



Hull & East Yorkshire  
**Credit Union**  
The Fairer Alternative

**Hull and East Yorkshire  
Credit Union Limited**

# **Annual Report and Financial Statements 30 September 2018**

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  
Joanne Foster  
Altynay Guney  
Alan Hignett  
John Lawrence  
Bill Meadows  
Susan Nicholson  
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 2018

Fellow Members,

We have pleasure in submitting our Report and the Audited Accounts of the Credit Union for the period ended 30 September 2018.

### 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

<b>Directors:</b>	<b>Office held</b>	<b>Possible attendance</b>	<b>Actual attendance</b>	<b>Committees served</b>	<b>Notes</b>
John Bailey		11	11	AR PT C	
Tony Craggs	Treasurer	11	11	AR	
Allan Davidson		11	10	AR C	
Joanne Foster		9	4		Elected Dec 2017
Altynay Guney		9	7	PT	Elected Dec 2017
Alan Hignett	Vice President	11	11	PT	
John Lawrence		11	10	PT	
Bill Meadows		11	10	PT	
Susan Nicholson	Secretary	11	8		
Kate Pike		11	8	AR PT	
Andrew Stankard	President	11	11		
Jane Walton		11	5		

*Committee codes: AR – Audit & Risk; PT – Personnel & Training; C – Credit Committee*

We welcomed Joanne Foster and Altynay Guney as new directors following the AGM 2017. The Board elected a new President – Andy Stankard – in December to succeed Alan Hignett who had completed a four-year term. Jane Walton stepped down as Treasurer and Tony Craggs was elected.

### Director Training and Development

Our two new directors received **Induction Training** and spent a “day in the office” to view the work of staff. **Pre-Board Training sessions** covered *Money Laundering Prevention*, *GDPR* and *the Code of Governance*. The 2017 **Board and Director Effectiveness Survey** included a training needs assessment which helped us to develop a **Director Training Plan**, based around courses provided by the **ABCUL Academy** and relevant experiences such as attending local business networks and visits to other credit unions.

### BOARD COMMITTEES

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

#### **Audit & Risk Committee**

The Committee met three times to agree the internal audit plan with our providers, TIAA, and then discuss their findings. This year's reports covered cyber security, business planning, IT infrastructure and information governance. The Committee reviewed our plans for introducing new technology and ongoing work to achieve compliance with the new General Data Protection Regulation. We take the security of our members' data very seriously and have conducted a thorough data audit, updated our Privacy Statement and Data Retention Policy and collated marketing consents in line with the new regulations.

All key risks were reviewed at each meeting with the Management Team and our portfolio of invested funds was regularly monitored. We studied a discussion paper issued by the financial regulators on *Building Operational Resilience* and developed a plan for restoring vital member services in the event of a system failure either at the Credit Union or at one of our service providers.

## Personnel & Training Committee

Five meetings were held. All staffing policies were reviewed on a rolling programme, to ensure they were fit for purpose and legally compliant. The Retirement Policy was rewritten to include more positive provisions for staff considering retirement and the Maternity Leave Policy was enhanced. Work also began on a major review of our job grading and reward structure, to be concluded by November 2018.

## GOVERNANCE

- The directors held a **Strategic Planning Event** on 19 May to review and update the strategic plan. Objectives were set to guide management and staff, based on the agreed vision and strategic direction of the organisation. The Board monitored progress at its monthly meetings using a progress tracker.
- Your Board regularly monitors our compliance with the current **ABCUL Code of Governance**. We comply fully with 29 of the 30 Required (R) standards and 14 of the 15 Gold (G) standards. The two standards with outstanding action relate to *Elected member foundation training (Element 27R)* and *Elected member refresher training (Element 28G)* which are being addressed. The present Code has been in use since 2011 and we have responded to an ABCUL consultation on the development of a new version to ensure that credit unions can aspire to the highest standards of governance.
- This year the Board thoroughly revised the **Policy and Procedure Manual**. 39 new or updated policies were adopted to guide directors and staff in various areas of credit union operations. The policies were re-written with a clearer distinction between legal/regulatory requirements, Rule Book obligations, Board policy and Management procedures.
- In July a new **Complaints and Feedback Policy** was introduced. It is backed by an explanatory leaflet, issued to all new members upon joining, a new web page and an online form to enable members to easily provide feedback, positive or otherwise. All member comments are welcomed and often lead to improvements in the way we deliver services for the benefit of all.
- We were represented at two meetings of the **ABCUL Larger Credit Unions Group**, and regularly attend the **Yorkshire & North East Forum**, enabling us to keep up to date with the developments and challenges affecting our industry and share good practice across the wider credit union family.

