

BALLYMENA CREDIT UNION LIMITED

Financial Statements

For the year ended 30th September 2021

Ballymena Credit Union Limited

Notes re Surrounding Reports

for the year ended 30th September 2021

The following reports will be distributed separately from the accounts at the A.G.M.

Chairperson's report

Board of directors' report

Report of the manager

Supervisory committee report

Credit committee report

Credit Control committee report

Membership committee report

Ballymena Credit Union Limited

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Ballymena Credit Union Limited

Statement of Directors' Responsibilities

for the year ended 30th September 2021

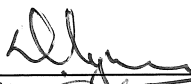
The Credit Unions (Northern Ireland) Order 1985 and amendments thereto require the directors to prepare financial statements for each financial year which give a true and fair view of the State of Affairs of the Credit Union and the Income and Expenditure Account of the Credit Union for that period. In preparing those financial statements, the directors are required to:

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

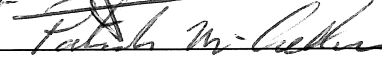
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Credit Union and to enable them to ensure that the financial statements are prepared in accordance with applicable law in Northern Ireland and UK Generally Accepted Accounting Practice, including the standards issued by the Financial Reporting Council, and in particular FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". They are 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.

On behalf of the Board of Directors

Member of the Board of Directors:



Member of the Board of Directors:



22nd November 2021

Ballymena Credit Union Limited

Independent Auditors' Report to the Members of Ballymena Credit Union Limited

Opinion

We have audited the financial statements of Ballymena Credit Union Limited ("the Credit Union") for the year ended 30th September 2021, which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Changes in Reserves, the Cash Flow Statement and the notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their presentation 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 in all material respects:

- give a true and fair view of the state of Credit Union's affairs as at 30th September 2021 and of its income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", issued by the Financial Reporting Council; and
- have been prepared in accordance with the requirements of the Credit Unions (Northern Ireland) Order 1985.

Basis for opinion

We conducted our audit in accordance with the 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 the 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.

This report is made solely to the Credit Union's members, as a body, in accordance with Article 47 of the Credit Unions (Northern Ireland) Order 1985. 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.

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 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.

Ballymena Credit Union Limited

Independent Auditors' Report to the Members of Ballymena Credit Union Limited (Cont'd)

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 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 Credit Unions (Northern Ireland) Order 1985 requires us to report to you, if in our opinion:

- proper books of account have not been kept by the Credit Union in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Credit Union in accordance with the requirements of the legislation;
- the income and expenditure account to which our report relates, and the balance sheet are not in agreement with the books of account of the Credit Union;
- We have not obtained all the information and explanations which we considered were necessary for the purposes of our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors including APB Ethical Standard - Provisions Available for Small Entities, in the circumstances set out in note 26 to the financial statements.

In preparing the financial statements, the directors are responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Credit Union or to cease operations, or have no realistic alternative but to do so.

Auditors 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 it is not a guarantee that an audit conducted in accordance with ISA's (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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial reporting council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

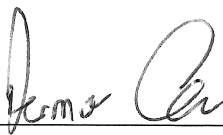
Ballymena Credit Union Limited

Independent Auditors' Report to the Members of Ballymena Credit Union Limited (Cont'd)

Purpose of our audit work and to whom we owe responsibility

This report is made solely to the Credit Union's members, as a body, in accordance with Article 47 of the Credit Unions (Northern Ireland) Order 1985. 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.

DC CA (NI) Limited
29b Main Street
RANDALSTOWN
BT41 3AB

Signed  _____
Dermot Corr, Senior Statutory Auditor
For and on behalf of DC CA (NI) Limited t/a D C Corr & Company

22nd November 2021

Ballymena Credit Union Limited

Income and Expenditure Account

for the year ended 30th September 2021

		2021	2020
	Note	£	£
Interest on members' loans	4	1,715,720	1,461,779
Other interest income and similar income	5	219,894	156,455
Minors Interest Income	5a	15,930	15,487
Net interest income		1,951,544	1,633,721
Other income	8	31,286	55,930
Employment costs	10b	(477,668)	(446,050)
Depreciation	13	(67,137)	(58,975)
Other management expenses (Schedule 1)		(473,480)	(478,735)
Other management expenses (Schedule 2)		(7,500)	(8,000)
Net losses on loans to members	14d	(217,952)	(317,691)
Surplus for the financial year before taxation		739,093	380,200
Taxation	11	(13,718)	(9,443)
Surplus for the financial year after taxation		725,375	370,757
Other comprehensive income		0	0
Total comprehensive income		725,375	370,757

