

ADVANCE CREDIT UNION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

Draft Financial Statements
ADVANCE CREDIT UNION LIMITED

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ADVANCE CREDIT UNION LIMITED

CREDIT UNION INFORMATION

Directors	Helen Torresi (Chair) Richard Yelder Inderpreet Johal Adedeji Adesomowo	(Appointed 19 March 2022) (Appointed 19 March 2022) (Appointed 18 August 2022) (Appointed 2 September 2022)
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Secretary	Inderpreet Johal
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Company number	IP00130C
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Registered office	200 Sutton New Road Erdington Birmingham B23 6QU
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Auditor	Xeinadin Audit Limited 2 Hilliards Court Chester Business Park Chester Cheshire CH4 9QP
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Bankers	Barclays Bank Plc Leicester LE87 2BB
	Unity Trust Bank Plc 9 Brindley Place Birmingham B1 2HB

Draft Financial Statements
ADVANCE CREDIT UNION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

The directors present their annual report and financial statements for the year ended 30 September 2022.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Helen Torresi (Chair)	(Appointed 19 March 2022)
Richard Yelder	(Appointed 19 March 2022)
Thomas Gilbert	(Appointed 19 March 2022 and resigned 26 April 2022)
Gerardine Giblin	(Appointed 19 March 2022 and resigned 9 August 2022)
Jackie Parker	(Appointed 19 March 2022 and resigned 20 February 2023)
Jacqueline Fahey	(Resigned 14 March 2022)
Inderpreet Johal	(Appointed 18 August 2022)
Adedeji Adesomowo	(Appointed 2 September 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.

Results and dividends

The surplus for the year amounted to £33,368 (2021: £77,834). Particulars of the dividends paid are detailed in note 16 to the financial statements.

The dividend is calculated at 0% (2021: 0.5%) for the member accounts and junior accounts. The remainder of the surplus is transferred to general reserve.

Auditor

Xeinadin Audit Limited were appointed as auditor to the Credit Union and in accordance with The Co-operative and Community Benefit Societies Act 2014, a resolution proposing that they be re-appointed will be put at the Annual General Meeting.

Statement of 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 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 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 directors are required to:

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

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

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DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Credit Union's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Credit Union's auditor is aware of that information.

On behalf of the board

.....
Helen Torresi (Chair)
Director

.....
Richard Yelder
Director

Date:

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 (the 'Credit Union') for the year ended 30 September 2022 which comprise the revenue account, the balance sheet, the statement of changes in reserves and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2022 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 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 directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Co-operative and Community Benefit Societies Act 2014

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ADVANCE CREDIT UNION LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Credit Union 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:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Committee of Management remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as 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 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 directors 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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

- 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.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF ADVANCE CREDIT UNION LIMITED

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.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Xeinadin Audit Limited

Date:

Chartered Accountants
Statutory Auditors

2 Hilliards Court
Chester Business Park
Chester
Cheshire
CH4 9QP

Draft Financial Statements
ADVANCE CREDIT UNION LIMITED

REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

		2022	2021
		£	£
Loan interest receivable and similar income	3	428,288	391,002
Interest payable	4	(16,590)	(14,563)
Net interest income		<u>411,698</u>	<u>376,439</u>
Fees and commissions receivable	5	67,090	56,651
Fees and commissions payable		(36,554)	(33,340)
Net fees and commissions receivable		<u>30,536</u>	<u>23,311</u>
Other income	6	87,959	84,142
Administrative expenses		(320,760)	(295,848)
Depreciation and amortisation	16	(12,980)	(9,279)
Other operating expenses		(124,917)	(68,071)
Impairment losses on loans to members	15	(50,520)	(32,601)
Total expenditure		<u>(421,218)</u>	<u>(321,657)</u>
Surplus before taxation		21,016	78,093
Taxation	12	(1,353)	(259)
Surplus for the financial year		<u>19,663</u>	<u>77,834</u>
Other comprehensive income		-	-
Total comprehensive income		<u><u>19,663</u></u>	<u><u>77,834</u></u>

The revenue account has been prepared on the basis that all operations are continuing operations.

