



Notes on completing the Annual Return (CY) for credit unions

Handbook Reference: *SUP* 16 Ann 15(2)G

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General information

The Annual Return (CY) should be completed by all *credit unions* in the *United Kingdom* at the end of their financial year. The form may be updated from time to time. *Credit unions* should use the form in force at the end of the financial year on which they are reporting. It should be completed using the accruals-based accounting method.

Please read *CREDS* in conjunction with these reporting instructions.

Send the fully completed Annual Return (CY) (including a completed auditor's statement) to the *PRA* in accordance with *SUP* 16.3.6R – *SUP* 16.3.13R by the date stated in the *credit union's* rules (which for a *Great Britain credit union* should be within 7 months of the financial year ending on or before 31 July 2012 and within 6 months of any subsequent financial year end and for a *Northern Ireland credit union* should be within 6 months of the financial year end). Failure to do so is a breach of your regulatory requirements, as laid down in *CREDS*, and may result in your *credit union* being subject to *PRA* sanctions.

A copy of the audited annual accounts of the *credit union* (and the auditor's report on those accounts) should also be submitted (see *CREDS* 8.2.6R).

If there is no figure to be entered in the box please write "nil", "none" or "N/A" as appropriate.

Care should be taken to avoid errors. The two people who sign page 3 of the Annual Return (CY) should initial any alterations to entries. Correction fluid should **not** be used in correcting entries.

Words in italics denote defined terms which can be found in the Glossary to the main Handbook.

"*CREDS*" means the Credit Unions New sourcebook.

"*SUP*" means The Supervision Manual (part of the main Handbook)

"*APER*" means the Approved Person Manual (part of the main Handbook)

'CUA 1979' means the Credit Unions Act 1979.

"CUO" means the Credit Unions Order (Northern Ireland) 1985.

The number and figure in brackets shown next to the headings refer to the box numbers on the Annual Return (CY) form.

Accounting Policies

Fixed assets	Fixed assets are stated at net book value. Depreciation is provided on fixed assets at rates expected to cover costs over their expected useful lives.
Investments	These are stated at cost, less provision for permanent diminution in value where necessary.
Provision for doubtful debts	This is made in accordance with the rules and guidance set out in <i>CREDS</i> 7.5.4E.
Amount of interest	Interest receivable on loans and other investments and payable on loans made to the <i>credit union</i> is to be accrued.

Front page

Name	Insert the registered name of the <i>credit union</i> .
Firm reference number	Insert the number assigned to the <i>credit union</i> by the <i>FCA</i> .
Financial year end	Insert the date of the <i>credit union's</i> financial year end (See <i>CREDS</i> 8.2.6R(2)(a)).
Version 1 / version 2 requirement	See Handbook Glossary for definitions.

Details of the credit union

	Name	Insert the registered name of the <i>credit union</i> .
	Firm reference number	Insert the number assigned to the <i>credit union</i> by the FCA.
	Address	Enter the registered address of the <i>credit union</i>
	Affiliation	Insert the name of the trade association that the <i>credit union</i> is affiliated to. If the <i>credit union</i> is not affiliated, insert "none".
A1	Membership	<p>Indicate in the appropriate boxes the number of members that the <i>credit union</i> currently has in each category of membership.</p> <p>A "non-qualifying" member is someone who no longer fulfils the membership requirements, having once done so e.g. he or she no longer lives in the common bond area.</p> <p>A "juvenile depositor" is a person who is too young to be a member of the <i>credit union</i> (for <i>Great Britain credit unions</i> under the <i>credit union's</i> rules or, for <i>Northern Ireland credit unions</i>, under the CUO or the <i>credit union's</i> rules), who can save up to a maximum of £10,000 or 1.5% of the total non-deferred shares in the <i>credit union</i>, but cannot take out a loan from the <i>credit union</i>.</p>
	Audited accounts	Delete "Yes or No" as appropriate. Audited annual accounts are required by the Friendly and Industrial and Provident Societies Act 1968 and the CUO. Attach a copy of the accounts before returning the Annual Return (CY). See CREDS 8.2.6R.
A4	Computer software	Please insert the name of the software system the <i>credit union</i> uses.
	Bankers	Please insert the name of the <i>bank</i> or <i>building society</i> the <i>credit union</i> holds its current account with.
A5	Number of staff members paid for by the credit union	Please insert the relevant number of full and part time staff the <i>credit union</i> employs. This figure should not include staff who work at the <i>credit union</i> but whose wages are paid by another organisation.
A6		
A7	Number of staff members paid for by other organisations	Please insert the number of paid staff that the <i>credit union</i> has that are paid for by outside organisations.
	Paid staff members - approved persons	Please delete either yes or no as appropriate.

Fidelity bond insurance

The purpose of this section is to ensure that the *credit union* had sufficient and continuous insurance in place during the period covered by the Annual Return (CY).

	Policy issued by	Insert the name of the company providing the insurance to the <i>credit union</i> .
A8	Date of inception of policy or last renewal	Insert the date that the policy originally started or the date on which it was last renewed. The date of the last renewal is likely to coincide with the <i>credit union's</i> year-end (prior year).
A9	Date of expiry of policy	This should be the date that the policy held by the <i>credit union</i> expires. It is likely to be the same date as the year-end for this return.

A10	Amount of cover	<p>The amount of cover actually provided should be available from the bonding certificate or insurance policy.</p> <p>Table showing the amount of cover required (CREDS 4 Annex 1R)</p> <p><i>Aggregate value</i></p> <p><i>Cover required in respect of any one claim</i></p> <p><i>Cover required in respect of total claims made in any one year</i></p> <p>Less than £10,000</p> <p>The higher of £500 or 50 per cent of the aggregate value</p> <p>The higher of £1,000 or 100 per cent of the aggregate value</p> <p>£10,000 to £100,000</p> <p>The higher of £5,000 or 20 per cent of the aggregate value</p> <p>100 per cent of the aggregate value</p> <p>More than £100,000</p> <p>The higher of £20,000 or 15 per cent of the aggregate value</p> <p>The higher of £100,000 or 75 per cent of the aggregate value</p> <p>Over £1,000,000</p> <p>£150,000 plus 5 per cent of value over £1,000,000 (subject to a maximum of £2,000,000)</p> <p>£750,000 plus 5 per cent of value over £1,000,000 (subject to a maximum of £4,000,000)</p>
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A11	All claims in any one year	The total amount of claims that the <i>credit union</i> has made on its fidelity bond insurance policy in this financial year.
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A12	Were any claims made?	Please answer yes or no.
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Signatures	<p>The signatories should not sign the form until they have made sure that all entries are complete.</p> <p>One signatory should be a member of the committee of management.</p> <p>One signatory should be the secretary of the <i>credit union</i>.</p> <p>Any corrections to entries should be initialled by each of the two signatories. Send in the form with originals (not photocopies).</p>
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Balance sheet	The balance sheet sets out the <i>credit union's</i> total assets, reserves and liabilities at the end of the financial year.
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ASSETS

1A	Fixed assets	The figure entered here should include the value of any property the <i>credit union</i> owns (e.g. the <i>credit union's</i> registered office, computer or office equipment). Depreciation of the fixed assets should be deducted before the figure is entered into the box. If a <i>credit union</i> has re-valued its property fixed assets upwards, the re-valued amount of fixed assets
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should not be included here. Instead, include here the value of fixed assets excluding any upward property revaluation. The re-valued amount of fixed assets should be included in the supplementary analysis of the annual return (CY) for *credit unions* at **41C**.

