



Hull & East Yorkshire
Credit Union
The Fairer Alternative

**Hull and East Yorkshire
Credit Union Limited**

Annual Report and Financial Statements 30 September 2016

Authorised by the Prudential Regulation Authority and
regulated by the Financial Conduct Authority and the
Prudential Regulation Authority

Registered number 591C

FRS 213620

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Hull and East Yorkshire Credit Union Limited

Credit Union Information

Directors

John Bailey

Tony Craggs

Allan Davidson

Alan Hignett

John Lawrence

Bill Meadows

Susan Nicholson

Juliana Okai-Aboagye

Kate Pike

Andrew Stankard

Jane Walton

Auditors

Jacksons

First Floor

Albion House

Albion Street

Hull

HU1 3TE

Bankers

The Co-operative Bank PLC

Registered office

38 Brook Street

Kingston upon Hull

HU2 8LA

Registered number

591C FRS 213620

REPORT OF THE DIRECTORS for the year ended 30 September 2016

Fellow Members,

We have pleasure in submitting our Report and the Audited Accounts of the Credit Union for the period ended 30 September 2016.

PRINCIPAL ACTIVITIES

The Credit Union's principal activity during the year continued to be that defined in the Credit Unions Act 1979 and there have been no significant changes in the activities during the year.

DIRECTORS AND OFFICERS

<i>Directors:</i>	<i>Office held</i>	<i>Possible attendance</i>	<i>Actual attendance</i>	<i>Committees served</i>	<i>Notes</i>
John Bailey	Assistant Treasurer	11	10	A P	
Lisa Bovill		7	2		Resigned May 2016
Tony Craggs		11	9	A R	
Allan Davidson		11	11		
Emma Garland		5	4		Resigned Mar 2016
Alan Hignett	President	11	10		
John Lawrence		3	1		Co-opted May 2016
Bill Meadows		9	9	P	Elected Dec 2015
Susan Nicholson	Secretary	11	9		
Juliana Okai-Aboagye		9	7		Co-opted Dec 2015
Kate Pike		11	10	P R	
Andrew Stankard	Vice President	11	8	P	
Jane Walton	Treasurer	11	8	A	

Committee codes: A – Audit; P – Personnel; R - Risk

Bill Meadows and Juliana Okai-Aboagye were welcomed to the Board after the 2015 AGM while Emma Garland and Lisa Bovill resigned during 2016 and were thanked for their contribution. As provided by the rules, John Lawrence was co-opted to fill one of the vacancies until the 2017 AGM.

Business Planning

The directors hold a **Strategic Planning Event** in May each year when they review and update the three year Business Plan. Objectives are set to guide management and staff based on the agreed vision and strategic direction of the business. This year's key objectives related to developing the loan book and preparing for the new IT platform. The Board monitor progress at their monthly meetings using a progress tracker.

Board Committees

Your Board has three standing Committees which oversee key areas of activity, working to agreed terms of reference and reporting to the Board regularly:

Audit Committee

The Committee met five times in the year to agree the internal audit plan with our providers, TIAA, and then discuss their findings. We were pleased with quality of TIAA's reports which this year covered payments, credit control, risk, governance and loan compliance. The Committee established a protocol for making spot check visits to branches and reviewed preparations for the introduction of FRS 102 year end accounts. They also conducted a tender exercise for the external audit from 2017, on behalf of the Board.

Personnel Committee

Six meetings were held. The Committee reviewed all staffing policies on a rolling programme, noted any legislative changes by reference to a professionally-supplied HR Toolkit and advised Management on staffing proposals and plans.

Risk Committee

The Committee had a busy year, meeting four times to work on the development of a new Risk Strategy and update the Risk Register and Matrix, taking account of the regulator's feedback. All key risks were reviewed regularly in conjunction with the Management Team and new or emerging risks assessed for potential impact on the business. One example this year was the introduction of new regulatory rules for credit unions by the PRA and FCA. The Committee also regularly monitored our portfolio of invested funds.

Director Training

Newly appointed directors are given **Induction Training** including at least one "day in the office" to see how the credit union operates. **Pre-Board Training sessions** were held prior to meetings, this year's topics being *Approaching Employers, Reform of the Credit Union Rule Book, Good Governance* and the *Georgia Partnership*. A **Loan Strategy Workshop**, for directors and staff, in January was facilitated by Chris Smith, our Training Associate. Chris has since retired from this role and we thank him for the help he has given us over many years. Directors have signed up to the new **ABCUL Academy** which provides a range of new training opportunities tailored to their role.

External Involvement

Alan Hignett was re-elected to the Board of ABCUL, our trade association. Tony Craggs, Kate Pike and Matthew Stevens serve on Yorkshire & Humber Forum of ABCUL, which held two meetings jointly with its North East counterpart. Attended by several directors and staff, these Forums enable useful information to be shared with colleagues across the sector for mutual benefit.