Draft Financial Statements
ADVANCE CREDIT UNION LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2022

	Notes	2022		2021	
		£	£	£	£
Assets					
Cash, cash equivalents and liquid deposits					
Loans and advances to banks	13		3,031,093		2,910,700
Loans and advances to members	14		1,292,020		1,328,779
Tangible fixed assets	16		22,147		28,889
Prepayments and accrued income	17		39,749		62,252
Total assets			<u>4,385,009</u>		<u>4,330,620</u>
Liabilities					
Subscribed capital - repayable on demand	18		3,775,830		3,702,897
Other payables	19		105,465		143,672
			3,881,295		3,846,569
Retained earnings					
General reserves			503,714		466,803
Dividend reserves			-		17,248
Total liabilities			<u>4,385,009</u>		<u>4,330,620</u>

The financial statements were approved by the board of directors and authorised for issue on and are signed on its behalf by:

.....
Helen Torresi (Chair)
Director

.....
Richard Yelder
Director

Company Registration No. IP00130C

ADVANCE CREDIT UNION LIMITED**STATEMENT OF CHANGES IN RESERVES****FOR THE YEAR ENDED 30 SEPTEMBER 2022**

	Notes	General reserves £	Dividend reserves £	Total £
Balance at 1 October 2020		391,600	14,617	406,217
Year ended 30 September 2021:				
Surplus for the year pre dividend		-	92,397	92,397
Dividend paid	4	-	(14,563)	(14,563)
		-----	-----	-----
Surplus for the year post dividend		-	77,834	77,834
Transfers		75,203	(75,203)	-
		-----	-----	-----
Balance at 30 September 2021		466,803	17,248	484,051
Year ended 30 September 2022:				
Surplus for the year pre dividend		-	36,253	36,253
Dividend paid	4	-	(16,590)	(16,590)
		-----	-----	-----
Surplus for the year post dividend		-	19,663	19,663
Transfers		36,911	(36,911)	-
		-----	-----	-----
Balance at 30 September 2022		503,714	-	503,714
		=====	=====	=====

ADVANCE CREDIT UNION LIMITED**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 30 SEPTEMBER 2022**

	Notes	2022		2021	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	28		33,366		11,844
Income taxes paid			(259)		(1,052)
Net cash inflow from operating activities			<u>33,107</u>		<u>10,792</u>
Investing activities					
Purchase of tangible fixed assets		(6,238)		(17,495)	
Net cash used in investing activities			<u>(6,238)</u>		<u>(17,495)</u>
Financing activities					
Proceeds from issue of shares		4,988,893		6,207,630	
Redemption of shares		(4,915,960)		(5,874,226)	
Loans to new members		(2,842,918)		(2,813,845)	
Repayment of loans by members		2,880,099		2,746,353	
Members interest		(16,590)		(14,563)	
Net cash generated from financing activities			<u>93,524</u>		<u>251,349</u>
Net increase in cash and cash equivalents			<u>120,393</u>		<u>244,646</u>
Cash and cash equivalents at beginning of year			<u>2,910,700</u>		<u>2,666,054</u>
Cash and cash equivalents at end of year			<u><u>3,031,093</u></u>		<u><u>2,910,700</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies

Credit Union information

The registered office for Advance Credit Union is 200 Sutton New Road, Erdington, Birmingham, B23 6QU.

Legal and regulatory framework

Advance 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 is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation under the provisions of the 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.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Co-operative and Community Benefit Societies Act 2014.

The financial statements are prepared in sterling, which is the functional currency of the Credit Union. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the Credit Union has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 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 effective interest method, and is calculated and accrued on a daily basis.

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

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

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	20% straight line
Fixtures and fittings	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the Credit Union reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks and other short-term liquid investments.