Current assets

1B	Investments – <i>Banks and Building Societies</i>	<p>The total of money held in a <i>bank</i> or <i>building society</i> investment account: this will be separate from the current account that the <i>credit union</i> holds and will usually pay more interest on the monies held.</p> <p><i>Credit unions</i> may only invest this money in <i>deposits</i> or loans to:</p> <ul style="list-style-type: none"> (1) a <i>UK domestic firm</i> with <i>Part 4A permission</i> to accept deposits; (2) an institution which is authorised in any other <i>EEA State</i> to accept deposits (See <i>CREDS 3.2.1R</i>)
1C	Investments – securities	<p>The total of money held in <i>securities</i>.</p> <p>A <i>credit union</i> may only invest this money in: sterling-denominated <i>securities</i> issued by the government of any <i>EEA State</i>; (2) and fixed-interest sterling-denominated <i>securities</i> guaranteed by the government of any <i>EEA State</i> (See <i>CREDS 3.2.1R</i>).</p> <p>A <i>version 1 credit union's investments</i> should not have a maturity date exceeding 12 months from the date the <i>investment</i> was made (<i>CREDS 3.2.2R</i>).</p> <p>A <i>version 2 credit union's investments</i> should not have a maturity date exceeding five years from the date the <i>investment</i> was made. (<i>CREDS 3.2.3R</i>)</p> <p>Further information can be found in <i>CREDS Chapter 3</i> (Investment and borrowing).</p>
1D	Investments juvenile deposits	The <i>investments</i> held in respect of the <i>credit union's</i> juvenile depositors.
	Due from members for loans	The total amount outstanding at the year-end on all loans to members.
1E	Secured loans	The total amount outstanding to the <i>credit union</i> that is secured e.g. on shares or property. This figure will exclude any loans written off during the financial year. Please note that if loans are secured on property, a legal charge should be taken out by the <i>credit union</i> to ensure that the loan is properly secured.
1F	Unsecured loans	The total amount of loans that are made to members but are not fully secured as indicated above. This figure will exclude any loans written off during the financial year.
	Less: Provision for doubtful debts	This figure is deducted from the loan balances and is therefore shown as a negative.
1G	General provision	<i>CREDS 7.5.4E</i> sets out that <i>credit unions</i> should maintain a general provision for bad and doubtful debts of at least 2% of net liabilities not already covered by specific provisioning on loan arrears (1H). General provisions are provisions that your <i>credit union</i> has made to cover potential doubtful debts in the future. These are loans currently not in arrears or loans that are in arrears up to three months.
1H	Specific provision	<i>CREDS 7.5.2R</i> states that a <i>credit union</i> must make specific provision in its accounts of at least:

(1) 35% of the net liability to the *credit union* of borrowers where the amount is more than three months in arrears.

(2) 100% of the net liability to the *credit union* of borrowers where the amount is more than 12 months in arrears.

Net liability on a loan can be calculated as follows:

(Balance of loan + outstanding interest) – attached shares

Where a member's attached shares exceed the amount held in loan there is no risk to the *credit union* and no provision needs to be made.

Please note that these are minimum requirements and your *credit union* may need to make additional provisions to reflect the risks and/or potential risks bad debts will have on the *credit union*.

1J	Due from other <i>credit unions</i>	The total amount outstanding at the year-end on all loans made to other <i>credit unions</i> (irrespective of when the loans were made).
1K	Cash and <i>bank</i> balances	The total amount in the <i>credit union's bank</i> account, plus any cash that the <i>credit union</i> holds (e.g. collection point floats or petty cash). If the <i>credit union</i> has drawn upon its overdraft facilities, the amount owed should be inserted in box 2D of the balance sheet.
1L	Other debtors	Any monies owed to the <i>credit union</i> from organisations not listed above.
1M	Prepaid expenses	These are bills that the <i>credit union</i> has paid but the benefit falls into a later accounting period e.g. insurance premiums.
1N	Other	This can include any other assets not covered in the above boxes. It may include suspense accounts that have been opened to correct an error. A suspense account figure should only appear under "assets" if the error results from over debiting and the amount is expected to be recoverable. Any entries made here should be itemised.
1P	Total assets	This figure is the sum total of boxes 1A-1N .

LIABILITIES

2A	Juvenile deposits	The total amount due to juvenile depositors.
	Loans	
2B	Borrowings from other <i>credit unions</i>	The figure for the amount outstanding on any loan that the <i>credit union</i> may have received from another <i>credit union</i> .
2C	<i>Bank</i> loan	The figure for the amount outstanding on any loan that the <i>credit union</i> may have received from a <i>bank</i> . <i>A version 1 credit union may not borrow more than 20% of the total shareholding (see box 13d) of the credit union except on a short-term basis. Subordinated debt does not form part of the later calculation. (See CREDS 3.3.3R to 3.3.6R for more information.)</i>
2D	Authorised overdrafts	The amount that the <i>credit union</i> is overdrawn at the <i>bank</i> . This figure should not be shown on the assets side of the balance sheet.
2E	Grants	Total amount of grants that the <i>credit union</i> has received but not yet released to revenue.
2F	Other creditors and accruals	Money that the <i>credit union</i> owes with respect to bills or interest still owing on loans.
2G	Corporation tax	The amount of tax owed by the <i>credit union</i> at the year-end in respect of corporation tax. Corporation tax is payable on interest earned on non-trading income e.g. bank account interest.
2H	Interest to juvenile depositors	The amount of interest payable on juvenile accounts that the <i>credit union</i> has not paid at the end of the financial year.

2J	Applications	Total monies applied to dividend, rebate of interest and donations in the current year but not yet paid to members.
2K	Other	This should include any other liability not covered above. All entries made here should be fully itemised.
2L	Total liabilities	This figure is the sum total of boxes 2A-2K .
2M	Net assets	This is the sum of total assets minus total liabilities (1P minus 2L).

Credit union capital and reserves

2N	General reserves	Amount held by the <i>credit union</i> in general reserve (See <i>CREDS</i> 5.3.2R.)
2P	Other reserves	Money that the <i>credit union</i> has set aside out of profits e.g. a revenue reserve to provide for unforeseen circumstances. Other reserves are entirely voluntary and do not have to be held by the <i>credit union</i> .

Please note:

Under section 7(6) of the Credit Unions Act 1979, a *Great Britain credit union* shall transfer a sum equal to the amount paid on fully subscribed *deferred shares* to its reserves. However, if money is held for deferred shares by a *Great Britain credit union*, it should not be included here within other reserves in the main body of the CY, but reported separately in the supplementary analysis of the CY at **42D** and **44B**. Similarly, where a *credit union* has revaluation reserves, due to the upwards revaluation of fixed assets, it should not be included here within other reserves but reported separately in the supplementary analysis of the CY at **42C** and **44E**.

2Q-R	Subordinated debt	Subordinated debts in 2Q-R are loans where the lender has agreed to the terms set out on <i>CREDS</i> 5.2.1R. They are loans to the <i>credit union</i> where the lender has agreed to rank behind everyone else, if the <i>credit union</i> fails, in terms of recovering their money. The loans should have an original term of over five years.
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Whereas your *credit union* is permitted to raise subordinated debt from a variety of sources, it cannot automatically include subordinated debts when calculating the capital ratio. To be included in the calculation of capital, subordinated debt should meet the rules laid down in *CREDS* 5.2.1R(4). You will need to refer to this when calculating subordinated debt. Some of the main conditions are listed below:

- When the loan is issued it should have a maturity date of more than five years.
- The conditions attached to the loan should state that the claims of the subordinated creditors should rank behind those of all unsubordinated creditors including the *credit union's* shareholders.
- The subordinated debt should not become due and payable before its final maturity date except in the event of default by non-payment of any interest or principal under the debt agreement or the winding-up of the *credit union*.

Please note that only subordinated debt counting towards capital should be shown in **2Q-R**.

To meet the subordinated debt rules laid down in Chapter 8 (Capital requirements) of *CREDS*, the following formula should be used in writing down your *credit union's* subordinated debt (see *CREDS* 5.2.7R):

Years to maturity

Amount of loan counting towards capital

More than 4	100%
Less than and including 4 but more than 3	80%
Less than and including 3 but more than 2	60%
Less than and including 2 but more than 1	40%
Less than and including 1	20%

2S	Total capital	The total of boxes 2N-2R.
2T	Members' share balances	Total amount of money held by the <i>credit union</i> in respect of shares paid in by members, including money paid in for <i>deferred shares</i> .
2U	Total capital and share balances	This is the sum of total capital plus members' share balances. This figure should be equal to the net assets figure shown in box 2M .

Revenue account

The Revenue Account sets out the *credit union's* total income and expenditure, in order to arrive at the profit for the year.