## REVIEW OF THE YEAR

### Membership

	<b>Total as at 30.9.17</b>	<b>New accounts</b>	<b>Closures</b>	<b>Total as at 30.9.18</b>	<b>% change</b>
Adult Members	11,997	1,804	875	12,926	+7.7%
Junior Savers	1,378	167	95	1,450	+5.2%

### Savings, Loans and Assets

	<b>2018</b>	<b>2017</b>	<b>% change</b>
Adult Members' Savings deposits	£10,082,995	£10,033,871	+0.5%
Junior Savings deposits	£457,280	£429,490	+6.5%
Average deposits per Adult Member	£780	£836	-6.7%
Average deposits per Junior Saver	£315	£312	+1.0%
Total Members' Loans	£4,204,765	£3,122,068	+34.7%
Average loan per borrowing Member	£1,338	£1,142	+17.2%
Net Assets	£11,682,446	£11,532,118	+1.3%

### Financial Results

The strong growth in our Loan Book and improving returns from Invested Funds have yielded in an increase in Interest income of 25%. Operating Expenses reduced by 7% when compared with the previous year. A Surplus (after tax and dividends) of £43,414 is therefore available to strengthen our Reserves, together with a surplus on revaluation of our freehold property of £30,000.

Following a review of our savings products in 2017, members' savings have grown at a steadier pace and a higher percentage of our assets are out on loan, adding further strength to our Balance Sheet.

Despite an uncertain economic climate, prospects for the coming year are positive. Our three-year Business Plan projects the Capital to Assets ratio rising to 10.3% in 2019 and 11.5% by 2021 and we are on track to meet these targets.

### Key Ratios

<i>Indicator of:</i>	<i>Indicator</i>	<i>2018</i>	<i>2017</i>	<i>Target</i>
Effective financial structure	Capital to Total Assets	9.7%	9.1%	>10%
	Borrowings to Total Assets	0%	0%	0%
	Total Shares to Total Assets	85.3%	85.5%	70-90%
	Net Loans to Total Assets	34.5%	25.7%	>40%
Protection	Bad Debt Written Off to Total Loans	1.1%	1.2%	<10%
	Net Assets to Total Shares and Junior Deposits	106.5%	110.2%	>105%
Asset quality	Arrears (over 3 mths) to Total Loans	4.5%	3.2%	<20%
	Non-earning Assets to Total Assets	12.0%	8.5%	<10%
Returns	Loan income to Average Total Loans	15.6%	15.6%	>6%
Efficiency	Operating Expenses to Total Assets	5.5%	5.9%	<8%
	Members and Juniors served per FTE Staff	904	791	>1,000

### Highlights of the Year

- We continued with a range of initiatives to grow our **Members' Loan Book**, which passed the £4 million milestone for the first time in August. Spring and Summer Loan Sales, featuring a 15% reduction in interest rates for loans from £2,000 to £7,500, proved highly popular, while the number of members taking up the Child Benefit Loan and Savings Plan has tripled since 2017. We revised our Loans Policy to consider requests to top-up loans more frequently – after one third rather than half way through the original term. As well as better meeting members' needs, this also addressed the seasonal dip in our loan book.
- In October 2017 we began generating electricity at Brook Street. Through our collaborative partnership with Co-operative Energy we were able to invest in a **roof top solar panel installation** which will not only return considerable financial savings over the next 20 years but also place your Credit Union at the forefront of the green energy revolution to tackle climate change.
- In the spring we were delighted to launch our latest payroll partnership, with **North East Lincolnshire Council**. Three sign up sessions, held at the Municipal Offices in Grimsby and the Civic Centre, Cleethorpes, were well supported by staff eager to save and borrow with us direct from their pay.
- We were honoured when the Lord Mayor of Kingston upon Hull selected our headquarters to site a Centenary wall plaque commemorating the contribution to the life of the city of **Lord James Peddie**, a prominent co-operator who became Chairman of the Co-operative Building Society.

