

**Report of the Directors and
Financial Statements
for the Year Ended 30 September 2022
for
Enterprise Credit Union Limited**

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Enterprise Credit Union Limited

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for the Year Ended 30 September 2022

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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

Enterprise Credit Union Limited

**Report of the Board of Directors
for the Year Ended 30 September 2022**

The Board of Directors present their report with the financial statements of the company for the Year Ended 30 September 2022.

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 DIRECTORS

The directors shown below have held office during the period from 1 October 2021 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 DIRECTORS' 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 2022 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 2022 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

In auditing the financial statements, we have concluded that the Board of 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 Board of 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 Report of the Directors and Financial Statements, other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information contained within the Report of the Directors and Financial Statements. Our opinion on the financial statements does not cover the other information and 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.

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 Directors

As explained more fully in the Board of Directors' responsibilities statement set out on page 2, the Board of Directors 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 Directors 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 Directors 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

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

- We obtained an understanding of the legal and regulatory frameworks applicable to the Credit Union and the sector in which it operates, and identified the key laws and regulations that:
 - had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979; and
 - do not have a direct effect on the financial statements but compliance with which may be fundamental to the Credit Union's ability to operate or to avoid a material penalty. These included the Credit Union's regulatory requirements.
- We obtained an understanding of how the scheme is complying with those legal and regulatory frameworks by making enquiries of management, reviewing minutes of Board of Directors' meetings, and reviewing any correspondence with regulatory bodies.
- We assessed the susceptibility of the Credit Union's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the audit engagement team included:
 - identifying the controls that are in place to prevent and detect fraud;
 - challenging assumptions and judgements made in connection with significant accounting estimates;
 - addressing the risk of management override of controls, including testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business;
 - assessing the extent of compliance with the relevant laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

**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.

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

Date

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Enterprise Credit Union Limited

Revenue Account
for the Year Ended 30 September 2022

	Notes	30.9.22 £	30.9.21 £
Loan interest receivable and similar income	4	3,596,223	3,090,888
Interest payable	5	(493,875)	(399,632)
NET INTEREST INCOME		3,102,348	2,691,256
Fees and commissions payable		(38,246)	(17,977)
NET FEES AND COMMISSIONS RECEIVABLE		(38,246)	(17,977)
Other income		56,139	56,084
Administrative expenses		(1,089,390)	(909,769)
Depreciation and amortisation	9 & 10	(79,521)	(58,976)
Other operating expenses		(262,657)	(257,344)
Impairment losses on loans to members	11	(670,831)	(337,714)
SURPLUS BEFORE TAXATION	7	1,017,842	1,165,560
Taxation	8	2,210	2,145
SURPLUS FOR THE FINANCIAL YEAR		1,015,632	1,163,415
TOTAL COMPREHENSIVE INCOME		1,015,632	1,163,415

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

Enterprise Credit Union Limited

Balance Sheet
30 September 2022

	Notes	30.9.22 £	30.9.21 £
ASSETS			
Cash		21,713	16,833
Balances at banks		10,887,865	11,109,576
		<u>10,909,578</u>	<u>11,126,409</u>
Loans and advances to members	11	27,418,652	22,413,732
Intangible fixed assets	9	35,850	52,800
Tangible fixed assets	10	532,897	338,468
Prepayments and accrued income		120,082	126,773
		<u>39,017,059</u>	<u>34,058,182</u>
TOTAL ASSETS			
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LIABILITIES			
Subscribed capital – repayable on demand	12	30,748,901	26,984,368
Deferred shares	13	50,000	50,000
Other payables	14	447,533	435,951
		<u>31,246,434</u>	<u>27,470,319</u>
Retained earnings		7,770,625	6,587,863
		<u>39,017,059</u>	<u>34,058,182</u>
TOTAL LIABILITIES			

