

FCA Registration number: 213228  
Registered number: IP00130C

# Advance Credit Union Limited

Annual Report and Financial Statements

for the Year Ended 30 September 2021

Hallidays  
Statutory Auditor  
Riverside House  
Kings Reach Business Park  
Yew Street  
Stockport  
SK4 2HD

# Advance Credit Union Limited

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# Advance Credit Union Limited

## Credit Union Information

<b>Chair</b>	Helen Torresi
<b>Chief executive</b>	Philip Cole
<b>Directors</b>	Helen Torresi Richard Yelder Thomas Gilbert Gerardine Giblin Jackie Parker
<b>Registered office</b>	200 Sutton New Road Erdington Birmingham B23 6QU
<b>Bankers</b>	HSBC 56 High Street Erdington Birmingham B23 6RT  Unity Trust Bank Plc Nine Brindley Place Birmingham B1 2HB  Barclays Bank Plc Leicester LE87 2BB
<b>Auditors</b>	Hallidays Statutory Auditor Riverside House Kings Reach Business Park Yew Street Stockport SK4 2HD

## Advance Credit Union Limited

### Directors' Report Year Ended 30 September 2021

The Board of directors present their report and the financial statements for the year ended 30 September 2021.

#### The Board of Directors

The board of directors who held office during the year were as follows:

Liam Kinsella (resigned 9 April 2021)  
Pat Tennant (resigned 17 February 2021)  
Melanie Lockey (resigned 9 November 2020)  
Jacqueline Fahey (resigned 14 March 2022)  
Richard Coulter (resigned 16 August 2021)  
Lorraine Moses Copeman (resigned 3 September 2021)  
Farouq Hussain (resigned 22 August 2021)  
Jo McDonald (resigned 21 August 2021)

The appointments made to the board of directors after the year end were as follows:

Helen Torresi (co-opted 21 February 2022 and appointed 19 March 2022)  
Richard Yelder (co-opted 21 February 2022 and appointed 19 March 2022)  
Thomas Gilbert (co-opted 14 March 2022 and appointed 19 March 2022)  
Gerardine Giblin (co-opted 14 March 2022 and appointed 19 March 2022)  
Jackie Parker (co-opted 14 March 2021 and appointed 19 March 2022)

#### Principal activities and business review

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

The qualification for admission to membership of the credit union is restricted to individuals who reside or are employed in the city of Birmingham as defined by addresses carrying a "B" prefixed postcode. Immediate relatives of qualifying members are also admitted to the credit union.

#### Covid-19 Pandemic

Demand for lending has now risen to pre-pandemic levels but it must be recognised that covid has cost the credit union two years of lending growth. Beginning the financial year with a depressed loan book has impacted interest income throughout the year and the balance owed by members at the year end is still below the 2019 level.

During the year, we exhausted the grant income from Fair4All Finance in respect of income loss mitigation. However, it has also become clear that 2019/20 was an exceptional year for bad debt write off and we have drawn down the remainder of the Fair4All grant in respect of this expense in the current year.

Savings by members (including junior deposits) have stabilised to normal levels and grew by £349k or 10%.

We are now entering a year of investment and consolidation as we establish our new office in Birmingham. It will take time for this investment to show a return so we are not forecasting a substantial surplus in the coming financial year.

#### Results and dividends

The surplus for the year amounted to £92,397 (2020: £69,138). Particulars of the dividends paid are detailed in note 18 to the financial statements.

The dividend is calculated at 0.5% (2020: 0.5%) for the member accounts and junior accounts. The remainder of the surplus is transferred to general reserve.

# Advance Credit Union Limited

## Directors' Report Year Ended 30 September 2021

### Directors responsibilities

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

Credit Union Law requires the directors to prepare financial statements for each financial year. Under that law the Board of Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Credit Union law the Board of Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Credit Union and of the surplus or deficit of the Credit Union for that period. In preparing these financial statements, the Board of Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 within 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.

### Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Credit Union's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

### Reappointment of auditors

Hallidays will be recommended for re-appointment at the AGM under The Co-operative and Community Benefit Societies Act 2014.