### Improving our Members' Experience

- For some time we have been anxious to deploy modern technology to improve how members can interact with us. Our plans to collaborate with 35 other credit unions in a DWP-sponsored project to implement a **Model Technology Platform**, were frustrated when roll-out delays outside our control led to the project being terminated. Fortunately, your Board had devised a contingency plan and, in February, decided to invest in enhancements to our existing software system at a capital cost of £17,000.
- As part of this development, the Northern Lincolnshire and Hull & East Yorkshire member databases were merged on 27 July, with only half a day's office closure. New IT equipment was also installed at the Scunthorpe branch.
- We are about to launch an App giving members real-time access to their accounts, and the facility to make withdrawals and payments, direct from their smartphones and tablets. An improved online loan application process will give members a speedier borrowing experience.

### Positive Partnerships

We work extensively with a wide range of organisations to promote financial well-being:

- This year we progressed two new initiatives with the Illegal Money Lending Team (IMLT), who provided *Stop Loan Shark bonuses* to reward new or regular savers. On the Nunthorpe Estate in Grimsby,

Melanie Onn MP launched the **CU@Centre4 Christmas Savings Club** to encourage residents to save up safely for the festive season.

- We also worked with the IMLT and several **Street Games groups** to give young people an opportunity to deposit money into a Junior Savers account each time they attend a sports session. For many savers at **Andrew Marvell Youth Centre** it was the first time they'd had an account in their own name and they have enjoyed saving up for school trips, family occasions or treats long after earning the bonuses.
- A new *Pennies2Pounds school bank* opened at **Barlow CE Primary School** near Selby.
- With support from the **Big Local projects** at Greatfield (Hull) and Winterton (North Lincolnshire) we have run weekly contact points and engaged with local organisations to support the financial welfare of residents. At Withernsea, we developed exciting plans to expand our presence, with a social investment from the Big Local Steering Group. At their annual public meeting our three-year vision to designate Withernsea a Credit Union Town was warmly received by the community.
- A presentation about our services was made to **Hornsea Town Council** after a group of residents asked us to open a contact point in the town, which has lost its last High Street bank. We ran a consultation in *Hornsea Community News* to assess the potential demand and support for this venture.
- We are included in the portfolio of service providers for **Hull Money**, a website sponsored by Hull City Council, to inform city residents of low-cost ethical providers of loan, saving and banking products.
- The **Hull branch of UNISON** sponsored our Members' Lottery prize fund throughout 2018 and, on behalf of our members, we thank them for their valued support.
- We have retained our **5-star Fairbanking Mark** accreditation for CU Loan products and were delighted to have the Fairbanking Foundation's Chief Executive speak at our 2017 AGM.
- Within the "credit union family", we jointly presented a workshop at the **ABCUL Annual Conference** with NHS Credit Union on *Reversing the Lending Trend*, which generated much interest from delegates. We visited Clockwise CU and Voyager Alliance CU, and hosted visits from Lanarkshire CU and Sheffield CU, to share ideas and good practice.

## Marketing and Communicating

- This year has seen a strong focus on promoting our services to employers. We supported ABCUL's **Work not Worry campaign**, aimed at raising awareness of the financial well-being benefits of including credit union payroll deduction in their employee rewards package. We introduced attractive member recruitment leaflets for payroll savers and ran a summer long **Refer a Colleague** incentive, with a first prize of a Fit Bit Activity Wristband, won by a member in Newcastle. Visits were made to payroll partner workplaces including the DWP (7 sites in Yorkshire, the North East and Scotland), Lebus Upholstery, North Lindsey College, North East Lincolnshire Council, the HICA Group and Goodwin Trust, to meet our volunteer Workplace Champions, make presentations and sign up new members.
- Seasonal **awareness campaigns** included Christmas Loans (Recommend a friend/receive a jute shopping bag); New Year Money Makeover (*Swap & Drop Loans* plus *Christmas Saver £10 bonus*); Holiday Loans; World Cup Fever; Flexi Credit; besides the Spring and Summer Loan Sales. Each campaign was supported with posters, flyers, emails to consenting members, social media posts and website banners.
- For International Credit Union Day 2017 we used social media and a video to **Tell the World about Credit Unions**, aligning our story with the closing theme of Hull's first year as UK City of Culture.
- We are thrilled that the growth in traffic to our new user-friendly **website** continued strongly into its second year, with usage up by 212% on the same period of 2017.
- Our school banks were issued with new **Pennies2Pounds** school gate banners and regular newsletters and we delivered information packs to Children's Centres in the Hull area.
- The work of credit unions has been covered extensively on TV and radio. BBC1's series **A Matter of Life and Debt**, featuring heart-warming stories of how we help to improve people's lives, generated enquiries at all branches. HEYCU took part in filming for the second series, to appear later in 2018. Our Chief Executive was interviewed on *BBC Look North* about the pitfalls of high-cost credit. He also broadcast on West Hull Community Radio, Radio Humberside, Seaside Radio and Estuary TV and presented to local organisations such as Humberside Rotary Club.



