

**Report of the Directors and
Financial Statements
for the Year Ended 30 September 2021
for
Enterprise Credit Union Limited**

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Enterprise Credit Union Limited

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for the Year Ended 30 September 2021

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BOARD OF MANAGEMENT: A Denny
J Delaney-Lynn
A McGlashan
K McGlashan
T Roberts
J France
P Jones
K Davies
J Austin

SECRETARY: Mrs J Delaney-Lynn

REGISTERED OFFICE: Wynsford
Hall Lane
Huyton
Merseyside
L36 6AX

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REGISTERED NUMBER: IP00115C (England and Wales)

FCA REFERENCE: 213291

AUDITORS: SB&P
Oriol House
2-8 Oriol Road
Bootle
Liverpool
Merseyside
L20 7EP

The Board of management present their report with the financial statements of the company for the Year Ended 30 September 2021.

PRINCIPAL ACTIVITY

The principal activity of the credit union in the year under review was that of providing loans to its members. Enterprise Credit Union Ltd is a society established under the Co-operative and Community Benefit Societies Act 2014 whose principal activity is to operate as a credit union, within the meaning of the Credit Unions Act 1979. Enterprise Credit Union Ltd has registered with the Financial Conduct Authority under the provisions of the Financial Services and Markets Act 2000.

BOARD OF MANAGEMENT

The directors shown below have held office during the period from 1 October 2020 to the date of this report.

A Denny
J Delaney-Lynn
A McGlashan
K McGlashan
T Roberts
J France
P Jones
K Davies
J Austin

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BOARD OF MANAGEMENT'S RESPONSIBILITIES

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

The Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979 require 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 that 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 and the Credit Unions 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information of which the credit union's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the credit union's auditors are aware of that information.

AUDITORS

The auditors, SB&P, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

.....
Mrs J Delaney-Lynn – Director & Secretary

Date:

Opinion

We have audited the financial statements of Enterprise Credit Union Limited for the Year Ended 30 September 2021 which comprise the Revenue Account, the Balance Sheet, the Statement of changes in retained earnings, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the society 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.

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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 Board of Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Management has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the credit union's ability to continue 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.

Other information

The Board of Management 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 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:

- the credit union has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation; or
- the revenue account, any other accounts to which our report relates, and the balance sheet are not in agreement with the credit union's books of account; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

Responsibilities of the Board of Management

As explained more fully in the Board of Management's responsibilities statement set out on page 2, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as it determines 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 Management is responsible for assessing the credit union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Management either intends to liquidate the credit union or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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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, except to the extent otherwise explicitly stated in our report, 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 Management.
- Conclude on the appropriateness of the Board of Management's 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 society 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.

**Report of the Independent Auditors to the Members of
Enterprise 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.

Use of our report

This report is made solely to the society's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society'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.

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SB&P
Statutory Auditor
2-8 Oriel Road
Bootle
Liverpool
Merseyside
L20 7EP

Date

Enterprise Credit Union Limited

Revenue Account
for the Year Ended 30 September 2021

	Notes	30.9.21 £	30.9.20 £
Loan interest receivable and similar income	4	3,090,888	2,656,692
Interest payable	5	(399,632)	(333,499)
NET INTEREST INCOME		2,691,256	2,323,193
Fees and commissions receivable		-	34,364
Fees and commissions payable		(17,977)	(12,292)
NET FEES AND COMMISSIONS RECEIVABLE		(17,977)	22,072
Other income		56,084	95,332
Administrative expenses		(909,769)	(871,723)
Depreciation and amortisation	9 & 10	(58,976)	(66,765)
Other operating expenses		(257,344)	(207,175)
Impairment losses on loans to members	11	(337,714)	(772,114)
SURPLUS BEFORE TAXATION	7	1,165,560	522,820
Taxation	8	2,145	2,274
SURPLUS FOR THE FINANCIAL YEAR		1,163,415	520,546
TOTAL COMPREHENSIVE INCOME		1,163,415	520,546