Approved by the board on 19/03/22 and signed on its behalf by:



Helen Torresi  
Chair



Richard Yelder  
Treasurer

## **Advance Credit Union Limited**

### **Independent Auditor's Report to the Members of Advance Credit Union Limited**

#### **Opinion**

We have audited the financial statements of Advance Credit Union Limited for the year ended 30 September 2021, which comprise of the Revenue Account, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial reporting Standard applicable in the UK and Republic of Ireland".

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 2021 and of its surplus 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.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of the 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 cause 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 board of directors with respect to going concern are described in the relevant sections of this report.

## **Advance Credit Union Limited**

### **Independent Auditor's Report to the Members of Advance Credit Union Limited**

#### **Other information**

The Board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where The 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; or
- the Credit Union has not kept proper accounting records; or
- 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.

#### **Respective responsibilities of The Board of Directors**

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

## Advance Credit Union Limited

### Independent Auditor's Report to the Members of Advance Credit Union Limited

#### Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Credit Union audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Use of this report

This report is made solely to the Credit Union's members, as a body, in accordance with Section 87, Part 7 of Chapter 14 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 them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union as a body, for our audit work, for this report, or for the opinions we have formed.



**Advance Credit Union Limited**

**Independent Auditor's Report to the Members of Advance Credit Union Limited**

.....*Halliday*.....  
Hallidays  
Statutory Auditor  
Riverside House  
Kings Reach Business Park  
Yew Street, Stockport  
SK4 2HD

Date:.....*20/03/22*.....

## Advance Credit Union Limited

### Revenue Account for the Year Ended 30 September 2021

	Note	2021 £	2020 £
Income	3	531,795	523,552
Administrative expenses		<u>(439,139)</u>	<u>(453,362)</u>
Operating surplus	4	<u>92,656</u>	<u>70,190</u>
Surplus/(Deficit) before tax		92,656	70,190
Taxation	8	<u>(259)</u>	<u>(1,052)</u>
Surplus/(Deficit) for the financial year		<u><u>92,397</u></u>	<u><u>69,138</u></u>

The above results were derived from continuing operations.

## Advance Credit Union Limited

(FCA Registration number: 213228)  
Balance Sheet as at 30 September 2021

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Tangible assets	9	28,889	20,672
<b>Current assets</b>			
Debtors	10	1,391,031	1,271,025
Cash at bank and in hand	11	<u>2,910,700</u>	<u>2,666,054</u>
		<u>4,301,731</u>	<u>3,937,079</u>
<b>Total assets</b>		<u><u>4,330,620</u></u>	<u><u>3,957,751</u></u>
<b>Liabilities, capital and reserves</b>			
Members shares - repayable on demand	14	3,702,897	3,369,493
General reserves		466,803	391,600
Dividend reserves		17,248	14,617
Other liabilities	12	<u>143,672</u>	<u>182,041</u>
<b>Total liabilities, capital and reserves</b>		<u><u>4,330,620</u></u>	<u><u>3,957,751</u></u>

Approved by the board on 19/03/22 and signed on its behalf by:



.....  
Helen Torresi  
Chair



.....  
Richard Yelder  
Treasurer

## Advance Credit Union Limited

### Statement of Changes in Equity for the Year Ended 30 September 2021

	Members shares £	General reserves £	Dividend reserves £	Total £
At 1 October 2020	3,369,493	391,600	14,617	3,775,710
Surplus for the year	-	-	92,397	92,397
Transfers	-	75,203	(75,203)	-
Total comprehensive income	-	75,203	17,194	92,397
Dividends	-	-	(14,563)	(14,563)
Member shares deposited	6,207,630	-	-	6,207,630
Member shares withdrawn	(5,874,226)	-	-	(5,874,226)
At 30 September 2021	3,702,897	466,803	17,248	4,186,948
	<b>Members shares £</b>	<b>General reserves £</b>	<b>Dividend reserves £</b>	<b>Total £</b>
At 1 October 2019	2,814,610	334,157	25,408	3,174,175
Surplus for the year	-	-	69,138	69,138
Transfers	-	57,443	(57,443)	-
Total comprehensive income	-	57,443	11,695	69,138
Dividends	-	-	(22,486)	(22,486)
Member shares deposited	5,758,734	-	-	5,758,734
Member shares withdrawn	(5,203,851)	-	-	(5,203,851)
At 30 September 2020	3,369,493	391,600	14,617	3,775,710

