

Audited Financial Statements

For the Year Ended 30 September 2018

for

Lincolnshire Credit Union Limited

**Registered under the Co-operative and Community
Benefit Societies Act 2014 and with the Financial Conduct
Authority and the Prudential Regulation Authority**

Number IP00659c

Lincolnshire Credit Union Ltd

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For the Year Ended 30 September 2018

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Lincolnshire Credit Union Limited

Company Information
for the Year Ended 30 September 2018

REGISTERED OFFICE:

City Hall
Beaumont Fee
Lincoln
LN1 1DD

**PRUDENTIAL REGULATION AUTHORITY
AND FINANCIAL CONDUCT AUTHORITY
FIRM NUMBER:**

213763 (England and Wales)

AUDITORS:

Wright Vigar Limited
Statutory Auditors
Chartered Accountants & Business Advisers
15 Newland
Lincoln
LN1 1XG

BANKERS:

The Co-operative Bank
PO Box 101
Balloon Street
Manchester
M60 4EP

Unity Trust Bank
Nine Brindley Place
Birmingham
B1 2HB

Lloyds TSB Bank Plc
1 Legg Street
Chelmsford
Essex
CM1 1JS

Lincolnshire Credit Union Ltd
Directors' Report
for the Year Ended 30 September 2018

The Board of Directors have pleasure in presenting their report and the financial statements of the Credit Union for the year ended 30 September 2018.

Principal Activities

The principal activity of the Credit Union during the year was that of the provision of savings and lending facilities for the benefit of its members.

Results and Dividends

The deficit for the year, after taxation amounted to £3,403 (2017: £9,921 surplus). Particulars of dividends paid are detailed in note 5 to the financial statements.

The Financial Period saw the CEO announce his retirement after 16 years with the Credit Union. This led to a major restructure in the Office & an overlap of CEO salary payments for 2 months. There was a rise in staff time costs as technology advancements were explored. An appointment was made to a new role of Business Development Officer.

Directors

The Directors who served the Credit Union during the year were as follows:

Nicoya Palastanga (Chair)
David Lynn (Secretary)
Charles Walster (Treasurer)
David Grattrick
Roger Adams (Retired – 20/02/2018)
John Nutton
Beverly Finnegan
Alison Rawlinson (Appointed – 20/02/2018)

Chief Executive Officer

John Eames (Resigned – 30/09/2018)
Sarah Moseley (Appointed – 29/08/2018)

Supervisory Committee

Janice Webb (Chair)
Paul Fox (Appointed – 20/02/2018)

Lincolnshire Credit Union Ltd

Directors' Report
for the Year Ended 30 September 2018

Board of Directors Responsibilities

The Board of Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Credit Union law requires the Board of Directors to prepare financial statements for each financial year. Under that law the Board of Directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 102; the financial reporting standard applicable in the UK and Republic of Ireland. Under Credit Union law the Board of 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 period. In preparing those financial statements, the Board of Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Credit Union will continue in business.

The Board of 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. 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:

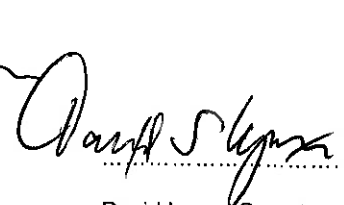
- there is no relevant audit information of which the Credit Union's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

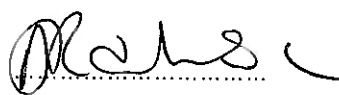
Registered office:

City Hall
Beaumont Fee
Lincoln
LN1 1DD

Signed on 5th February 2019 by order of the Board of Directors


.....
Charles Walster - Treasurer


.....
David Lynn - Secretary


.....
Alison Rawlinson - Director

**Report of the Independent Auditors to the Members of
Lincolnshire Credit Union Limited**

Opinion

We have audited the financial statements of Lincolnshire Credit Union Limited for the year ended 30 September 2018 which comprise the Revenue Account, the Balance sheet 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 Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

**Report of the Independent Auditors to the Members of
Lincolnshire Credit Union Limited**

Other information

The Board of Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 where the Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- the Credit Union has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation; or
- the revenue account, any other accounts to which our report relates, and the balance sheet are not in agreement with the Credit Union's books of account; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

Responsibilities of the Board of Directors

As explained more fully in the Board of Director's responsibilities statement [set out on page 3], the Board of Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as it determines 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 of Directors are responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Credit Union or to cease operations, or have no realistic alternative but to do so.