Ballymena Credit Union Limited

Balance Sheet

for the year ended 30th September 2021

	Note	2021 £	2020 £
ASSETS			
Cash and cash equivalents	12	4,508,853	4,640,890
Tangible fixed assets	13	872,509	987,996
Loans to members – Gross	14a	19,764,286	16,684,228
Provisions against loans to members	14c	(700,429)	(666,004)
Prepayments and accrued income	15	301,025	310,297
Investments	16	16,879,666	15,721,452
Total assets		<u>41,625,910</u>	<u>37,678,859</u>
LIABILITIES			
Members' shares	17	(33,559,775)	(30,509,904)
Minors' Deposits	17a	(2,462,780)	(2,227,072)
Easy Share Accounts	18	(894,813)	(815,764)
Other payables	19	(250,896)	(296,675)
Total liabilities		<u>(37,168,264)</u>	<u>(33,849,415)</u>
ASSETS LESS LIABILITIES			
		<u>4,457,646</u>	<u>3,829,444</u>
RESERVES			
General reserve		4,245,396	3,728,396
Unappropriated surplus		212,250	101,048
Total reserves		<u>4,457,646</u>	<u>3,829,444</u>

The financial statements were approved, and authorised for issue, by the Board on 22nd November 2021 and signed on its behalf by:

Member of the Board of Directors:



Member of the Board of Directors:



22nd November 2021

Ballymena Credit Union Limited

Statement of Changes in Reserves

for the year ended 30th September 2021

	General reserve	Unappropriated surplus	Total reserves
	£	£	£
Opening balance at 1 st October 2019	2,709,000	246,425	2,955,425
Introduce Causeway	743,244	0	743,244
Total comprehensive income for the year	276,152	94,605	370,757
Dividends paid during the year (Note 7)		(60,497)	(60,497)
Interest rebate paid in the year (Note7)		(167,862)	(167,862)
Minors Interest Paid in the year		(9,623)	(9,623)
International Fund		(2,000)	(2,000)
Closing balance at 30 th September 2020	<u>3,728,396</u>	<u>101,048</u>	<u>3,829,444</u>
Opening balance at 1 st October 2020	3,728,396	101,048	3,829,444
Total comprehensive income for the year	517,000	208,375	725,375
Dividends paid during the year (Note 7)		(28,685)	(28,685)
Interest rebate paid in the year (Note 7)		(60,232)	(60,232)
Minors Interest Paid in the year		(6,256)	(6,256)
International Fund		(2,000)	(2,000)
Closing balance at 30 th September 2020	<u>4,245,396</u>	<u>212,250</u>	<u>4,457,646</u>

(1) The General reserve of the Credit Union as a % of total assets, including minors' deposits, as at 30th September 2021 was 10.1% (2020: 9.75%) in excess of the required PRA limits. This was after transferring £517,000 (2020: £276,152) of the Credit Union's current year surplus to the General reserve.

(2) The Unappropriated surplus is the accumulated surpluses to date that have not been declared as dividends or loan interest rebate returnable to members or set aside to the General reserve.

Ballymena Credit Union Limited

Cash Flow Statement

for the year ended 30th September 2021

	2021	2020
	£	£
Cash flows from operating activities		
Loans repaid by members	9,916,981	10,403,922
Loans granted to members	(13,176,487)	(12,949,116)
Loan interest received	1,715,720	1,461,779
Investment income received - members	219,894	156,455
Investment income received - minors	15,930	15,487
Other income received	31,286	55,930
Bad debts recovered	55,662	46,861
Dividends paid	(28,685)	(60,497)
Interest rebate paid	(60,232)	(167,862)
International fund donation	(2,000)	(2,000)
Operating expenses paid to include employment costs	(958,648)	(932,785)
ILCU SPS Funding	0	750,000
Causeway Revenue Expenditure	0	(100,974)
Change in Stocks	0	3,029
Change in prepayments & accrued income	9,272	(51,188)
Change in other payables	(46,853)	175,253
Corporation tax paid	(12,610)	0
Net cash flows from operating activities	(2,320,770)	(1,195,706)
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,681)	(104,099)
Decrease (Increase) in investment balances	(1,158,214)	(7,261,368)
Net cash flows from investing activities	(1,175,895)	(7,365,467)
Cash flows from financing activities		
Cash inflow from Easy Share Accounts	79,049	317,144
Members' shares received	3,049,871	10,268,588
Minors' Deposits movement	235,708	582,505
Net cash flows from financing activities	3,364,628	11,168,237
Net increase / (decrease) in cash and cash equivalents	(132,037)	2,607,064
Cash and cash equivalents at beginning of year	4,640,890	2,033,826
Cash and cash equivalents at end of year	4,508,853	4,640,890