The notes on pages 12 to 21 form an integral part of these financial statements.  
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## Advance Credit Union Limited

### Statement of Cash Flows for the Year Ended 30 September 2021

	Note	2021 £	2020 £
<b>Cash flows from operating activities</b>			
Surplus for the year		92,397	69,138
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	9,278	9,530
Taxation provision	8	259	1,052
Impairment losses		<u>40,291</u>	<u>73,216</u>
		142,225	152,936
Working capital adjustments			
Increase in other debtors	10	(36,065)	(12,887)
Increase/(decrease) in other creditors	12	29,654	(10,813)
(Decrease)/increase in deferred income, including government grants		<u>(67,230)</u>	<u>53,425</u>
Cash generated from operations		68,584	182,661
Taxation paid	8	<u>(1,052)</u>	<u>(1,393)</u>
Net cash flow from operating activities		<u>67,532</u>	<u>181,268</u>
<b>Cash flows from investing activities</b>			
Acquisitions of tangible assets		(17,495)	(3,808)
<b>Cash flows from changes in operating assets and liabilities</b>			
Dividends paid	18	(14,563)	(22,486)
Cash inflow from share deposits		6,207,630	5,758,734
Cash outflow from share withdrawals		(5,874,226)	(5,203,851)
New loans to members		(2,813,845)	(2,518,750)
Repayment of loans by members		<u>2,689,613</u>	<u>2,580,078</u>
Net cash flows from operating activities		<u>194,609</u>	<u>593,725</u>
Net increase in cash and cash equivalents		244,646	771,185
Cash and cash equivalents at 1 October		<u>2,666,054</u>	<u>1,894,869</u>
Cash and cash equivalents at 30 September		<u><u>2,910,700</u></u>	<u><u>2,666,054</u></u>

The notes on pages 12 to 21 form an integral part of these financial statements.

# Advance Credit Union Limited

## Notes to the Financial Statements for the Year Ended 30 September 2021

### 1 General information

The address of its registered office is:  
200 Sutton New Road  
Erdington  
Birmingham  
B23 6QU

These financial statements were authorised for issue by the Board on 19 March 2022.

### Legal and regulatory framework

The Credit Union is a society established under the Industrial and Provident Societies Act 1965, 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 FCA under the provisions of the Co-Operative and Community Benefit Societies Act 2014.

In accordance with the regulatory environment for Credit Union's, 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

#### Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

#### Basis of preparation

These financial statements have been prepared in accordance with FRS102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' and also with The Co-Operative and Community Benefit Societies Act 2014.

The financial statements are prepared on the historical cost basis.

#### Going concern

At the balance sheet date, the financial statements were prepared on a going concern basis which assumes the credit union will continue in operational existence for the foreseeable future.

The board have reviewed both capital and liquidity ratios for their industry as well as considering the reputational position of the Credit Union and accordingly have prepared the financial statements on a going concern basis.

The board have considered the impact of Brexit and COVID-19 on the ability of the credit union to continue in operational existence for the foreseeable future, being at least 12 months from the audit report date. The board have made assumptions when preparing forecasts for the business around the uncertainty due to COVID-19 that lead them to conclude the business is a going concern.

## Advance Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2021

#### Income

Loan interest receivable and similar income: Interest on both loans to members and loans to banks (ie. 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.

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 grants

Grant income is recognised on an accruals basis. 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.

#### Tax

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 surpluses are chargeable to corporation tax, it is unlikely that deferred tax will arise.

#### Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

#### Depreciation

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:

Asset class	Depreciation method and rate
Leasehold improvements	20% straight line
Fixtures and fittings	20% straight line

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and with the Bank of England and loans and advances to banks (ie. 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 to determinable payments, and are not quoted in active market. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member. The Credit Union does not transfer loans to third parties.