**Report of the Independent Auditors to the Members of
Lincolnshire Credit Union Limited**

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's members, as a body, in accordance with the Credit Union Act 1979 and 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's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members as a body for our audit work, for this report, or for the opinions we have formed.



Kevin Shaw BSc FCA (Senior Statutory Auditor)
for and on behalf of Wright Vigar Limited
Statutory Auditors
Chartered Accountants and Business Advisors
15 Newland
Lincoln
Lincolnshire
LN1 1XG

5th February 2019

Lincolnshire Credit Union Limited

Revenue Account
for the Year Ended 30 September 2018

	Note	2018		2017	
		£	£	£	£
Income					
Loan interest receivable and similar income	4	173,611		163,408	
Interest payable	5	<u>(3,056)</u>		<u>(2,779)</u>	
Net interest income			170,555		160,629
Fees and commissions receivable	6	<u>4,140</u>		<u>5,059</u>	
Net fees and commission receivable			4,140		5,059
Other income		28,676		10,377	
CMS Incentive	10	4,000		16,000	
Administrative expenses	7a	(141,591)		(123,243)	
Depreciation and amortisation	11	(5,392)		(5,210)	
Other operating expenses	7b	(12,032)		(11,782)	
Impairment losses on loans to members	12e	<u>(51,602)</u>		<u>(41,723)</u>	
			(177,941)		(155,581)
Surplus / (Deficit) before taxation			(3,246)		10,107
Taxation	9a		<u>(157)</u>		<u>(186)</u>
Surplus / (Deficit) after taxation			(3,403)		9,921
Other comprehensive income			-		-
Total comprehensive income			<u>(3,403)</u>		<u>9,921</u>

Lincolnshire Credit Union Limited

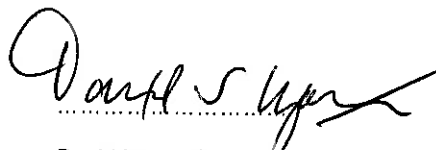
Balance Sheet
30 September 2018

	Note	2018		2017	
		£	£	£	£
ASSETS					
Loans and advances to banks	16	431,955		343,899	
Loans and advances to members	12a	1,196,189		1,100,697	
Tangible fixed assets	11	16,177		15,630	
Other receivables		4,692		2,164	
Prepayments and accrued income		<u>5,923</u>		<u>7,506</u>	
Total assets			<u>1,654,936</u>		<u>1,469,896</u>
LIABILITIES					
Subscribed capital - repayable on demand	13	1,535,591		1,338,513	
Other payables	14	48,167		56,802	
Retained earnings		<u>71,178</u>		<u>74,581</u>	
Total liabilities			<u>1,654,936</u>		<u>1,469,896</u>

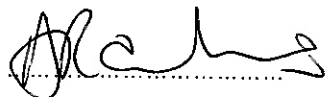
The financial statements were approved by the board on 5th February 2019 and were signed by



Charles Walster - Treasurer



David Lynn - Secretary



Alison Rawlinson - Director

Lincolnshire Credit Union Limited
Statement of Changes in Retained Earnings
for the Year Ended 30 September 2018

	2018	2017
	£	£
As at 1 October 2017	74,581	64,660
Total comprehensive income for the year	<u>(3,403)</u>	<u>9,921</u>
As at 30 September 2018	<u>71,178</u>	<u>74,581</u>

Lincolnshire Credit Union Limited
Cash Flow statement
for the Year End 30 September 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Surplus / (deficit) before taxation		(3,246)	10,107
Adjustments for non-cash items:			
Depreciation	11	5,392	5,210
Impairment losses	12e	<u>53,334</u>	<u>41,723</u>
		58,726	46,933
Movements in:			
Accrued interest		1,583	(2,113)
Other receivables		(2,528)	987
Other payables		<u>(8,606)</u>	<u>(27,018)</u>
		(9,551)	(28,144)
Cash flows from changes in operating assets and liabilities			
Cash inflow from subscribed capital	13	3,073,390	2,819,882
Cash outflow from repaid capital	13	(2,876,312)	(2,731,769)
New loans to members	12a	(1,026,676)	(1,176,159)
Repayment loans by members	12a	<u>877,850</u>	<u>988,054</u>
		48,252	(99,992)
Taxation paid		<u>(186)</u>	<u>(420)</u>
Net cash flows from operating activities		93,995	(71,516)
Cash flows from investing activities			
Purchase of plant and machinery	11	(5,939)	-
Net cash flow from managing liquid deposits		<u>-</u>	<u>166,921</u>
		(5,939)	166,921
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of year		<u>343,899</u>	<u>248,494</u>
Cash and cash equivalents at end of year	16	<u>431,955</u>	<u>343,899</u>