HEADLINES

Membership

	New accounts	Closures*	Total as at 30.9.16	Total as at 30.9.15	% change
Adult Members	1,262	1,927	11,583	12,248	-5.4%
Junior Savers	282	158	1,345	1,221	+10.2%

* includes 1,434 cancelled under the dormant account procedures approved by the 2003 AGM.

Savings, Loans and Assets

	2016	2015	% change
Adult Members' Savings deposits	£9,459,605	£8,563,402	+10.5%
Junior Savings deposits	£397,480	£381,265	+4.3%
Average deposits per Adult Member	£817	£699	+16.9%
Average deposits per Junior Saver	£296	£312	-5.1%
Total Members' Loans	£2,391,134	£1,939,148	+23.3%
Average loan per borrowing Member	£856	£634	+35.0%
Net Assets	£11,006,404	£10,154,306	+8.4%

Key Ratios:

Indicator of:	Indicator	2016	2015	Target
Effective financial structure	Capital to Total Assets	10.2%	11.6%	>10%
	Borrowings to Total Assets	0%	0%	0%
	Total Shares to Total Assets	84.3%	82.1%	70-90%
	Net Loans to Total Assets	20.6%	17.8%	>40%
Protection	Bad Debt Written Off to Total Loans	2.9%	3.8%	<10%
	Net Assets to Total Shares and Junior Deposits	111.7%	113.5%	>105%
Asset quality	Arrears (over 3 mths) to Total Loans	3.6%	6.4%	<20%
	Non-earning Assets to Total Assets	14.4%	18.5%	<10%
	Net Zero-cost funds to Non-earning Assets	84.0%	77.0%	>200%
Returns	Loan income to Total Loans	17.9%	22.3%	>6%
Efficiency	Operating Expenses to Total Assets	6.5%	7.5%	<8%
	Members and Juniors served per FTE Staff	803	783	>1,000

FINANCIAL RESULTS

Members' savings, loans and assets all showed healthy increases over the previous year.

Despite careful cost control, we were unfortunately unable to earn a surplus this year. The main reasons for this were reduced income from the Credit Union Current Account (which is now being phased out), a reduction in interest receivable on loans, and an abnormal increase in Members' Death Benefit claims. Project income was also lower than in 2015 but this did not affect the result as it was matched by reduced expenditure.

Your Board and management are taking appropriate action to return the business to profitability over the current three year plan period. Our balance sheet remains strong, with a capital to net assets ratio close to the 10% target.

HIGHLIGHTS OF THE YEAR

- In February we were delighted to be selected, alongside two other leading credit unions (Commsave CU and Voyager Alliance CU), to provide a major staff benefit for the employees of the **Department for Work & Pensions (DWP)**, one of the largest civil service departments in Britain. The DWP's 85,000 employees can now save and borrow with a credit union by direct payroll deduction. This major new partnership was officially launched in the Houses of Parliament by Lord Freud on 6 July, and has already attracted 1,500 new members across the three credit unions. We are marketing our services to DWP staff in Yorkshire and the Humber, the North East and Scotland and have visited several major office sites with our recruiting stand. A local launch was held at Britannia House, Hull supported by Hull West & Hessle MP Alan Johnson.
- In order to fulfil the new DWP partnership our common bond had to be extended to include the DWP staff community. The necessary rule change was approved by a **Special General Meeting** of members, held in April, and subsequently registered by the FCA. At the same time we added a small area of Lincolnshire, around Gainsborough, within the catchment area of our Scunthorpe branch.
- From April to July we held a highly successful **Loan Sale**, featuring our best ever rate of 3.5% APR on loans from £5,000 to £15,000. Our target markets were members who hadn't borrowed from us before, and non-members who normally borrowed from their bank. The campaign proved very effective, increasing our loan book by £500,000 during a season when it typically falls. In the first eight months of 2016, loans granted were up 47% by value on the same period of 2015.
- A new affiliation was launched at the 2015 AGM with **The Co-operative Energy**, to enable our members to save money on their gas and electric bills by switching to this leading ethical utility provider. Energy advisers have attended our branches at advertised times to meet members and explain the process, and our website carries a click through facility to enable them to obtain quotes and arrange to switch.
- As part of our **Northern Lincolnshire development plan**, we entered into new payroll partnerships with North Lindsey College and Lebus Upholstery to enable their staff to benefit from effortless payroll saving. Member recruitment days were held at each venue, to promote our Christmas Saver account.