Ballymena Credit Union Limited

Notes to the financial statements

for the year ended 30th September 2021

1. Legal and regulatory framework

Ballymena Credit Union Ltd. is established under the Credit Unions (Northern Ireland) Order 1985. The Credit Union is registered with the Department for the Economy and is regulated by the Financial Conduct Authority ("FCA") and Prudential Regulation Authority ("PRA").

The principal place of business is 19 William Street, Ballymena, BT43 6AW.

2. Accounting policies

2.1. Statement of compliance and basis of preparation

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

The financial statements have been prepared on the historical cost basis.

2.2. Currency

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

2.3. Going concern

The financial statements are prepared on the going concern basis. The directors of the Credit Union believe this is appropriate as the Credit Union:

- Is generating annual surpluses;
- Maintains an appropriate level of liquidity; and
- Has reserves that are currently above the minimum requirements of the PRA.

2.4. Income

Interest on members' loans

Interest on loans to members is recognised using the effective interest method, and is calculated and accrued on a daily basis.

Investment income

The Credit Union currently only has investments that are valued at amortised cost, and use the effective interest method to recognise investment income.

Other income

Other income such as commissions receivable on insurance products and foreign exchange services arises in connection to specific transactions. Income relating to individual transactions is recognised when the transaction is completed.

2.5. Interest on minors' deposits

Interest on minors' deposits is recognised using the effective interest method.

Ballymena Credit Union Limited

Notes to the financial statements

for the year ended 30th September 2021

2.6. Dividends on shares and loan interest rebates

Dividends are made from current year's surplus or the unappropriated surpluses set aside for that purpose. The Board's proposed distribution to members each year is based on the dividend and loan interest rebate policy of the Credit Union.

The rate of dividend and loan interest rebate recommended by the Board will reflect:

- the risk profile of the Credit Union, particularly in its loan and investment portfolios;
- the Board's desire to maintain a stable rather than a volatile rate of dividend each year; and
- members' legitimate dividend and loan interest rebate expectations;

all dominated by prudence and the need to sustain the long-term welfare of the Credit Union.

For this reason the Board will seek to build up its reserves to absorb unexpected shocks and still remain above minimum regulatory requirements.

The Credit Union accounts for dividends and rebates of loan interest when members ratify such payments at the Annual General Meeting.

2.7. Taxation

Corporation tax is provided for on taxable interest from investments and non-mutual income. All other income of the Credit Union is exempt from Corporation tax.

2.8. Cash and cash equivalents

Cash and cash equivalents comprise operating cash on hand and cash deposited with banks with original maturity of less than or equal to three months.

2.9. Financial instruments

The Credit Union has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised when the Credit Union becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities are classified according to the substance of the contractual arrangements entered into.

Ballymena Credit Union Limited

Notes to the financial statements

for the year ended 30th September 2021

2.10. Basic financial assets

Basic financial assets are initially measured at the transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method. Basic financial instruments include the following:

Loans to members

Loans to members are financial assets with fixed or determinable payments. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

Investments held at amortised cost

Investments held at amortised cost are measured at amortised cost using the effective interest method less impairment. This means that the investment is measured at the amount paid for the investment, minus any repayments of the principal; plus or minus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount; minus, in the case of a financial asset, any reduction for impairment or un-collectability. This effectively spreads out the return on such investments over time but does take account immediately of any impairment in the value of the investment. Ballymena Credit Union Limited's only investments are deposits with banks and other approved institutions.