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A note of the additional recognised gains and losses are set out on page 8

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Balance Sheet
30 September 2021

	Notes	30.9.21 £	30.9.20 £
ASSETS			
Cash		16,833	46,931
Balances at banks		11,109,576	8,421,450
		<u>11,126,409</u>	<u>8,468,381</u>
Loans and advances to members	11	22,413,732	19,863,236
Intangible fixed assets	9	52,800	69,750
Tangible fixed assets	10	338,468	289,258
Prepayments and accrued income		126,773	137,326
		<u>34,058,182</u>	<u>28,827,951</u>
LIABILITIES			
Subscribed capital – repayable on demand	12	26,984,368	22,970,119
Deferred shares	13	50,000	50,000
Other payables	14	435,951	383,384
		<u>27,470,319</u>	<u>23,403,503</u>
Retained earnings		6,587,863	5,424,448
		<u>34,058,182</u>	<u>28,827,951</u>

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The financial statements were approved and authorised for issue by the Board of Management on
were signed on its behalf by:

and

.....
Mrs J Delaney-Lynn - Director & Secretary

.....
A Denny - Director

.....
K McGlashan - Director

Enterprise Credit Union Limited

Statement of changes in retained earnings
30 September 2021

	Notes	30.9.21 £	30.9.20 £
As at 1 October 2020		5,424,448	4,903,902
Total comprehensive income for the year		1,163,415	520,546
AS AT 30 SEPTEMBER 2021		<u><u>6,587,863</u></u>	<u><u>5,424,448</u></u>

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Enterprise Credit Union Limited

Cash Flow Statement
for the Year Ended 30 September 2021

	Notes	30.9.21 £	30.9.20 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus before taxation		1,165,560	522,820
Adjustments for non – cash items:			
Depreciation & Amortisation	9 & 10	57,067	66,765
Disposal of tangible fixed assets		1,909	-
Impairment losses	11	400,912	819,898
		<u>1,625,448</u>	<u>1,409,483</u>
Movements in:			
Prepayments and accrued income		10,553	(13,007)
Other payables	14	52,697	81,162
		<u>1,688,698</u>	<u>1,477,638</u>
CASH FLOWS FROM CHANGES IN OPERATING ASSETS AND LIABILITIES			
Cash inflow from subscribed capital	12	13,883,870	14,423,000
Cash outflow from repaid capital	12	(9,869,621)	(9,933,512)
New loans to members	11	(20,552,520)	(18,883,510)
Repayment of loans by members	11	17,601,112	16,784,132
		<u>2,751,539</u>	<u>3,867,748</u>
Taxation paid		(2,274)	(1,582)
		<u>2,749,265</u>	<u>3,866,166</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(91,237)	(7,280)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		<u>2,658,028</u>	<u>3,858,886</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		<u>8,468,381</u>	<u>4,609,495</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		<u><u>11,126,409</u></u>	<u><u>8,468,381</u></u>

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1. **LEGAL AND REGULATORY FRAMEWORK**

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

In accordance with the regulatory environment for credit unions, deposits from members can be made by subscription for redeemable shares, deferred shares and interest – bearing shares.

2. **ACCOUNTING POLICIES**

Basis of preparation

The financial statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are prepared on the historical cost basis.

Going concern

The financial statements are prepared on the going concern basis. The directors of the credit union believe this is appropriate despite a mismatch in the maturity analysis of subscribed capital and loans to members, because £10,654,847 (2020 - £9,834,360) of the subscribed capital is not redeemable at short notice unless loans with the same members have been repaid.

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Interest on members' loans

Interest on both loans to members and cash and cash equivalents held on deposit is calculated and accrued on a daily basis, and is recognised in the Revenue Account on an accruals basis.

Fees and commissions receivable

Fees and commissions receivable 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.

