

FCA Registration number: IP00130C

Advance Credit Union Limited

Annual Report and Financial Statements

for the Year Ended 30 September 2019



HALLIDAYS
MORE THAN JUST ACCOUNTANTS

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

Chair	Melanie Lockey
Chief executive	Philip Cole
Directors	Pat Tennant Melanie Lockey Jaqueline Fahey Marilyn Dixon Farouq Hussain Richard Coulter Jo McDonald Liam Kinsella Lorraine Moses Copeman
Secretary	Pat Tennant
Registered office	200 Sutton New Road Erdington Birmingham B23 6QU
Bankers	HSBC 56 High Street Erdington Birmingham B1 2HB Unity Trust Bank Plc Nine Bridleyplace Birmingham B1 2HB Barclays Bank Plc Leister LE8 2BB
Auditors	Hallidays Statutory Auditor Riverside House Kings Reach Business Park Yew Street Stockport SK4 2HD

Advance Credit Union Limited

Directors' Report Year Ended 30 September 2019

The Board of directors present their report and the financial statements for the year ended 30 September 2019.

The Board of Directors

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

Pat Tennant
Melanie Lockey
Jacqueline Fahey
Marilyn Dixon
Richard Coulter
Liam Kinsella
Lorraine Moses Copeman
Jo McDonald
Farouq Hassain

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 accounts show the results for the year's activities for the credit union

The surplus for the year, before taxation, amounted to £71,489 (2018: £68,588). Particulars of the dividends paid are detailed in note 16 to the financial statements,

The dividend is calculated at 1.00% (2018: 1.00%) for the Member Accounts and Junior Accounts. The remainder of the surplus is transferred to the general reserve.

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. 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.

Advance Credit Union Limited

Directors' Report Year Ended 30 September 2019

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 and signed on its behalf by:

.....
Melanie Lockey
Chair

.....
Jacqueline Fahey
Director

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 2019, which comprise of the Revenue Account, Statement of Financial Position, 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 2019 and of its profit 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

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

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

Advance Credit Union Limited

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, 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.

Opinion on other matter prescribed by The Co-operative and Community Benefit Societies Act 2014

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 2019 and of its profit 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.

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:

- 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.

Respective responsibilities of The Board of Directors

As explained more fully in the Board of Directors' Responsibilities (set out on page 2), 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 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'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.

Advance Credit Union Limited

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

.....
Nichola Coles FCCA (Senior Statutory Auditor)
For and on behalf of Hallidays, Statutory Auditor
Riverside House
Kings Reach Business Park
Yew Street, Stockport
SK4 2HD

Date:.....

Advance Credit Union Limited

Revenue Account for the Year Ended 30 September 2019

	Note	2019 £	2018 £
Income	3	424,784	375,637
Administrative expenses		<u>(352,021)</u>	<u>(305,543)</u>
Operating surplus	4	<u>72,763</u>	<u>70,094</u>
Surplus/(Deficit) before tax		72,763	70,094
Taxation	7	<u>(1,274)</u>	<u>(506)</u>
Surplus/(Deficit) for the financial year		<u><u>71,489</u></u>	<u><u>69,588</u></u>

The above results were derived from continuing operations.

Advance Credit Union Limited

(FCA Registration number: IP00130C)

Balance Sheet as at 30 September 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	8	26,395	31,817
Current assets			
Debtors	9	1,392,682	1,231,631
Cash at bank and in hand		<u>1,894,869</u>	<u>1,573,190</u>
		3,287,551	2,804,821
Creditors: Amounts falling due within one year	11	<u>(68,964)</u>	<u>(69,487)</u>
Net current assets		<u>3,218,587</u>	<u>2,735,334</u>
Net assets		<u>3,244,982</u>	<u>2,767,151</u>
Capital and reserves			
Members shares	12	2,885,416	2,466,891
General reserves		334,158	277,961
Dividend reserves		<u>25,408</u>	<u>22,299</u>
Total equity		<u>3,244,982</u>	<u>2,767,151</u>

Approved by the board on and signed on its behalf by:

.....
Melanie Lockey
Chair

.....
Jacqueline Fahey
Director

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

Advance Credit Union Limited

Statement of Changes in Equity for the Year Ended 30 September 2019

	Members shares £	General reserves £	Dividend reserves £	Total £
At 1 October 2018	2,466,891	277,961	22,299	2,767,151
Surplus for the year	-	-	71,489	71,489
Transfers	824	45,979	(46,803)	-
Capital transferred from Small Heath Credit Union	-	10,218	-	10,218
Total comprehensive income	824	56,197	24,686	81,707
Dividends	-	-	(21,577)	(21,577)
Member shares deposited	5,068,709	-	-	5,068,709
Member shares withdrawn	(4,651,008)	-	-	(4,651,008)
At 30 September 2019	<u>2,885,416</u>	<u>334,158</u>	<u>25,408</u>	<u>3,244,982</u>
	Members shares £	General reserves £	Dividend reserves £	Total £
At 1 October 2017	2,224,629	228,945	20,387	2,473,961
Surplus for the year	-	-	69,588	69,588
Transfers	-	49,016	(49,016)	-
Total comprehensive income	-	49,016	20,572	69,588
Dividends	-	-	(18,660)	(18,660)
Member shares deposited	4,080,640	-	-	4,080,640
Member shares withdrawn	(3,838,378)	-	-	(3,838,378)
At 30 September 2018	<u>2,466,891</u>	<u>277,961</u>	<u>22,299</u>	<u>2,767,151</u>

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

Advance Credit Union Limited

Statement of Cash Flows for the Year Ended 30 September 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Surplus for the year		71,489	69,588
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	9,342	9,153
Taxation provision	7	1,274	506
Impairment losses		<u>43,932</u>	<u>37,121</u>
		126,037	116,368
Working capital adjustments			
(Increase)/decrease in other debtors	9	(1,744)	2,307
Increase/(decrease) in other creditors	11	4,819	(3,804)
Capital introduced by Merger		10,820	9,258
(Decrease)/increase in deferred income, including government grants		<u>(6,230)</u>	<u>55,355</u>
Cash generated from operations		133,702	179,484
Taxation paid	7	<u>(386)</u>	<u>(274)</u>
Net cash flow from operating activities		<u>133,316</u>	<u>179,210</u>
Cash flows from investing activities			
Acquisitions of tangible assets		(3,919)	(9,916)
Cash flows from changes in operating assets and liabilities			
Dividends paid	16	(21,577)	(18,660)
Cash inflow from share deposits		5,068,390	4,080,640
Cash outflow from share withdrawals		(4,651,192)	(3,838,378)
New loans to members		(2,795,674)	(2,262,043)
Repayment of loans by members		<u>2,592,335</u>	<u>2,118,341</u>
Net cash flows from operating activities		<u>192,282</u>	<u>79,900</u>
Net increase in cash and cash equivalents		321,679	249,194
Cash and cash equivalents at 1 October		<u>1,573,190</u>	<u>1,323,996</u>
Cash and cash equivalents at 30 September		<u><u>1,894,869</u></u>	<u><u>1,573,190</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 2019

1 General information

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

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

The financial statements have been prepared on a going concern basis.

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.

Advance Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2019

Other grants

Grant income is included on an accruals basis with revenue grants credited to the income and expenditure account.

Grants in respect of capital expenditure are released to the statement of comprehensive income by equal annual instalments over the expected useful lives of the relevant assets.

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
Fixtures and fittings	20% straight line
Leasehold improvements	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 2019

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 key significant area of management estimates and judgements relates to the provision for bad debts. The basis of the bad debt provision is set out in note 18.

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 2019

3 Revenue

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

	2019	2018
	£	£
Loan interest receivable from members	362,539	327,196
Grants received	4,830	1,400
Other revenue	57,415	47,041
	<u>424,784</u>	<u>375,637</u>

4 Operating profit

Arrived at after charging/(crediting)

	2019	2018
	£	£
Depreciation expense	<u>9,342</u>	<u>9,153</u>

5 Staff costs

The aggregate payroll costs were as follows:

	2019	2018
	£	£
Wages and salaries	175,946	157,970
Staff training	1,340	509
	<u>177,286</u>	<u>158,479</u>

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

	2019	2018
	No.	No.
Administration and support	<u>8</u>	<u>7</u>

Advance Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2019

6 Auditors' remuneration

	2019 £	2018 £
Audit of the financial statements	5,280	5,280

	2019 £	2018 £
Audit of the financial statements	5,280	5,280
Non audit services	1,650	1,650
	6,930	6,930

7 Taxation

Tax charged/(credited) in the income statement

	2019 £	2018 £
Current taxation		
UK corporation tax	1,274	506

8 Tangible assets

	Leasehold Improvements £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 October 2018	47,637	37,258	84,895
Additions	-	3,919	3,919
At 30 September 2019	47,637	41,177	88,814
Depreciation			
At 1 October 2018	25,377	27,701	53,078
Charge for the year	6,180	3,161	9,341
At 30 September 2019	31,557	30,862	62,419
Carrying amount			
At 30 September 2019	16,080	10,315	26,395
At 30 September 2018	22,260	9,557	31,817

9 Debtors

Advance Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2019

	2019	2018
	£	£
Members' loans net of provision	1,379,382	1,221,401
Prepayments	13,300	10,230
	1,392,682	1,231,631
	1,392,682	1,231,631

The bad debt provision at the year end is £51,999 (2018: £41,179).