Income

3A	Entrance fees	The total amount of money the <i>credit union</i> has received through entrance fees from new members.
3B	Interest from members' loans	The total amount of interest earned on loans made to members.
3C	<i>Bank</i> interest	The total amount of interest receivable on the <i>credit union's bank</i> account.
3D	Other investment income	The total amount earned on investments held by the <i>credit union</i> .
3E	Profit on sale of investments and assets	Profit earned on any investment or asset sales.
3F	Bad debts recovered	The amount of debts that the <i>credit union</i> has recovered having previously written them out of the accounts.
3G	Administrative charges on juvenile account	The amount earned by the <i>credit union</i> on any administrative charges to juvenile depositors.
3H	Grants	Money received by the <i>credit union</i> in the form of a grant from another organisation and released into revenue.
3J	Donations	Money received by the <i>credit union</i> in the form of a donation from a member or another body.
3K	Insurance commission	Money received by the <i>credit union</i> from commission on insurance product sales.
3L	Annual membership fees	Money received by the <i>credit union</i> from charging an annual membership fee for members.
3M	Ancillary service charges	Money received by the <i>credit union</i> from fees for providing ancillary services to members.
3N	Other income	This could be any other form of income received by the <i>credit union</i> that is not covered above by 3A-3M . Any entry made here should be fully itemised.
3P	Total income	This figure is the sum total of boxes 3A-3N .

Expenditure

4A	Admin expenses	This figure should include the following expenditure items as a total figure: <ol style="list-style-type: none">1. Occupancy costs2. Printing, stationery and advertising costs3. Staff remuneration4. Insurance costs (not fidelity bond)5. Legal fees
4B	Auditor's remuneration	Total payable to auditor.
4C	Fidelity bond insurance	Total payable for fidelity insurance.
4D	Management expenses	Total payable for expenses incurred by the officers of the <i>credit union</i> e.g. Officer expenses, honoraria to officers and expenses.
4E	Bad debt provision	The net amount in the year added to the bad debt provision to provide adequately for loan arrears for the whole financial year. This may be a negative amount if arrears have fallen during the year.

4F	Bad debts written off	The total amount of outstanding loans written out of the accounts due to non-payment to the extent that they have not been charged to the bad debt provision. These are delinquent loans that your <i>credit union</i> believes are likely to be irrecoverable and has therefore been written out of the accounts. Writing off loans does not prevent your <i>credit union</i> continuing to seek repayment.
4G	<i>Bank charges</i>	Charges payable on the <i>credit union's</i> bank accounts.
4H	Interest charged on borrowings	This is total amount of interest the <i>credit union</i> has paid on borrowings. This figure is the sum total of boxes 22C, 23C, 24C and 25C .
4J	Loss/revaluation on investments/assets	The total amount that the <i>credit union</i> has lost on investment sales and asset revaluation. This should not include depreciation as this is a capital movement not an expenditure item.
4K	General insurance	The total amount that the <i>credit union</i> has paid for general insurance during the year.
4L	LP/LS insurance	The total amount that the <i>credit union</i> paid on LP/LS insurance.
4M	PRA and related fees/costs	The total amount that the <i>credit union</i> paid to the <i>PRA</i> during the year. Please note that this figure should include the costs of the <i>Financial Ombudsman Service</i> .
4N	Trade association membership dues	The total amount the <i>credit union</i> paid to its trade association for membership during the year.
4P	Other	This should include any expenditure items not covered in the other boxes. Any entry made here should be fully itemised. For example loans made to other <i>credit unions</i> that have been written off due to non-payment.
4Q	Total expenditure	This figure is the sum total of boxes 4A-4P .
4R	Income less expenditure	The sum of box 3P less box 4Q .
5	Profit/loss for year before taxation	If the figure is a negative, the <i>credit union</i> made a loss for the financial year. A positive figure denotes that a profit has been made by the <i>credit union</i> .
6	Less taxation	The amount payable by the <i>credit union</i> on any taxable profit. Any tax enquiries should be made to your local Inland Revenue Office.
7	Profit/Loss for year transferred to appropriation account	Amount transferred to appropriation account for distribution.

Appropriation Account

8A	Profit (loss) after tax	The same figure as shown at the end of the Revenue Account at 7 .
8B	Transfer to general reserve	This transfer should be compliant with <i>CREDS</i> 5.3.3R to 5.3.5R. For a <i>version 1 credit union</i> if the <i>credit union's</i> general reserve is less than 10% of total assets, the <i>credit union</i> should transfer at least 20% of surplus to general reserve. <i>Credit unions</i> may also make a voluntary transfer to general reserve and that should also be shown.
8C	Transfer to other reserve	The amount the <i>credit union</i> decided to transfer to other reserves after the transfer to general reserve has taken place.
8D	Transfer from general reserve	The <i>credit union</i> can only remove funds from general reserve if the general reserve exceeds 10% of total assets.
8E	Transfer from other reserve	The <i>credit union</i> can transfer funds from other reserves as and when it sees fit.

8F Transfer to applications Funds transferred for distribution.

Applications

9A	Transfer from appropriation account	The same as the amount shown at 8F in the appropriation account.
9B	Transfer as % of profit after tax	This is the percentage of profit transferred into the applications account for distribution.
9C	Dividend	The amount of surplus the <i>credit union</i> will pay to members in the form of a dividend.
9D	Rate of dividend	The percentage of dividend paid on members' accounts. If different rates are paid on different types of accounts these different rates should be shown in the boxes provided.
9E	Rebate of interest	The amount of surplus that the <i>credit union</i> intends to use as a rebate on interest receivable on members' loans.
9F	Rate of interest rebate	The percentage of interest rebate the <i>credit union</i> has given on members' loans.
9G	Donations	Any monies donated to another <i>credit union</i> or charitable organisation.

Reserves

General Reserve

10A	Opening balance	The amount of general reserve at the end of the last financial year before any additions or subtractions for this financial year.
10B	Transfer from appropriation account	The same as the amount shown at 8B in the appropriation account.
10C	Transfer as % of profit after tax	This sum is the amount transferred as a percentage of profit after tax. For <i>version 1 credit unions</i> : if your general reserve is less than 10% of total assets at the end of the previous financial year, then this figure should be at least 20% of profit.
10D	Transfer from other reserves	Money transferred from other reserves into the general reserve – same as 11F .
10E	Transfer to appropriation account	Money transferred to appropriation account – same as 8D .
10F	Transfer to other reserves	The amount transferred to other reserves – same as 11D .
10G	Closing balance	The total general reserve at the end of this financial year. This should be identical to the figure shown on the balance sheet at 2N . This figure should be the sum of 10A+10B+10D-10E-10F .

Other Reserves

11A	Opening balance	The balance of other reserves at the end of the previous year.
11B	Transfer from appropriation account	The amount transferred from the appropriation account as at 8C .
11C	Transfer as a percentage of profit after tax	This sum is the amount transferred as a percentage of profit after tax.
11D	Transfer from general reserve	The amount transferred as at 10F from general reserve.
11E	Transfer to appropriation account	The amount transferred from other reserves as at 8E into the appropriation account.

11F	Transfer to general reserve	The amount of voluntary transfer the <i>credit union</i> has made from other reserves as at 10D into the general reserve.
11G	Closing balance	The total amount held in other reserves at the <i>credit union</i> at the end of the financial year and identical to the figure in box 2P on the balance sheet. This figure should be the sum of 11A+11B-11D-11E-11F .