## Our People

- Our staff team comprises 21 colleagues. During the year we welcomed Joanne (Central) and Jean (Goole) and said farewell to Zoe and Linda, who left with our best wishes. Kathryn (Banking) was the latest staff member to receive recognition on completing **ten years' service**.
- As part of our ongoing team development we were pleased to appoint Lauren to the new role of **Branch Development Co-ordinator** and Matthew to that of **Project & Systems Manager**.
- In March we were re-accredited as an **Investor in People** for a further three years.
- We are fortunate to benefit from the dedication of around 80 **volunteers** who serve at branches or help to run school savings clubs. In April two of our longest serving volunteers – Edwin King and Billy Briggs – retired from active duty at Driffield Branch. Their colleagues gave a pleasant lunch in their honour and gifts were presented on behalf of members.
- In June, we were sad to learn of the death of **Ken Foster**, a founder and former Vice President of North Lincolnshire Credit Union, after a long illness.
- HEYCU donated a further £1,000 to the **CU Futures Programme** as part of our commitment to the development of the next generation of credit union leaders.

## Branches

Our local branches continue to be very active and support the life of their communities:

- **Bridlington** branch operates every Monday, Thursday and Friday from a prime town centre location.
- **Goole** branch opens three days a week, supported by an enthusiastic Local Members' Group which met three times in the year. A Cupcake Day raised £100 for the Aim Higher charity and the branch was a reception point for the *Our Goole* Christmas Toy Appeal, helping many needy families to have a brighter Christmas. There are weekly contact points at Howden Co-op and Old Goole, and several school banks.
- **Driffield** branch, open twice a week in the Town Council Offices, was supported by a Local Members' Group of dedicated volunteers. Several school banks operate regularly in the town and surrounding area and the branch ran a stall at Driffield Christmas Market, assisted by Penny the pennywise penguin, and took part in a Christmas Tree Festival at the parish church.
- **Scunthorpe** branch opens five days a week and supports contact points at Winterton Co-op and Centre4 in Grimsby.
- **Withernsea** branch holds Wednesday sessions at The Shores and is often featured on Seaside Radio.
- **Beverley** branch opens every Thursday at the Cherry Tree Centre while **Wetwang** operates on Tuesday mornings in the Community Hall.

## 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.

### **APPRECIATION**

Your Directors wish to thank all our staff and volunteers for their hard work over the past year, which has produced a big improvement in our annual results. The loyalty and support of our sponsors, partners and you, our members, is also very much appreciated as we look ahead with confidence to our 20<sup>th</sup> anniversary year.

This report was approved by the Board of Directors on 6 November 2018 and signed on its behalf.

**A STANKARD President**

**J E SMITH *ACIS* Chief Executive**

# **INDEPENDENT AUDITOR'S REPORT to the members of Hull and East Yorkshire Credit Union Limited**

## **Opinion**

We have audited the financial statements of Hull and East Yorkshire Credit Union Limited for the year ended 30 September 2018 which comprise the Revenue account, Balance Sheet, Statement of Changes in Members' Funds, Statement of Cash Flows, and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 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 its members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Credit Union's Act 1979.