Intangible fixed assets

Intangible fixed assets comprise computer software, which is stated at cost, less accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Amortisation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer software	10% on cost
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Tangible fixed assets

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

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Long Leasehold building	4% on cost
Enhancements to property	4% on cost
Fixtures, Fittings & Equipment	10% on cost
Computer equipment	33.3% on cost

2. ACCOUNTING POLICIES (continued)

Taxation

The tax charge for the year reflects the 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 on its activities of making loans to members. However, corporation tax is payable on investment income.

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

Cash and cash equivalents

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

Financial assets - Loans to members

Loans to members are financial assets with fixed determinable payments and are not quoted in an active market.

Loans to members are recognised when cash is advanced and measured at amortised cost using the effective interest method so as to generate a constant rate of interest when applied to the amount of debt outstanding at the beginning of any period. Loans may be for a period up to seven years. 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. Provision for doubtful debts is made against current loan balances which the directors consider are uncollectible. The amount provided is calculated based on the number of weeks a loan is in arrears adjusted for any specific bad debts (using as a minimum a formula set out by the PRA). Any impairment losses are recognised in the revenue account, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

Financial liabilities - subscribed capital

Members' shareholdings are redeemable on demand, subject to settlement of any attached loans and therefore are classified as financial liabilities and described as subscribed capital. They are initially recognised at the amount of cash deposited and subsequently measured at amortised cost.

Deferred shares

Member's shareholdings in deferred shares are not redeemable on demand and are repayable only after all other liabilities have been paid. They are treated as part of the equity of the credit union. The dividends payable on these shares are treated as a distribution to members and are recognised in the Statement of Changes in Retained Earnings.

Grants and Service Contract Income

Revenue grants are recognised as income in the Revenue Account so as to match them with the expenditure towards which they are intended to contribute. Where the related expenditure has not yet been recognised in the Revenue Account the relevant amount of the grant is treated as deferred income.

Capital grants towards expenditure on fixed assets are taken to the Balance Sheet and amortised over the life of the assets to which they relate.

Reserves

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

Under FCA regulations, if the amount in its General reserve stands at less than 10% of its total assets the credit union must transfer to its General reserve at least 20% of its profits after tax for the year.

Employee benefits – including pension costs

The credit union operates a group personal pension scheme for the benefit of the employees. The contributions are charged to the Revenue Account as they accrue. The assets of the scheme are held separately in an independently administered fund.

Other employee benefits including holiday pay are recognised as an expense over the period they are earned.

Notes to the Financial Statements - continued
for the Year Ended 30 September 2021

3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of certain accounting estimates. It also requires the directors to exercise judgement in applying the credit union's accounting policies. The areas requiring a higher degree of judgement, or complexity and areas where assumptions or estimates are most significant to the financial statements are the impairment reviews of the financial assets as described in Note 2. The credit union uses observable evidence relating to the arrears of certain groups of loans in assessing the impairment provision together with evidence of past impairment reviews relating to loans with similar credit risk characteristics.

4. LOAN INTEREST RECEIVABLE AND SIMILAR INCOME

	30.9.21	30.9.20
	£	£
Loan interest receivable from members	3,079,599	2,644,721
Bank interest receivable on cash and liquid deposits	11,289	11,971
Total loan interest receivable and similar income	3,090,888	2,656,692

5. INTEREST PAYABLE

Interest payable 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.

	30.9.21	30.9.20
	£	£
Dividends paid on non- deferred shares	367,233	304,519
Interest payable on interest bearing shares	32,399	28,980
	399,632	333,499
Dividend rate	2%	2%
Dividend proposed, but not recognised	475,000	385,000
Juvenile dividend proposed but not recognised	4,100	3,400
Dividend rate	2%	2%

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6. EMPLOYEES AND EMPLOYMENT COSTS

	30.9.21	30.9.20
Average monthly number of employees during the year		
Office staff	22	22
	22	22
	30.9.21	30.9.20
	£	£
Wages and salaries	514,090	517,781
Redundancy	-	-
Social security costs	42,786	37,704
Payments to defined contribution pension schemes	45,790	41,263
	602,666	596,748