Notes to accounts

Membership

12A	Beginning of year	Number of members at the start of the financial year.
12B	Added during year	Number of new members during financial year.
12C	Ceased during year	Number of members who ceased membership during financial year.
12D	Total members	Total members at the end of the financial year. This figure is the sum total of boxes 12A+ 12B – 12C .
12E	Non qualifying at end of year	Total number of non-qualifying members at the end of the financial year. Non-qualifying members are members who once qualified under the common bond but no longer do so. For example, if someone moved outside the common bond area of your <i>credit union</i> or ceased to work for the employer your <i>credit union</i> is related to.
12F	% Non qualifying members	This is the percentage of non-qualifying members of the total membership of the <i>credit union</i> :

Non-qualifying members

X

100

Total members

1

Shareholdings

13A	Opening balance	The total shareholdings and juvenile deposits at the end of the last financial year.
13B	Shares in (including dividends)	The total amount of shares and juvenile deposits added during the year including any dividend paid. Please note that this should be a total amount and not net amount.
13C	Shares withdrawn (including transfers)	The total amount of shares and juvenile deposits that have been withdrawn during the financial year and should include any shares transferred to offset loans outstanding. This figure is a negative entry due to the reduction to total shares
13D	Closing balance	The total amount of shares and juvenile deposits held by the <i>credit union</i> at the year-end. This figure is the sum total of boxes 13A + 13B – 13C .
13E	Average share balance	The average share balance of the <i>credit union</i> . This can be calculated

		by dividing total shares by the total number of members at the end of the year.
13F	Value of unattached shares	Total value of <i>unattached shares</i> and the total value of juvenile deposits held by your <i>credit union</i> . “ <i>unattached shares</i> ” means the total shares in the <i>credit union</i> other than <i>attached shares</i> and <i>deferred shares</i> . “ <i>attached shares</i> ” are shares that act as security for a loan, or for <i>Great Britain credit unions</i> shares that cannot be withdrawn under the terms of the loan, or, for <i>Great Britain credit unions</i> that made loans to members prior to the coming into force of the Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 and <i>Northern Ireland credit unions</i> , shares that cannot be withdrawn without the permission of the committee of management.

Loans to Members

14A	Opening balance	The total amount owing to the <i>credit union</i> at the end of the previous financial year.
14B	Loans made to members	The total amount of loans made to members during the financial year.
14C	Interest receivable	The amount of interest charged on loans to members.
14D	Total repayments (interest and capital)	The total amount of loans (including interest) that have been repaid during the year. The figure should also include loans that have been repaid due to a share to loan transfer. This figure is a negative entry due to the reduction to total loans.
14E	Bad debts written off	The total amount of loans that have been written out of the accounts of the <i>credit union</i> and should be the same as that shown in the Revenue Account at 4F . This figure is a negative entry due to the reduction to total loans.
14F	Closing balance	The total amount of loans that the <i>credit union</i> has out to members at the end of the financial year. This figure is the sum total of boxes 14A+14B+14C-14D-14E .
14G	Number of loans (at year-end)	The total number of loans outstanding at the end of the financial year.
14H	Total net liabilities	The total amount of outstanding on loans (inclusive of interest owing). Net liabilities can be calculated by using the following formula: Loan balance + interest owing – attached share balance = Net liabilities

15A-C	Arrears analysis	<p>This relates to net liabilities on loans. In this section there are 2 time periods under which to analyse the number and amount of loans in arrears and have net liabilities attached:</p> <ul style="list-style-type: none"> • "3 months to 12 months" on the Annual Return (CY) refers to all loans which are over 3 months and up to and including 12 months in arrears, and have net liabilities attached; • "over 12 months" on the Annual Return Form refers to all loans which are over 12 months in arrears, and have net liabilities attached; <p>Please note: Where payments actually received from a member are irregular in timing and/or amount, your <i>credit union</i> should have a policy on how to deal with such arrears. Ultimately, how sure can your <i>credit union</i> be that such a loan will not be defaulted upon in the future? The</p>
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main concern for us is that your *credit union* can be confident that adequate provisions have been made to offset any potential burdens an irrecoverable debt would place on the *credit union* in the future. For this reason, it may be prudent for your *credit union* to make provisions for such risks.

For example:

If 15 weekly repayments have been missed (or an amount equivalent to 15 weekly repayments is overdue), then the loan should be included under the "3 months to 12 months" time period, irrespective of when the most recent repayment was received.

Number	The actual number of outstanding loans, within the time periods mentioned above, with net liabilities at the end of the quarter.
Net liabilities	The total amount outstanding on all loans (inclusive of interest owing) in arrears for each time period (i.e. if a loan is in arrears, the figure used should be the total net liabilities owed by the member, including interest - not just the sum of the repayments that have been missed). The formula used is as follows:

$$\text{Loan balance} + \text{interest owing} - \text{share balance} = \text{Net liability}$$

The table below is an example on how to work out net liability:

Loans 3-12 months in arrears:

Loan No.	Loan balance	Interest owing	Share balance	Net liability
1				£390
				£10
				£200
				£200
2				£580
				£20
				£500
				£100
3				£4,050
				£150
				£2,200
				£2,000

4

£720
£30
£1,000
£0

5

£115
£10
£50
£75

Total

£5,855
£220
£3,950
£2,375

From this table we see that there are 4 loans with positive net liabilities. Total net liabilities for this period is £2,375.

The **Total** of the number and amount of net liabilities of loans in arrears should also be given. From the example above totals will be as follows:

	Number	Net Liability
3-12 months	4	£2,375
Over 12 months	0	£0
Total	4	£2,375

Provision for members' doubtful debts

General Provision

16A	Balance at beginning of year	The total general provision at the beginning of the year. General bad debt provisions refer to provisions that your <i>credit union</i> has made to cover potential doubtful debts. These are loans not currently in arrears or loans up to and including three months in arrears.
16B	Increase in year	The total amount added to the general bad debt provision during the financial year.
16C	Written off in year	The total amount of loans written off from the general bad debt provision during the financial.
16D	Decrease in year	The total amount released from the general bad debt provision during the financial year because it was no longer required e.g. because the total amount of loans outstanding has fallen
16E	Balance at end of year	The total general provision at the end of the year. Please note that <i>CREDS 7.5.4R</i> states that a <i>credit union</i> should have a general bad debt provision of 2% of total net liabilities on all loans not covered by the specific bad debt provisioning. This figure is the sum total of boxes 16A+16B-16C-16D and should be the same as box 1G on the balance sheet.

Specific provision

16F	Balance at beginning of year	The amount that the <i>credit union</i> has specifically provided against loan arrears at the beginning of the financial year.
16G	Increase in the year	The total amount placed into the specific bad debt provision during the financial year.
16H	Written off during year	The total amount of loans written off from the specific bad debt provisions during the financial year.
16J	Decrease in year	The total amount released from the specific bad debt provision during the financial year.
16K	Balance at end of year	The total amount in the specific general reserve at the end of the financial year. To comply with <i>CREDS 7.5.2R</i> , all net liabilities on loans over 12 months in arrears should be fully provided for and all loans between 3-12 months should be provided for on a 35% of net liabilities basis. This figure is the sum total of boxes 16F+16G-16H-16J and should be the same as box 1H on the balance sheet.

FIXED ASSETS

17A	Opening cost	The total amount of fixed assets the <i>credit union</i> had at the end of the previous financial year.
17B	Additions at cost	The total amount of fixed assets purchased during the financial year.
17C	Original cost of disposals	The total amount of fixed assets sold during the financial year shown at original cost. It is shown as a negative, as it reduces the total amount of fixed assets held by the <i>credit union</i> .
17D	Opening depreciation	Amount of depreciation at the end of the financial year.
17E	Depreciation charge in year	Total amount of depreciation charged against assets.

17F	Depreciation eliminated on disposals	Total amount taken out due to disposal of assets.
17G	Net book value	The total amount of fixed assets held by the <i>credit union</i> at the end of the financial year. This figure is the sum total of boxes 17A+17B-17C-17D-17E-17F and match that shown in the balance sheet at 1A .

INVESTMENTS

Due from other credit unions

18A	Opening balance	The total amount that the <i>credit union</i> had out on loan to other <i>credit unions</i> at the beginning of the financial year.
18B	Transfer to other credit unions during year	The total of loans granted to other <i>credit unions</i> .
18C	Repaid by credit union during year	The total amount of the loan that has been repaid excluding the interest that the <i>credit union</i> has received on that loan.
18D	Capital written off	The total amount of loans made to other <i>credit unions</i> that have been written off due to default or non-payment.
18E	Closing balance	The total amount of outstanding loans made to other <i>credit unions</i> at the year-end. This figure is the sum total of boxes 18A+18B-18C-18D .
18F	Return on investment	The total amount of interest received by the <i>credit union</i> on its loans to other <i>credit unions</i> this should be the end of year balance.