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 2022

	Notes	30.9.22 £	30.9.21 £
As at 1 October 2021		6,587,863	5,424,448
Total comprehensive income for the year		1,015,632	1,163,415
Merger of Sutton Credit Union		167,130	-
AS AT 30 SEPTEMBER 2022		<u><u>7,770,625</u></u>	<u><u>6,587,863</u></u>

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Enterprise Credit Union Limited

Cash Flow Statement
for the Year Ended 30 September 2022

	Notes	30.9.22 £	30.9.21 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus before taxation		1,017,842	1,165,560
Adjustments for non – cash items:			
Depreciation & Amortisation	9 & 10	60,385	57,067
Disposal of tangible fixed assets		19,136	1,909
Impairment losses	11	741,994	400,912
		<u>1,839,357</u>	<u>1,625,448</u>
Movements in:			
Prepayments and accrued income		6,691	10,553
Other payables	14	11,517	52,697
		<u>1,857,565</u>	<u>1,688,698</u>
CASH FLOWS FROM CHANGES IN OPERATING ASSETS AND LIABILITIES			
Cash inflow from subscribed capital	12	15,640,062	13,883,870
Cash outflow from repaid capital	12	(11,875,529)	(9,869,621)
New loans to members	11	(23,691,482)	(20,552,520)
Repayment of loans by members	11	17,944,568	17,601,112
Merger of Sutton Credit Union		167,130	-
		<u>42,314</u>	<u>2,751,539</u>
Taxation paid		(2,145)	(2,274)
		<u>40,169</u>	<u>2,749,265</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(257,000)	(91,237)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(216,831)	2,658,028
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		11,126,409	8,468,381
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		<u>10,909,578</u>	<u>11,126,409</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 £12,002,769 (2021 - £10,654,847) of the subscribed capital is not redeemable at short notice unless loans with the same members have been repaid.

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 2022

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

	30.9.22	30.9.21
	£	£
Loan interest receivable from members	3,584,592	3,079,599
Bank interest receivable on cash and liquid deposits	11,631	11,289
Total loan interest receivable and similar income	3,596,223	3,090,888

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.

	30.9.22	30.9.21
	£	£
Dividends paid on non- deferred shares	457,645	367,233
Interest payable on interest bearing shares	36,230	32,399
	<u>493,875</u>	<u>399,632</u>
Dividend rate	2%	2%
Dividend proposed, but not recognised	545,000	475,000
Juvenile dividend proposed but not recognised	5,000	4,100
Dividend rate	2%	2%

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6. EMPLOYEES AND EMPLOYMENT COSTS

	30.9.22	30.9.21
Average monthly number of employees during the year		
Office staff	24	22
	<u>24</u>	<u>22</u>
	30.9.22	30.9.21
	£	£
Wages and salaries	629,895	514,090
Social security costs	51,734	42,786
Payments to defined contribution pension schemes	50,870	45,790
	<u>732,499</u>	<u>602,666</u>

7. SURPLUS BEFORE TAXATION

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

	30.9.22	30.9.21
	£	£
Other grants receivable	(49,192)	(51,907)
Amortisation – owned assets	16,950	16,950
Depreciation – owned assets	43,435	40,117
Loss on sale of assets	19,136	1,909
Auditors' remuneration	11,220	10,200
	<u>11,220</u>	<u>10,200</u>
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:

	30.9.22 £	30.9.21 £
Current tax:		
UK corporation tax	2,210	2,145
Total current tax and total taxation expense recognised in the Revenue Account	2,210	2,145

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:

	30.9.22 £	30.9.21 £
Surplus before taxation	1,017,842	1,165,560
Surplus before taxation multiplied by small profits rate of Corporation tax in the UK of 19%	193,390	221,456
Effects of		
Non – taxable surplus on transactions with members	(191,180)	(219,311)
Total current tax and total taxation expense recognised in the Revenue Account	2,210	2,145