PRODUCT AND SERVICE DEVELOPMENT

- At the 2015 AGM we launched our **Members' Charter and Promises**, designed to set out in an easy to digest way the levels of service and customer care that our members are entitled to expect when dealing with us. This was one of the first outputs of our Employees' Council.
- This year we have reviewed our range of transactional banking products in the light of the withdrawal of the **Credit Union Current Account (CUCA)** by our banking provider. CUCA had become very expensive to operate and did not offer members the modern banking facilities that today's consumers increasingly expect and can now obtain from mainstream banks. After reviewing options available, we selected the Engage Classic Debit card and Engage Current Account as suitable alternatives and are now in the process of rolling these out. The Engage accounts offer a contactless debit card which can be used to shop, pay bills and save money with a cashback rewards programme, and include a useful money management tool, free mobile app and full 6 day customer service support.
- With the introduction of the Engage transactional products, with their enhanced features, we decided to withdraw the ABCUL Prepaid Card and terminate the Jam Jar Project. **PayPoint cards**, which were issued to all members upon joining but only used by a small number to deposit cash into their savings accounts, were also withdrawn in a move that will save us £3,500 in a full year.
- To aid member recruitment and simplify the joining process, from July it was decided to suspend the **£3 joining fee** for new members for a trial period of six months.

- The Government reduced the eligible savings limit for the **Financial Services Compensation Scheme** from £85,000 to £75,000 per depositor with effect from 1 January 2016. We refreshed our member communications and notified members with balances over £50,000 as required by the regulator.
- During the year we opened four new **Pennies2Pounds school banks**, at Appleton Primary, Winterton Infants and Juniors and Hilderthorpe Primary schools, which are all proving popular.
- We entered into a credit union consortium to offer **business start-up loans** to new and fledgling enterprises in conjunction with the Start-up Loan Company. Our first loan was made to a local garden landscaping business. Unfortunately the scheme was terminated by SuLCo at the end of February.
- Our self-funded **Members' Death Benefit Scheme**, paid out 67 claims (24 in 2015) totalling £23,894 (£9,107 in 2015). Your Board is reviewing the economics of the scheme for the year ahead.

CREDIT UNION EXPANSION PROJECT (CUEP)

We are still awaiting a firm date for our transformation to the new CUEP **Model Credit Union** platform. Originally this was scheduled for March 2016 but a range of technical issues have caused progress to be delayed. We are one of 40 credit unions eagerly awaiting the changeover and now expect to benefit from the new platform during the first half of 2017. In the meantime, we have continued to prepare, with plans for the launch of a more user-friendly website and a review of staff roles to enable us to focus more on member contact, business development and less on paper intensive processing.

PARTNERSHIPS

As always we work with a broad range of partner organisations for mutual benefit:

- We are involved with two **Big Local Projects**, in the Greatfield area of Hull and in Winterton, North Lincolnshire to make residents aware of credit union products and services. The projects aim for long term benefit and our plans include launching school banks, local contact points and nurturing a network of friendly "finance buddies" in each community. **Hull Families Project** is working with us to deliver the Greatfield work plan.
- We continue to support the Financial Inclusion Forum of **East Riding of Yorkshire Council** and attend project meetings related to **Hull Coin**, an exciting digital currency shortly to be launched for the benefit of Hull residents.
- In Northern Lincolnshire the principal social landlord, **Ongo Homes**, has designated a group of staff as Credit Union Champions who meet with us regularly to plan awareness campaigns for their tenants and employees. We have operated a payroll deduction facility for their colleagues; run a stand at their annual carnival and provided information sessions for tenants on their premises. We look forward to this partnership taking off in a bigger way once our new IT platform is operational.
- Our founding payroll partnership, with **Hull City Council**, continues to be well supported but it was disappointing when 40 of our members who were transferred from the Council to the Civica Group were told that they could no longer enjoy payroll deduction. One of our business aims is to encourage more employers to offer this facility, which is popular because it enables effortless saving and borrowing.
- We have met with members of the **Lloyds Banking Group** to report on progress with the Northern Lincolnshire merger and further develop partnership activity involving their local branches referring bank customers requiring small loans to the Credit Union.
- In July we were one of ten credit unions to be selected to benefit from a programme of in-kind support from the **Barclays Credit Union Development Project**. An assessment day was held when it was decided that our areas of special focus would be loan book development, financial capability and promoting equality and diversity. Barclays have also facilitated our 2016 Member Satisfaction Survey and a Director Survey.
- Following the 2015 AGM and the holding of various staff collections, we were pleased to make a donation of £115 to support the work of **Alderson House in Bridlington**, a Royal British Legion break centre for serving or ex-service people.
- In Hull we have formed links with the **City of Culture 2017** Team and are pleased that one of our directors, Sue Nicholson, has enrolled as one of the Culture Volunteers. We also supported **Hull Business Improvement District's** successful renewal ballot.
- We should like to thank the local branch of the **GMB Union** for continuing to sponsor our Members' Lottery prize fund.