Investments – Bank and Building Societies

19A	Opening balance	The amount that the <i>credit union</i> had in an investment account held at a <i>Bank or Building Society</i> at the beginning of the year.
19B	Invested during year	The amount of money added to the investment account during the year.
19C	Withdrawn during year	The amount of money withdrawn during the year.
19D	Closing balance	The amount that the <i>credit union</i> held in an investment account at the end of the year. This figure is the sum total of boxes 19A+9B-19C .

Investments - Securities

20A	Opening balance	The amount the <i>credit union</i> held in investments at the beginning of the year.
20B	Investments purchased during year	The total cost of new investments the <i>credit union</i> made during the year.
20C	Investment sold during year	Amount received for investments sold during year.
20D	Losses/capital written off	Amount written off during financial year due to losses on sale of investments or a change in their market value.
20E	Closing balance	Amount of investments at end of financial year. This figure is the sum total of boxes 20A+20B-20C-20D .

Cash and *Bank* balance

21A	Opening balance	Amount held in <i>Bank</i> and in cash at beginning of year.
21B	Increase/decrease)	Amount added/withdrawn from cash/ <i>bank</i> balances during year.
21C	Closing balance	The amount held in cash and at <i>Bank</i> at the end of year. This figure is

the sum total of boxes **21A+/-21B**.

DEBT LIABILITIES

Borrowings from other credit unions

22A	Opening balance	The total amount of borrowings the <i>credit union</i> had at the beginning of the financial year.
22B	Amount received	The total amount the <i>credit union</i> borrowed from other <i>credit unions</i> during the financial year.
22C	Interest charged for the year	The total amount of interest payable on loans from other <i>credit unions</i> .
22D	Repayments (capital and interest)	The total amount of the loan that the <i>credit union</i> has repaid and is shown as a negative as it reduces the total amount of borrowings.
22E	Closing balance	Total amount of borrowings at year-end. This figure is the sum total of boxes 22A+22B+22C-22D .
22F	Date of final repayment	The date that the last payment is due to the lending <i>credit union</i> .

Bank Loans

23A	Opening balance	The total amount at the beginning of the financial year that the <i>credit union</i> borrowed from a <i>bank</i> .
23B	Amount of loan received	The total amount borrowed by the <i>credit union</i> during the financial year.
23C	Interest charged for the year	The total amount of interest payable on the loan during the financial year.
23D	Repayments (capital and interest)	The total amount the <i>credit union</i> repaid during the financial year.
23E	Closing balance	Total amount of <i>bank</i> loans at end of financial year. This figure is the sum total of boxes 23A+23B+23C-23D .
23F	Date of final repayment	The date that the final repayment is due.

Other borrowings

24A	Opening balance	The total amount of other borrowings that the <i>credit union</i> had at the beginning of the financial year.
24B	Amount of loan received	The total amount of the loan borrowed during the financial year.
24C	Interest charged for year	The total amount of interest payable on the loan during the financial year.
24D	Repayments (capital and interest)	The total amount that the <i>credit union</i> has repaid.
24E	Closing balance	Total amount of other borrowings at financial year-end. This figure is the sum of boxes 24A+24B+24C-24D .
24F	Date of final repayment	The date that the last payment is due to the lender.

Subordinated Debt

Subordinated debts are any loans where the lender has agreed to the terms as set out in *CREDS* 5.2.1R. These terms include agreeing to rank behind other creditors including the *credit union's* members in the event of the *credit union* failing.

Total amounts of subordinated debt held by the *credit union* should be shown here although only the amounts attributable to capital

calculations should be shown in the balance sheet. Please see the guidance for boxes **2Q-R**.

25A	Opening balance	Total amount of subordinated debt at the beginning of financial year.
25B	Received during year	Total additions to subordinated debt during financial year.
25C	Interest charged for the year	The total amount of interest payable on the subordinated debt.
25D	Repaid during year	Total amount of capital repaid on subordinated debt during financial year.
25E	Closing balance	Total amount of subordinated debt at the end of the financial year. This figure is the sum total of boxes 25A+25B+25C-25D .

Authorised overdrafts

26A	Maximum limit	Maximum amount that the <i>credit union</i> can go overdrawn by.
26B	Charges incurred during year	Total amount of charges during the financial year (<i>bank</i> charges not interest).
26C	Date term expires	Date the overdraft facility expires.
26D	Max amount drawn during year	The maximum amount of overdraft used during the financial year.

Committed facilities

A committed facility is a committed line of credit, other than an overdraft, from a bank. These are funds immediately available from a bank and constitute a loan.

This relates to a *credit union* that has secured committed facilities from an institution authorised to accept *deposits* within the EEA. Normally this will be the bank with which your *credit union* holds its current account. Any unused committed facilities can be entered into this box. If your *credit union* does not have any committed facilities, enter "nil" in this box. We would like to draw your attention to *CREDS* 3.3.3R. It states that "the borrowing of a *version 1 credit union* must not exceed, except on a short term basis, an amount equal to 20% of the *total non-deferred shares* in the *credit union*".

CREDS 3.3.4E provides that, if the borrowing of a *version 1 credit union* exceeds this amount at the end of more than two consecutive quarters, this may be relied on as tending to indicate contravention of *CREDS* 3.3.3R.

Please note: any unused committed facilities may only be used for calculating the liquidity ratio of your *credit union*, but cannot be used when calculating the total assets of your *credit union*. We reserve the right to seek evidence of any committed facilities which are used for liquidity purposes.

27A	Maximum limit	Maximum amount that the <i>credit union</i> can call on.
27B	Charges incurred during year	Total amount of charges incurred during financial year for use of standby facility (<i>bank</i> charges not interest).
27C	Date facility expires	Date the standby facility expires.
27D	Max used committed facilities during year	The maximum amount of used committed facilities during the financial year.

Grants

28A	Opening balance	Amount of grants at start of financial year.
28B	Received during year	Total amount of new grants received during the financial year.

28C	Applied during year	Total amount of grants applied during the financial year.
28D	Closing balance	Total amount of grants at the end of the financial year. This figure is the sum total of boxes 28A+28B-23C .
28E	Date Grants expire	Date grant funding ends.

Liquidity ratio

Liquid assets

29A	Cash and <i>bank</i> balance	<p>The total amount in your <i>credit union's</i> current <i>bank</i> account and any cash held in the custody of officers. This should be the same as box 1K. The following are not to be included in this calculation:</p> <ul style="list-style-type: none"> • Authorised overdrafts; • Committed facilities; • Other investments of surplus funds which will fall into the investments section of liquid assets.
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29B Investments (less than eight days to maturity)

CREDS 6.3.8R states that only investments that could be realised within eight days can be included in calculating your *credit union's* liquidity ratio. It is therefore important that your committee of management takes a long-term view of the *credit union* business before investing surplus funds in long term investments. Your *credit union* will need to be aware of redemption penalties or other losses you may incur for the early realisation of such funds. Most funds can be converted into cash but at a cost.

Please note: This will include any *deposit* accounts your *credit union* may use.

Version 1 credit unions should not hold any investments with a maturity date of over 12 months (CREDS 3.2.2R).

The remainder of the information in 29B relates directly to *version 2 credit unions*.

CREDS 6.3.6E(1) provides that: for the purpose of calculating a *credit union's* liquidity ratio, the *securities* referred to in CREDS 3.2.1R to 3.2.3R should be valued on the basis that they could be realised at par, minus the following discounts:

- | | |
|-------------------------------|------|
| (a) maturity less than 1 year | Zero |
| (b) maturity 1 to 5 years | 5% |

So in events where your *credit union* can realise investments within eight days, you will still need to reduce the applicable figure by 5% for all *securities* with a maturity date of between one and five years.

Example:

Time period

Amount realisable in 8 days

Amount allowed for liquidity

Less than 1 year

£200

£200

1 to 5 years

£500

£475

Whilst these are minimum requirements your *credit union* will need to draft and implement a comprehensive liquidity management policy to account for the greater risks attached to longer term investments.

29C Unused committed facilities

This relates to a *credit union* that has secured committed facilities from an institution authorised to accept *deposits* within the EEA. Normally this will be the *bank* or *building society* with which your *credit union* holds its current account. Any unused committed facilities may be entered into this box. If your *credit union* does not have any committed facilities, enter "nil" in this box. Please note that to comply with CREDS 3.3.4E, the total borrowings of a *version 1 credit union* should not exceed 20% of the total adult shareholdings at the end of two consecutive quarters.

