dividend paid to members for the prior year. The dividend is formally proposed by the Directors after the year end and is confirmed at the following AGM. As a result it does not represent a liability at the balance sheet date.

	2018	2017
	£	£
Interest paid during the year	2,621	2,430
Dividend rate:	0.75%	0.75%
Interest proposed, but not recognised	2,900	2,700
Dividend rate: Adults	0.75%	0.75%

6 Fees and commissions receivable

	2018	2017
	£	£
Entrance fees	141	190
Total fees and commissions receivable	141	190

7 Other income

	2018	2017
	£	£
Rental income	1,839	1,604
Member fees	31	0
Grants	5,767	5,347
Donations	0	11,280
Service level agreement	12,984	7,523
Miscellaneous income	330	0
	20,951	25,754

8 Expenses

	Note	2018	2017
		£	£
Administrative expenses	8a	5,077	17,476
Depreciation and amortisation	11	372	474
Other operating expenses	8b	15,512	10,265
		20,961	28,215

FUSION CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

8a	Administrative Expenses	Note	2018	2017
			£	£
	Advertising and publicity		166	480
	Directors and Volunteers expenses		32	75
	Auditors remuneration	8c	1,800	1,826
	Telephone		884	667
	Computer maintenance		1,107	13,279
	General expenses		149	394
	Printing, Postage and Stationery		939	755
	Total Administrative Expenses		5,077	17,476
8b	Other Operating Expenses		2018	2017
	Cost of occupying offices (excluding depreciation)		£	£
	Rent		7,500	0
	Cleaning		900	964
	Other occupancy costs		963	704
	Repairs and Maintenance		2,335	5,300
	Heating and Lighting		1,286	854
			12,984	7,822
	Regulatory and financial management costs			
	Financial Conduct Authority and Prudential Regulation Authority Fees		401	73
	National Body Dues		370	297
	Financial Services Compensation Scheme Levy		16	56
	Fidelity Insurance		1,034	1,016
	Other insurances		405	548
	Loan insurance		285	393
	Credit checks & Debt Recovery costs		17	60
			2,528	2,443
	Total Other operating Expenses		15,512	10,265
8c	Auditors remuneration		2018	2017
			£	£
	The Credit Union voluntarily presents an analysis of its auditors' remuneration in accordance with Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008.			
	Fees payable for the audit of the Credit Union's annual accounts		1,710	1,736
	Fees payable to the Credit Union's Auditor for other services:			
	Services relating to taxation		90	90
	Total Auditors remuneration		1,800	1,826

FUSION CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

9 Employees and employment costs

There were no paid employees in 2016/17 or 2017/18

9a Directors Remuneration

The Directors of the Credit Union are all unpaid volunteers

10 Taxation**10a Recognised in the Revenue Account**

The taxation charge for the year, based on the small profits rate of Corporation Tax of 19% (2017 19.5%) comprised:

	Note	2018	2017
		£	£
Current tax			
UK Corporation tax	10b	807	466
Total current tax and total taxation expense recognised in the Revenue Account		807	466

10b Reconciliation of taxation expense

The Credit Union is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as a trade. However, corporation is payable on investment income. As a result, tax charge for the year differs from the standard rate of corporation tax. The differences are explained below:

		2018	2017
		£	£
Surplus Before Taxation			
		<u>12,550</u>	<u>10,029</u>
Surplus before taxation multiplied by small profits rate of corporation tax in the UK of 19% (2017 19.5%)		2,385	1,956
Effects of:			
Non-taxable surplus on transactions with members		(1,578)	(1,490)
Total tax charge for the year		807	466

FUSION CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

11 Tangible Fixed Assets

Tangible Fixed Assets comprise the following property, plant and equipment:

	Software, printer & equipment	Total
Cost	£	
As at 1 October 2017	5,359	5,359
Additions	0	0
Disposals	(3,265)	(3,265)
As at 30 September 2018	2,094	2,094
Depreciation		
As at 1 October 2017	4,330	4,330
Charge for the year	372	372
Charge on disposal	(3,265)	(3,265)
As at 30 September 2018	1,437	1,437
Net Book Value		
As at 30 September 2018	657	657
As at 30 September 2017	1,029	1,029

12 Loans and advances to members**12a Loans and advances to members**

	Note	2018	2017
		£	£
As at 1 October 2017		96,629	101,560
Advanced during the year		82,955	109,297
Interest receivable		16,081	15,565
Repaid during the year		(131,069)	(129,075)
Gross loans and advances to members	12b	64,596	97,347
Impairment losses:			
Individual financial assets	12b, 12e	0	(718)
Groups of financial assets	12d	(15,228)	(11,469)
	12c	(15,228)	(12,187)
As at 30 September 2018		49,368	85,160

12b Memorandum - Total loan assets regulatory purposes

	Note	2018	2017
		£	£
Gross loans and advances to members		64,596	97,347
Impairment of individual financial assets		0	(718)
Total loan assets for regulatory purposes	15b	64,596	96,629

FUSION CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

12c Credit risk disclosures

The credit union does not offer mortgages and as a result all loans to members are unsecured, except where there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding. Loans under the Housing Option Loan scheme are secured by Lichfield District Council to prevent homelessness:

The following loans at 30th September 2018 are fully secured by Lichfield District Council: £15,355 Housing Option Loans (2017, £49,219)

The carrying amount of the loans to members represents the credit union'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.