MARKETING AND COMMUNICATING

- To improve the way we communicate with new members, an attractive **New Member Welcome Pack** was launched in August. It is posted to all members as soon as they enrol. The inserts can easily be changed to reflect seasonal campaigns or offers.
- Much of our marketing effort has been focused on raising awareness of our competitive loan proposition, to encourage all members to consider us first when looking for a loan. Campaigns included *Fair Loans made even easier* (to promote our new online loan facility), *Don't pay more than you need to this Christmas* (highlighting the savings made with a CU Loan compared with doorstep lenders and high street credit shops), and our highly effective *Spring/Summer Loan Sale*. Each campaign was supported by email-shots, posters, flyers, pull-up banners and social media postings.
- In partnership with the **Co-op Electrical Store**, we showcased examples of white goods (a fridge freezer and washer) in our main branch, with price comparisons contrasting the CU Loan option with similar goods obtained at well-known weekly payment stores.
- Building on the success of previous years, we repeated our £10 Bonus offer for all members opening a new **Christmas Saver** account in the first three months of 2016. In Northern Lincolnshire the offer also included a £5 bonus for referring a friend, as it was the first full year since the merger.
- Our well-followed social media and web pages were updated frequently and regular **newsletters** issued to HEY Leaders (our workplace and community champions); payroll members; partner organisations and our volunteers. Short articles were supplied to *Hull People's Panel News*, *Seaside Radio Magazine*, *Out & About in Winterton* and Hull City Council's Staff E-zine and an advertorial was placed in the *Hull Journal* to explain the credit union difference to a new audience.
- For **International Credit Union Day October 2015** our worldwide movement was featured in the *Hull Daily Mail's* First Person column and we held a member recruitment day at County Hall, Beverley, followed by a campaign in East Riding Council's staff magazine, *Grapevine*. We have taken our recruitment stand to major DWP sites in Leeds, Newcastle and Hull; been interviewed about good saving and borrowing habits on **BBC Radio Humberside**; and presented to employers at **North Lincolnshire Business Forum** about the benefits of offering payroll deduction.
- A new venture was to sponsor **Eastern Raiders Football Club**, for their 2015-16 playing season. The team looked resplendent in their purple kit featuring the Credit Union name and logo. Regular match reports in *Goole Times*, naming HEYCU's *Man of the Match*, generated extra publicity. Although they did not win promotion, the Raiders enjoyed a good season and took our name and message into all corners of the county.

GOVERNANCE

- Our level of compliance with the **ABCUL Code of Governance** is monitored regularly by your Board. There are 45 elements, 30 of which are defined as Required and 15 as Gold standards. We currently comply fully with 28 Required (R) and 13 Gold (G) standards. The four standards with outstanding action are:
 - *Element 24 G - Environmental Impact* – Although we do not currently have a detailed policy in place, we plan to refresh our Environmental and Community Impact Policy in 2016-17, working with a partner organisation to review our energy consumption and in other ways.
 - *Element 27 R – Elected member foundation training; and*
 - *Element 28 G – Elected member refresher training* – Not all elected members have had the opportunity to complete relevant courses but with the recent launch of the ABCUL Academy we can now establish a structured training programme for them, with a foundation stage for new directors and refresher training for the whole Board. This will be in place by mid-2017.
 - *Element 36 R - Equality and Diversity* – With support from the Barclays Credit Union Development Project, we are developing a policy to promote equality and diversity and improve the overall experience of members, staff and volunteers.
- We will keep members informed of progress via our website Governance page and other channels.
- This year we introduced new policies on **Outsourcing** and **Cyber Crime**. All policies were reviewed during the year by the Board or its Committees to make sure they were working effectively.
- The annual **Board self-assessment** survey took place in November, and was independently evaluated. The results showed further improvements had occurred in the way the Board operates.
- The Chief Executive attended a briefing arranged by the Financial Conduct Authority regarding the new **Senior Manager regime**, which was introduced in March. Four of the directors, together with the Chief Executive, have

been designated “senior managers” with defined responsibilities to ensure that the Credit Union is fully compliant with all applicable regulations at all times. This replaces the Approved Persons regime which applied to all elected officers since 2002.

- One of the ways we promote good governance in the credit union movement is to form close links with our peers. In 2016 HEYCU was invited to join the **ABCUL Larger Credit Unions Group**, comprising those with assets exceeding £10 million. The group meets several times a year to discuss good practice and new product and service developments to help our movement to grow and achieve long-term sustainability. This year we have explored the potential for secured lending, car loans and credit cards and forged an important partnership with the Credit Union League of Georgia USA.

PEOPLE

- During the year Alex joined the staff team and Carmel and Marlene left with our thanks and best wishes. Steve’s secondment to Cornerstone Mutual Services was extended. At the year-end we had 20 employees and also benefited from the time and skills of nearly 90 volunteers.
- **Pension auto-enrolment** was successfully introduced in January 2016, and following consultation with the Employees’ Council we brought in more flexible working arrangements for the staff at Hull Central branch.
- Staff colleagues Kathryn and Matthew took part in the **Hull 10k run** and Andrew completed the **Great North Swim** and raised considerable funds for Dove House Hospice and Magic Moments for Kids respectively. Well done to them all!
- Delegates to the 2016 **ABCUL AGM** weekend in Manchester included John (our Chief Executive) and Dean (Scunthorpe branch volunteer), who was sponsored by the Yorkshire & Humber Forum.
- In April, Lauren (Central Office) became one of the first intake for ABCUL’s new **CU Futures Programme**, a personal development initiative designed to prepare the credit union leaders of the future. HEYCU is supporting her year-long venture by facilitating time-off to attend activities plus on the job mentoring.