## **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the credit union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

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

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

## **Opinions on other matters prescribed by the Co-operative and Community Benefit Societies Act 2014**

In our opinion, based on the work undertaken in the course of the audit the information given in the directors' report for the financial year for which the financial statements is prepared is consistent with the financial statement and has been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the credit union and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- failure to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of the audit; 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.

### **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.

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.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Mark Jackson BA FCA**  
**(Senior Statutory Auditor)**  
**for and on behalf of**  
**Jacksons**  
**Accountants and Statutory Auditors**  
**6 November 2018**

**First Floor**  
**Albion House**  
**Albion Street**  
**Hull**  
**HU1 3TE**

# Hull and East Yorkshire Credit Union Limited

## Revenue Account

for the year ended 30 September 2018

	Notes	2018 £	2017 £
Loan interest receivable and similar income	4	671,157	536,434
Dividends payable	5	(58,668)	(48,355)
<b>Net interest income</b>		<u>612,489</u>	<u>488,079</u>
Administrative expenses	6	(630,207)	(677,544)
Other operating income	7	80,152	212,019
<b>Operating surplus / (deficit) before taxation</b>	8	<u>62,434</u>	<u>22,554</u>
Exceptional Item – CUCA closure		-	(82,871)
Tax on surplus / (deficit) on ordinary activities	10	(19,020)	(20,245)
<b>Surplus / (deficit) for the financial year</b>		<u>43,414</u>	<u>(80,562)</u>

# Hull and East Yorkshire Credit Union Limited

## Balance Sheet

as at 30 September 2018

	Notes	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	11	552,138	506,570
<b>Current assets</b>			
Debtors	12	4,228,023	3,147,317
Cash at bank and in hand		<u>7,051,559</u>	<u>8,083,479</u>
		11,279,582	11,230,796
<b>Creditors: amounts falling due within one year</b>	17	(149,274)	(205,248)
<b>Net current assets</b>		<u>11,130,308</u>	<u>11,025,548</u>
<b>Net assets</b>		<u>11,682,446</u>	<u>11,532,118</u>
<b>Financial Liabilities</b>			
Members' shares	18	10,082,995	10,033,871
Junior savings	19	457,280	429,490
		<u>10,540,275</u>	<u>10,463,361</u>
<u>Reserves</u>			
General reserve		1,054,575	1,011,161
Revaluation reserve		87,596	57,596
<b>Members' funds</b>		<u>11,682,446</u>	<u>11,532,118</u>

Approved by the board on 6 November 2018, and signed on its behalf

A. Stankard, President

A. Hignett, Vice President

T. Craggs, Treasurer

**Hull and East Yorkshire Credit Union Limited**  
**Statement of Changes in Members' Funds**  
**for the year ended 30 September 2018**

	Revenue reserve	General reserve	Revaluation reserve	Total	Members' shares	Junior savings	Total
	£	£	£	£	£	£	£
<b>At 1 October 2016</b>	-	1,091,723	57,596	1,149,319	9,459,605	397,480	11,066,404
Loss for the financial year	(80,562)	-	-	(80,562)	-	-	(80,562)
Transfers	80,562	(80,562)	-	-	-	-	-
Movement during the financial year	-	-	-	-	574,266	32,010	606,276
<b>At 30 September 2017</b>	-	1,011,161	57,596	1,068,757	10,033,871	429,490	11,532,118
<b>At 1 October 2017</b>	-	1,011,161	57,596	1,068,757	10,033,871	429,490	11,532,118
Surplus for the financial year	43,414	-	-	43,414	-	-	43,414
Transfers	(43,414)	43,414	30,000	30,000	-	-	30,000
Movement during the financial year	-	-	-	-	49,124	27,790	76,914
<b>At 30 September 2018</b>	-	1,054,575	87,596	1,142,171	10,082,995	457,280	11,682,446