		2018		2017	
		Amount	Proportion	Amount	Proportion
Not impaired:					
Neither past due nor impaired		37,365	57.85%	81,330	83.53%
Up to 3 months past due		11,254	17.42%	3,345	3.44%
Between 3 and 6 months past due		0	0.00%	0	0.00%
Between 6 and 9 months past due		674	1.04%	0	0.00%
Between 9 months and 1 year past due		0	0.00%	0	0.00%
Over 1 year past due		0	0.00%	0	0.00%
Sub-total: loans not impaired		49,293	76.31%	84,675	86.97%
Individually impaired:					
Not yet past due, but impaired		0	0.00%	729	0.75%
Up to 3 months past due		4,652	7.20%	143	0.15%
Between 3 and 6 months past due		0	0.00%	269	0.28%
Between 6 and 9 months past due		1,259	1.95%	744	0.76%
Between 9 months and 1 year past due		0	0.00%	774	0.80%
Over 1 year past due		9,392	14.54%	10,013	10.29%
Total loans		64,596	23.69%	97,347	13.03%
Impairment allowance		(15,228)		(12,187)	
Total carrying value		49,368		85,160	

Factors that are considered in determining whether loans are impaired are discussed in note 3.

12d Allowance account for impairment losses

	Note	2018	2017
		£	£
As at 1 October 2017		11,469	10,237
Allowance for losses made during the year		3,759	1,232
Allowances reversed during the year		0	0
Increase in allowance during the year	12e	3,759	1,232
As at 30 September 2018		15,228	11,469

12e Impairment losses recognised for the year

	2018	2017
	£	£
Impairment of individual financial assets	0	718
Increase in impairment allowances during the year	3,759	1,232
Reversal of impairment where debts recovered	3,759	1,950
Total impairment losses recognised for the year	0	0
	3,759	1,950

FUSION CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

13 Subscribed capital - financial liabilities	2018	2017
	£	£
As at 1 October 2017	370,586	369,398
Received during the year	238,826	181,449
Dividends paid during the year	2,621	2,430
Repaid during the year	(221,292)	(182,691)
As at 30 September 2018	390,741	370,586

Deposits from members may only be made by way of subscription of shares. The balance includes shares made by juvenile depositors - £24,527 (2017 £21,779).

14 Other payables	2018	2017
	£	£
UK Corporation tax	807	466
Accruals and deferred income	59,739	79,774
As at 30 September 2018	60,546	80,240

15 Additional financial instruments disclosures

15a Financial risk management

The Credit Union manages its subscribed capital and loans to members so that it earns income from the margin between interest receivable and interest payable.

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and interest rate risk. The board reviews and agrees policies for managing each of these risks, which are summarised below.

Credit risk: Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to the Credit Union, resulting in financial loss to the Credit Union. In order to manage the risk the Board approves the Credit Union's lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of payment has changed. The Credit Union also monitors its banking arrangements closely in light of the current banking situation.

Liquidity risk: The Credit Union's policy is to maintain sufficient funds in liquid form at all times to ensure that it meets its liabilities as they fall due. The objective of the Credit Union's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise. Note 2 provides further details about the impact of the maturity mismatch on the going concern status of the Credit Union.

Market risk: Market risk is generally comprised of interest rate risk, currency risk and other price risk. The Credit Union 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 when deciding on the dividend rate payable on subscribed capital. The Credit Union does not use interest rate options to hedge its own positions.

FUSION CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

15b Interest rate risk disclosures

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

	2018		2017	
	Amount	Average Interest Rate	Amount	Average Interest Rate
Financial assets	£	%	£	%
Loans to members	64,596	19.95%	96,629	15.71%
The interest rates applicable to loans to members are fixed and range from 12% to 36% per annum.				

15c Liquidity risk disclosures

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

15d Fair value of financial instruments

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

16 Cash and cash equivalents

	2018	2017
	£	£
Loans and advances to banks	425,848	396,018
Less: amounts maturing after three months	(334,308)	(282,320)
Total cash and cash equivalents	91,540	113,698

17 Post balance sheet events

Three directors have resigned from the credit union in March 2019, this causes uncertainty as to the ability of the credit union to govern itself adequately. The following directors, Ruth Gleeson and Julie Stuttard, have been voted onto the board in March 2019 and their approval is awaited from the Prudential Regulation Authority.

18 Contingent liabilities

The Credit Union participates in the Financial Services Compensation Scheme (FSCS) and therefore has a contingent liability, which cannot be quantified, in respect of contributions to the FSCS, as required by the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) has provided details of how the calculation of next year's contribution towards the FSCS will be calculated and full provision has been included for this liability. However this is subject to future changes in interest rates and levels of deposits held by UK deposit takers. Therefore there is inherent uncertainty regarding the totality of the levy that the Credit Union will have to pay.

19 Related Party Transactions

During the year, 37 members of the board, volunteers and their close family members held shares with the credit union (2017 - 43 members). In addition, during the year 1 member of the board, volunteers and their close family members, had a loan with the Credit Union (2017 - 2 members). These loans were approved on the same basis as loans to other members of the Credit Union. None of the directors, volunteers and close family members have any preferential terms on their loans.

20 Commitments under operating leases

Minimum lease payments under non-cancellable operating leases fall due as follows:	2018	2017
	£	£
Within one year	3,750	7,500
Between one and five years	0	3,750
Total	3,750	11,250

21 Financial Commitments

Other than the operating lease commitments the credit union does not have any financial commitments

22 Non audit services

In common with many other Credit Unions of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.