BRANCHES

- All our branches have served their communities well and managed to increase their membership during the year.
- **Bridlington** branch operates every Monday, Thursday and Friday from a prime town centre location.
- **Goole** branch increased its opening times from two to three days a week from March, and held a successful Marie Curie Tea Party which was well supported by the local community.
- **Driffield** branch maintained an active Local Members’ Group which held its now traditional annual quiz evening, raising £250 for community activities, and took part in a Christmas Tree festival at Driffield Parish Church. The school banks based around Driffield and Goole were well supported thanks to the efforts of our local volunteers.
- **Scunthorpe** branch was internally decorated and an electronic information screen provided in the foyer similar to those at Hull Central. A local Members’ Group operated for most of the year to share information with our most active members.
- **Withernsea** branch continued with the Wednesday contact point sessions at The Shores and advertised regularly via Seaside Radio.
- **Beverley** branch opened every Thursday at the Cherry Tree Centre while **Wetwang** branch opened on Tuesday mornings in the Community Hall.

APPRECIATION

At the close of another busy and productive year, your Board of Directors would like to thank all our staff, volunteers, sponsors, partners and supporters for their valued contribution to our work and all our members for their ongoing loyalty and support. We warmly welcome all our new members and trust that we can give you all a good experience in the years ahead.

DIRECTORS' RESPONSIBILITIES

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

Co-operative and Community Benefit Society law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (Financial Reporting Standard 102 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 income and expenditure 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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Credit Union will continue in business.

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

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that:

- so far as he/she is aware, there is no relevant audit information of which the Credit Union's auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the Credit Union's auditor is aware of that information.

This report was approved by the Board of Directors on 8 November 2016 and signed on its behalf.

A HIGNETT President

J E SMITH *ACIS* Chief Executive

Independent auditors' report to the members of

Hull and East Yorkshire Credit Union Limited

We have audited the financial statements of Hull and East Yorkshire Credit Union Limited for the year ended 30 September 2016 which comprise the Revenue, the Balance Sheet, the Statement of Changes in Members' Funds, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Credit Union's members, as a body, in accordance with the Credit Unions Act 1979. 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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Ethical Standards for Auditors.

Scope of the audit of the accounts

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/auditscopeukprivate

Opinion on the accounts

In our opinion the accounts:

- give a true and fair view of the state of the Credit Union's affairs as at 30 September 2016 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.

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

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Mark Jackson (Senior Statutory Auditor)
for and on behalf of
Jacksons
Accountants and Statutory Auditors
14 November 2016

First Floor
Albion House
Albion Street
Hull
HU1 3TE

Hull and East Yorkshire Credit Union Limited

Revenue Account

for the year ended 30 September 2016

	Notes	2016 £	2015 £
Loan interest receivable and similar income	4	515,405	521,770
Dividend payable	5	(44,493)	(42,521)
Net interest income		<u>470,912</u>	<u>479,249</u>
Administrative expenses	6	(711,107)	(766,872)
Other operating income	7	198,542	297,184
Operating (deficit)/surplus before taxation	8	<u>(41,653)</u>	<u>9,561</u>
Tax on (deficit)/surplus on ordinary activities	10	(18,667)	(13,208)
Deficit for the financial year		<u>(60,320)</u>	<u>(3,647)</u>

Hull and East Yorkshire Credit Union Limited

Balance Sheet

as at 30 September 2016

	Notes	2016 £	2015 £
Fixed assets			
Tangible assets	11	517,259	536,701
Current assets			
Debtors	12	2,394,657	1,927,408
Cash at bank and in hand		8,303,441	7,965,629
		<u>10,698,098</u>	<u>9,893,037</u>
Creditors: amounts falling due within one year	17	(208,953)	(275,432)
Net current assets		<u>10,489,145</u>	<u>9,617,605</u>
Net assets		<u>11,006,404</u>	<u>10,154,306</u>
Members' Deposits			
Members' shares	18	9,459,605	8,563,402
Junior savings	19	397,480	381,265
		<u>9,857,085</u>	<u>8,944,667</u>
<u>Reserves</u>			
General reserve		1,091,723	1,152,043
Revaluation reserve		57,596	57,596
Members' funds		<u>11,006,404</u>	<u>10,154,306</u>

Approved by the board on 8 November 2016

A. Hignett, President

A. Stankard, Vice President

J. Walton, Treasurer

Hull and East Yorkshire Credit Union Limited
Statement of Changes in Members' Funds
for the year ended 30 September 2016

