

FUSION CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2023

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

Subject to Note 20, 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%.

	2023	2022
The relevant ratios are:-	12.11%	10.03%

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.

Deferred grants and funding / revenue contributions

Deferred grants in respect of capital expenditure are credited to the income and expenditure account over the estimated useful life of the relevant fixed assets. Deferred grants and funding in respect of revenue items are credited to the income and expenditure account over the period to which they relate or to match the relevant expenditure. The grants / funding shown in the balance sheet represent the grants / funding receivable to date less the amount so far credited to the income and expenditure account.

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

Reserves

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

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

	2023	2022
	£	£
Loan interest receivable from members	34,428	29,727
Bank interest receivable from cash and liquid deposits	15,815	6,020
Total loan interest receivable and similar income	50,243	35,747

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.

	2023	2022
	£	£
Interest paid during the year	1,309	1,296
Dividend rate:	0.25%	0.25%
Interest proposed, but not recognised	1,409	1,274
Dividend rate: Adults	0.25%	0.25%

6 Fees and commissions receivable

	2023	2022
	£	£
Entrance fees	106	139
Total fees and commissions receivable	106	139

7 Other Income

	2023	2022
	£	£
Rental income	0	333
Member fees	0	36
Grants	0	4,248
	0	4,617

8 Expenses

	Note	2023	2022
		£	£
Administrative expenses	8a	9,038	8,561
Depreciation and amortisation	10	416	257
Other operating expenses	8b	6,680	10,501
		16,134	19,319

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

8a	Administrative Expenses	Note	2023	2022
			£	£
	Advertising and publicity		0	50
	Directors and Volunteers expenses		31	0
	Auditors remuneration	8c	3,660	2,940
	Telephone		847	1,027
	Computer maintenance		3,098	2,502
	General expenses		175	486
	Printing, Postage and Stationery		1,227	1,556
	Total Administrative Expenses		9,038	8,561
8b	Other Operating Expenses		2023	2022
	Cost of occupying offices (excluding depreciation)		£	£
	Rent		3,780	4,613
	Cleaning		0	450
	Other occupancy costs		133	191
	Repairs and Maintenance		0	1,573
	Heating and Lighting		0	851
			3,913	7,678
	Regulatory and financial management costs			
	Financial Conduct Authority, Prudential Regulation Authority Fees and FSCS Levy		148	504
	National Body Dues		579	408
	Fidelity Insurance		785	784
	Other insurances		396	448
	Loan insurance		859	679
			2,767	2,823
	Total Other operating Expenses		6,680	10,501
8c	Auditors remuneration			
	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.			
			2023	2022
			£	£
	Fees payable for the audit of the Credit Union's annual accounts		3,570	2,850
	Fees payable to the Credit Union's Auditor for other services:			
	Services relating to taxation		90	90
	Total Auditors remuneration		3,660	2,940