Please note: any unused committed facilities may only be used for calculating the liquidity ratio of your *credit union*, but cannot be used when calculating the total assets of your *credit union*. We at the PRA reserve the right to seek evidence of any committed facilities, which are used for liquidity purposes.

29D	Unused overdrafts	This relates to a <i>credit union</i> which has authorised overdrafts arrangement with an institution authorised to accept <i>deposits</i> within the EEA. Normally this will be the <i>bank</i> or <i>building society</i> with which your <i>credit union</i> holds its current account. Any surplus overdrafts which have not been used may be entered into this box. If your <i>credit union</i> does not have an authorised overdraft facility, enter "nil" in this box. Please note that as laid down in CREDS 3.3.4E the total borrowings of a <i>version 1 credit union</i> may not exceed 20% of the total adult shareholdings at the end of two consecutive quarters. Please note: any unused overdrafts may only be used for calculating the liquidity ratio of your <i>credit union</i> , but cannot be used when calculating the total assets of your <i>credit union</i> . We may seek evidence that a <i>credit union</i> overdraft facility, which is used for liquidity purposes, has indeed been authorised by the relevant <i>bank</i> or <i>building society</i> .
29E	Total liquid assets	This figure is the sum total of boxes 29A+29B+29C+29D .

Relevant liabilities

30A	Unattached shares	Please see earlier definition above at 13F .
	Liabilities (with an original or remaining maturity of less than three months)	These are all liabilities excluding unattached shares (which are already covered in the relevant liabilities being calculated). Only liabilities that fall due within three months can be included in the calculations.
30B	Authorised overdrafts	These are all drawings under authorised overdraft.
30C	Other liabilities / borrowings	These are all liabilities, excluding unattached shares and authorised overdrafts (which are already covered in the relevant liabilities being calculated here). Included in these calculations are such things as: <ul style="list-style-type: none"> • loans from other <i>credit unions</i> • loans from <i>banks</i> • subordinated debt • committed facilities <p>Chapter 7 (Lending to members) of CREDS sets out the sources of borrowing available to <i>credit unions</i>.</p>
30D	Total relevant liabilities	This figure is the sum total of boxes 30A+30B+30C .
30E	Liquidity ratio	To determine the liquidity ratio your <i>credit union</i> will use the following formula:

Total liquid assets

X

100

Total relevant liabilities

1

Please note that your liquidity level should not fall below the level set out in CREDS 6.3.1R, CREDS 6.3.2R and CREDS TP 1.

Large exposures

Whilst these figures relate to the financial year end, your *credit union* will need to look at large *exposure* requirements when issuing loans. For example, a large *exposure* is defined as any individual net liability which is at least £7,500 and at least 10% of the value of the *credit union's* capital.

31A Largest net exposure

A *credit union* should report its largest large net *exposure*. To work out your *credit union's* largest large net *exposure* you will need to determine:

1. the net *exposure* on each loan and find the largest figure. The formula for this is:

(loan balance + interest owing) – attached share balance

2. what is the total capital of your *credit union*? This is defined at 2S of CY or, where your *credit union* has revaluation reserves or deferred share reserves, it is defined as adjusted capital at 45C on the supplementary analysis of the CY.

Say, for example your *credit union's* total capital is £40,000. We know from the above that only net liabilities over 10% of Capital are subject to the large *exposures* rule. Ten percent of £40,000 is £4,000.

However, we further know from the above that only net liabilities over £7,500 are subject to the large *exposures* rule. Below we see all net *exposures* over 10% of total capital and those that do and do not qualify:

Member number
Share balance
Loan balance + interest owing
Net liabilities
Is it a large exposure?

150
£3,125
£12,500
£9,375
YES

152
£1,750
£10,000
£8,250
YES

103

£3,115
£12,002
£8,887
YES

462
£2,500
£6,700
£4,200
No

204
£2,138
£7,911
£5,773
YES

109
£4,000
£8,500
£4,500
No

As we can see the largest net *exposure* is that of **member 150** and it is **£9,375**.

31B As % of capital

An individual large exposure should not exceed **25%** of your *credit union's* capital (*CREDS 7.4.2R*).

To determine this percentage, your *credit union* will need to use the following calculation:

Largest net *exposure* (31A)

X

100

Total capital (2S or 45C)

1

So:

£9,375

X

100

=

23.44%

£40,000

1

31C Aggregate total of large net exposures This figure relates to the sum total of all net liabilities subject to the large *exposure* rule as defined in **31A** above.
Taking the example at **31A** above, this figure will be £35,285 (see below).

Member number	Share balance	Loan balance + interest owing	Net liabilities
150	£3,125	£12,500	£9,375
152	£1,750	£10,000	£8,250
103	£3,115	£12,002	£8,887
204	£2,138	£10,911	£8,773
Totals	£10,128	£45,413	£35,285

31D As % of capital *CREDS* states that the aggregate total of large net *exposures* must not exceed 500% of the total capital of the *credit union*, and must not exceed 300% of total capital without prior notifying the PRA. To see if the example satisfies the rules please use the following calculation:

Aggregate total of large net *exposure* (**31C**)

X
100

Total capital (2S or 45C)

1

So:

£35,285

X

100

=

88.21%

£40,000

1

Please note that risk adjusted capital should not be used for the purposes of calculating your large *exposures*. For all *credit unions* the total capital figure used here should be the same as box **2S** of CY or, where your *credit union* has revaluation reserves or deferred share reserves, it is defined as adjusted capital at **45C** on the supplementary analysis of the CY.

Large version 1 and version 2 credit unions

Risk adjusted capital ratio

A risk adjusted capital ratio is a requirement for larger *version 1 and version 2 credit unions* under *CREDS*.

CREDS 5.3.15R states "A *version 1 credit union* with total assets of more than £10 million and/or a total number of members of more than 10,000 must maintain at all times a risk-adjusted capital to total assets ratio of at least 8%".

32A Total capital

The figure for capital will be the figure that appears on the balance sheet at **2S** of CY or, where a *credit union* has revaluation reserves or deferred share reserves, it is defined as adjusted capital at **45C** on the supplementary analysis of the CY.

32B Net excess provision or 1% of total assets whichever is the lower

Capital should be risk-adjusted for *version 2 credit unions* and large *version 1 credit unions* (CREDS 5.4.1R and CREDS 5.3.15R). The maximum net figure for provisions that may be included in calculating risk-adjusted capital is 1% of total assets (CREDS 5.4.2R).

Net provisions are those provisions your *credit union* has made minus minimum specific provisions. In other words:

Provision

minus

100% of net liabilities on loans which are 12 months or more in arrears

minus

35% of net liabilities on loans 3-12 months in arrears

=

Net provisions

This figure is calculated by using the following calculation:

Arrears Analysis

Number Net Liabilities

3 months to 12 months

A

£

Over 12 months

B

£

Total arrears

C = A+B

£

The above arrears are based on net liabilities

Minimum specific provision

£

35% of A (arrears - 3 months to 12 month)

100% of B (arrears over 12 months)

D

Total minimum specific provision

Actual specific provision for doubtful debt
(as at **1H**)

Actual general provision for doubtful debt
(as at **1G**)

E

Total actual provisions

Total minimum specific provision (**D**)

()

F

Net provisions

Total assets (as at **1P** of CY or **41E** of the supplementary analysis of the CY)

G

1% of total assets

The figure that needs to be posted onto the Annual Return (CY) is the lesser of **F** and **G**. If this is a negative figure, the figure that appears on the Annual Return (CY) need to be a negative figure.

A worked example is given on the next page.