**Hull and East Yorkshire Credit Union Limited**  
**Statement of Cash Flows**  
**for the year ended 30 September 2018**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Operating activities</b>		
Operating (deficit)/surplus	62,434	22,554
Adjustments for:		
Depreciation	20,816	28,158
Impairment losses	19,554	19,756
	<u>102,804</u>	<u>70,468</u>
Movements in:		
Decrease in debtors	(17,563)	(41,482)
(Decrease)/increase in creditors	(54,790)	(5,316)
	<u>30,451</u>	<u>23,670</u>
<b>Changes in operating assets and liabilities</b>		
Cash inflow from members' deposits	15,765,003	14,799,158
Cash outflow from repaid members' deposits	(15,688,089)	(14,192,882)
New loans to members	(3,786,569)	(2,952,622)
Repayment of loans by members	2,703,872	2,221,688
	<u>(975,332)</u>	<u>(100,988)</u>
Corporation tax paid	(20,204)	(18,634)
Exceptional Item – CUCA closure	-	(82,871)
Cash generated by operating activities	<u>(995,536)</u>	<u>(202,493)</u>
<b>Investing activities</b>		
Payments to acquire tangible fixed assets	(36,384)	(17,469)
Cash (used in)/generated by investing activities	<u>(36,384)</u>	<u>(17,469)</u>
<b>Net cash generated</b>		
Cash generated by operating activities	(995,536)	(202,493)
Cash (used in)/generated by investing activities	(36,384)	(17,469)
Net cash generated	<u>(1,031,920)</u>	<u>(219,962)</u>
Cash and cash equivalents at 1 October	<u>8,083,479</u>	<u>8,303,441</u>
Cash and cash equivalents at 30 September	<u>7,051,559</u>	<u>8,083,479</u>
Cash and cash equivalents comprise:		
Cash at bank	7,051,559	8,083,479



## Notes to the Accounts for the year ended 30 September 2018

### 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.

#### ***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 to 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 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.

<b>4</b>	<b>Loan interest receivable and similar income</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
	Interest receivable on loans to members	564,178	430,661
	Interest on loans to other credit unions	6,916	2,196
	Bank interest receivable on cash and liquid deposits	100,063	103,577
		<hr/>	<hr/>
		671,157	536,434

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.

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b><i>Dividends paid during the year</i></b>		
Dividends paid to Members	56,079	45,858
Dividends paid on Junior Savings	<hr/> 2,589	<hr/> 2,497
	<hr/> 58,668	<hr/> 48,355

<b>6</b>	<b>Administrative expenses</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
	Personnel costs	372,927	369,518
	Training and development	3,268	2,874
	Members' Death Benefits Scheme	692	7,974
	Printing, stationery, postage and advertising	31,885	31,053
	IT and Communications	34,694	32,618
	Governance, Legal and Regulatory costs	6,746	7,785
	Other expenses	19,827	31,888
	Accommodation	33,725	28,657
	Fidelity and General Insurance	7,966	7,590
	Subscriptions and levies	11,708	11,550
	Depreciation of tangible owned fixed assets	20,816	28,158
	Banking and Finance costs	9,195	52,439
	Audit charges	10,809	8,280
	Bad debts - Charged in the year	65,949	57,160
		<hr/>	<hr/>
		630,207	677,544

<b>7</b>	<b>Other operating income</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
	Membership fees	14,053	9,097
	Income from service agreements	47,243	69,644
	Grants and sponsorships	14,091	107,500
	Insurance commission	1,051	1,152
	Sundry income	<hr/> 3,714	<hr/> 24,626
		<hr/> 80,152	<hr/> 212,019