7. SURPLUS BEFORE TAXATION

The surplus before taxation is stated after (receiving) and charging:

	30.9.21	30.9.20
	£	£
Other grants receivable	(51,907)	(85,971)
Amortisation – owned assets	16,950	16,950
Depreciation – owned assets	40,117	49,815
Loss on sale of assets	1,909	-
Auditors' remuneration	10,200	10,320
	10,200	10,320
Directors' remuneration and other benefits etc	-	-

8. TAXATION

Recognised in the Revenue Account

The tax charge on the profit on ordinary activities for the year was as follows:

	30.9.21 £	30.9.20 £
Current tax:		
UK corporation tax	2,145	2,274
Total current tax and total taxation expense recognised in the Revenue Account	2,145	2,274

Reconciliation of taxation expense

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

	30.9.21 £	30.9.20 £
Surplus before taxation	1,165,560	522,820
Surplus before taxation multiplied by small profits rate of Corporation tax in the UK of 19%	221,456	99,336
Effects of		
Non – taxable surplus on transactions with members	(219,311)	(97,062)
Total current tax and total taxation expense recognised in the Revenue Account	2,145	2,274

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9. INTANGIBLE FIXED ASSETS

	Computer Software £	Totals £
COST		
At 1 October 2020	169,500	169,500
Additions	-	-
Disposals	-	-
At 30 September 2021	169,500	169,500
AMORTISATION		
At 1 October 2020	99,750	99,750
Charge for year	16,950	16,950
Eliminated on disposal	-	-
At 30 September 2021	116,700	116,700
NET BOOK VALUE		
At 30 September 2021	52,800	52,800
At 30 September 2020	69,750	69,750

10. TANGIBLE FIXED ASSETS

	Long leasehold £	Improvements to property £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1 October 2020	255,875	206,584	285,547	53,126	801,132
Additions	-	72,676	1,236	17,325	91,237
Disposals	-	-	(27,956)	(12,360)	(40,316)
At 30 September 2021	255,875	279,260	258,827	58,091	852,053
DEPRECIATION					
At 1 October 2020	111,511	158,163	194,623	47,577	511,874
Charge for year	10,235	8,263	17,640	3,979	40,117
Eliminated on disposal	-	-	(27,955)	(10,451)	(38,406)
At 30 September 2021	121,746	166,426	184,308	41,105	513,585
NET BOOK VALUE					
At 30 September 2021	134,129	112,834	74,519	16,986	338,468
At 30 September 2020	144,364	48,421	90,924	5,549	289,258

11. LOANS AND ADVANCES TO MEMBERS

Members Loans

	30.9.21 £	30.9.20 £
At 31 October 2020	20,543,852	18,963,017
Advanced during the year	20,552,520	18,883,510
Repaid during the year	(17,601,112)	(16,784,132)
Gross loans and advances to members	23,495,260	21,062,395
Impairment losses individual assets - Loans written off	(357,673)	(518,543)
Impairment losses groups of financial assets provision for doubtful loans	(723,855)	(680,616)
	22,413,732	19,863,236

11. LOANS AND ADVANCES TO MEMBERS (CONTINUED)

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. A member may not withdraw their savings below the threshold limits that applied. The maximum amount that a member may borrow is £15,000.

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 recovered in full.

The provision for loan impairment includes loans which do not meet the criteria for being derecognised (written off) under FRS 102. However the Board of Management believes it is prudent to make the provision based on historical outcomes.

