



# Annual Report

Covering the Financial Year  
1 Oct 2024 - 30 Sep 2025

Presented to the AGM 24 March 2026



# South Herts Credit Union Ltd

## Report to AGM 2026

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## Report of the Board of Directors

Over the past year, the Board has continued to meet monthly online to review and discuss reports from our committees, the Treasurer, and Credit Control. These meetings have also covered policy matters, future planning, and issues affecting our members.

Directors have represented the Credit Union at virtual meetings with housing associations, local councils, Hertfordshire credit unions, and other partner organisations. They have also taken part in a range of training sessions, most of them online, to ensure we remain up to date and well-informed.

Following the decisions made at the 2025 AGM to expand our common bond and change the Credit Union's name, it has been a particularly busy year. We have worked closely with our regulators - the FCA, PRA, and FCA Mutuals - to register these changes. Alongside this, we have been updating our name with banks and partner organisations, a process that is still ongoing.

As part of strengthening our resilience and meeting regulatory expectations, the Board also agreed to upgrade our back-office and information systems. Our new back-office system went live on 1 January 2025. This has been a significant learning curve for our volunteers, who have worked hard to adapt to the new processes.

The additional administration and regulatory requirements continue to place pressure on our core volunteer team, many of whom have served since the Credit Union was founded. Recruiting new volunteers is essential to ensure we can build experience and develop future leaders for the organisation. We are delighted to have welcomed several new volunteers this year, but we still need more people to join us.

The Board of Directors would like to express our sincere thanks to all our volunteers. Their dedication and commitment are the reason South Herts Credit Union continues to thrive.

We would also like to thank Watford Community Housing and Watford Borough Council for their ongoing support.

Steve Harvey,  
Chair, Board of Directors

**Members of the Board of Directors 2024-25**

Anne Austin, Treasurer (retires from Board 2026)

Peter Dean (retires from Board 2026)

Steve Harvey, Chair (retires from Board 2027)

Alan Thomas, Vice-Chair (retires from Board 2027)

Alison Thomas, Board Rep on Credit Committee (retires from Board 2028)

2 vacancies

## Report of the Treasury Team

During the financial year from 1 Oct 2024 to 30 September 2025, the Treasury Team consisted of Board member Anne Austin (Treasurer) and volunteers Eamonn Doherty and Rosanne Layton.

As suggested by ABCUL, the work is divided to provide function separation within the Treasury Team. Anne Austin, Eamonn Doherty and Rosanne Layton dealt with the non-members' accounts and the financial reports; Alan Thomas (Vice Chair with treasury responsibilities) managed the members' accounts.

Normally, the team members are helped by as many reliable assistants as they can get, who are greatly appreciated.

Eamonn has now retired, so we are still looking for another volunteer to take responsibility for at least some of the work, such as the assembly of the spreadsheets needed for official reports.

The Board of Directors receives a monthly financial report from the Treasury Team. This includes a revenue account and a balance sheet. Other reports and financial projections are also presented to the Board from time to time.

In compliance with the requirement of Prudential Regulation Authority (PRA), quarterly financial reports are submitted throughout the year. The PRA also receives an annual report within six months of the end of our financial year. These reports have become much larger and more involved in the last few years, so our workload has increased. Extra long-term help is needed.

From October 2024 to September 2025 the number of members has increased slightly, but juniors have decreased by 19%, mainly due to some of our original junior members coming of age.

We would like to thank all the volunteers that have helped us, and look forward to welcoming new and returning long-term volunteers.

Anne Austin  
Treasurer

## Report of the Credit Committee

During the period 1st October 2024 to 30th September 2025 the Credit Committee granted 111 loans totalling £450,267, a decrease of almost £22,000 on the previous year.

The loans ranged in value as follows:

Under £500	1
£500 - £1,000	19
£1,001 - £2,000	13
£2,001 - £3,000	15
£3,001 - £5,000	36
Over £5,000	27
TOTAL	111

Loans were requested for a variety of reasons:

Loan Purpose	Count
Purchase of car	23
Household improvements	20
Holiday costs	12
Christmas expenses	10
Consolidation of debts	7
Household equipment	7
Bereavement	5
Car repairs	5
Study /educational assistance	5
Medical expenses	3
Other	3
Animal costs	2
Citizenship	2
House purchase	2
Deposit for accommodation	1
Living expense problems	1
Rent arrears	1
Travel costs	1
Wedding expenses	1
TOTAL	111

Members of the Credit Committee usually meet twice a week to consider loan applications, checking that they meet the criteria set by the South Herts Credit Union loans policy and the ability of each member to repay.

