

WHITE CART CREDIT UNION LTD

Firm Reference No 213903

Registered No SP0021CU

**DIRECTORS REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

30 SEPTEMBER 2020

WHITE CART CREDIT UNION LTD

ADMINISTRATIVE INFORMATION

Directors	Agnes Hannah James Greer Ruby Hardie Dorothy Stewart Margaret Shirley Joseph Murren Pauline Hannah Suzanne McGlip
Secretary	Dorothy Stewart
Society Registration Number	SP0021CU
Financial Conduct Authority Registration Number	213903
Registered Office	73 Neilston Road Paisley Renfrewshire PA2 6NA
Auditors	Lindley Adams Limited Chartered Accountants and Statutory Auditors 28, Prescott Street Halifax, HX1 2LG
Bankers	Bank of Scotland Plc The Mound Edinburgh EH1 1YZ Hampshire Trust Bank 131 Finsbury Pavement London EC2 1NT Aldermore Bank Plc 1 st Floor, Block B Western House, Lynch Wood Peterborough PE2 6FZ

WHITE CART CREDIT UNION LTD

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WHITE CART CREDIT UNION LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Directors present their report and the financial statements for the year ended 30 September 2020.

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 £15,170 (2019 - £38,485). In addition, there were 1,609 (2019 - 1,600) adult members with 688 (2019 - 723) members holding loans with the Credit Union.

The Directors recommend the payment of a 0.5% 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:

Agnes Hannah
James Greer
Ruby Hardie
Dorothy Stewart
Margaret Shirley
Joseph Murren
Pauline Hannah
Suzanne McGlip

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 21/04/2021 and signed on its behalf by:

Name of Director 1: AGNES HANNAH

Signature

Agnes Hannah

Name of Director 2: MARGARET SHIRLEY

Signature

Margaret Shirley

**REPORT OF THE INDEPENDENT AUDITOR
TO WHITE CART CREDIT UNION LTD**

OPINION

We have audited the financial statements of White Cart Credit Union Ltd (the 'credit union') for the year ended 30 September 2020 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 2020 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 20 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.

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 Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board 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 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 is 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.

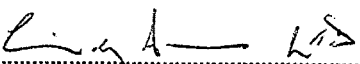
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 auditor's 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..... 27/4/2021

WHITE CART CREDIT UNION LTD

Revenue Account for the year ended 30 September 2020

	Note	2020 £	2019 £
Loan Interest receivable and similar income	4	149,201	156,973
Interest payable	5	0	(8,871)
Net interest income		149,201	148,102
Fees and commissions receivable	6	7,253	8,066
Fees and commissions payable		(105)	(30)
Net fees and commissions receivable		7,148	8,036
Other income	7	4,588	1,993
Administrative expenses	8a	(35,247)	(35,834)
Depreciation and amortisation	11	(3,423)	(4,995)
Other operating expenses	8b	(29,517)	(31,349)
Impairment losses on loans to members	12e	(75,229)	(45,380)
Surplus Before Taxation		17,521	40,573
Taxation		(2,351)	(2,088)
Surplus for the Financial Year		15,170	38,485
Total comprehensive income		15,170	38,485

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

WHITE CART CREDIT UNION LTD

Balance Sheet as at 30 September 2020

	Note	2020 £	2019 £
ASSETS			
Loans and advances to banks	16	1,595,279	1,130,408
Loans and advances to members	12	1,201,326	1,301,354
Tangible fixed assets	11	16,202	19,625
Prepayments and accrued income		9,677	9,339
Total assets		2,822,484	2,460,726
LIABILITIES			
Subscribed capital - repayable on demand	13	2,577,780	2,230,498
Other payables	14	6,478	7,172
		2,584,258	2,237,670
Retained earnings		238,226	223,056
Total liabilities		2,822,484	2,460,726

The financial statements were approved, and authorised for issue by the board on 21/04/2021 and signed on its behalf by:

Agnus Hannah
Director

Margaret Sherry
Director

Dorothy Stewart
Secretary

WHITE CART CREDIT UNION LTD

Statement of Changes in Retained Earnings for the year ended 30 September 2020

	2020	2019	
	£	£	
As at 1 October 2019	223,056	184,571	
Total comprehensive income for the year	15,170	38,485	
As at 30 September 2020	<u>238,226</u>	<u>223,056</u>	
 Movement in reserves			
	Retained earnings		Total
	General reserve	Revenue reserve	Development reserve
As at 1 October 2019	206,249	10,255	6,552
Surplus for year	13,769	1,401	0
Other movements	0	0	0
As at 30 September 2020	<u>220,018</u>	<u>11,656</u>	<u>6,552</u>
			<u>238,226</u>

WHITE CART CREDIT UNION LTD

Cash flow statement for the year ended 30 September 2020

	Note	2020	2019
		£	£
Cash Flows from operating activities			
Surplus Before Taxation		17,521	40,573
Adjustments for non-cash items			
Depreciation	11	3,423	4,995
Impairment losses	12e	75,369	46,576
		<u>78,792</u>	<u>51,571</u>
 Movements in:			
Prepayments and accrued income		(338)	(19)
Other payables		(694)	(1,124)
		<u>(1,032)</u>	<u>(1,143)</u>
 Cash flows from changes in operative assets and liabilities			
Cash inflow from subscribed capital	13	1,415,165	1,297,261
Cash outflow from repaid capital	13	(1,067,883)	(1,028,700)
New loans to members	12a	(834,844)	(1,061,302)
Repayment of loans by members	12a	859,503	931,566
		<u>371,941</u>	<u>138,825</u>
Taxation paid		(2,351)	(2,088)
Net Cash flows from operating activities		<u>464,871</u>	<u>227,738</u>
 Cash flows from investing activities			
Purchase of property, plant and equipment	11	0	(5,406)
Net cash flow from managing liquid deposits		0	(200,000)
		<u>0</u>	<u>(205,406)</u>
 Net increase in cash and cash equivalents		<u>464,871</u>	<u>22,332</u>
Cash and cash equivalents at beginning of the year		330,408	308,076
Cash and cash equivalents at end of year	16	<u><u>795,279</u></u>	<u><u>330,408</u></u>

WHITE CART CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020

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%.

	2020	2019
The relevant ratios are:-	8.44%	9.06%

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.

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.

WHITE CART CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (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:

Property	50 years
Computers	3 years
Office equipment and furniture	5 years

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.

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.

WHITE CART CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (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	2020	2019
	£	£
Loan interest receivable from members	136,828	145,984
Bank interest receivable from cash and liquid deposits	12,373	10,989
Total loan interest receivable and similar income	149,201	156,973

5 Interest expense	2020	2019
	£	£
Interest paid during the year	0	8,871
Dividend rate	0.00%	0.50%
Interest proposed, but not recognised	11,656	0
Dividend rate	0.50%	0.00%

6 Fees and commissions receivable	2020	2019
	£	£
Entrance fees	94	160
Annual service charge	6,240	6,621
Commissions	919	1,285
Total fees and commissions receivable	7,253	8,066

7 Other Income	2020	2019
	£	£
Grants and deferred income	1,021	1,993
Job retention scheme	3,567	0
	4,588	1,993

8 Expenses	Note	2020	2019
		£	£
Administrative expenses	8a	35,247	35,834
Depreciation and amortisation	11	3,423	4,995
Other operating expenses	8b	29,517	31,349
		68,187	72,178