	Revenue reserve	General reserve	Revaluation reserve	Total	Members' shares	Junior savings	Total
	£	£	£	£	£	£	£
At 1 October 2014	-	901,171	57,596	958,767	7,450,702	349,874	8,759,343
Loss for the financial year	(3,647)	-	-	(3,647)	-	-	(3,647)
Received following merger with NLCU	-	254,519	-	254,519	-	-	254,519
Transfers	3,647	(3,647)	-	-	-	-	-
Movement in the financial year	-	-	-	-	1,112,700	31,391	1,144,091
At 30 September 2015	-	1,152,043	57,596	1,209,639	8,563,402	381,265	10,154,306
At 1 October 2015	-	1,152,043	57,596	1,209,639	8,563,402	381,265	10,154,306
Loss for the financial year	(60,320)	-	-	(60,320)	-	-	(60,320)
Transfers	60,320	(60,320)	-	-	-	-	-
Movement during the financial year	-	-	-	-	896,203	16,215	912,418
At 30 September 2016	-	1,091,723	57,596	1,149,319	9,459,605	397,480	11,006,404

Hull and East Yorkshire Credit Union Limited

Statement of Cash Flows

for the year ended 30 September 2016

	2016 £	2015 £
Operating activities		
Operating (deficit)/surplus	(41,653)	9,561
Adjustments for:		
Depreciation	25,482	25,738
Impairment losses	(32,088)	(30,222)
	<u>(48,259)</u>	<u>5,077</u>
Movements in:		
Decrease in debtors	16,825	287,774
(Decrease)/increase in creditors	(71,907)	46,872
	<u>(103,341)</u>	<u>339,723</u>
Changes in operating assets and liabilities		
Cash inflow from members' deposits	15,366,941	12,728,779
Cash outflow from repaid members' deposits	(14,454,523)	(11,584,688)
New loans to members	(2,585,987)	(2,476,183)
Repayment of loans by members	2,134,001	2,653,339
	<u>357,091</u>	<u>1,660,970</u>
Corporation tax paid	(13,239)	(22,058)
	<u>343,852</u>	<u>1,638,912</u>
Cash generated by operating activities		
Investing activities		
Payments to acquire tangible fixed assets	(6,040)	(11,621)
Received following merger with NLCU	-	107,440
	<u>(6,040)</u>	<u>95,819</u>
Cash (used in)/generated by investing activities		
Net cash generated		
Cash generated by operating activities	343,852	1,669,611
Cash (used in)/generated by investing activities	(6,040)	65,120
	<u>337,812</u>	<u>1,734,731</u>
Net cash generated		
Cash and cash equivalents at 1 October	7,965,629	6,230,898
Cash and cash equivalents at 30 September	<u>8,303,441</u>	<u>7,965,629</u>
Cash and cash equivalents comprise:		
Cash at bank	8,303,441	7,965,629

Hull and East Yorkshire Credit Union Limited

Notes to the Accounts for the year ended 30 September 2016

1 Legal and regulatory framework

Hull and East Yorkshire Credit Union Limited is an organisation 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. Hull and East Yorkshire 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.

2 Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and 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.

First-time adoption of FRS 102

These are Hull and East Yorkshire Credit Union Limited's first financial statements to comply with FRS 102. The date of transition to FRS 102 is 1st October 2014.

The transition to FRS 102 has resulted in a small number of accounting policy changes compared to those applied previously. Note 28 to the financial statement describes the differences between the Members' Funds and surplus or deficit presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ended 30th September 2015 (ie comparative information), as well as the retained earnings presented in the opening balance sheet (ie at 1 October 2014). It also describes all the required changes in accounting policies made on first-time adoption of FRS 102.

Going concern

The financial statements are prepared on the going concern basis.

Income

Loan interest receivable and similar income: Interest on both loans to members and cash at banks (ie cash and cash equivalents held on deposit with other financial institutions) is recognised using the effective interest method, and is calculated and accrued on a daily basis.

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

Other income is recognised when the criteria have been performed that enable the credit union to claim the income concerned.

Tangible fixed assets

Tangible fixed assets comprise land and buildings, IT equipment and software and furniture 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 tangible fixed assets, less its estimated residual value, on a straight line basis over its estimated useful life. The categories of tangible fixed assets are depreciated using the straight line method as follows:

Buildings	2.0%
IT Equipment and Software	25.0%
Furniture and equipment	15.0%

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand with the Bank of England and loans and advances to banks (ie cash deposited with banks) with maturity of less than or equal to 12 months.

Financial assets - loans and advances to members

Loans to members are financial assets with fixed or determinable payments, and are not quoted in an active market. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest rate method.

Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

Impairment of financial assets

Hull and East Yorkshire Credit Union Limited assesses, at each balance sheet date, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised.

Any impairment losses are recognised in the revenue account.