2.11. Other receivables

Other receivables such as prepayments are initially measured at transaction price including transaction costs and are subsequently measured at amortised cost using the effective interest method.

2.12. Impairment of financial assets

Financial assets, other than those held at fair value, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the expected cash flows discounted at the asset's original effective interest rate.

In the case of impairment of loans to members, the loans are assessed collectively in groups that share similar credit risk characteristics except for individually significant loans which are assessed on a loan by loan basis for impairment.

Any impairment losses are recognised in the Income and Expenditure account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the Income and Expenditure account.

2.13. Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Credit Union transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

In the case of loans to members, loans are derecognised when the right to receive cash flows from the loan have expired, usually when all amounts outstanding have been repaid by the member. Ballymena Credit Union Limited does not transfer loans to third parties.

Ballymena Credit Union Limited

Notes to the financial statements

for the year ended 30th September 2021

2.14. Basic financial liabilities

Basic financial liabilities are initially recognised at the transaction price, including transaction costs, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities are subsequently carried at amortised cost using the effective interest method.

Financial liabilities members' shares and deposits

Members' shares, Easy Share Accounts and Deposits are redeemable and therefore are classified as financial liabilities. They are initially recognised at the amount of cash deposited and subsequently minors' deposits are measured at amortised cost.

Other payables

Other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

2.15. Derecognition of financial liabilities

Financial liabilities are derecognised when the obligations of the Credit Union specified in the contract are discharged, cancelled or expire.

2.16. Tangible fixed assets

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

Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value over its estimated useful life. The categories of property, plant and equipment are depreciated as follows:

Freehold land and buildings	50 years straight line
Office equipment	10 years straight line
Computers	5 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the Income and Expenditure account.

Amortisation

Amortisation is calculated so as to write off the cost of an asset/liability, less its estimated residual value, over the useful economic life of that asset/ liability as follows:

Amortisation rate	3 years straight line
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Ballymena Credit Union Limited

Notes to the financial statements

for the year ended 30th September 2021

2.17. Impairment of tangible fixed assets

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

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income and Expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Income and Expenditure account.

2.18. Employee benefits

Pension Scheme

Ballymena Credit Union Limited makes pension payments to a defined contribution scheme. The costs are shown as an expense at note 10b.

Employee Benefits

The costs of short-term employee benefits, including holiday pay, are recognised as a liability and as an expense (unless those costs are required to be recognised as part of the cost of fixed assets) over the period they are earned.

2.19. Reserves

General reserve

The Credit Union is required to maintain and establish a minimum General reserve and (1) must have capital of at least 5% of total assets up to and including £10 million: and (2) capital of at least 8% of total assets above £10 million up to and including £50 million: and (3) capital of at least 10% of total assets above £50 million in accordance with the PRA Rulebook: Non-CRR Firms: Credit Unions Instrument 2020/2.

Unappropriated surplus

The Unappropriated surplus is the accumulated surpluses to date that have not been declared as dividends or loan interest rebate returnable to members or set aside to the General Reserve.

Ballymena Credit Union Limited

Notes to the financial statements

for the year ended 30th 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 Ballymena Credit Union Limited'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 disclosed below:

Impairment losses on loans to members

The Credit Union's accounting policy for impairment of financial assets is set out in accounting policy in Note 2.12. The estimation of loan losses is inherently uncertain and depends upon many factors, including loan loss trends, credit risk characteristics in loan classes, local and international economic climates, conditions in various sectors of the economy to which the Credit Union is exposed, and, other external factors such as legal and regulatory requirements. Credit Risk is identified, assessed and measured through the use of rating and scoring tools with emphasis on weeks in arrears and other observable credit risk metrics. The ratings influence the management of individual loans. The credit rating triggers the impairment assessment and if relevant the raising of specific provisions on individual loans where there is a doubt about their recoverability. Loan loss provisioning is monitored by the Credit Union, and the Credit Union assesses and approves its provision adequacy on a quarterly basis. At all times the Credit Union ensures that its provisions meet the minimum requirements contained within the PRA Credit Union Rule book. Key assumptions underpinning the Credit Union's estimates of collective provisions for loans with similar credit risk characteristics, and, Incurred But Not Reported provisions ("IBNR") are based on the historical experiences of the Credit Union allied to the Credit Union's judgement of relevant conditions in the wider technological, market, economic or legal environment in which the Credit Union operates. If a loan is impaired, the impairment loss is the difference between the carrying amount of the loan and the present value of the expected cash flows discounted at the asset's original effective interest rate taking account of pledged shares and other security as appropriate. Assumptions are back tested with the benefit of experience. After a period of time, when it is concluded that there is no real prospect of recovery of loans/part of loans which have been subjected to specific provision, the Credit Union writes off that amount of the loan deemed irrecoverable against the specific provision held against the loan.