9. INTANGIBLE FIXED ASSETS

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	Computer Software £	Totals £
COST		
At 1 October 2021	169,500	169,500
Additions	-	-
Disposals	-	-
At 30 September 2022	169,500	169,500
AMORTISATION		
At 1 October 2021	116,700	116,700
Charge for year	16,950	16,950
Eliminated on disposal	-	-
At 30 September 2022	133,650	133,650
NET BOOK VALUE		
At 30 September 2022	35,850	35,850
At 30 September 2021	52,800	52,800

10. TANGIBLE FIXED ASSETS

	Long leasehold £	Improvements to property £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1 October 2021	255,875	279,260	258,827	58,091	852,053
Additions		232,616	5,403	18,981	257,000
Disposals	-	-	(117,558)	(2,694)	(120,252)
At 30 September 2021	255,875	511,876	146,672	74,378	988,801
DEPRECIATION					
At 1 October 2021	121,746	166,426	184,308	41,105	513,585
Charge for year	10,235	11,170	12,488	9,542	43,435
Eliminated on disposal	-	-	(99,050)	(2,066)	(101,116)
At 30 September 2022	131,981	177,596	97,746	48,581	455,904
NET BOOK VALUE					
At 30 September 2022	123,894	334,280	48,926	25,797	532,897
At 30 September 2021	134,129	112,834	74,519	16,986	338,468

11. LOANS AND ADVANCES TO MEMBERS

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	30.9.22 £	30.9.21 £
At 31 October 2022	23,137,587	20,543,852
Advanced during the year	23,691,482	20,552,520
Repaid during the year	(17,944,568)	(17,601,112)
Gross loans and advances to members	28,884,501	23,495,260
Impairment losses individual assets - Loans written off	(594,489)	(357,673)
Impairment losses groups of financial assets provision for doubtful loans	(871,360)	(723,855)
	27,418,652	22,413,732

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.

	30.9.22 Amount £	30.9.22 Proportion %	30.9.21 Amount £	30.9.21 Proportion %
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Individually impaired:				
Not yet past due, but impaired	23,416,783	82.8	17,328,378	74.9
Up to 3 months past due	4,583,067	16.2	5,339,586	23.1
Between 3 months and 6 months past due	202,098	0.7	283,853	1.2
Between 6 months and 1 year past due	88,064	0.3	185,770	0.8
Over 1 year past due				
	28,290,012	100%	23,137,587	100%
Impairment allowance	871,360		723,855	
	27,418,652		22,413,732	

Allowance account for impairment losses

	30.9.22 £	30.9.21 £
At 31 October 2021	723,855	680,616
Movement in allowances during the year	147,505	43,239
	871,360	723,855

Notes to the Financial Statements - continued
for the Year Ended 30 September 2022

11. LOANS AND ADVANCES TO MEMBERS (CONTINUED)

Impairment losses recognised for the year

	30.9.22	30.9.21
	£	£
Impairment of individual financial assets	594,489	357,673
Movement in impairment allowances during the year	147,505	43,239
	<u>741,994</u>	<u>400,912</u>
Reversal of impairment where debts recovered	(71,163)	(63,198)
	<u>670,831</u>	<u>337,714</u>

12. SUBSCRIBED CAPITAL – FINANCIAL LIABILITIES MEMBERS SHARES

	30.9.22	30.9.21
	£	£
At 1 October 2021	26,984,368	22,970,119
Received during the year	15,640,062	13,883,870
Withdrawn during the year	(11,875,529)	(9,869,621)
At 30 September 2022	<u>30,748,901</u>	<u>26,984,368</u>

Included above are shares amounting to £12,002,769 (2021 - £10,654,847) which are attached to the loans above. The shares above also include £1,549,234 (2021 - £1,428,539) relating to corporate members.