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	30.9.21 Amount £	30.9.21 Proportion %	30.9.20 Amount £	30.9.20 Proportion %
Individually impaired:				
Not yet past due, but impaired	17,328,378	74.9	16,707,937	81.3
Up to 3 months past due	5,339,586	23.1	3,314,620	16.1
Between 3 months and 6 months past due	283,853	1.2	248,309	1.2
Between 6 months and 1 year past due	185,770	0.8	270,753	1.3
Over 1 year past due	-	-	2,233	0.1
	23,137,587	100%	20,543,852	100%
Impairment allowance	723,855		(680,616)	
	22,413,732		19,863,236	

Allowance account for impairment losses

	30.9.21 £	30.9.20 £
At 31 October 2020	680,616	379,261
Movement in allowances during the year	43,239	301,355
	723,855	680,616

11. LOANS AND ADVANCES TO MEMBERS (CONTINUED)

Impairment losses recognised for the year

	30.9.21 £	30.9.20 £
Impairment of individual financial assets	357,673	518,543
Movement in impairment allowances during the year	43,239	301,355
	<u>400,912</u>	<u>819,898</u>
Reversal of impairment where debts recovered	(63,198)	(47,784)
	<u>337,714</u>	<u>772,114</u>

12. SUBSCRIBED CAPITAL – FINANCIAL LIABILITIES MEMBERS SHARES

	30.9.21 £	30.9.20 £
At 1 October 2020	22,970,119	18,480,631
Received during the year	13,883,870	14,423,000
Withdrawn during the year	(9,869,621)	(9,933,512)
At 30 September 2021	<u>26,984,368</u>	<u>22,970,119</u>

Included above are shares amounting to £10,654,847 (2020 - £9,834,360) which are attached to the loans above. The shares above also include £1,428,539 (2020- £1,415,617) relating to corporate members.

13. DEFERRED SHARES – FINANCIAL LIABILITIES

	30.9.21 £	30.9.20 £
At 1 October 2020	50,000	50,000
Received during the year	-	-
Withdrawn during the year	-	-
At 30 September 2021	<u>50,000</u>	<u>50,000</u>

14. OTHER PAYABLES - CREDITORS

	30.9.21 £	30.9.20 £
Trade creditors	16,745	25,835
Corporation Tax	2,145	2,274
Social security and other taxes	13,283	7,920
Accrued expenses	156,583	100,009
Grants in advance	32,261	55,389
Juvenile deposits	214,934	191,957
	<u>435,951</u>	<u>383,384</u>

15. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES

Financial Risk management

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

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

Credit Risk

Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to the credit union, resulting in financial loss to the credit union. In order to manage 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.

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. Note 2 provides further details about the impact of the maturity mismatch on the going concern status of the credit union.

Market risk

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

Interest rate risk

The credit union's main interest rate risk arises from differences between the interest rate exposures on 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 and interest bearing shares. The credit union does not use interest rate options to hedge its own positions.

Interest rate risk disclosures

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

	30.9.21 Amount £	30.9.21 Average interest rate %	30.9.20 Amount £	30.9.20 Average interest rate %
Financial assets				
Loans to members	23,137,587	13.3	20,543,852	12.8
Financial liabilities				
Subscribed capital	25,346,482	2.0	21,370,637	2.0
Deferred shares	50,000	-	50,000	-
Interest bearing shares	1,637,886	2.0	1,599,482	2.0
	27,034,368		23,020,119	

The interest rates applicable to loans to members are fixed and range from 0.7% per month to 2% per month. The interest payable on subscribed capital 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.

15. **ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)**

Liquidity risk disclosures

Excluding short term other payables, as noted in the Balance Sheet, the credit union's financial liabilities, the subscribed capital, are payable on demand.

Fair value of financial instruments

The credit union does not hold any financial instruments at fair value.

16. **RELATED PARTY TRANSACTIONS**

During the year, 51 members of the Board, senior management and their close family members (2020: 25 members) had loans and savings with the credit union. These loans were approved on the same basis as loans to other members of the credit union. None of the directors, senior management or their close family members, have any preferential terms on their loans.