8	<b>Operating (deficit)/surplus before taxation</b>	<b>2018</b>	<b>2017</b>		
	This is stated after charging:	<b>£</b>	<b>£</b>		
	Depreciation of owned fixed assets	20,816	28,158		
	Auditors' remuneration for audit services	3,600	3,600		
9	<b>Staff costs</b>	<b>2018</b>	<b>2017</b>		
		<b>£</b>	<b>£</b>		
	Wages and salaries	332,061	329,214		
	National insurance costs	20,162	20,064		
	Other pension costs	16,106	15,986		
	Other staff expenses	4,598	4,254		
		372,927	369,518		
<b>Average number of employees during the year</b>		<b>Number</b>	<b>Number</b>		
		20	21		
10	<b>Taxation</b>	<b>2018</b>	<b>2017</b>		
	<b>Analysis of charge in period</b>	<b>£</b>	<b>£</b>		
	Current tax:				
	UK Corporation Tax on invested income for the period	19,020	20,245		
11	<b>Tangible fixed assets</b>				
		<b>Land and Buildings</b>	<b>IT Equipment and Software</b>	<b>Furniture and Equipment</b>	<b>Total</b>
		<i>At cost</i>	<i>At cost</i>	<i>At cost</i>	
	<b>Cost or valuation</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
	At 1 October 2017	508,734	172,879	158,861	840,474
	Additions	-	18,630	17,754	36,384
	Revaluation surplus	30,000	-	-	30,000
	At 30 September 2018	538,734	191,509	176,615	906,858
	<b>Depreciation</b>				
	At 1 October 2017	41,058	154,642	138,204	333,904
	Charge for the year	4,916	9,537	6,363	20,816
	At 30 September 2018	45,974	164,179	144,567	354,720
	<b>Carrying amount</b>				
	At 30 September 2018	492,760	27,330	32,048	552,138
	At 30 September 2017	467,676	18,237	20,657	506,570
12	<b>Debtors</b>	<b>2018</b>	<b>2017</b>		
		<b>£</b>	<b>£</b>		
	Loan debtors	4,204,765	3,122,068		
	Impairment losses on groups of loan debtors	(120,000)	(100,446)		
	Prepayments and accrued income	143,258	125,695		
		4,228,023	3,147,317		
13	<b>Loans and advances to members</b>	<b>2018</b>	<b>2017</b>		
		<b>£</b>	<b>£</b>		
	As at 1 October	3,122,068	2,391,134		
	Advanced during the year	3,786,569	2,952,622		
	Repaid during the year	(2,703,872)	(2,221,688)		
		4,204,765	3,122,068		

## 14 Credit risk disclosures

Hull and East Yorkshire Credit Union Limited does not offer mortgages and all loans are unsecured, except for some restrictions on the extent to which borrowers may withdraw 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.

	2018 £	2017 £
Not impaired:		
Neither past due nor impaired	3,871,516	2,837,440
Up to 3 months past due	<u>143,496</u>	<u>184,177</u>
	4,015,012	3,021,617
Individually impaired:		
Between 3 and 6 months past due	72,200	24,823
Between 6 months and over 1 year past due	<u>117,553</u>	<u>75,628</u>
	4,204,765	3,122,068
Impairment allowance	<u>(120,000)</u>	<u>(100,446)</u>
	<u>4,084,765</u>	<u>3,021,622</u>
<b>15 Allowance account for impairment losses</b>	<b>2018 £</b>	<b>2017 £</b>
As at 1 October	100,446	80,690
Allowances increased/(reversed) during the year	<u>19,554</u>	<u>19,756</u>
As at 30 September	<u>120,000</u>	<u>100,446</u>
<b>16 Impairment losses recognised for the year</b>	<b>2018 £</b>	<b>2017 £</b>
Impairment of individual financial assets	46,395	37,404
Increase in impairment allowances during the year	<u>19,554</u>	<u>19,756</u>
	<u>65,949</u>	<u>57,160</u>
<b>17 Creditors: amounts falling due within one year</b>	<b>2018 £</b>	<b>2017 £</b>
Corporation tax	19,012	20,196
Other creditors	12,165	51,809
Provision for Housing loans	<u>118,097</u>	<u>133,243</u>
	<u>149,274</u>	<u>205,248</u>
<b>18 Members' deposits</b>	<b>2018 £</b>	<b>2017 £</b>
As at 1 October	10,033,871	9,459,605
Received during the year	15,737,213	14,767,148
Repaid during the year	<u>(15,688,089)</u>	<u>(14,192,882)</u>
As at 30 September	<u>10,082,995</u>	<u>10,033,871</u>
<b>19 Junior savings</b>	<b>2018 £</b>	<b>2017 £</b>
As at 1 October	429,490	397,480
Movement during the year	<u>27,790</u>	<u>32,010</u>
As at 30 September	<u>457,280</u>	<u>429,490</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	2018 £	2017 £
	Cash and balances with the Bank of England	152,978	170,815
	Loans and advances to banks	6,893,866	7,912,664
		7,051,559	8,083,479
	Less: amounts maturing after three months	(5,716,385)	(5,956,264)
		1,335,174	2,127,215

## 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, 14 members of the Board, employees and their close family members (2017: 16 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, employees 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