1.7 Financial instruments

The Credit Union has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Credit Union's balance sheet when the Credit Union becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include loans to members and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

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.

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 Prudential Regulation Authority (PRA)/Financial Conduct Authority (FCA).

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Credit Union after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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.

1.8 Equity instruments

Equity instruments issued by the Credit Union are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Credit Union.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Accounting policies

(Continued)

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

1.10 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.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.13 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.

1.14 Reserves

Income and expenditure are the accumulated surpluses to date that have not been declared as dividends returnable to members.

2 Judgements and key sources of estimation uncertainty

In the application of the Credit Union's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

ADVANCE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 SEPTEMBER 2022****2 Judgements and key sources of estimation uncertainty****(Continued)****Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Impairment losses on loans to members

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 rate of provision. Management review the overall performance of the loan book in addition to this and include an additional prudent provision where necessary.

The Credit Union calculate a bad debt provision in line with FCA requirement - CREDS 7.5 Provisioning. This is calculated as follows:

- 35% of the net liability where the borrower is more than 3 months in arrears.
- 60% of the net liability where the borrower is more than 6 months in arrears.
- 80% of the net liability where the borrower is more than 9 months in arrears.
- 100% of the net liability where the borrower is more than 12 months in arrears.

3 Loan interest receivable and similar income

	2022	2021
	£	£
Loan interest receivable from members	421,165	389,639
Bank interest receivable on cash and liquid deposits	7,123	1,363
	<u>428,288</u>	<u>391,002</u>

4 Interest expense

Interest expense is the dividend paid to members for the prior year. The dividend is formally proposed by the Directors after the year end and is confirmed at the following AGM. As a result it does not represent a liability at the balance sheet date. No dividend is to be proposed for the year ended 30 September 2022.

	2022	2021
	£	£
Interest paid during the year	<u>16,590</u>	<u>14,563</u>
Dividend rate	0.00%	0.50%
Interest proposed but not recognised	<u>-</u>	<u>17,248</u>

Draft Financial Statements
ADVANCE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022

5 Fees and commissions receivable	2022	2021
	£	£
Entrance fees	65,229	48,728
Service fees	1,861	7,923
	<hr/>	<hr/>
Total fees and commission receivable	67,090	56,651
	<hr/> <hr/>	<hr/> <hr/>
6 Other income	2022	2021
	£	£
Grant income	82,260	84,142
Sundry income	5,699	-
	<hr/>	<hr/>
Total other income	87,959	84,142
	<hr/> <hr/>	<hr/> <hr/>
7 Administrative expenses	2022	2021
	£	£
Employment costs	218,857	224,339
Staff training and expenses	3,910	402
Auditors remuneration - audit services	5,280	5,280
Auditors remuneration - non-audit services	1,650	1,685
Legal and professional	28,799	25,119
Telephone	2,097	3,112
Computer running charges	33,694	26,373
General expenses	1,192	469
Hire of equipment	2,617	2,417
Printing, postage and stationery	2,719	3,002
Marketing and advertising	18,623	3,650
	<hr/>	<hr/>
	319,439	295,848
	<hr/> <hr/>	<hr/> <hr/>

Draft Financial Statements
ADVANCE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022

8 Other operating expenses

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

	2022	2021
	£	£
Cost of occupying the offices (excluding depreciation)		
Rent and rates	80,828	33,187
Power, light and heat	4,091	1,176
	<u>84,918</u>	<u>34,363</u>
Regulatory and financial management costs		
Financial Conduct Authority and Prudential Regulation Authority fees	1,540	724
Association of British Credit Union dues	6,805	5,985
Fidelity bond insurance	2,688	2,240
Loan protection and life savings insurance	26,990	23,225
Other insurances	2,730	1,534
	<u>40,753</u>	<u>33,708</u>
	<u><u>125,671</u></u>	<u><u>68,071</u></u>

9 Employees

The average monthly number of persons including directors employed by the Credit Union during the year was:

	2022	2021
	Number	Number
Administration and support	<u>8</u>	<u>8</u>

Their aggregate remuneration comprised:

	2022	2021
	£	£
Wages and salaries	193,712	167,910
Social security costs	19,104	50,531
Pension costs	6,041	5,898
	<u>218,857</u>	<u>224,339</u>

10 Directors' remuneration

No remuneration was paid to the directors.