4. Interest on members' loans

	2021	2020
	£	£
Closing accrued loan interest receivable	79,223	68,185
Loan interest received in year	1,704,682	1,452,085
Opening accrued loan interest receivable	(68,185)	(58,491)
Total interest on members' loans	1,715,720	1,461,779

5. Other interest income and similar income - Members

	2021	2020
	£	£
Closing accrued bank interest receivable	140,019	143,023
Bank interest received in year	222,898	121,780
Opening accrued bank interest receivable	(143,023)	(108,348)
	219,894	156,455

5a. Other interest income and similar income - Minors

	2021	2020
	£	£
Closing accrued bank interest receivable	9,687	15,325
Bank interest received in year	21,568	9,369
Opening accrued bank interest receivable	(15,325)	(9,207)
	15,930	15,487

Ballymena Credit Union Limited

Notes to the financial statements

for the year ended 30th September 2021

6. Interest Payable

The interest expense for the Credit Union comprises of interest payable on deposits from minors and was as follows for the current and prior year:

	2021	2020
	£	£
Interest payable for the year	<u>6,256</u>	<u>9,623</u>
Interest Rate:		
Minors Deposits	0.30%	0.50%

7. Dividends and Loan Interest Rebate

The dividend and any loan interest rebate are formally proposed by the directors after the year end and are confirmed at an AGM of the members. As a result the proposed dividend for the current year does not represent a liability at the Balance Sheet date and the dividend included in the Statement of Reserves in the current year relates to dividends paid to members for the prior year.

The dividends and loan interest rebate for the current and prior year periods were as follows:

	2021	2020
	£	£
Dividend paid during the year	<u>28,685</u>	<u>60,497</u>
Dividend rate:		
Members' shares	0.10%	0.30%
Dividend proposed, but not recognised	<u>66,847</u>	<u>27,573</u>
Dividend rate:		
Members' shares	0.20%	0.10%
Interest rebate paid during the year	<u>60,232</u>	<u>167,862</u>
Interest rebate rate:		
Members' loans	5%, 2.5%	5%, 2.5%
Interest rebate proposed, but not recognised	<u>122,293</u>	<u>62,000</u>
Interest rebate rate:		
Members' loans for non-discounted rate	8.00%	5.00%
Members' loans for discounted rates	8.00%	2.50%

Ballymena Credit Union Limited

Notes to the financial statements

for the year ended 30th September 2021

8. Other income

	2021	2020
	£	£
Rent received	8,179	8,412
Minors Admin Fee	7,500	8,000
Other income	15,607	39,518
Total other income	31,286	55,930

9. Expenses

		2021	2020
	Note	£	£
Employment costs	10b	477,668	446,050
Depreciation	13	67,137	58,975
Other management expenses (Schedule 1)		473,480	478,735
		1,018,285	983,760

10. Employees and employment costs

10a. Number of Employees

The average number of employees during the year was:

	2021	2020
Manager	1	1
Other Staff	25	25
	26	26

10b Employment costs

	2021	2020
	£	£
Wages and salaries	420,464	397,551
Social Security Costs	30,401	24,372
Payments to defined contribution pension schemes	24,536	21,789
Staff Uniforms	2,267	2,338
	477,668	446,050

10c. Key management personnel

The directors of the Credit Union are its key management personnel. The directors receive no short-term employee benefits.

Short-term employee benefits include wages, salaries, social security contributions and paid annual leave.