Example

Arrears Analysis

	Number
	Net Liabilities
3 months to 12 months	
	<u>A</u>
	5
£28,000	
Over 12 months	
	<u>B</u>
	10
£67,000	
Total arrears	
	<u>C = A+B</u>

£95,000

The above arrears are based on net liabilities

Minimum specific provision

£

35% of **A** (arrears - 3 months to 12 month)

9,800

100% of **B** (arrears over 12 months)

67,000

D

Total minimum specific provision

76,800

Actual specific provision for doubtful debt
(as at **1H**)

70,000

Actual general provision for doubtful debt
(as at **1G**)

10,000

E

Total actual provisions

80,000

Total minimum specific provision (**D**)

(76,800)

F

Net provisions

3,200

Total assets (as at **1P** of CY or **41E** of the supplementary analysis of the CY)

1,120,000

G

1% of total assets

11,200

So the figure to be posted onto the Annual Return (CY) at **32B** is **£3,200**

32C	Total risk adjusted capital	This figure is the sum total of boxes 32A-32B .
32D	Total assets	This is the same as box 1P of CY or 41E of the supplementary analysis of the CY.
32E	Risk adjusted capital ratio	To determine the risk adjusted capital ratio, your <i>credit union</i> will use the following formula:

Total risk adjusted capital

X

100

Total assets

1

Auditor's statement

This statement that the information in the Annual Return (CY) has been completely and accurately extracted from the annual audited accounts of the *credit union* should be completed by the *credit union's* auditor. It is important to note that the *credit union* remains responsible for the completion of the Annual Return (CY).

Committee of Management

Please complete the relevant details for all *credit union* officers here. The details required are their full name, address, post held at the *credit union* (this should include what committee they sit on), whether they are an *approved person*, their approved person function, and their year of birth.

Whilst a brief list of the main controlled functions are given below, *credit unions* will need to refer to *CREDS* Chapter 2 (Senior management arrangements, Systems and Controls) and *SUP* 10. Please note that only the controlled function number needs to be inserted: for example if you are on the *credit union's* committee of management the number would be CF1.

The governing functions of a *credit union* are:

CF1: The Directors function;

CF2: The non-executive director function; and

CF3: The chief executive function.

The required functions of a *credit union* are:

CF8: The apportionment and oversight function; and

CF11: The money laundering reporting function.

The system and controls functions of a *credit union* are:

CF13: The finance function;

CF14: The risk assessment function; and

CF15: The internal audit function.

NOTES ON COMPLETING SUPPLEMENTARY ANALYSIS OF THE ANNUAL RETURN

General Information

A *credit union* should complete the relevant sections of the supplementary analysis of the annual return (CY) for *credit unions* if any of the following conditions apply:

- the *Great Britain credit union* has issued interest-bearing shares under section 7A of the Credit Unions Act 1979 (the Act);
- the *Great Britain credit union* has issued *deferred shares* in accordance with section 31A of the Act;
- the *Great Britain credit union* has admitted corporate members under section 5A of the Act;
- the rules of the *Great Britain credit union* limit the number of non-qualifying members, in accordance with section 5(5) of the Act; or
- the *credit union* has revaluation reserves from the upward valuation of property fixed assets.

The sections of the supplementary analysis of the CY should be completed as follows:

- Sections 33 – 40 should be completed by a *Great Britain credit union* that has
 - issued interest-bearing shares,
 - issued deferred shares,
 - admitted corporate members or
 - limited the number of non-qualifying members of the *credit union* in its rules.
 - These sections are intended to break down some of the information contained in the CY in order to give a clearer picture of the financial position of *Great Britain credit unions* that undertake these activities.
 - Where a *credit union* issues interest bearing shares, its auditor should submit a report to the *PRA* stating whether, in their opinion, the *credit union* has satisfied the conditions specified by the *PRA* for the purpose of section 7A of the Credit Unions Act 1979.
 - The Credit Unions (Northern Ireland Order) 1985 does not provide for *Northern Ireland credit unions* to undertake these activities, so they do not need to complete sections 33 – 40.
- Sections 41 – 46 should be completed by a *Great Britain credit union* that has issued *deferred shares* or that has revaluation reserves. Sections 41 and 44 – 46 should be completed by a *Northern Ireland credit union* that has revaluation reserves.
 - Sections 41 – 46 are intended to recalculate or adjust the value of reserves and capital by including the appropriate amount of deferred share reserves and revaluation reserves. Adjusted reserves amounts at 42E and 43A are used to determine whether a *Great Britain credit union* meets the reserve requirements for issuing interest-bearing shares under section 7A of the Act. Adjusted capital amounts at 45C and 46A are used to determine whether a *credit union* meets the capital requirements in *CREDS*.

Interest-bearing shares

Interest-bearing shares

33A Members' share balances The total amount of money held by the *credit union* in respect of member shares.

The amount entered here should be transferred

from **2T** on CY for analysis. In the following sections, this amount should be broken down into interest-bearing and dividend-bearing shares so that:

$$33A = 33B + 33C$$

33B	Interest-bearing shares	The total amount of money held by the <i>credit union</i> in respect of shares that are interest-bearing.
33C	Dividend-bearing shares	The total amount of money held by the <i>credit union</i> in respect of shares that are dividend-bearing.

Interest expenditure

34A Expenditure – Other The credit union’s expenditure that is not covered in the listed categories of expenditure at 4A-4N on the CY.

The amount entered here should be transferred from **4P** on CY for analysis. In the following sections, this amount should be broken down into interest expenditure and non-interest expenditure so that:

$$34A = 34B + 34C.$$

34B	Interest expenditure	The total amount of expenditure – other that is interest payable by the <i>credit union</i> on interest-bearing shares.
34C	Non-interest expenditure	The total amount of expenditure – other that is not interest payable by the <i>credit union</i> on interest-bearing shares.

Deferred shares

Deferred shares

35A Members’ share balances The total amount of money held by the *credit union* in respect of member shares.

The amount entered here should be transferred from **2T** on CY for analysis. In the following sections, this amount should be broken down into non-deferred shares and *deferred shares* so that:

$$35A = 35B + 35C$$

35B	Non-deferred shares	The total amount of money held by the <i>credit union</i> in respect of non-deferred shares.
35C	Deferred shares	The total amount of money held by the <i>credit union</i> in respect of <i>deferred shares</i> .

Corporate membership

Corporate members

36A Total members Total number of members of the *credit union*.

The amount entered here should be transferred from **12D** on CY for analysis. In the following sections, this amount should be broken down into different categories of member so that:

$$\mathbf{36A = 36B + 36C + 36D + 36E}$$

36B	Individual members	The number of members of the <i>credit union</i> that are individuals.
36C	Body corporate members	The number of members of the <i>credit union</i> that are <i>bodies corporate</i> .
36D	Partnership members	The number of members of the <i>credit union</i> that are partnerships.
		Partnerships are represented by individuals who are members of a <i>credit union</i> in their capacity as partners in a partnership.
36E	Unincorporated association members	The number of members of the <i>credit union</i> that are unincorporated associations.
		Unincorporated associations are represented by individuals who are members of a <i>credit union</i> in their capacity as officers or members of the governing body of an unincorporated association.

Corporate non-deferred shares

37A	Non-deferred shares	The total amount of money held by the <i>credit union</i> in respect of shares that are not deferred shares. The amount entered here should be equal to the amount at 35B above.
		In the following sections, this amount should be broken down into non-deferred shares held by different categories of member so that:
		$\mathbf{37A = 37B + 37C + 37D + 37E}$
37B	Individual non-deferred shares	The total amount held by the <i>credit union</i> in respect of non-deferred shares held by individuals.
37C	Body corporate non-deferred shares	The total amount held by the <i>credit union</i> in respect of non-deferred shares held by <i>bodies corporate</i> .
37D	Partnership non-deferred shares	The total amount held by the <i>credit union</i> in respect of non-deferred shares held by partnerships.
		Partnerships are represented by individuals who are members of a <i>credit union</i> in their capacity as partners in a partnership.
37E	Unincorporated association non-deferred shares	The total amount held by the <i>credit union</i> in respect of non-deferred shares held by unincorporated associations.
		Unincorporated associations are represented by individuals who are members of a <i>credit union</i> in their capacity as officers or members of the governing body of an unincorporated association.

Corporate deferred shares

38A Deferred shares The total amount of money held by the *credit union* in respect of *deferred shares*. This should be equal to the amount at **35C**.