Lincolnshire Credit Union Limited

Notes to the Financial Statements
for the Year Ended 30 September 2018

1. LEGAL & REGULATORY FRAMEWORK

The Lincolnshire Credit Union Limited is registered under the Co-operative and Community Benefit Societies Act 2014, with the principal activity of operating as a credit union, within the meaning of the Credit Unions Act 1979. The Lincolnshire Credit Union Limited is registered with the Financial Conduct Authority and the Prudential Regulation Authority under the provisions of 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 Lincolnshire Credit Union Limited 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 Republic of Ireland*

The financial statements are prepared on the historical cost basis.

Going concern

The Financial Statements are prepared on the going concern basis. The Directors of The Lincolnshire Credit Union believe this is appropriate despite a mismatch in the maturity analysis of subscribed capital and loans to members, because until the settlement of loan balances members cannot withdraw subscribed share capital to the same value.

Income

Loan interest receivable and similar income: Interest on both loans to members and loans to banks (i.e. cash held on deposit with other financial institutions) is recognised using the effective interest rate method, and is calculated and accrued on a daily basis.

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.

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 Lincolnshire Credit Union Limited is not liable for 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 Lincolnshire Credit Union from which profits are chargeable to corporation tax it is unlikely that deferred tax will arise.

Tangible fixed assets

Tangible fixed assets comprise 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 at the following annual rates in order to write off each asset over its estimated useful life.

Plant and Machinery – 25% on reducing balance.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and loans and advances to banks with maturity less than or equal to 3 months.

Financial assets – loans and advances to members

Loans to members are financial assets with fixed or determinable payments, and are not quoted in an active market. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

Loans are derecognised when the rights 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 Lincolnshire Credit Union Limited 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 cash flows.

Financial liabilities – subscribed capital

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

Employee benefits

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

3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying the Lincolnshire Credit Union Limited's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below.

Impairment losses on loans to members

The Lincolnshire Credit Union Limited performs on a regular basis impairment reviews on loans to members, using historic observable data in forecasting the provision required against the general loan population and where there is objective evidence that an individual loan is impaired, a specific loss will be recognised.

4. LOAN INTEREST RECEIVABLE AND SIMILAR INCOME

	2018	2017
	£	£
Loan interest receivable from members	173,590	162,452
Deposit account interest	<u>21</u>	<u>956</u>
Total loan interest receivable and similar income	173,611	163,408

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
	£	£
Dividend paid during the year	3,056	2,779
Dividend rate	0.25%	0.25%
Dividend proposed but not recognised	1,254	3,134
Dividend rate	0.1%	0.25%

6. FEES AND COMMISSIONS RECEIVABLE

	2018	2017
	£	£
Entrance fees	1,438	1,173
Prepaid card fees	805	140
Service fees (members)	1,860	2,309
Service fees (partners)	<u>37</u>	<u>1,437</u>
Total fees and commissions receivable	4,140	5,059

7. EXPENSES

		2018	2017
		£	£
Administrative expenses	7a	141,591	123,243
Depreciation and amortisation	11	5,392	5,210
Other operating expenses	7b	12,032	11,782

7a Administrative expenses

		2018	2017
	Note	£	£
Employment costs	8b	106,287	87,982
Directors expenses		896	770
Staff and volunteer expenses		3,155	2,027
Auditors remuneration	7c	2,742	3,840
Telephone		678	3,671
Computer maintenance		3,526	3,367
Legal and professional		4,709	3,087
General expenses		1,869	1,299
AGM costs		164	114
Parking		2,679	2,760
Advertising		2,235	2,967
Debt recovery costs		-	875
Printing, postage and stationery		6,966	6,316
Other insurance		521	442
Staff training		1,350	620
Bank Charges		<u>3,814</u>	<u>3,106</u>
Total administrative expenses		141,591	123,243

7b Other operating expenses

Other operating expenses comprise the costs of occupying offices and regulatory and financial management costs:

	2018	2017
	£	£
Cost of occupying offices (excluding depreciation)		
Repairs and renewals	593	448
Rent, rates and room hire	<u>558</u>	<u>552</u>
	1,151	1,000
Regulatory and financial management costs		
Financial conduct authority fees	480	650
Association of British Credit Union Limited dues	3,365	3,262
Fidelity bond insurance	2,165	2,127
Sterling insurance	<u>4,871</u>	<u>4,743</u>
	<u>10,881</u>	<u>10,782</u>
	<u>12,032</u>	<u>11,782</u>

7c Auditors' remuneration

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

	2018	2017
	£	£
Fees payable for the audit of the annual accounts	2,742	3,840

8. EMPLOYEES AND EMPLOYMENT COSTS

8a. Number of employees

The average monthly number of employees during the year was:

	2018	2017
Office Staff	6	6

8b. Employment costs

	2018	2017
	£	£
Wages and Salaries	79,153	62,982
Key Management Remuneration	<u>27,134</u>	<u>25,000</u>
Total employment costs	106,287	87,982

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

9. TAXATION

9a. Recognised in the Revenue Account

The taxation charge for the year comprised:

		2018	2017
	Note	£	£
Current tax			
UK Corporation tax	9b	<u>157</u>	<u>186</u>
Total current tax and total expense recognised in the Revenue Account		<u>157</u>	<u>186</u>

9b. Reconciliation of taxation expense

The Lincolnshire Credit Union Limited 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, the tax charge for the year differs from the standard rate of corporation tax. The differences are explained below:

	2018	2017
	£	£
Surplus / (Deficit) before taxation	(3,246)	10,107
Surplus / (Deficit) before taxation multiplied by the small profits rate of corporation tax in the UK of 19% (2017: 19.5%)	(617)	1,971
Effects of:		
Non-taxable adjustment re taxable income	774	(1,785)
Non-taxable surplus / (deficit) on transactions with members	<u>-</u>	<u>-</u>
Total tax charge for the year	157	186

10. EXTRAORDINARY ITEMS

	2018	2017
	£	£
CMS Incentive	4,000	16,000

In the prior year, The Board agreed that the money received for the implementation of a new computer system was to be recognised as income due to the implementation date passing without the contract being fulfilled and the fact that the money is not required to be repaid.

11. TANGIBLE FIXED ASSETS

	Plant and machinery £
Cost	
At 1 October 2017	71,248
Additions	<u>5,939</u>
At 30 September 2018	<u>77,187</u>
Depreciation	
At 1 October 2017	55,618
Charge for year	<u>5,392</u>
At 30 September 2018	<u>61,010</u>
Net book value	
At 30 September 2018	<u>16,177</u>
At 30 September 2017	<u>15,630</u>

12. LOANS AND ADVANCES TO MEMBERS – FINANCIAL ASSETS

12a. Loans and advances to members

	Note	2018 £	2017 £
As at October 2017		1,120,892	975,190
Advanced during the year		1,026,676	1,176,159
Repaid during the year		<u>(877,850)</u>	<u>(988,054)</u>
Gross loans and advances to members	12b	1,269,718	1,163,295
Impairment losses:			
Individual financial assets	12b, 12e	(51,697)	(42,403)
Groups of financial assets	12d	<u>(21,832)</u>	<u>(20,195)</u>
As at September 2018		<u>1,196,189</u>	<u>1,100,697</u>

12b. Memorandum – total loan assets for regulatory purposes

	Note	2018 £	2017 £
Gross loans and Advances to Members		1,269,718	1,163,295
Impairment of individual Financial assets		<u>(51,697)</u>	<u>(42,403)</u>
Total loan assets for regulatory purposes	15b	<u>1,218,021</u>	<u>1,120,892</u>

12c. Credit risk disclosures

The Lincolnshire Credit Union Limited does not offer mortgages and as a result all loans to members are unsecured, except that there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding.