13. DEFERRED SHARES – FINANCIAL LIABILITIES

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	30.9.22	30.9.21
	£	£
At 1 October 2021	50,000	50,000
Received during the year	-	-
Withdrawn during the year	-	-
At 30 September 2022	<u>50,000</u>	<u>50,000</u>

14. OTHER PAYABLES - CREDITORS

	30.9.22	30.9.21
	£	£
Trade creditors	30,178	16,745
Corporation Tax	2,210	2,145
Social security and other taxes	6,536	13,283
Accrued expenses	105,103	156,583
Grants in advance	21,132	32,261
Juvenile deposits	282,374	214,934
	<u>447,533</u>	<u>435,951</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.

	30.9.22 Amount	30.9.22 Average interest rate	30.9.21 Amount	30.9.21 Average interest rate
	£	%	£	%
Financial assets				
Loans to members	28,290,012	12.7	23,137,587	13.3
Financial liabilities				
Subscribed capital	29,258,302	2.0	25,346,482	2.0
Deferred shares	50,000	-	50,000	-
Interest bearing shares	1,490,599	2.0	1,637,886	2.0
	30,798,901		27,034,368	

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, XXX members of the Board, senior management and their close family members (2021: 51 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.

17. **OPERATING LEASE COMMITMENTS**

The following operating lease payments are committed to be paid:

	30.9.22	30.9.21
	£	£
Within one year	9,360	9,330
Between one and five years	28,860	37,440
More than five years	-	780
	<u>38,220</u>	<u>47,550</u>

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18. RESERVES

	General Reserves	Other Reserve	Development Reserve	Deferred Shares Reserve	Totals
At 1 October 2021	1,976,421	4,311,442	250,000	50,000	6,587,863
Dividends	-	(493,875)	-	-	(493,875)
Merger Sutton Credit Union		167,130			167,130
Surplus for year	-	1,509,507	-	-	1,509,507
Transfer	301,901	(301,901)	-	-	-
At 30 September 2022	2,278,322	5,192,303	250,000	50,000	7,770,625

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	30.9.22 24,786	30.9.21 21,320
Percentage movement	16.3%	58.4%
Members at 30 September	22,165	26,152
Percentage movement	(15.2%)	12.5%
General reserve as a percentage of total assets	5.8%	5.8%
Capital asset ratio	19.9%	19.4%
Liquidity ratio	30.7%	36.6%
Risk adjusted capital ratio	21.02%	20.5%

Enterprise Credit Union Limited

Revenue Account
for the Year Ended 30 September 2022

	30.9.22		30.9.21	
	£	£	£	£
Turnover				
Loan interest		3,584,592		3,079,599
Other income				
Grants received	49,192		51,907	
Bad debts recovered	71,163		63,198	
Other income	6,947		4,177	
Deposit account interest	11,631		11,289	
		<u>138,933</u>		<u>130,571</u>
		3,723,525		3,210,170
Expenditure				
Wages including pension costs	732,499		602,666	
Premises costs	23,153		49,608	
Insurance	5,092		7,242	
Telephone	31,383		32,933	
Printing, stationery and advertising	48,552		41,238	
Travel	2,228		-	
Computer maintenance	91,724		73,920	
Repairs and renewals	19,556		25,087	
Fidelity insurance	16,971		8,895	
LP/LS insurance	152,879		129,112	
ABCUL dues	43,103		36,049	
PRA fees	1,903		1,351	
Sundry expenses	100,563		79,102	
Staff training	11,638		6,249	
Accountancy	5,581		6,395	
Debt collection fees	17,374		11,074	
Business development fees	36,628		45,992	
Auditors remuneration	11,220		10,200	
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	11,170		8,263	
- Fixtures and fittings	12,488		17,640	
- Computer equipment	9,542		3,979	
Disposal of tangible fixed assets	19,136		1,909	
Bad debts	594,489		357,673	
Bad debt provision	147,505		43,239	
		<u>2,173,562</u>		<u>1,627,001</u>
		1,549,963		1,583,169
Finance costs				
Bank charges		38,246		17,977
NET SURPLUS		<u><u>1,511,717</u></u>		<u><u>1,565,192</u></u>

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