Most of the contact with members regarding their loan applications continues to be done by telephone rather than at the office.

The Committee works closely with the Credit Control team to identify missed loan repayments, which may indicate a member having difficulty meeting the agreed amount, so contact can be made, and loan schedules renegotiated if appropriate.

We would like to encourage other new volunteers to join the team to help us process loans more speedily.

Alison Thomas  
Credit Committee Chair

**Members of the Credit Committee in the financial year 2024-25**

Alison Thomas (Chair of committee, Board representative)

Christine Caton (retires from committee at AGM 2028)

Summer Ghafoor (retires from committee at AGM 2026)

Roger Willett (retires from committee at AGM 2026)

3 vacancies

## Report of the Supervisory Committee

Supervisors act as the “eyes and the ears” of the membership of a credit union and are sometimes called the “members watchdog.” It is my responsibly to monitor and, if necessary, challenge actions of the Board of Directors. I regularly attend Board meetings.

During the year 2024/25 I continued to check the accuracy and reliability of the accounts and records of the Credit Union.

This has been a challenging year for volunteers dealing with the legal and administrative requirements of the name change to South Herts. At the same time we have been getting to grips with the new computer system which has meant changes to the way we work. This has highlighted our need to recruit new volunteers and directors to ensure the future of South Herts Credit Union.

Despite these challenges, I am satisfied that the Board of Directors is operating in accordance with the law, the rules of the PRA and FCA, and the rules of the Credit Union. South Herts Credit Union is run entirely by a small team of volunteers, and the Board comply with best practice guidance in so far as it is proportionate to the size, complexity and resources available to it.

Janette Mullins  
Supervisor

**Members of the Supervisory Committee in the financial year 2024-25**  
Janette Mullins (retires from Committee at AGM 2026)  
2 vacancies

## **Appendix (i) - Financial Statements and Auditor's Report 2024-25**

**SOUTH HERTS CREDIT UNION LTD**  
(Formerly known as Watford Credit Union Ltd)

**Firm Reference No 214302**

**Registered No IP00685C**

**DIRECTORS REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 SEPTEMBER 2025**

**SOUTH HERTS CREDIT UNION LTD**

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**SOUTH HERTS CREDIT UNION LTD**

**ADMINISTRATIVE INFORMATION**

<b>Directors</b>	Anne Austin Peter Dean Stephen Harvey Alan Thomas Alison Thomas
<b>Secretary</b>	Peter Dean
<b>Society Registration Number</b>	IP00685C
<b>Financial Conduct Authority Registration Number</b>	214302
<b>Registered Office</b>	59 Clarendon Road Watford WD17 1LA
<b>Auditors</b>	Lindley Adams Limited Chartered Accountants and Statutory Auditors 28, Prescott Street Halifax, HX1 2LG
<b>Bankers</b>	Ecology Building Society 7 Belton Road Silsden Keighley BD20 0EE  Lloyds Bank Plc 25 Gresham Street London EC2N 7HN  The West Brom 2 Providence Place West Bromwich B70 8AF  Nationwide Building Society Nationwide House Pipers Way Swindon SN38 1NW

**SOUTH HERTS CREDIT UNION LTD****DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2025**

The Directors present their report and the financial statements for the year ended 30 September 2025.

**Principal activity and Business Review**

The principal activities of the credit union are the promotion and encouragement of regular saving and prudent borrowing by its members, as defined in the Credit Unions Act 1979.

**Results and Dividends**

The surplus for the year, after taxation, amounted to £48,082 (2024 - £46,659). In addition, there were 1,182 (2024 - 1,248) adult members with 286 (2024 - 303) members holding loans with the Credit Union.

The Directors recommend the payment of a 1% dividend at the yearend. This will be voted upon at the Annual General Meeting.