Ballymena Credit Union Limited

Notes to the financial statements

for the year ended 30th September 2021

11. Taxation

	2021	2020
	£	£
Corporation tax charge for the year	13,718	9,443
Over provision in prior year	(34)	0
Corporation tax charge in respect of current year	<u>13,684</u>	<u>9,443</u>
Reconciliation of tax charge to taxable income		
Investment income and non-mutual income	219,894	156,340
Other non-mutual income	10,751	12,333
Less deductions	(550)	(550)
Taxable income	<u>230,095</u>	<u>168,123</u>
Corporation Tax at 19% from 01/04/2017	43,718	31,943
Less: Community investment tax relief	(30,000)	(22,500)
Charge for the year	<u>13,718</u>	<u>9,443</u>

As disclosed in the accounting policy for taxation in note 2.8 all income other than income from investments and non-mutual income is exempt from Corporation Tax.

12. Cash and cash equivalents

	2021	2020
	£	£
Cash and cash equivalents	2,616,067	2,970,505
Short Term Deposits with banks	<u>1,892,786</u>	<u>1,670,385</u>
Total cash and cash equivalents	<u>4,508,853</u>	<u>4,640,890</u>

Deposits with banks categorised under cash and equivalents above are those with original maturity of less than or equal to three months.

Ballymena Credit Union Limited

Notes to the financial statements

for the year ended 30th September 2021

13. Tangible fixed assets

Tangible fixed assets comprise the following property, plant and equipment:

	Freehold land & buildings £	Office equipment £	Computers £	Total £
Cost				
At 1 st October 2020	1,155,882	108,444	233,079	1,497,405
Additions	0	8,279	9,402	17,681
Disposals	(92,303)	0	0	(92,303)
At 30 th September 2021	<u>1,063,579</u>	<u>116,723</u>	<u>242,481</u>	<u>1,422,783</u>
Depreciation				
At 1st October 2020	324,329	36,800	148,280	509,409
Charge for the year	22,965	11,417	32,755	67,137
On Disposals	(26,272)	0	-	(26,272)
At 30 th September 2021	<u>321,022</u>	<u>48,217</u>	<u>181,035</u>	<u>550,274</u>
Net book value				
At 30 th September 2021	<u>742,557</u>	<u>68,506</u>	<u>61,446</u>	<u>872,509</u>
At 30 th September 2020	<u>831,553</u>	<u>71,644</u>	<u>84,799</u>	<u>987,996</u>

14. Loans to members – financial assets

14a. Loans to members

	2021 £	2020 £
As at 1st October	16,684,228	14,366,584
Advanced during the year	13,236,228	12,949,116
Repaid during the year	(9,916,981)	(10,403,922)
Loans written off	(239,189)	(227,550)
Gross loans to members	<u>19,764,286</u>	<u>16,684,228</u>
Impairment allowances		
Individual loans	(652,429)	(618,004)
Groups of loans	(48,000)	(48,000)
Loan provision	<u>(700,429)</u>	<u>(666,004)</u>
As at 30th September	<u>19,063,857</u>	<u>16,018,224</u>

Ballymena Credit Union Limited

Notes to the financial statements

for the year ended 30th September 2021

14b. 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. There are maximum amounts set down by the PRA in terms of what amount a member can borrow from the Credit Union.

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.

	2021 Amount £	2020 Amount £
Not impaired:		
Neither past due nor impaired	17,911,132	15,883,086
More than 3 months past due	1,271,394	204,949
More than 6 months past due	233,397	88,591
More than 9 months past due	136,734	28,059
More than 12 months past due	69,658	13,842
Additional loans individually impaired included in above but not separately aged	(558,457)	(200,303)
Gross loans not impaired	<u>19,063,857</u>	<u>16,018,224</u>
Gross loans individually impaired	652,429	618,004
Gross loans collectively impaired	<u>48,000</u>	<u>48,000</u>
Total gross loans	19,764,286	16,684,228
Impairment allowance		
Individual loans	(652,429)	(618,004)
Groups of loans	<u>(48,000)</u>	<u>(48,000)</u>
Total carrying value	<u><u>19,063,857</u></u>	<u><u>16,018,224</u></u>

Factors that are considered in determining whether loans are impaired are discussed in Note 3, dealing with estimates.