## Advance Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2021

#### **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.

The provision for doubtful debts is made in accordance with guidance issued by the PRA/FCA

#### **Financial liabilities - members shares**

Members' shareholdings in the Credit Union are redeemable and described as members shares - repayable on demand. They are initially recognised at the amount of cash deposited and subsequently measured at initial deposit plus any dividend applicable to the members account.

#### **Employee benefits**

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

Other employee benefits: Other short and long term employee benefits, including holiday pay, are recognised as an expense over the period they are earned.

#### **Reserves**

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

#### **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 Unions accounting policies. The provision for doubtful debts is prepared in accordance with the PRA provision and managements assessment of the overall performance of the loan book. The estimate is required by the PRA and is a standard within the industry, as disclosed below:

The Credit Union reviews all loans which have fallen in arrears and makes a provision against the net exposure on any balances where recovery is doubtful at the following rates of provision. Management review the overall performance of the loan book in addition to this and include an additional prudent provision where necessary.

- 3-6 months in arrears 35%
- 6-9 months in arrears 60%
- 9-12 months in arrears 80%
- 12+ months in arrears 100%

#### **Leases**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against the surplus on a straight line basis over the period of the lease.

#### **Share capital**

Member shares are classified as equity.



## Advance Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2021

#### 3 Revenue

The analysis of the Credit Union's revenue for the year from continuing operations is as follows:

	2021	2020
	£	£
Loan interest receivable from members	389,639	387,327
Bank deposit interest	1,363	5,537
Grants received	84,142	77,976
Other revenue	56,651	52,712
	<u>531,795</u>	<u>523,552</u>

#### 4 Operating profit

Arrived at after charging/(crediting)

	2021	2020
	£	£
Depreciation expense	<u>9,278</u>	<u>9,530</u>

#### 5 Staff costs

The aggregate payroll costs were as follows:

	2021	2020
	£	£
Wages and salaries	167,910	177,954
Social security costs	50,531	53,961
Pension costs, defined contribution scheme	5,898	5,976
Staff training	376	628
	<u>224,715</u>	<u>238,519</u>

The average number of persons employed by the Credit Union during the year, analysed by category was as follows:

	2021	2020
	No.	No.
Administration and support	<u>8</u>	<u>9</u>

#### 6 Directors' remuneration

The directors of Advance Credit Union Limited are its key management personnel, none of whom receive any remuneration for their services.

## Advance Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2021

#### 7 Auditors' remuneration

	2021 £	2020 £
Audit of the financial statements	5,280	5,280

	2021 £	2020 £
Audit of the financial statements	5,280	5,280
Non audit services	1,650	1,650
	6,930	6,930

#### 8 Taxation

Tax charged/(credited) in the income statement

	2021 £	2020 £
<b>Current taxation</b>		
UK corporation tax	259	1,052

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, the tax charge for the year differs from the standard rate of Corporation Tax. The differences are explained below:

The tax on surplus before tax for the year is the same as the standard rate of corporation tax in the UK (2020 - the same as the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Surplus before tax	92,656	70,190
Corporation tax at standard rate	17,605	13,336
Non-taxation surplus/(deficit) on transactions with members	(17,346)	(12,284)
Total tax charge	259	1,052

## Advance Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2021

#### 9 Tangible assets

	Leasehold Improvements £	Fixtures and fittings £	Total £
<b>Cost or valuation</b>			
At 1 October 2020	47,637	44,985	92,622
Additions	-	17,495	17,495
At 30 September 2021	<u>47,637</u>	<u>62,480</u>	<u>110,117</u>
<b>Depreciation</b>			
At 1 October 2020	37,660	34,289	71,949
Charge for the year	5,177	4,102	9,279
At 30 September 2021	<u>42,837</u>	<u>38,391</u>	<u>81,228</u>
<b>Carrying amount</b>			
At 30 September 2021	<u>4,800</u>	<u>24,089</u>	<u>28,889</u>
At 30 September 2020	<u>9,977</u>	<u>10,695</u>	<u>20,672</u>

#### 10 Debtors

	2021 £	2020 £
Loans to members	1,374,807	1,307,315
Provision for bad debts	(46,028)	(62,477)
Prepayments and accrued income	62,252	26,187
Total current and other debtors	<u>1,391,031</u>	<u>1,271,025</u>