The carrying amount of the loans to members represents Lincolnshire Credit Union Limited'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 £
Not Impaired:		
Neither past due nor impaired	1,043,727	1,005,508
Up to 3 months past due	145,857	84,727
Between 3 and 6 months past due	5,189	6,917
Between 6 months and 1 year past due	1,416	3,545
Over 1 year past due	-	-
Sub-total: loans not impaired	<u>1,196,189</u>	<u>1,100,697</u>
Individually impaired:		
Not yet past due, but impaired	18,803	17,978
Up to 3 months past due	2,894	1,721
Between 3 and 6 months past due	3,166	4,016
Between 6 months and 1 year past due	2,170	8,975
Over 1 year past due	<u>225,533</u>	<u>237,381</u>
Total loans	1,448,755	1,370,769
Impairment allowance	<u>(252,566)</u>	<u>(270,072)</u>
Total carrying value	<u>1,196,189</u>	<u>1,100,697</u>

12d. Allowance account for impairment losses

		2018	2017
	Note	£	£
As at 1 October 2017		20,195	17,470
Increase in allowances during the year	12e	<u>1,637</u>	<u>2,725</u>
As at 30 September 2018		<u>21,832</u>	<u>20,195</u>

12e. Impairment losses recognised for the year

	2018	2017
	£	£
Impairment of individual financial assets	51,697	42,403
Increase impairment allowances during the year	1,637	2,725
Reversal of impairment debts where recovered	<u>(1,732)</u>	<u>(3,405)</u>
Total impairment losses recognised for the year	<u>51,602</u>	<u>41,723</u>

13. SUBSCRIBED CAPITAL – FINANCIAL LIABILITIES

		2018	2017
	Note	£	£
As at 1 October 2017		1,338,513	1,250,400
Received during the year		3,073,390	2,819,882
Repaid during the year		<u>(2,876,312)</u>	<u>(2,731,769)</u>
As at 30 September 2018	15b	<u>1,535,591</u>	<u>1,338,513</u>

Deposits from members may only be made by way of subscription for shares.

14. OTHER PAYABLES

	2018	2017
	£	£
UK Corporation tax	157	186
Other Payables	44,674	52,686
Accruals and deferred income	<u>3,336</u>	<u>3,930</u>
	<u>48,167</u>	<u>56,802</u>

15. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES

15a. Financial risk management

Lincolnshire Credit Union Limited 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 Lincolnshire Credit Union Limited'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 Lincolnshire Credit Union Limited, resulting in financial loss to Lincolnshire Credit Union Limited. In order to manage the risk, the Board approves Lincolnshire Credit Union Limited'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 facts that may indicate that the likelihood of repayment has changed.

Liquidity risk: Lincolnshire Credit Union Limited's policy is to maintain sufficient funds in liquid forms at all times to ensure that it can meet its liabilities as they fall due. The objective of Lincolnshire Credit Union Limited'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 Lincolnshire Credit Union Limited.

Market risk: Market risk is generally comprised of interest rate risk, currency risk and other price risk. Lincolnshire Credit Union Limited conducts all its transactions in sterling and does not deal in derivatives or commodity markets. Therefore Lincolnshire Credit Union Limited is not exposed to any form of currency risk or other price risk.

Interest rate risk: Lincolnshire Credit Union Limited'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. Lincolnshire Credit Union Limited considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital. Lincolnshire Credit Union Limited does not use interest rate options to hedge its own positions.

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	<u>1,218,021</u>	<u>14.00%</u>	<u>1,120,892</u>	<u>14.33%</u>
Financial liabilities				
Subscribed capital	<u>1,535,591</u>	<u>0.20%</u>	<u>1,338,513</u>	<u>0.23%</u>

The interest rates applicable to loans to members are fixed and range from 0.5% to 3% per month. The interest payable on subscribed capital is determined on the basis of income less administrative expenses and, as can be seen above, a consistent margin is maintained between interest receivable and interest payable. As a result, the surplus for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

15c. Liquidity risk disclosures

Excluding short-term other payable, as noted in the balance sheet, Lincolnshire Credit Union Limited financial liabilities, the subscribed capital, are repayable on demand.

16. CASH AND CASH EQUIVALENTS

	2018	2017
	£	£
Loans and advances to banks	431,955	343,899

17. POST BALANCE SHEET EVENTS

There are no material events after the balance sheet date to disclose.

18. CONTINGENT LIABILITIES

Lincolnshire Credit Union Limited 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 Lincolnshire Credit Union Limited will have to pay.

19. RELATED PARTY TRANSACTIONS

During the year, 6 (2017: 3) members of the Board, staff and their close family members had loans with Lincolnshire Credit Union Limited. These loans were approved on the same basis as loans to other members of Lincolnshire Credit Union Limited. None of the directors, staff or their close family members, have any preferential terms on their loans.