14c. Loan provision account for impairment losses

	2021 £	2020 £
As at 1 st October	666,004	424,260
Allowances reversed during the year	<u>34,425</u>	<u>241,744</u>
Change in loan provisions during the year	<u>34,425</u>	<u>241,744</u>
As at 30th September	<u><u>700,429</u></u>	<u><u>666,004</u></u>

Ballymena Credit Union Limited

Notes to the financial statements

for the year ended 30th September 2021

14d. Net recoveries or losses recognised for the year

	2021	2020
	£	£
Bad debts recovered	55,662	46,861
Causeway Provisions Cancelled	0	104,742
Change in loan provisions during the year	<u>(34,425)</u>	<u>(241,744)</u>
	21,237	(90,141)
Loans written off	<u>(239,189)</u>	<u>(227,550)</u>
Net (losses) recoveries on loans to members recognised for the year	<u><u>(217,952)</u></u>	<u><u>(317,691)</u></u>

14e. Analysis of Gross Loans Outstanding

	2021	2021	2020	2020
	Number	£	Number	£
	Of		Of	
	Loans		Loans	
Less than one year	1,146	1,108,366	1,281	1,248,896
Greater than 1 year and less than 3 years	1,721	5,588,518	1,653	5,624,385
Greater than 3 years and less than 5 years	807	5,877,363	765	5,378,508
Greater than 5 year and less than 10 years	395	7,190,040	253	4,432,439
Greater than 10 years	0	0	0	0
	<u>4,069</u>	<u>19,764,286</u>	<u>3,952</u>	<u>16,684,228</u>

15. Prepayments and accrued income

	2021	2020
	£	£
Prepayments	49,856	40,867
Sundry debtors & accrued income	<u>251,169</u>	<u>269,430</u>
	<u><u>301,025</u></u>	<u><u>310,297</u></u>

Ballymena Credit Union Limited

Notes to the financial statements

for the year ended 30th September 2021

16. Deposits

Deposits with banks at the current and prior Balance Sheet date were all measured at amortised cost as appropriate and comprised of the following:

Cash Equivalents (Original Maturity within 3 months)

	2021	2020
	£	£
Deposits with banks	1,892,786	1,670,385
Total cash equivalents	1,892,786	1,670,385

Other (Original Maturity after 3 months)

	2021	2020
	£	£
Fixed term deposits with banks	16,879,666	15,721,452
Total other	16,879,666	15,721,452

17. Members' Shares – financial liabilities

	2021	2020
	£	£
As at 1 st October	30,509,904	20,241,316
movement during the year	3,049,871	10,268,588
As at 30th September	33,559,775	30,509,904

Members shares are repayable on demand except for shares attached to loans. The breakdown of the shares between attached and unattached is as follows:

	2021	2020
	£	£
Unattached shares	28,509,134	28,153,301
Attached shares	5,050,641	2,356,603
Total members shares	33,559,775	30,509,904

17A. Minors Deposits – financial liabilities

	2021	2020
	£	£
As at 1 st October	2,227,072	1,644,567
movement during the year	235,708	582,505
As at 30th September	2,462,780	2,227,072

Minors Deposits are repayable on demand.

18. Easy share accounts - financial liabilities

	2021	2020
	£	£
As at 1st October	815,764	498,620
movement in the year	79,049	317,144
As at 30th September	894,813	815,764

Easy share accounts are repayable on demand.

Ballymena Credit Union Limited

Notes to the financial statements

for the year ended 30th September 2021

19. Other payables

	2021	2020
	£	£
Corporation tax	13,684	12,610
Accruals	13,798	17,527
Creditors and other accruals	223,414	266,538
	<u>250,896</u>	<u>296,675</u>

20. Additional financial instruments disclosures

20a. Financial risk management

The Credit Union is a provider of personal and business loans and also provides savings products to its members. The Credit Union invests excess funds with a view to ensuring that the return from members' loans and investments is adequate to meet the overheads of the Credit Union and provide a reasonable return to members on shares and deposits. The Credit Union has a risk register in place to help the directors manage the various risks arising from its activities to include the issuing of loans to members and investing the excess funds of the Credit Union.

The main financial risks arising from the Credit Union's 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 credit policy, and all changes to it. All loan applications are assessed with reference to the credit policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed. The credit risk on members' loans is disclosed in Note 12b.

The Credit Union's investments are also exposed to credit risk and the Credit Union mitigates the risk by only placing investments with financial institutions where the counterparties have strong credit ratings and using investment products authorised by the PRA.

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 Credit Union adheres on an ongoing basis to the minimum liquidity ratio as set out in the PRA Rulebook.