In the following sections, this amount should be broken down into *deferred shares* held by different categories of member so that:

$$\mathbf{38A = 38B + 38C + 38D + 38E}$$

38B Individual deferred shares The total amount held by the *credit union* in respect of *deferred shares* held by individuals.

38C Body corporate deferred shares The total amount held by the *credit union* in respect of *deferred shares* held by *bodies corporate*.

38D Partnership deferred shares The total amount held by the *credit union* in respect of *deferred shares* held by partnerships.

Partnerships are represented by individuals who are members of a *credit union* in their capacity as partners in a partnership.

38E Unincorporated association deferred shares The total amount held by the *credit union* in respect of *deferred shares* held by unincorporated associations.

Unincorporated associations are represented by individuals who are members of a *credit union* in their capacity as officers or members of the governing body of an unincorporated association.

Corporate loans

39A Due from members for loans – Secured The total amount outstanding to the *credit union* on secured loans to members e.g. loans secured on shares or property.

The amount entered here should be transferred from **1E** on CY for analysis.

39B Due from members for loans – Unsecured The total amount outstanding to the *credit union* on unsecured loans to members. This figure will exclude any loans written off during the financial year.

The amount entered here should be transferred from **1F** on CY for analysis.

39C Total loans The total amount outstanding to the *credit union* on all loans to members, whether secured or unsecured, so that:

$$\mathbf{39C = 39A + 39B}$$

In the following sections, this amount should be broken down into loans to different categories of member so that:

		39C = 39D + 39E + 39F + 39G
39D	Individual loans	The total amount outstanding to the <i>credit union</i> on loans to individuals.
39E	Body corporate loans	The total amount outstanding to the <i>credit union</i> on loans to <i>bodies corporate</i> .
39F	Partnership loans	The total amount outstanding to the <i>credit union</i> on loans to partnerships. Partnerships are represented by individuals who are members of a <i>credit union</i> in their capacity as partners in a partnership.
39G	Unincorporated association loans	The total amount outstanding to the <i>credit union</i> on loans to unincorporated associations. Unincorporated associations are represented by individuals who are members of a <i>credit union</i> in their capacity as officers or members of the governing body of an unincorporated association.

Non-qualifying membership

40A	Limit on non-qualifying members	If the rules of the <i>credit union</i> provide a limit on the number of non-qualifying members of a <i>credit union</i> , that amount should be entered here. Non-qualifying members are members who no longer fulfil the membership qualifications, having once done so e.g. he or she no longer lives in the common bond area.
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Reserves and capital – adjusted for deferred share reserves and revaluation reserves

Re-valued fixed and total assets

41A	Fixed assets	The book value of any property the <i>credit union</i> owns, excluding any amount for the upward revaluation of property fixed assets. The amount entered here should be transferred from 1A on CY.
41B	Revaluation amount	The amount by which the property fixed assets the <i>credit union</i> owns have been re-valued upwards, being the difference between current market values and the book values of the property fixed assets.
41C	Re-valued fixed assets	The current market values of the property fixed assets the <i>credit union</i> owns, including any amount for the upward revaluation of property fixed assets. so that: 41C = 41A + 41B
41D	Total assets	The value of total assets of the <i>credit union</i> , excluding any amount for the upward revaluation of

		property fixed assets. The amount entered here should be transferred from 1P on CY.
41E	Re-valued total assets	<p>The current market value of total assets of the <i>credit union</i>, including any amount for the upward revaluation of property fixed assets, so that</p> <p>41E = 41B + 41D</p> <p>This amount will be used to determine which <i>CREDS</i> capital requirements apply to a <i>credit union</i>.</p>

Adjusted reserves - total

42A	General reserves	The total amount held by the <i>Great Britain credit union</i> in general reserves at the end of the financial year. The amount entered here should be transferred from 2N on CY.
42B	Other reserves	The total amount of money held by the <i>Great Britain credit union</i> in other reserves at the end of the financial year. This amount should not include deferred share reserves or revaluation reserves. The amount entered here should be transferred from 2P on CY.
42C	Revaluation reserves	The amount of revaluation reserves held by the <i>Great Britain credit union</i> , arising from the differences between current market values and the book values of the property fixed assets.
42D	Deferred share reserves	The total amount held by the <i>Great Britain credit union</i> in the deferred share reserves. Under section 7(6) of the Act, where subscribed for in full, <i>Great Britain credit unions</i> must transfer a sum equal to the amount paid for <i>deferred shares</i> to its reserves.
42E	Adjusted reserves	<p>The total amount of money held by the <i>Great Britain credit union</i> in reserves (including revaluation reserves and deferred share reserves), so that:</p> <p>42E = 42A + 42B + 42C + 42D</p> <p>This amount will be used to determine whether a <i>Great Britain credit union</i> meets the reserve requirements for issuing interest-bearing shares under section 7A of the Act.</p>

Adjusted reserves - percentage

43A	Adjusted reserves as % of re-valued total assets	<p>To determine this ratio the <i>Great Britain credit union</i> should use the following formula:</p> <p style="text-align: center;">Adjusted reserves (42E)</p> <p style="text-align: center;">X</p> <p style="text-align: center;">100</p>
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Re-valued total assets (**41E**)

This amount will be used to determine whether a *Great Britain credit union* meets the reserve requirements for issuing interest-bearing shares under section 7A of the Act.

Revaluation reserves – CREDS capital element

44A	Total capital	The total amount held by the <i>credit union</i> as capital in the form of general reserves, other reserves and subordinated debt. This amount should not include deferred share reserves or revaluation reserves. The amount entered here should be transferred from 2S on CY.
44B	Deferred share reserves	The total amount held by the <i>credit union</i> in the deferred share reserves. Under section 7(6) of the Act, where subscribed for in full, <i>Great Britain credit unions</i> must transfer a sum equal to the amount paid for <i>deferred shares</i> to its reserves. For <i>Northern Ireland credit unions</i> , the amount entered here will be nil.
44C	Total capital and deferred share reserves	The total amount held by the <i>credit union</i> in total capital and deferred share reserves so that: 44C = 44A + 44B
44D	1/3 of (Total capital and deferred share reserves)	To determine this amount the <i>credit union</i> should use the following formula: 1 X Total capital and deferred share reserves (44C) / 3
44E	Revaluation reserves	The amount of revaluation reserves held by the <i>credit union</i> that meets the requirements in <i>CREDS</i> 5.2.1R(6) to (7), arising from the differences between current market values and the book values of the property fixed assets.
44F	Revaluation reserves – CREDS capital element	The amount of revaluation reserves that meets the limits in <i>CREDS</i> 5.2.1(6) to (8) and so can be included in capital. <i>CREDS</i> 5.2.1R(8) states that the amount of revaluation reserves included in the calculation of capital must not be more than 25% of the total of audited reserves, interim net profits, <i>deferred shares</i> , subordinated debt, initial capital and revaluation reserves. The simplest way of reporting this amount accurately is to calculate an equivalent amount. An

equivalent amount is a third of the sum of audited reserves, interim net profits, *deferred shares*, subordinated debt and initial capital, but excluding revaluation reserves. This is equivalent to a third of the sum of total capital and *deferred shares*, which is the amount at **44D**.

So the amount that can be included in capital for the purpose of meeting the *CREDS* capital requirements will be equal to either **44D** or **44E** above, whichever is the lower.

Adjusted capital – total

45A	Total capital and deferred share reserves	The total amount held by the <i>credit union</i> in total capital and deferred share reserves. This amount should be equal to 44C above.
45B	Revaluation reserves – <i>CREDS</i> capital element	The amount of revaluation reserves that can be included in capital for the purpose of meeting the <i>CREDS</i> capital requirements. This amount should be equal to 44F above.
45C	Adjusted capital	The sum of total capital, deferred share reserves and the <i>CREDS</i> capital element of revaluation reserves so that: 45C = 45A + 45B This amount will be used to determine whether a <i>credit union</i> meets the <i>CREDS</i> capital requirements.

Adjusted capital – percentage

46B	Adjusted capital as % of re-valued fixed assets	To determine this ratio the <i>credit union</i> should use the following formula: Adjusted capital (45C) X 100 / Re-valued fixed assets (41E) This amount will be used to determine whether a <i>credit union</i> meets the <i>CREDS</i> capital requirements.
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