Members deposits

Members shareholdings in Hull and East Yorkshire Credit Union Limited are redeemable and therefore classified as financial liabilities. They are recognised at the amount of cash deposited.

Creditors

Short term creditors are measured at transaction price (which is usually the invoice price).

Taxation

The tax charge for the year reflects current tax payable. Current tax is the expected Corporation Tax payable for the year, using tax rates in force for the year. Hull and East Yorkshire Credit Union is not liable to Corporation Tax payable on its activities of making loans to members as these are not classified as a trade. However Corporation Tax is payable on investment income.

Employee benefits

Short and long term employee benefits are recognised as an expense over the period they are earned.

Reserves

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

Provisions

Provisions (ie liabilities of uncertain timing or amount) are recognised when there is an obligation at the reporting date as a result of a past event, it is probable that economic benefit will be transferred to settle the obligation and the amount of the obligation can be estimated reliably.

Leased assets

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Pensions

Contributions to defined contribution plans are charged in the period to which they relate.

3 Critical accounting 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 Hull and East Yorkshire 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 disclosed below.

Impairment losses on loans to members

Hull and East Yorkshire Credit Union Limited reviews arrears reports to identify impairment losses on loans to members.

4	Loan interest receivable and similar income	2016	2015
		£	£
	Interest receivable on loans to members	407,642	433,042
	Interest on loans to other credit unions	14,634	22,967
	Bank interest receivable on cash and liquid deposits	93,129	65,761
		<hr/>	<hr/>
		515,405	521,770

Unless otherwise stated the income of the credit union is derived from the area within its common bond.

5 Dividend payable

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.

	2016	2015
<i>Dividends paid during the year</i>	£	£
Dividends paid to Members	41,795	40,031
Dividends paid on Junior Savings	2,698	2,490
	<hr/>	<hr/>
	44,493	42,521

6	Administrative expenses	2016	2015
		£	£
	Personnel costs	363,953	362,508
	Training and development	2,177	1,596
	Members' Death Benefits Scheme	23,894	9,107
	Printing, stationery, postage and advertising	32,935	22,643
	IT and Communications	27,841	25,155
	Governance, Legal and Regulatory costs	8,147	10,513
	Other expenses	17,346	53,819
	Accommodation	22,881	23,804
	Fidelity and General Insurance	7,639	7,707
	Subscriptions and levies	12,248	14,517
	Depreciation of tangible owned fixed assets	25,482	25,738
	Banking and Finance costs	158,935	164,459
	Audit charges	9,600	5,300
	Bad debts - Charged in the year	(1,971)	40,006
		<hr/>	<hr/>
		711,107	766,872

7	Other operating income	2016	2,015
		£	£
	Membership fees	4,078	4,185
	Income from service agreements	86,272	161,371
	Grants and sponsorships	5,002	5,663
	Insurance commission	1,020	1,189
	Sundry income	102,170	124,776
		198,542	297,184
8	Operating (deficit)/surplus before taxation	2016	2015
		£	£
	This is stated after charging:		
	Depreciation of owned fixed assets	25,482	25,738
	Auditors' remuneration for audit services	3,600	3,600
9	Staff costs	2016	2015
		£	£
	Wages and salaries	319,603	325,260
	National insurance costs	20,692	15,823
	Other pension costs	15,446	6,545
	Other staff expenses	8,212	14,880
		363,953	362,508
	Average number of employees during the year	Number	Number
		21	22
10	Taxation	2016	2015
	Analysis of charge in period	£	£
	Current tax:		
	UK Corporation Tax on invested income for the period	18,667	13,208
11	Tangible fixed assets		
		IT	
		Equipment	
		and	
		Software	
	Land and		Furniture
	Buildings		and
	At cost	At cost	Equipment
	£	£	At cost
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12 Debtors	2016	2015
	£	£
Loan debtors	2,391,134	1,939,148
Impairment losses on groups of loan debtors	(80,690)	(112,778)
Prepayments and accrued income	84,213	101,038
	<u>2,394,657</u>	<u>1,927,408</u>

13 Loans and advances to members	2016	2015
	£	£
As at 1 October	1,939,148	2,116,304
Advanced during the year	2,585,987	2,476,183
Repaid during the year	<u>(2,134,001)</u>	<u>(2,653,339)</u>
	<u>2,391,134</u>	<u>1,939,148</u>

14 Credit risk disclosures

Hull and East Yorkshire Credit Union Limited 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 while loans are outstanding.

The carrying amount of the loans to members represents Hull and East Yorkshire 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.