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 on investments and members' loans when deciding on the dividend rate payable on shares and on any loan interest rebate.

Ballymena Credit Union Limited

Notes to the financial statements

for the year ended 30th September 2021

20b. Interest rate risk disclosures

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

	2021		2020	
	Amount £	Average interest rate	Amount £	Average interest rate
Financial assets				
Gross loans to members	<u>19,764,286</u>	9.41%	<u>16,684,228</u>	9.42%
Financial liabilities				
Members' shares	<u>34,454,588</u>	0.25%	<u>31,325,668</u>	0.25%
	<u>34,454,588</u>		<u>31,325,668</u>	

The dividend rate for shares is based on the proposed dividend not the cash dividend paid, which effectively derives from the surplus in the prior year.

The interest rates applicable to loans to members are fixed and range from 7.5% to 12.00%. The dividend on shares and interest on deposits 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 dividend on shares and interest payable on deposits. As a result, the surplus for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

20c. Liquidity risk disclosures

All of the financial liabilities of the Credit Union are repayable on demand except for some members' shares attached to loans.

20d. Fair value of financial instruments

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

20e. Capital

The Credit Union maintains sufficient reserves to buffer the Credit Union against any losses on its members' loans and also its investments. The current General reserve is in excess of the minimum requirement set down by the PRA, and stands at 10.1% of the total assets, including minor's' deposits of the Credit Union at the Balance Sheet date.

Ballymena Credit Union Limited

Notes to the financial statements

for the year ended 30th September 2021

21. Post Balance Sheet events

There are no material events after the Balance Sheet date to disclose.

22. Contingent liabilities

The Credit Union had no contingent liabilities at the current or prior Balance Sheet date.

23. Capital commitments

There were no capital commitments either contracted for or approved by the Board at the year end.

24. Insurance against fraud

The Credit Union has insurance against fraud in compliance with the PRA Rulebook.

25. Related party transactions

During the year loans were advanced to directors and the management team of the Credit Union (to include their family members or any business in which the directors or management team had a significant shareholding) in the amount of £69,180 (2020: £110,015). The loans outstanding from these parties at 30th September 2021 were £232,237 (2020: £233,499). These loans amounted to 1.17% of total gross loans due at 30th September 2021 (2020: 1.25%)

There were no provisions against the loans due from the directors and the management team at the current or prior balance sheet date.

The directors and management team share balances stood at £99,676 at 30th September 2021 (2020: £99,852). In addition the directors and management had Easy Share Accounts £18,680 (2020: £10,163) and no deposits at either Balance Sheet date.

26. Other services provided by our auditors

In common with many other business of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

27. Approval of Financial Statements

The financial statements were approved, and authorised for issue, by the Board on 22nd November 2021

Ballymena Credit Union Limited

Schedule to the Financial Statements

for the year ended 30th September 2021

Schedule 1 - Other management expenses - Members

	2021	2020
	£	£
Audit and Accountancy fees	(19,740)	(19,644)
Amortisation	34,406	0
Bank charges	(58,776)	(42,337)
Cash (Short) Over	452	198
Computer Maintenance	(59,913)	(47,872)
Covid 19 Expenses	(57)	(6,881)
Insurances	(198,575)	(190,219)
Legal Expenses	(17,406)	(23,399)
Lighting, Heat & Cleaning	(15,906)	(12,900)
Marketing	(28,994)	(31,120)
Miscellaneous Expenses	(13,935)	(12,982)
Printing Stationery & Advert	(9,920)	(20,260)
Profit/ (loss) on disposal	(7,001)	0
Regulatory & Other Fees	(2,478)	(1,778)
Rent & Rates	(17,891)	(14,446)
Repairs to Equipment & Buildings	(5,190)	(7,064)
Risk and Compliance	(14,489)	(7,695)
Security Costs	(7,803)	(7,206)
Telephone, Broadband & Postage	(20,340)	(20,506)
Training Costs	(6,663)	(5,862)
Travel and subsistence	(3,261)	(6,762)
Total of other management expenses - members	(473,480)	(478,735)

Schedule 2 - Other management expenses - Minors

Minors Administration Fee	(7,500)	(8,000)
Total of other management expenses - minors	(7,500)	(8,000)