

FUSION CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2023 (continued)

9 Taxation

9a Recognised in the Revenue Account

The taxation charge for the year, based on the small profits rate of Corporation Tax of 19% (2022 19%) comprised:

	Note	2023	2022
		£	£
Current tax			
UK Corporation tax	9b	3,004	1,144
Total current tax and total taxation expense recognised in the Revenue Account		3,004	1,144

9b 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:

	2023	2022
	£	£
Surplus Before Taxation	24,385	9,907
Surplus before taxation multiplied by small profits rate of corporation tax in the UK of 19% (2022 19%)	4,633	1,882
Effects of:		
Non-taxable surplus on transactions with members	(1,629)	(738)
Total tax charge for the year	3,004	1,144

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10 Tangible Fixed Assets

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

	Software, printer & equipment	Total
Cost	£	
As at 1 October 2022	3,178	3,178
Additions	806	806
Disposals	(2,619)	(2,619)
As at 30 September 2023	1,365	1,365
 Depreciation		
As at 1 October 2022	2,876	2,876
Charge for the year	416	416
Charge on disposal	(2,619)	(2,619)
As at 30 September 2023	673	673
 Net Book Value		
As at 30 September 2023	692	692
As at 30 September 2022	302	302

11 Loans and advances to members

11a Loans and advances to members

	Note	2023	2022
		£	£
As at 1 October 2022		150,988	117,544
Advanced during the year		211,637	179,643
Interest receivable		34,428	29,727
Repaid during the year		(205,125)	(175,926)
Gross loans and advances to members	11b	191,928	150,988
 Impairment losses:			
Individual financial assets	11b, 11e	0	0
Groups of financial assets	11d	(37,408)	(31,215)
	11c	(37,408)	(31,215)
 As at 30 September 2023		154,520	119,773

11b Memorandum - Total loan assets regulatory purposes

	Note	2023	2022
		£	£
Gross loans and advances to members		191,928	150,988
Impairment of individual financial assets		0	0
Total loan assets for regulatory purposes	14b	191,928	150,988

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Notes to the Financial Statements for the year ended 30 September 2023 (continued)

11c 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 2023 are fully secured by Lichfield District Council: £15,661 Housing Option Loans (2022, £12,592)

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.

	2023		2022	
	Amount	Proportion	Amount	Proportion
Not impaired:				
Neither past due nor impaired	130,613	68.04%	95,826	63.47%
Up to 3 months past due	11,853	6.18%	12,881	8.53%
Between 3 and 6 months past due	0	0.00%	0	0.00%
Between 6 and 9 months past due	0	0.00%	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	142,466	74.22%	108,707	72.00%
Individually impaired:				
Not yet past due, but impaired	0	0.00%	0	0.00%
Up to 3 months past due	0	0.00%	0	0.00%
Between 3 and 6 months past due	5,203	2.71%	2,094	1.39%
Between 6 and 9 months past due	8,939	4.66%	6,192	4.10%
Between 9 months and 1 year past due	1,833	0.96%	6,735	4.46%
Over 1 year past due	33,487	17.45%	27,260	18.05%
Total loans	191,928	25.78%	150,988	28.00%
Impairment allowance	(37,408)		(31,215)	
Total carrying value	154,520		119,773	

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

11d Allowance account for impairment losses	Note	2023	2022
		£	£
As at 1 October 2022		31,215	23,776
Allowance for losses made during the year		6,193	7,439
Increase in allowance during the year	11e	6,193	7,439
As at 30 September 2023		37,408	31,215
11e Impairment losses recognised for the year		2023	2022
		£	£
Impairment of individual financial assets		0	0
Increase in impairment allowances during the year		6,193	7,439
Reversal of impairment where debts recovered		6,193	7,439
Total impairment losses recognised for the year		0	0
		6,193	7,439

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Notes to the Financial Statements for the year ended 30 September 2023 (continued)

12 Subscribed capital - financial liabilities	2023	2022
	£	£
As at 1 October 2022	585,204	646,225
Received during the year	435,905	365,004
Dividends paid during the year	1,309	1,296
Repaid during the year	(405,499)	(427,321)
As at 30 September 2023	616,919	585,204

Deposits from members are made by way of subscription for shares. The balance includes deposits made by juvenile members - £42,240 (2022 - £32,139).

13 Other payables	2023	2022
	£	£
UK Corporation tax	3,005	1,145
Accruals and deferred income	46,611	46,186
49,616	47,331	

14 Additional financial instruments disclosures

14a 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.

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Notes to the Financial Statements for the year ended 30 September 2023 (continued)

14b 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				
Loans to members	191,928	20.08%	150,988	22.14%

The interest rates applicable to loans to members are fixed and range from 12% to 36% per annum.

14c 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.

14d Fair value of financial instruments

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

15 Cash and cash equivalents

	2023	2022
	£	£
Loans and advances to banks	603,133	582,827
Less: amounts maturing after three months	(477,214)	(462,037)
Total cash and cash equivalents	125,919	120,790

16 Post balance sheet events

Due diligence has been carried out by CitySave Credit Union Ltd, their board has agreed to a merger.

Special General Meetings have been held and further one's will be held after the AGM.

Fusion Credit Union Ltd is expecting to merger into CitySave Credit Union before the year end.

17 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.

18 Related Party Transactions

There were no related party transactions during the year (2022: none).

19 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.

20 Going Concern

The credit union is expected to merge with CitySave Credit Union Ltd before the year end.