WHITE CART CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

8a Administrative Expenses	Note	2020	2019
		£	£
Employment costs	9b	24,464	22,148
Auditors remuneration	8c	2,220	2,100
Telephone		1,366	1,076
Computer maintenance		3,175	6,894
General expenses		2,592	1,133
Printing, Postage and Stationery		1,066	2,119
Other insurances		364	364
Total Administrative Expenses		35,247	35,834
8b Other Operating Expenses		2020	2019
Cost of occupying offices (excluding depreciation)		£	£
Rents and Rates		504	455
Repairs and Maintenance		111	533
Heating and Lighting		1,525	1,534
Other Occupancy costs		356	342
		<u>2,496</u>	<u>2,864</u>
Regulatory and financial management costs			
Financial Conduct Authority, Prudential Regulation Authority Fees and FSCS Levy		644	597
National Body Dues		2,308	1,983
Fidelity Insurance		1,680	2,467
Loan Protection and life savings insurance		22,039	20,575
Debt recovery fees & Credit Checks		350	2,863
		<u>27,021</u>	<u>28,485</u>
Total Other operating Expenses		29,517	31,349
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.			
		2020	2019
		£	£
Fees payable for the audit of the Credit Union's annual accounts		2,130	2,010
Fees payable to the Credit Union's Auditor for other services:			
Services relating to taxation		90	90
Total Auditors remuneration		2,220	2,100

WHITE CART CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

9 Employees and employment costs

9a Number of employees	2020	2019
The average monthly number of employees during the year were:	Number	Number
Office staff	<u>2</u>	<u>2</u>
9b Employment costs	2020	2019
	£	£
Wages and salaries	23,746	21,585
Pension costs	718	563
Total employment costs	<u><u>24,464</u></u>	<u><u>22,148</u></u>

The Directors of the Credit Union are all unpaid volunteers. The key management team for the Credit Union included the credit union manager and 1 senior staff.

	2020	2019
	£	£
Short term employee benefits	23,746	21,585
Pension costs	718	563
Total key management personnel compensation	<u><u>24,464</u></u>	<u><u>22,148</u></u>

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

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% (2019 19%) comprised:

	Note	2020	2019
Current tax		£	£
UK Corporation tax	10b	2,351	2,088
Total current tax and total taxation expense recognised in the Revenue Account		<u><u>2,351</u></u>	<u><u>2,088</u></u>

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 tax 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:

	2020	2019
	£	£
Surplus Before Taxation	<u><u>17,521</u></u>	<u><u>40,573</u></u>
Surplus before taxation multiplied by small profits rate of corporation tax in the UK of 19% (2019 19%)	3,329	7,709
Effects of:		
Non-taxable surplus on transactions with members	(978)	(5,621)
Total tax charge for the year	<u><u>2,351</u></u>	<u><u>2,088</u></u>

WHITE CART CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

11 Tangible Fixed Assets

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

	Computer and printer	Property	Office equipment and furniture	Total
Cost	£	£	£	
As at 1 October 2019	22,210	24,000	10,212	56,422
Additions	0	0	0	0
Disposals	0	0	0	0
As at 30 September 2020	22,210	24,000	10,212	56,422
Depreciation				
As at 1 October 2019	18,486	9,120	9,191	36,797
Charge for the year	1,922	480	1,021	3,423
Charge on disposal	0	0	0	0
As at 30 September 2020	20,408	9,600	10,212	40,220
Net Book Value				
As at 30 September 2020	1,802	14,400	0	16,202
As at 30 September 2019	3,724	14,880	1,021	19,625

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

	Note	2020 £	2019 £
As at 1 October 2019		1,453,773	1,329,839
Advanced during the year		834,844	1,061,302
Interest receivable		136,828	145,984
Repaid during the year		(996,331)	(1,077,550)
Gross loans and advances to members	12b	1,429,114	1,459,575
Impairment losses:			
Individual financial assets	12b, 12e	(3,843)	(5,802)
Groups of financial assets	12d	(223,945)	(152,419)
	12c	(227,788)	(158,221)
As at 30 September 2020		1,201,326	1,301,354

12b Memorandum - Total loan assets regulatory purposes

	Note	2020 £	2019 £
Gross loans and advances to members		1,429,114	1,459,575
Impairment of individual financial assets		(3,843)	(5,802)
Total loan assets for regulatory purposes	15b	1,425,271	1,453,773

WHITE CART CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (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.