#### 11 Cash and cash equivalents

	2021 £	2020 £
Cash on hand	6,695	3,084
Cash at bank	819,028	878,788
Short-term deposits	2,084,977	1,784,182
	<u>2,910,700</u>	<u>2,666,054</u>

## Advance Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2021

#### 12 Creditors

	Note	2021 £	2020 £
<b>Due within one year</b>			
Juvenile deposits		76,614	60,628
Social security and other taxes		6,540	4,200
Accrued expenses		20,744	9,416
Income tax liability	8	254	1,047
Deferred grants		39,520	106,750
		143,672	182,041

Deferred grants are made up of revenue items yet to be drawn down totalling £20,358 and deferred capital sums to be drawn down over the life of the related asset amounting to £19,162. During the year, £52,823 (2020: £41,466) was released in respect of losses incurred due to the pandemic and to fund IT investment. In addition, £30,485 (2020: £23,294) was released from an existing grant from the Oak Foundation in respect of the credit union's development programme. A further £834 (2020: £Nil) was released in respect of advertising costs as part of the MAPS project.

#### 13 Pension and other schemes

##### Defined contribution pension scheme

The Credit Union operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Credit Union to the scheme and amounted to £5,899 (2020 - £5,976).

#### 14 Member shares

	2021 £	2020 £
As at 1 October 2020	3,369,493	2,814,610
Cash inflow from share deposits	6,207,630	5,758,734
Cash outflow from share withdrawals	(5,874,226)	(5,203,851)
As at 30 September 2021	3,702,897	3,369,493

## Advance Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2021

#### 15 Obligations under leases and hire purchase contracts

##### Operating leases

The total of future minimum lease payments is as follows:

	2021 £	2020 £
Not later than one year	61,160	13,500
Later than one year and not later than five years	<u>194,726</u>	<u>36,027</u>
	<u>255,886</u>	<u>49,527</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £26,326 (2020 - £14,512).

#### 16 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/dividends payable.

The main financial risks arising from the Credit Union activities are credit risk, liquidity risk, market 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 this 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 repayment has changed. There is also the risk that the Credit Union's surplus cash held as deposits may be lost due to financial institution failure. The Credit Union mitigates this risk by holding deposits in a range of financial institutions and undertaking regular due diligence on the financial stability of these institutions.

**Liquidity risk:** The Credit Union's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet 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.

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

**Interest rate risk:** The Credit Union's main interest rate risk arises from differences between the interest rate exposures on the receivables and payables that form an integral part of a Credit Union's operations. The Credit Union considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital. The Credit Union does not use interest rate options to hedge its own positions.

## Advance Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2021

#### 17 Interest rate risk disclosures

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

	2021		2020	
	Amount £	Average interest rate	Amount £	Average interest rate
<b>Financial assets</b>				
Loans to members	1,374,807	28.34%	1,307,315	29.63%
<b>Shares repayable on demand</b>				
Members shares	3,702,897	0.50%	3,369,493	0.5%

The interest rates applicable to loans to members are fixed and range from 9.0% to 36%.

The interest payable on shares is determined on the basis of income less administrative expenses and, as can be seen above, a consistent margin is maintained between interest receivable and interest payable. As a result, the surplus for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

#### 18 Dividends

Dividends are accounted for when approved by a vote of the members. The amount available for distribution from the dividend reserve at the balance sheet date was £17,248 (2020: £14,617).

#### 19 Contingent liabilities

The Credit Union participates in the Financial Services Compensation Scheme (FSCS) which provides protection for its members up to the level of protection offered by the FSCS. As a result of the Credit Unions participation it has a contingent liability, which cannot be quantified in respect of future contributions to the FSCS, as required by the Financial Services and Markets Act 2000. Such contributions are 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 the Credit Union will have to pay.

#### 20 Non adjusting events after the financial period

Following the year end Advance Credit Union Limited continued discussions to merge with Circul8 Credit Union. A motion to continue investigating the possibility of a merger was accepted at the AGM by the members of Circul8 Credit Union on 24th September 2021. At the time of signing the audit report the merger had not been formally approved by the regulator.