10 Cash and cash equivalents

	2019	2018
	£	£
Cash on hand	4,027	11,459
Cash at bank	541,018	469,935
Short-term deposits	1,349,824	1,091,796
	1,894,869	1,573,190
	1,894,869	1,573,190

11 Creditors

	Note	2019	2018
		£	£
Due within one year			
Social security and other taxes		7,592	2,778
Accrued expenses		6,659	6,654
Income tax liability	7	1,388	500
Deferred grants		53,325	59,555
		68,964	69,487
		68,964	69,487

During the year the credit union was approved a grant of £292,421 from Oak Foundation in respect of its development project. During the year £56,755 was received, of which £3,430 was released in respect of development expenditure incurred under the terms of the grant.

Advance Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2019

12 Share capital

	2019	2018
	£	£
As at 1 October 2018	2,466,891	2,224,629
Cash inflow from share deposits	5,069,533	4,080,640
Cash outflow from share withdrawals	(4,651,008)	(3,838,378)
	<u><u>2,885,416</u></u>	<u><u>2,466,891</u></u>

13 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2019	2018
	£	£
Not later than one year	13,500	13,500
Later than one year and not later than five years	49,527	50,711
Later than five years	-	6,750
	<u><u>63,027</u></u>	<u><u>70,961</u></u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £14,512 (2018 - £17,136).

Advance Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2019

14 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 2019

15 Interest rate risk disclosures

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

	2019		2018	
	Amount £	Average interest rate	Amount £	Average interest rate
Financial assets				
Loans to members	1,431,381	25.33%	1,262,580	25.91%
Shares repayable on demand				
Members shares	2,885,416	1.00%	2,466,891	1.00%

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.

16 Dividends

Dividends are accounted for when approved by the vote of members. The amount available for distribution from the dividend reserve at the balance sheet date was £25,408 (2018: 22,299).

17 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.

Advance Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2019

18 Credit risk disclosures

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.

	2019		2018	
	Amount	Proportion	Amount	Proportion
	£	%	£	%
Not impaired:				
Neither past due not impaired	1,273,735	86.97%	1,132,221	87.94%
Up to 3 months past due	97,580	6.66%	81,244	6.31%
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%
Sub-total: loans not impaired	1,371,315	93.63%	1,213,465	94.25%
Individually impaired:				
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	15,611	1.07%	16,841	1.31%
Between 6 months and 1 year past due	30,815	2.10%	24,662	1.92%
Over 1 year past due	46,821	3.20%	32,585	2.53%
Total loans	1,464,493	100%	1,287,553	100%
Impairment allowance	(85,110)		(66,152)	
Total carrying value	1,379,383		1,221,401	

19 Related party transactions

Summary of transactions with other related parties

During the year no board member (2018: 1), and no members of staff (2018: 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 2019

	2019 £	2018 £
Income (analysed below)	<u>424,784</u>	<u>375,637</u>
Gross surplus (%)	100%	100%
Administrative expenses		
Employment costs (analysed below)	177,286	158,479
General administrative expenses (analysed below)	108,749	87,225
Finance charges (analysed below)	12,712	13,565
Depreciation costs (analysed below)	9,342	9,153
Impairment losses on loans to members	<u>43,932</u>	<u>37,121</u>
	<u>352,021</u>	<u>305,543</u>
Operating surplus	<u>72,763</u>	<u>70,094</u>
Surplus before tax	<u><u>72,763</u></u>	<u><u>70,094</u></u>

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

Advance Credit Union Limited

Detailed Revenue Account for the Year Ended 30 September 2019

	2019 £	2018 £
Income		
Interest on members' loans	362,539	327,196
Bank deposit Interest	7,328	2,664
Other revenue	7,065	7,978
Grants released	4,830	1,400
Sundry income	43,022	36,399
	424,784	375,637
Employment costs		
Wages and salaries	175,946	157,970
Staff training	1,340	509
	177,286	158,479
General administrative expenses		
Insurance	24,068	20,371
Rent and rates	21,096	16,748
Office running costs	17,610	14,929
Printing, postage and stationery	4,631	7,627
Sundry expenses	2,293	2,412
Travel and subsistence	1,304	1,942
Advertising	2,899	-
Accountancy and payroll	1,650	1,650
Auditor's remuneration - The audit of the credit union's annual accounts	5,280	5,280
Legal and professional fees	27,918	16,266
	108,749	87,225
Finance charges		
Bank charges	12,712	13,565
Depreciation costs		
Depreciation	9,342	9,153
Impairment losses on loans to members		
Impairment expense	43,932	37,121
Operating surplus	72,763	70,094
Surplus before tax	72,763	70,094

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