**Directors**

The directors who served during the year are as stated below:

Anne Austin  
Alan Thomas  
Peter Dean

Stephen Harvey  
Alison Thomas

**Financial risk management objectives and policies**

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and interest-rate risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below:

- Credit Risk: All loan applications are assessed with reference to the Credit Union's lending policy. Changes to policy are approved by the Board.
- Interest Rate Risk: The main interest rate risk arises from differences between interest rate exposures on assets and on liabilities that form an integral part of the credit union's operations. The Credit Union considers interest rates when deciding on the dividend rates to propose on share accounts.
- Liquidity Risk: The Credit Union's policy is to maintain sufficient funds in a liquid form at all times to ensure that the Credit Union can meet its liabilities as they fall due. The objective of liquidity is to help smooth mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

These areas are outlined in greater detail in section 14 of the Notes to the Financial Statements.

**Statement of Directors' Responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Credit Union legislation requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland" (United Kingdom Accounting Standards and applicable law). Under Credit Union legislation the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the credit union and of the surplus or deficit of the Credit Union for that year. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the credit union will continue in business.

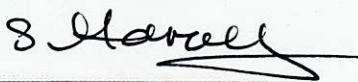
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Credit Union's transactions and disclose with reasonable accuracy at any time the financial position of the Credit Union and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and with the Credit Union Act 1979. They are also responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

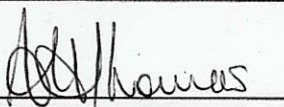
- There is no relevant audit information (information needed by the Credit Union's auditors in connection with preparing their report) of which the Credit Union's auditors are unaware, and
- The directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Credit Union's auditors are aware of that information.

This report was approved by the Board on ..... and signed on its behalf by:

Name of Director 1: S HARVEY

Signature 

Name of Director 2: A. THOMAS

Signature 

## REPORT OF THE INDEPENDENT AUDITOR TO SOUTH HERTS CREDIT UNION LTD

### OPINION

We have audited the financial statements of South Herts Credit Union Ltd (the 'credit union') for the year ended 30 September 2025 which comprise revenue account, balance sheet, statement of changes to retained earnings, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2025 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the credit union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and the provisions available for small entities, in the circumstances as set out in note 18 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the credit union's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### OTHER INFORMATION

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Board is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

### RESPONSIBILITIES OF THE BOARD

As explained more fully in the Statement of Directors' responsibilities set out on page 2, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Credit Union or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, and instances of non-compliance with laws and regulations. We design procedures based on assessed risk and in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the credit union and determined that the following were most relevant: FRS 102, Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979. Our approach to identifying and assessing the risks of material misstatement in respect of irregularities. Including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations irrespective of the size of amounts involved;
- we enquired of management the systems and controls the credit union has in place, the areas of the financial statements that are mostly susceptible to the risks of irregularities and fraud (which we outline below) and whether there was any known, suspected or alleged fraud;
- we identified the laws and regulations applicable to the credit union through discussions with senior management;
- identified laws and regulations were communicated within the audit team who remained alert to instances of non-compliance throughout the audit.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including override of controls) and addressed the risk through:

- making enquiries of those charged with governance as to their knowledge of actual, suspected and alleged instances of fraud;
- considering the internal controls in place to mitigate the risks of fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed our audit procedures which included, but were not limited to:

- reviewing the financial statements disclosures and determining whether accounting policies have been appropriately applied;
- obtaining third party confirmation of bank balances;
- reviewing the minutes of meetings of those charged with governance;
- reviewing relating party transactions of those charged with governance and determining whether the information provided is complete and appropriately disclosed in the financial statements;
- reviewing correspondence from professional advisors and regulators;
- reviewing and testing the internal controls in place for loans and savings and determining whether controls have been appropriately applied;
- reviewing and testing of revenue recognition processes and determining completeness of income;
- checking expenses are bona fide transactions of the credit union, and;
- reviewing post balance sheet and subsequent events, both financial and non-financial, that have occurred in the period between the financial year end and the signing of the audit report.