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17. **OPERATING LEASE COMMITMENTS**

The following operating lease payments are committed to be paid:

	30.9.21	30.9.20
	£	£
Within one year	9,330	18,167
Between one and five years	37,440	29,750
More than five years	780	9,062
	<u>47,550</u>	<u>56,979</u>

18. RESERVES

	General Reserves	Other Reserve	Development Reserve	Deferred Shares Reserve	Totals
At 1 October 2020	1,663,812	3,460,636	250,000	50,000	5,424,448
Dividends	-	(399,632)	-	-	(399,632)
Surplus for year	-	1,563,047	-	-	1,563,047
Transfer	312,609	(312,609)	-	-	-
At 30 September 2021	1,976,421	4,311,442	250,000	50,000	6,587,863

On 1 April 2011 the Growth Fund 2 Service contract was transferred from Creditors due in more than one year, together with interest received to date and an appropriate provision for Bad Debts to the Growth Fund Reserve. This is now treated as part of the capital reserves of the credit union, as a result of the changes in the contract governing the Growth Fund, and from 30 September 2018 has been included in Other Reserves.

During the year ended 30 September 2013 the credit union received a grant amounting to £90,000 from Liverpool City Council. The purpose of this grant was to provide loans to qualifying individuals in the Liverpool Area. As the conditions for receiving the grant have now been met, then this has been transferred to Other Reserves.

At the year ended 30 September 2014 the trustees decided to create a separate designated reserve to provide for future capital expenditure in Information Technology and other related costs.

The directors have agreed to transfer 20% of the Surplus for the year (2020 – 20%) to the General Reserve. The accounting policies on page 11 states that under PRA regulations at least 20% of the surplus must be transferred if the General reserve stands at less than 10% of the total assets.

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19. OTHER INFORMATION

Number of loans at 30 September	30.9.21 21,320	30.9.20 13,463
Percentage movement	58.4%	9.1%
Members at 30 September	26,152	23,248
Percentage movement	12.5%	14.7%
General reserve as a percentage of total assets	5.8%	5.8%
Capital asset ratio	19.4%	18.8%
Liquidity ratio	36.6 %	47.3%
Risk adjusted capital ratio	20.5 %	19.8%

Enterprise Credit Union Limited

Revenue Account
for the Year Ended 30 September 2021

	30.9.21		30.9.20	
	£	£	£	£
Turnover				
Loan interest		3,079,599		2,644,721
Other income				
Grants received	51,907		34,286	
Government grants received	-		51,685	
Bad debts recovered	63,198		47,784	
Other income	4,177		43,725	
Deposit account interest	11,289		11,971	
		<u>130,571</u>		<u>189,451</u>
		3,210,170		2,834,172
Expenditure				
Wages including pension costs	602,666		596,748	
Premises costs	49,608		46,690	
Insurance	7,242		2,380	
Telephone	32,933		33,863	
Printing, stationery and advertising	41,238		38,886	
Computer maintenance	73,920		57,556	
Repairs and renewals	25,087		13,846	
Fidelity insurance	8,895		8,540	
LP/LS insurance	129,112		112,572	
ABCUL dues	36,049		21,563	
PRA fees	1,351		1,584	
Sundry expenses	79,102		58,315	
Staff training	6,249		9,403	
Accountancy	6,395		12,666	
Debt collection fees	11,074		29,463	
Business development fees	45,992		24,503	
Auditors remuneration	10,200		10,320	
Amortisation of intangible fixed assets				
- Computer software	16,950		16,950	
Depreciation of tangible fixed assets				
- Long leasehold	10,235		10,235	
- Improvements to property	8,263		8,263	
- Fixtures and fittings	17,640		18,124	
- Computer equipment	3,979		13,193	
Disposal of tangible fixed assets	1,909		-	
Bad debts	357,673		518,543	
Bad debt provision	43,239		301,355	
		<u>1,627,001</u>		<u>1,965,561</u>
		1,583,169		868,611
Finance costs				
Bank charges		17,977		12,292
NET SURPLUS		<u><u>1,565,192</u></u>		<u><u>856,319</u></u>

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