	2016	2015
	£	£
Not impaired:		
Neither past due nor impaired	2,123,035	1,744,838
Up to 3 months past due	166,945	72,007
	2,289,980	1,816,845
Individually impaired:		
Between 3 and 6 months past due	22,619	22,318
Between 6 months and 1 year past due	78,535	99,985
	2,391,134	1,939,148
Impairment allowance	<u>(80,690)</u>	<u>(112,778)</u>
	<u>2,310,444</u>	<u>1,826,370</u>

15 Allowance account for impairment losses	2016	2015
	£	£
As at 1 October	112,778	143,000
Allowances reversed during the year	<u>(32,088)</u>	<u>(30,222)</u>
As at 30 September	<u>80,690</u>	<u>112,778</u>

16 Impairment losses recognised for the year	2016	2015
	£	£
Impairment of individual financial assets	30,117	9,784
Increase in impairment allowances during the year	<u>(32,088)</u>	<u>30,222</u>
	<u>(1,971)</u>	<u>40,006</u>

17	Creditors: amounts falling due within one year	2016	2015
		£	£
	Corporation tax	18,585	13,157
	Other creditors	41,396	102,542
	Provision for Housing loans	148,972	159,733
		<u>208,953</u>	<u>275,432</u>
18	Members' deposits	2016	2015
		£	£
	As at 1 October	8,563,402	7,450,702
	Received during the year	15,350,726	12,697,388
	Repaid during the year	<u>(14,454,523)</u>	<u>(11,584,688)</u>
	As at 30 September	<u>9,459,605</u>	<u>8,563,402</u>
19	Junior savings	2016	2015
		£	£
	As at 1 October	381,265	349,874
	Movement during the year	<u>16,215</u>	<u>31,391</u>
		<u>397,480</u>	<u>381,265</u>

20 Additional financial instruments disclosures

Financial risk management

Hull and East Yorkshire Credit Union manages its members' deposits and loans to members so that it earns income from the margin between interest receivable and interest payable.

The main financial risks arising from Hull and East Yorkshire 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 Hull and East Yorkshire Credit Union, resulting in financial loss to Hull and East Yorkshire Credit Union. In order to manage this risk the Board approves Hull and East Yorkshire 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: Hull and East Yorkshire 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 Hull and East Yorkshire Credit Union's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

Market risk: Market risk is generally comprised of interest rate risk, currency risk and other price risk. Hull and East Yorkshire Credit Union conducts all its transactions in sterling and does not deal in derivatives or commodity markets. Therefore Hull and East Yorkshire Credit Union is not exposed to any form of currency risk or other price risk.

Interest rate risk: Hull and East Yorkshire 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. Hull and East Yorkshire Credit Union considers rates of interest receivable when deciding on the dividend rate payable on members' deposits. Hull and East Yorkshire Credit Union does not use interest rate options to hedge its own positions.

Liquidity risk disclosures

Excluding short-term other payables, as noted in the balance sheet, Hull and East Yorkshire Credit Union's financial liabilities are mainly repayable on demand.

Fair value of financial instruments

Hull and East Yorkshire Credit Union does not hold any financial instruments at fair value.

21	Cash and cash equivalents	2016	2015
		£	£
	Cash and balances with the Bank of England	130,399	168,711
	Loans and advances to banks	8,173,042	7,796,918
		8,303,441	7,965,629
	Less: amounts maturing after three months	(7,284,243)	(6,673,783)
		1,019,198	1,291,846

22 Events after the reporting date

There are no material events after the balance sheet date to disclose.

23 Contingent liabilities

Hull and East Yorkshire Credit Union participates in the Financial Services Compensation Scheme (FSCS) and therefore has a contingent liability, which cannot be quantified, in respect of contributions to the FSCS, as required by the Financial Services and Markets Act 2000. However this is subject to future changes in interest rates and levels of deposits held by UK deposit takers. Therefore there is inherent uncertainty regarding the total levy that Hull and East Yorkshire Credit Union will have to pay.

24 Related party transactions

During the year, 13 members of the Board, staff and their close family members (2015: 10 members) had loans with Hull and East Yorkshire Credit Union. These loans were approved on the same basis as loans to other members of Hull and East Yorkshire Credit Union. None of the directors, staff or their close family members, have preferential terms on their loans.

25 Presentation currency

The financial statements are presented in Sterling.

26 Legal form of entity and country of incorporation

Hull and East Yorkshire Credit Union Limited is a Co-operative and Community Benefit Society authorised by the Prudential Regulation Authority (FRN 213620).

27 Principal place of business

The address of the principal place of business and registered office is:

38 Brook Street
Kingston Upon Hull
HU2 8LA

28 Reconciliations on adoption of FRS 102

Surplus or deficit for the year ended 30 September 2015	£
Surplus under former UK GAAP	38,874
Dividends transferred to Revenue Account	(42,521)
	<hr/>
Deficit under FRS 102	(3,647)
Balance sheet at 30 September 2015	£
Equity under former UK GAAP	10,229,078
	<hr/>
Equity under FRS 102	10,229,078
Balance sheet at 1 October 2014	£
Equity under former UK GAAP	8,759,343
	<hr/>
Equity under FRS 102	8,759,343