There is a risk that we will not detect all irregularities, including fraud, because of the inherent limitations of an audit, including those leading to a material misstatement in the financial statements of non-compliance with regulations. The areas in the financial statements that are most susceptible to fraud are Loans and Advances to Members and Subscribed Capital. We have investigated in particular where there is:

- Inadequate internal controls, resulting from: management override, lack of oversight, segregation in duties or supervisory controls;
- Inadequate record keeping, resulting from: lack of complete and timely reconciliations of bank or cash or a lack of timely and appropriate documentation of transactions;
- Evidence of past or suspected fraud in the credit union;
- A high turnover of senior management or key staff;
- High volumes of cash being handled and processed;

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## USE OF OUR REPORT

This report is made solely to the credit union, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the credit union those matters we are required to state to it in a Report of the auditor's and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the credit union, for our audit work, for this report, or for the opinions we have formed.

.....  
**Lindley Adams Limited**  
**Chartered Accountants and Statutory Auditors**  
**28 Prescott Street,**  
**Halifax, HX1 2LG**

Date.....

## SOUTH HERTS CREDIT UNION LTD

## Revenue Account for the year ended 30 September 2025

	Note	2025 £	2024 £
Loan Interest receivable and similar income	4	87,920	84,653
Interest payable	5	<u>(11,673)</u>	<u>(11,666)</u>
<b>Net interest income</b>		<b>76,247</b>	<b>72,987</b>
Fees and commissions receivable	6	104	114
Fees and commissions payable		<u>(60)</u>	<u>(30)</u>
<b>Net fees and commissions receivable</b>		<b>44</b>	<b>84</b>
Other income	7	7,471	2,339
Administrative expenses	8a	(14,674)	(8,758)
Depreciation and amortisation	10	(6,150)	(168)
Other operating expenses	8b	(14,479)	(15,511)
Impairment gains (losses) on loans to members	11e	3,277	(914)
<b>Surplus Before Taxation</b>		<b>51,736</b>	<b>50,059</b>
Taxation		(3,654)	(3,400)
<b>Surplus for the Financial Year</b>		<b>48,082</b>	<b>46,659</b>
Other comprehensive income		0	0
<b>Total comprehensive income</b>		<b>48,082</b>	<b>46,659</b>

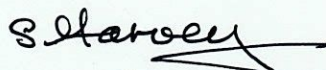
Note: There is no comprehensive income other than those included on the Revenue Account.

## SOUTH HERTS CREDIT UNION LTD

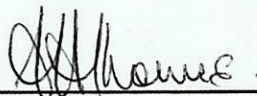
Balance Sheet as at 30 September 2025

	Note	2025 £	2024 £
<b>ASSETS</b>			
Loans and advances to banks		<u>865,834</u>	<u>881,589</u>
Loans and advances to members	11	554,278	561,886
Tangible fixed assets	10	18,677	0
Prepayments and accrued income		15,609	9,027
<b>Total assets</b>		<u><u>1,454,398</u></u>	<u><u>1,452,502</u></u>
<b>LIABILITIES</b>			
Subscribed capital - repayable on demand	12	1,169,741	1,237,299
Other payables	13	<u>39,989</u>	<u>18,617</u>
		1,209,730	1,255,916
Retained earnings		244,668	196,586
<b>Total liabilities</b>		<u><u>1,454,398</u></u>	<u><u>1,452,502</u></u>

The financial statements were approved, and authorised for issue by the board on 25/3/26 and signed on its behalf by:



Director



Director



Secretary

## SOUTH HERTS CREDIT UNION LTD

## Statement of Changes in Retained Earnings for the year ended 30 September 2025

	2025 £	2024 £
As at 1 October 2024	196,586	149,927
Total comprehensive income for the year	48,082	46,659
<b>As at 30 September 2025</b>	<b>244,668</b>	<b>196,586</b>

## Movement in reserves

	Retained earnings		Total
	General reserve	Resilience Contingency Reserve	
As at 1 October 2024	93,305	103,281	196,586
Surplus for year	9,616	38,466	48,082
Other movements			0
<b>As at 30 September 2025</b>	<b>102,921</b>	<b>141,747</b>	<b>244,668</b>