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.

	2020		2019	
	Amount	Proportion	Amount	Proportion
Not impaired:				
Neither past due nor impaired	681,719	47.70%	936,777	64.18%
Up to 3 months past due	289,679	20.27%	272,371	18.66%
Between 3 and 6 months past due	42,141	2.95%	15,616	1.07%
Between 6 and 9 months past due	30,807	2.16%	2,869	0.20%
Between 9 months and 1 year past due	1,769	0.12%	1,725	0.12%
Over 1 year past due	18,490	1.29%	7,975	0.55%
Sub-total: loans not impaired	1,064,605	74.49%	1,237,333	84.78%
Individually impaired:				
Not yet past due, but impaired	118,558	8.30%	97,342	6.67%
Up to 3 months past due	27,599	1.93%	21,904	1.50%
Between 3 and 6 months past due	53,884	3.77%	32,891	2.25%
Between 6 and 9 months past due	62,861	4.40%	5,743	0.39%
Between 9 months and 1 year past due	20,978	1.47%	2,053	0.14%
Over 1 year past due	80,629	5.64%	62,309	4.27%
Total loans	1,429,114	25.51%	1,459,575	15.22%
Impairment allowance	(227,788)		(158,221)	
Total carrying value	1,201,326		1,301,354	

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

12d Allowance account for impairment losses	Note	2020	2019
		£	£
As at 1 October 2019		152,419	111,645
Allowance for losses made during the year		71,526	40,774
Increase in allowance during the year	12e	71,526	40,774
As at 30 September 2020		223,945	152,419
12e Impairment losses recognised for the year		2020	2019
		£	£
Impairment of individual financial assets		3,843	5,802
Increase in impairment allowances during the year		71,526	40,774
		75,369	46,576
Reversal of impairment where debts recovered		(140)	(1,196)
Total impairment losses recognised for the year		75,229	45,380

WHITE CART CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

13 Subscribed capital - financial liabilities	2020	2019
	£	£
As at 1 October 2019	2,230,498	1,961,937
Received during the year	1,415,165	1,288,390
Dividends paid during the year	0	8,871
Repaid during the year	(1,067,883)	(1,028,700)
As at 30 September 2020	<u>2,577,780</u>	<u>2,230,498</u>

Deposits from members are made by way of subscription for shares. The balance includes deposits made by juvenile members - £191,521 (2019 - £168,997).

14 Other payables	2020	2019
	£	£
UK Corporation tax	2,351	2,088
Accruals and deferred income	4,127	4,063
Grants	0	1,021
	<u>6,478</u>	<u>7,172</u>

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.

WHITE CART CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

15b Interest rate risk disclosures

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

	2020		2019	
	Amount	Average Interest Rate	Amount	Average Interest Rate
Financial assets	£	%	£	%
Loans to members	1,425,271	9.51%	1,453,773	10.49%

The interest rates applicable to loans to members are fixed at 12%.

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

	2020	2019
	£	£
Loans and advances to banks	1,595,279	1,130,408
Less: amounts maturing after three months	(800,000)	(800,000)
Total cash and cash equivalents	795,279	330,408

17 Post balance sheet events

In 2020, the Covid-19 pandemic occurred. The measures taken by the UK government to contain the virus have impacted the economic activity of credit unions. The directors have assessed the impact on the credit union and the business continuity plans. Their view is, although the credit union will be affected and there may be a fall in income and increase in doubtful loans, the credit union will meet all regulatory requirements for the foreseeable future. It is appropriate to prepare the accounts on a going concern basis as set out in the Accounting Policies (going concern) Note to the Financial Statements. The full extent of the impact is dependent on the duration of Covid-19, the effect on the economy and the measures required to be taken by the UK government, the results of this cannot be predicted.

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 12 members of the board, staff, volunteers and their close family members, had loans with the Credit Union (2019 - 12 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 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 us with the preparation of the financial statements.