ADVANCE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 30 SEPTEMBER 2022**11 Retirement benefit schemes**

	2022	2021
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	6,041	5,898
	<u>6,041</u>	<u>5,898</u>

The Credit Union operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Credit Union in an independently administered fund.

12 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	1,353	259
	<u>1,353</u>	<u>259</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the surplus and deficit and the standard rate of tax as follows:

	2022	2021
	£	£
Profit before taxation	37,606	92,656
	<u>37,606</u>	<u>92,656</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	7,145	17,605
Non-taxation surplus/(deficit) on transactions with members	(5,792)	(17,346)
	<u>1,353</u>	<u>259</u>
Taxation charge for the year	1,353	259
	<u>1,353</u>	<u>259</u>

13 Cash, cash equivalents and liquid deposits

	2022	2021
	£	£
Cash at hand	3,002	6,695
Loans and advances to banks	948,075	819,028
Short-term deposits	2,078,662	2,084,977
	<u>3,029,739</u>	<u>2,910,700</u>
	<u>3,029,739</u>	<u>2,910,700</u>

ADVANCE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 SEPTEMBER 2022**

14 Loans and advances to members

	2022	2021
	£	£
As at 1 October 2021	1,374,807	1,307,315
Advanced during the year	2,842,918	2,813,845
Repaid during the year	(2,880,099)	(2,746,353)
	<hr/>	<hr/>
Gross loans and advances to members	1,337,626	1,374,807
Impairment losses		
Groups of financial assets	(45,606)	(46,028)
	<hr/>	<hr/>
As at 30 September 2022	<u>1,292,020</u>	<u>1,328,779</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022

15 Credit risk disclosure

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 Unions 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 £10,412 (2021:£9,703).

	2022	2022	2021	2021
	Amount	Proportion	Amount	Proportion
	£	%	£	%
Not impaired:				
Neither past due not impaired	1,239,096	92.63%	1,272,284	92.54%
Up to 3 months past due	38,821	2.90%	43,119	3.14%
Between 3 and 6 months past due	-	-	-	-
Between 6 and 12 months past due	-	-	-	-
Over 12 months past due	-	-	-	-
	<u>1,277,917</u>	<u>95.53%</u>	<u>1,315,403</u>	<u>95.68%</u>
Loans not impaired				
Groups of financial assets impaired:				
Not yet past due, but impaired	-	-	-	-
Up to 3 months past due	-	-	-	-
Between 3 and 6 months past due	17,218	1.29%	17,741	1.29%
Between 6 and 12 months past due	29,309	2.19%	23,248	1.69%
Over 12 months past due	13,202	0.99%	18,415	1.34%
	<u>1,337,646</u>	<u>100.00%</u>	<u>1,374,807</u>	<u>100.00%</u>
Total loans				
	<u>1,337,646</u>		<u>1,374,807</u>	
Impairment allowance	(45,606)		(46,028)	
	<u>1,292,040</u>		<u>1,328,779</u>	
Total carrying value				
	<u>1,292,040</u>		<u>1,328,779</u>	

Draft Financial Statements
ADVANCE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022