## SOUTH HERTS CREDIT UNION LTD

## Cash flow statement for the year ended 30 September 2025

	Note	2025 £	2024 £
<b>Cash Flows from operating activities</b>			
Surplus Before Taxation		51,736	50,059
Adjustments for non-cash items			
Depreciation	10	6,150	168
Impairment losses	11e	<u>(3,257)</u>	<u>914</u>
		<b>2,893</b>	<b>1,082</b>
 Movements in:			
Prepayments and accrued income		(6,582)	(2,408)
Other payables		<u>21,372</u>	<u>546</u>
		<b>14,790</b>	<b>(1,862)</b>
 <b>Cash flows from changes in operative assets and liabilities</b>			
Cash inflow from subscribed capital	12	823,123	733,619
Cash outflow from repaid capital	12	(890,681)	(722,882)
New loans to members	11a	(450,267)	(472,206)
Repayment of loans by members	11a	<u>461,132</u>	<u>421,725</u>
		<b>(56,693)</b>	<b>(39,744)</b>
Taxation paid		<u>(3,654)</u>	<u>(3,400)</u>
<b>Net Cash flows from operating activities</b>		<b>9,072</b>	<b>6,135</b>
 <b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	<u>(24,826)</u>	<u>0</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(15,754)</b>	<b>6,135</b>
Cash and cash equivalents at beginning of the year		<u>881,589</u>	<u>875,454</u>
<b>Cash and cash equivalents at end of year</b>		<b><u>865,834</u></b>	<b><u>881,589</u></b>

## SOUTH HERTS CREDIT UNION LTD

### Notes to the Financial Statements for the year ended 30 September 2025

#### 1 Legal and regulatory framework

The Credit Union is a society established under the Co-operative and Community Benefit Societies Act 2014, whose principal activity is to operate as a credit union, within the meaning of the Credit Unions Act 1979. The Credit Union has registered with the Financial Conduct Authority and is regulated by the Prudential Regulation Authority under the provisions of the Financial Services and Markets Act 2000.

In accordance with the regulatory environment for credit unions, deposits from members can be made by subscription for redeemable shares, deferred shares and interest - bearing shares. At present the Credit Union has only issued redeemable shares.

#### 2 Accounting policies

##### Basis of preparation

These financial statements have been prepared in accordance with FRS 102 - the Financial Reporting Standard applicable in the UK and Ireland.

The financial statements are prepared on the historical cost basis.

##### Going concern

The directors of the Credit Union believe that it is appropriate to prepare the financial statements on the going concern basis. In accordance with PRA Rulebook Guidelines outlined in Section 8.5 (1), the credit union must maintain a minimum Capital-To-Total assets ratio of 3%.

	2025	2024
The relevant ratios are:-	16.82%	13.53%

##### Income

Loan interest receivable and similar income: Interest on both loans to members and loans to banks (i.e. cash and cash equivalents held on deposit with other financial institutions) is recognised using the effective interest method, and is calculated and accrued on a daily basis. Exempt interest on members loans is not recognised.

Fees and commissions receivable: Fees and charges either arise in connection with a specific transaction, or accrue evenly over the year. Income relating to individual transactions is recognised when the transaction is completed.

Other income: Other income is recognised either evenly over the period to which it relates or when the transaction is complete.

##### Taxation

The tax charge for the year reflects current tax payable. Current tax is the expected corporation tax payable for the year, using tax rates in force for the year. The Credit Union is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as a trade. However, corporation tax is payable on investment income.

As a result of the limited activities of the Credit Union from which profits are chargeable to corporation tax, it is unlikely that deferred tax will arise.

##### Deferred grants and funding / revenue contributions

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

## SOUTH HERTS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2025 (continued)

**2 Accounting policies (cont.)****Tangible fixed assets**

Tangible fixed assets comprises items of property, plant and equipment, which are stated at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value, on a straight line basis over its estimated useful life. The categories of property, plant and equipment are depreciated as follows:

Computers, software and equipment     3 Years

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and with the Bank of England and loans and advances to banks (i.e. cash deposited with banks) with maturity of less than or equal to three months.

**Financial assets – loans and advances to members**

Loans to members are financial assets with fixed or determinable payments. Loans are made to members for provident or productive purposes on such security (or without security) and terms as the rules of the Credit Union provide. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

**Impairment of financial assets**

The Credit Union assesses, at each balance sheet date, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised.