## Advance Credit Union Limited

### Notes to the Financial Statements for the Year Ended 30 September 2021

#### 21 Credit risk disclosures

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

The carrying amount of the loans to members represents 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.

The Credit Union reviews all loans which have fallen in arrears and makes a provision against the net exposure on any balances where recovery is doubtful at the rates of provision set by the PRA. Management review the overall performance of the loan book in addition to this and include an additional prudent provision where necessary. The total of such provision is £9,703 (2020: £11,775).

	2021		2020	
	Amount £	Proportion %	Amount £	Proportion %
<b>Not impaired:</b>				
Neither past due not impaired	1,272,284	92.54%	1,180,925	90.33%
Up to 3 months past due	43,119	3.14%	43,869	3.36%
Between 3 and 6 months past due	-	0.00%	-	0.00%
Between 6 months and 1 year past due	-	0.00%	-	0.00%
Over 1 year past due	-	0.00%	-	0.00%
<b>Sub-total: loans not impaired</b>	1,315,403	95.68%	1,224,794	93.69%
<b>Individually impaired:</b>				
Not yet past due, but impaired	-	0.00%	-	0.00%
Up to 3 months past due	-	0.00%	-	0.00%
Between 3 and 6 months past due	17,741	1.29%	22,561	1.73%
Between 6 months and 1 year past due	23,248	1.69%	48,124	3.68%
Over 1 year past due	18,415	1.34%	11,836	0.91%
<b>Total loans</b>	1,374,807	100%	1,307,315	100%
<b>Impairment allowance</b>	(46,028)		(62,477)	
<b>Total carrying value</b>	1,328,779		1,244,838	

#### 22 Related party transactions

During the year 0 board members (2020: 0), 0 members of staff (2020: 2) and 1 other close relative (2020: 1) took out loans on the same basis as other members of the Credit Union.

## Advance Credit Union Limited

### Detailed Revenue Account for the Year Ended 30 September 2021

	2021 £	2020 £
Income (analysed below)	<u>531,795</u>	<u>523,552</u>
Gross surplus (%)	100%	100%
<b>Administrative expenses</b>		
Employment costs (analysed below)	224,715	238,519
General administrative expenses (analysed below)	161,089	124,855
Finance charges (analysed below)	11,456	11,876
Depreciation costs (analysed below)	9,278	9,530
Impairment losses on loans to members	<u>32,601</u>	<u>68,582</u>
	<u>439,139</u>	<u>453,362</u>
Operating surplus	<u>92,656</u>	<u>70,190</u>
Surplus before tax	<u>92,656</u>	<u>70,190</u>



## Advance Credit Union Limited

### Detailed Revenue Account for the Year Ended 30 September 2021

	2021 £	2020 £
<b>Income</b>		
Interest on members loans	389,639	387,327
Bank deposit interest	1,363	5,537
Other income	6,171	6,527
Grants released	84,142	77,976
Sundry income	50,480	46,185
	<u>531,795</u>	<u>523,552</u>
<b>Employment costs</b>		
Wages and salaries	167,910	177,954
Staff NIC (Employers)	50,531	53,961
Staff pensions (Defined contribution)	5,898	5,976
Staff training	376	628
	<u>224,715</u>	<u>238,519</u>
<b>General administrative expenses</b>		
Insurance	26,998	23,588
Rent, rates and service charge	33,187	21,417
Office running costs	54,962	34,036
Printing, postage and stationery	3,002	2,934
Sundry expenses	470	1,469
Travel and subsistence	26	1,304
Advertising	3,650	7,056
Accountancy and payroll	1,685	1,746
Auditor's remuneration - The audit of the credit union's annual accounts	5,280	5,280
Legal and professional fees	31,829	26,025
	<u>161,089</u>	<u>124,855</u>
<b>Finance charges</b>		
Bank charges	11,456	11,876
<b>Depreciation costs</b>		
Depreciation	9,278	9,530
<b>Impairment losses on loans to members</b>		
Impairment expense	32,601	68,582
Operating surplus	<u>92,656</u>	<u>70,190</u>
Surplus before tax	<u>92,656</u>	<u>70,190</u>

This page does not form part of the statutory financial statements.