16 Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Total £
Cost			
At 1 October 2021	47,637	62,480	110,117
Additions	3,371	2,867	6,238
Disposals	(16,351)	(21,972)	(38,323)
At 30 September 2022	<u>34,657</u>	<u>43,375</u>	<u>78,032</u>
Depreciation and impairment			
At 1 October 2021	42,837	38,391	81,228
Depreciation charged in the year	5,362	7,618	12,980
Eliminated in respect of disposals	(16,351)	(21,972)	(38,323)
At 30 September 2022	<u>31,848</u>	<u>24,037</u>	<u>55,885</u>
Carrying amount			
At 30 September 2022	<u>2,809</u>	<u>19,338</u>	<u>22,147</u>
At 30 September 2021	<u>4,800</u>	<u>24,089</u>	<u>28,889</u>

17 Prepayments and accrued income

	2022 £	2021 £
Amounts falling due within one year:		
Prepayments and accrued income	39,749	62,252
	<u>39,749</u>	<u>62,252</u>

18 Subscribed capital - repayable on demand

	2022 £	2021 £
Members' shares brought forward	3,702,897	3,369,493
Share deposits during the year	4,943,406	6,207,630
Share withdrawals during the year	(4,870,971)	(5,874,226)
	<u>3,775,332</u>	<u>3,702,897</u>

ADVANCE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 SEPTEMBER 2022****19 Other payables**

		2022	2021
		£	£
Juvenile deposits		63,304	76,614
Income tax liability		1,349	254
Other taxation and social security		4,019	6,540
Deferred grants	20	20,267	39,520
Accrued expenses		16,526	20,744
		<u>105,465</u>	<u>143,672</u>

20 Deferred grants

Deferred grants are made up of revenue items yet to be drawn down totalling £Nil (2021: £20,358) and deferred capital sums to be drawn down over the life of the related asset amounting to £20,267 (2021: £19,162). During the year, £16,192 (2021: £52,823) was released in respect of losses incurred due to the pandemic and to fund IT investment. In addition, £557 (2021: £30,485) was released from an existing grant from the Oak Foundation in respect of the Credit Union's development programme. A further £4,166 (2021: £834) was released in respect of advertising costs as part of the MAPS project.

21 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 a 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.

Draft Financial Statements
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022

22 Interest rate risk

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

	2022	2022	2021	2021
	Amount	Average Interest Rate	Amount	Average Interest Rate
Financial Assets				
Loans to members	£1,337,645	31.28%	£1,374,807	28.34%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial Liabilities				
Members' shares	£3,775,332	0.00%	£3,702,897	0.50%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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.

23 Liquidity risk

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

24 Fair value financial instruments

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

25 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 FSCS. As a result of the Credit Union participation it has a contingent liability, which cannot be quantified in respect of future contributions to the FSCS, as requested 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.

26 Operating lease commitments

Lessee

At the reporting end date the Credit Union had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	£	£
Within one year	61,855	61,160
Between two and five years	132,817	194,726
	<u> </u>	<u> </u>
	<u>194,672</u>	<u>255,886</u>

ADVANCE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 SEPTEMBER 2022****26 Operating lease commitments****(Continued)**

The amount of non-cancellable operating lease payments recognised as an expense during 2022 was £62,766 (2021: £26,326).

27 Related party transactions

During the year 0 board members (2021: 0), 0 members of staff (2021: 0) and 0 other close relative (2020: 1) took out loans on the same basis as other members of the Credit Union.

28 Cash generated from operations

	2022	2021
	£	£
Profit for the year after tax	19,663	77,834
Adjustments for:		
Taxation charged	1,353	259
Members interest	16,590	14,563
Depreciation and impairment of tangible fixed assets	12,980	9,278
Movements in working capital:		
Decrease/(increase) in debtors	22,081	(52,514)
(Decrease)/increase in creditors	(20,048)	29,654
Decrease in deferred income	(19,253)	(67,230)
Cash generated from operations	<u>33,366</u>	<u>11,844</u>

29 Analysis of changes in net funds

	1 October	Cash flows 30 September	
	2021		2022
	£	£	£
Cash at bank and in hand	<u>2,910,700</u>	<u>120,393</u>	<u>3,031,093</u>