Any impairment losses are recognised in the revenue account, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

**Financial liabilities – subscribed capital**

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

**Reserves**

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

## SOUTH HERTS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2025 (continued)

**3 Use of estimates and judgements**

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

**Impairment losses on loans to members**

Impaired losses are stated after specifically reviewing all loans in arrears. The criteria used is whether the loan will be repaid within the term of the loan based upon the current regular pattern of repayments.

<b>4 Loan interest receivable and similar income</b>	<b>2025</b>	<b>2024</b>
	£	£
Loan interest receivable from members	68,271	67,176
Bank interest receivable from cash and liquid deposits	19,649	17,477
<b>Total loan interest receivable and similar income</b>	<b>87,920</b>	<b>84,653</b>

<b>5 Interest expense</b>	<b>2025</b>	<b>2024</b>
	£	£
Interest paid during the year	11,673	11,666
Dividend rate	1.00%	1.00%
Interest proposed, but not recognised	12,000	12,109
Dividend rate	1.00%	1.00%

<b>6 Fees and commissions receivable</b>	<b>2025</b>	<b>2024</b>
	£	£
Entrance fees	74	84
Other fees	30	30
<b>Total fees and commissions receivable</b>	<b>104</b>	<b>114</b>

<b>7 Other Income</b>	<b>2025</b>	<b>2024</b>
	£	£
Grants	7,148	1,000
Donations	323	1,314
Miscellaneous income	0	25
	<b>7,471</b>	<b>2,339</b>

<b>8 Expenses</b>	<b>Note</b>	<b>2025</b>	<b>2024</b>
		£	£
Administrative expenses	8a	14,674	8,758
Depreciation and amortisation	10	6,150	168
Other operating expenses	8b	14,479	15,511
		<b>35,303</b>	<b>24,437</b>

## SOUTH HERTS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2025 (continued)

8a Administrative Expenses	Note	2025	2024
		£	£
Auditors remuneration	8c	3,180	3,060
Telephone		992	1,061
Computer maintenance		9,010	3,662
General expenses		40	35
Printing, Postage and Stationery		1,259	561
Other insurances		193	379
<b>Total Administrative Expenses</b>		<b>14,674</b>	<b>8,758</b>
8b Other Operating Expenses		2025	2024
<b>Cost of occupying offices (excluding depreciation)</b>		£	£
Rents and Rates		3,100	3,070
<b>Regulatory and financial management costs</b>			
Financial Conduct Authority and Prudential Regulation Authority Fees and FSCS Levy		242	262
National Body Dues		991	1,253
Fidelity Insurance		793	1,478
Loan Protection and life savings insurance		9,353	9,448
		11,379	12,441
<b>Total Other operating Expenses</b>		<b>14,479</b>	<b>15,511</b>
8c Auditors remuneration			
The Credit Union voluntarily presents an analysis of its auditors' remuneration in accordance with Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008.			
		2025	2024
		£	£
Fees payable for the audit of the Credit Union's annual accounts		3,090	2,970
Fees payable to the Credit Union's Auditor for other services:			
Services relating to taxation		90	90
<b>Total Auditors remuneration</b>		<b>3,180</b>	<b>3,060</b>

## SOUTH HERTS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2025 (continued)

**9 Taxation****9a Recognised in the Revenue Account**

The taxation charge for the year, based on the small profits rate of Corporation Tax of 19% (2024 19%) comprised:

	Note	2025	2024
		£	£
Current tax			
UK Corporation tax	9b	3,654	3,400
<b>Total current tax and total taxation expense recognised in the Revenue Account</b>		<b><u>3,654</u></b>	<b><u>3,400</u></b>

**9b Reconciliation of taxation expense**

The Credit Union is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as a trade. However, corporation tax is payable on investment income. As a result, tax charge for the year differs from the standard rate of corporation tax. The differences are explained below:

	2025	2024
	£	£
Surplus Before Taxation	<u>51,736</u>	<u>50,059</u>
Surplus before taxation multiplied by the main rate of corporation tax in the UK of 25% and reduced by marginal relief (2024 25% and reduced by marginal relief)	9,960	9,516
Effects of:		
Non-taxable (surplus) on transactions with members	<u>(6,306)</u>	<u>(6,116)</u>
<b>Total tax charge for the year</b>	<b><u>3,654</u></b>	<b><u>3,400</u></b>

## SOUTH HERTS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2025 (continued)

**10 Tangible Fixed Assets**

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

	Computers, Software & Equipment	Total
<b>Cost</b>	£	
As at 1 October 2024	6,082	6,082
Additions	24,826	24,826
Disposals	<u>(4,581)</u>	<u>(4,581)</u>
<b>As at 30 September 2025</b>	<u><b>26,327</b></u>	<u><b>26,327</b></u>
<b>Depreciation</b>		
As at 1 October 2024	6,082	6,082
Charge for the year	6,150	6,150
Charge on disposal	<u>(4,581)</u>	<u>(4,581)</u>
<b>As at 30 September 2025</b>	<u><b>7,651</b></u>	<u><b>7,651</b></u>
<b>Net Book Value</b>		
<b>As at 30 September 2025</b>	<u><u><b>18,677</b></u></u>	<u><u><b>18,677</b></u></u>
As at 30 September 2024	<u><u>0</u></u>	<u><u>0</u></u>

**11 Loans and advances to members**

<b>11a Loans and advances to members</b>	<b>Note</b>	<b>2025</b>	<b>2024</b>
		£	£
As at 1 October 2024		756,273	746,025
Advanced during the year		450,267	472,206
Interest receivable		68,271	67,176
Repaid during the year		<u>(529,403)</u>	<u>(488,901)</u>
<b>Gross loans and advances to members</b>	<b>11b</b>	<u><b>745,408</b></u>	<u><b>796,506</b></u>
Impairment losses:			
Individual financial assets	11b, 11e	(13,134)	(40,233)
Groups of financial assets	11d	<u>(177,996)</u>	<u>(194,387)</u>
	11c	<u><b>(191,130)</b></u>	<u><b>(234,620)</b></u>
<b>As at 30 September 2025</b>		<u><u><b>554,278</b></u></u>	<u><u><b>561,886</b></u></u>
<b>11b Memorandum - Total loan assets regulatory purposes</b>	<b>Note</b>	<b>2025</b>	<b>2024</b>
		£	£
Gross loans and advances to members		745,408	796,506
Impairment of individual financial assets		<u>(13,134)</u>	<u>(40,233)</u>
<b>Total loan assets for regulatory purposes</b>	<b>14b</b>	<u><u><b>732,274</b></u></u>	<u><u><b>756,273</b></u></u>

## SOUTH HERTS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2025 (continued)

**11c Credit risk disclosures**

The credit union does not offer mortgages and as a result all loans to members are unsecured, except where there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding.

The carrying amount of the loans to members represents the credit union's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full.

	2025		2024	
	Amount	Proportion	Amount	Proportion
<b>Not impaired:</b>				
Neither past due nor impaired	457,020	61.29%	394,619	49.55%
Up to 3 months past due	70,449	9.45%	108,874	13.67%
Between 3 and 6 months past due	0	0.00%	0	0.00%
Between 6 and 9 months past due	0	0.00%	0	0.00%
Between 9 months and 1 year past due	0	0.00%	0	0.00%
Over 1 year past due	0	0.00%	0	0.00%
<b>Sub-total: loans not impaired</b>	<b>527,469</b>	<b>70.74%</b>	<b>503,493</b>	<b>63.22%</b>
<b>Individually impaired:</b>				
Not yet past due, but impaired	0	0.00%	26,282	3.30%
Up to 3 months past due	0	0.00%	11,611	1.46%
Between 3 and 6 months past due	42,841	5.75%	25,207	3.16%
Between 6 and 9 months past due	3,656	0.49%	13,766	1.73%
Between 9 months and 1 year past due	3,806	0.51%	2,581	0.32%
Over 1 year past due	167,635	22.48%	213,566	26.81%
<b>Total loans</b>	<b>745,408</b>	<b>29.26%</b>	<b>796,506</b>	<b>36.78%</b>
<b>Impairment allowance</b>	<b>(191,130)</b>		<b>(234,620)</b>	
<b>Total carrying value</b>	<b>554,278</b>		<b>561,886</b>	

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

<b>11d Allowance account for impairment losses</b>	Note	2025	2024
		£	£
As at 1 October 2024		194,387	233,706
Allowances reversed during the year		(16,391)	(39,319)
<b>Decrease in allowance during the year</b>	11e	<b>(16,391)</b>	<b>(39,319)</b>
<b>As at 30 September 2025</b>		<b>177,996</b>	<b>194,387</b>
<b>11e Impairment losses recognised for the year</b>		<b>2025</b>	<b>2024</b>
		£	£
Impairment of individual financial assets		13,134	40,233
Decrease in impairment allowances during the year		(16,391)	(39,319)
		<b>(3,257)</b>	<b>914</b>
Reversal of impairment where debts recovered		(20)	0
<b>Total impairment losses (gains) recognised for the year</b>		<b>(3,277)</b>	<b>914</b>

## SOUTH HERTS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2025 (continued)

12 Subscribed capital - financial liabilities	2025	2024
	£	£
As at 1 October 2024	1,237,299	1,226,562
Received during the year	811,450	721,953
Dividends paid during the year	11,673	11,666
Repaid during the year	(890,681)	(722,882)
<b>As at 30 September 2025</b>	<b><u>1,169,741</u></b>	<b><u>1,237,299</u></b>

Deposits from members are made by way of subscription for shares. The balance includes deposits made by juvenile members - £21,067 (2024 - £20,145).

13 Other payables	2025	2024
	£	£
UK Corporation tax	3,733	3,400
Accruals and deferred income	4,689	4,327
Grants	21,869	192
Loan Guarantee funds	9,698	10,698
	<b><u>39,989</u></b>	<b><u>18,617</u></b>

## 14 Additional financial instruments disclosures

## 14a Financial risk management

The Credit Union manages its subscribed capital and loans to members so that it earns income from the margin between interest receivable and interest payable.

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and interest rate risk. The board reviews and agrees policies for managing each of these risks, which are summarised below.

**Credit risk:** Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to the Credit Union, resulting in financial loss to the Credit Union. In order to manage the risk the Board approves the Credit Union's lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of payment has changed. The Credit Union also monitors its banking arrangements closely in light of the current banking situation.

**Liquidity risk:** The Credit Union's policy is to maintain sufficient funds in liquid form at all times to ensure that it meets its liabilities as they fall due. The objective of the Credit Union's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise. Note 2 provides further details about the impact of the maturity mismatch on the going concern status of the Credit Union.

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

the receivables and payables that form an integral part of a credit union's operations. The Credit Union considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital. The Credit Union does not use interest rate options to hedge its own positions.

## SOUTH HERTS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2025 (continued)

**14b Interest rate risk disclosures**

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

	2025		2024	
	Amount £	Average Interest Rate %	Amount £	Average Interest Rate %
<b>Financial assets</b>				
Loans to members	732,274	9.17%	756,273	8.94%

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

**14c Liquidity risk disclosures**

Excluding short-term other payables, as noted on the balance sheet, the Credit Union's financial liabilities, the subscribed capital, are repayable on demand.

**14d Fair value of financial instruments**

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

**15 Post balance sheet events**

There were no material events after the balance sheet date.

**16 Contingent liabilities**

The Credit Union participates in the Financial Services Compensation Scheme (FSCS) and therefore has a contingent liability, which cannot be quantified, in respect of contributions to the FSCS, as required by the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) has provided details of how the calculation of next year's contribution towards the FSCS will be calculated and full provision has been included for this liability. However this is subject to future changes in interest rates and levels of deposits held by UK deposit takers. Therefore there is inherent uncertainty regarding the totality of the levy that the Credit Union will have to pay.

**17 Related Party Transactions**

During the year, no member of the board, volunteers and/or their close family members, had or were issued with loans with the Credit Union (2024: 1 Member these loans were approved on the same basis as loans to other members of the Credit Union. None of the directors, volunteers and close family members have any preferential terms on their loans.)

**18 Non-audit services**

In common with many other Credit Unions of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist us with the preparation of the financial statements.