



Hull & East Yorkshire
Credit Union
The Fairer Alternative

**Hull and East Yorkshire
Credit Union Limited**

Annual Report and Financial Statements 30 September 2019

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 2019

Fellow Members,

We have pleasure in submitting our Report and the Audited Accounts of the Credit Union for the period ended 30 September 2019.

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

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

Committees: AR – Audit & Risk; PT – Personnel & Training; SP – Succession Planning

There were no changes to the directors or officers. However, following a vote at the AGM 2018, the **Credit Committee** was abolished and its work reassigned to the Board and staff loans team. We thanked Cheryl Nicholson, Eddie Hotham, Allan Davidson and John Bailey for their services on that Committee.

Director Training and Development

In May, several directors attended a **Governance Training Day** in York arranged by the ABCUL Yorkshire & North East Forum. **Pre-Board Training sessions** covered *Cyber Risk and Security, the Loan Decisioning System and Learning from Member Feedback*. After reviewing the findings of the 2019 **Board and Director Effectiveness Survey** we prepared an individual **Director Training Plan** for each director, to ensure that the training provided was relevant to their roles and recognised prior knowledge and experience.

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 quarterly to agree an internal audit plan with our providers, TIAA, and discuss their findings. This year's reports covered risk management, governance, loans compliance, cash handling and a follow up review. Members oversaw actions to address cyber risks and test the resilience of our systems.

Key risks were reviewed at each meeting with the Management Team and our investment portfolio was regularly monitored. A structured investment was made to ensure that required liquidity levels are always maintained. We also wrote to the institutions in which we invest surplus funds to obtain assurances in regard to their regulatory compliance.

Personnel & Training Committee

Four meetings were held. A major revision of our job grading structure using the HAY evaluation scheme was concluded in April to ensure equitable rewards for all and provide for the ongoing development of our staff

team. All staff were given access to the ABCUL Training Academy and, where appropriate, external training opportunities. We reviewed GDPR compliance, Investors in People and our Employees' Council.

GOVERNANCE

- On 17 December 2019 we received our first ever Supervisory Visit from our regulators, the **Prudential Regulation Authority (PRA)**. The regulators interviewed several directors, our Chief Executive and staff and provided useful feedback for the Board to consider. In view of the growing size and impact of our credit union we can expect to have such visits more frequently in the future.
- One of the actions identified by the PRA was to enhance our **Succession Planning** processes, to ensure the efficient and effective continuation of management resources when the current personnel enter retirement. Your Board has established a Succession Planning Committee to focus on this area of work.
- The annual **Strategic Planning Event** on 18 May was held at Scunthorpe Branch when the opportunity was taken to meet with local staff and volunteers and view the premises, as well as updating the three year business plan. Progress with the Plan is monitored at Board meetings using a progress tracker.
- Our **Member Satisfaction Survey 2019** was issued by email and in branch and 613 members (8.3% of those circulated) responded. We captured feedback on our service performance and how well we live up to credit union values and consulted members on a new trading name and suggestions for marking our 20th anniversary. We were delighted that 93.7% felt we offer good overall value for money, 93.6% found us easy to join, while 95.4% considered us good at responding to enquiries.
- We aspire to the highest standards of governance and our compliance with the **ABCUL Code of Governance** is regularly monitored. We comply fully with 28 of the 30 Required (R) standards and all 15 Gold (G) standards. The two standards with outstanding action relate to *elected member training* and *member diversity monitoring* which are being addressed. An updated version of the Code is awaited.
- By attending the **ABCUL Larger Credit Unions Group**, and **Yorkshire & North East Forum**, we keep abreast of developments in our industry and share good practice with fellow credit unionists. In 2019 we participated in a Financial Services Technology Conference and meetings of our software user group.

REVIEW OF THE YEAR

Membership

	Total as at 30.9.18	New accounts	Closures	Total as at 30.9.19	% change
Adult Members	12,926	1,544	698	13,772	+6.5%
Junior Savers	1,450	129	124	1,455	+0.3%

Savings, Loans and Assets

	2019	2018	% change
Adult Members' Savings deposits	£10,508,180	£10,082,995	+4.2%
Junior Savings deposits	£487,911	£457,280	+6.7%
Average deposits per Adult Member	£763	£780	-2.2%
Average deposits per Junior Saver	£335	£315	+6.4%
Total Members' Loans	£4,808,652	£4,204,765	+14.4%
Average loan per borrowing Member	£1,493	£1,338	+11.6%
Total Assets	£12,379,279	£11,831,720	+4.6%

Financial Results

We have again achieved a healthy growth in our Loan Book and the average return on loans exceeded our target of 15.5%. Members' savings also grew steadily, boosted by the improved Dividends paid in 2018. Overall income was 27% higher than the previous year, while expenditure (after strengthening our provisions for doubtful debt) was up by 24%, leading to an improved Surplus (after Tax and Dividend) of £59,326.

During the year we invested in a number of enhancements to our IT systems and improved member-facing facilities at three branches, at an overall cost of £70,000.

With Capital Reserves close to the 10% target level, and a growing percentage of funds out on loan, our Balance Sheet remains strong and your Board's new three-year Plan anticipates further progress.

Key Ratios

<i>Indicator of:</i>	<i>Indicator</i>	<i>2019</i>	<i>2018</i>	<i>Target</i>
Effective financial structure	Capital to Total Assets	10.0%	9.7%	>10%
	Borrowings to Total Assets	0%	0%	0%
	Total Shares to Total Assets	84.9%	85.3%	70-90%
	Net Loans to Total Assets	36.8%	34.5%	>40%
Protection	Bad Debt Written Off to Total Loans	1.9%	1.1%	<10%
	Net Assets to Total Shares and Junior Deposits	111.2%	106.5%	>105%
Asset quality	Arrears (over 3 mths) to Total Loans	4.0%	4.5%	<20%
	Non-earning Assets to Total Assets	12.7%	12.0%	<10%
Returns	Loan income to Average Total Loans	15.7%	15.6%	>6%
Efficiency	Administrative Expenses to Total Assets	6.3%	5.3%	<8%
	Members and Juniors served per FTE Staff	934	904	>1,000

Highlights of the Year

- On 10 June 2019 we marked the **20th anniversary** of the foundation of our credit union, with a visit to Central Office by the Deputy Lord Mayor of Kingston upon Hull, Councillor Lynn Petrini and her Consort, Mr Graham Petrini. Celebrations focused on our original partnership with Hull City Council, whose support along with the hard work of our founders, laid the foundations for all that has been achieved since. On 19 September we ran a *Member Recruitment Day* in Hull Guildhall, sponsored an afternoon tea and mounted a display of City of Hull Credit Union memorabilia. The event was well supported, with several of our early members popping in to express their ongoing enthusiasm for the organisation they helped to found.
- With the reach of our credit union now extending far beyond the traditional East Yorkshire county boundary, and after consulting members, we introduced a new trading name – **HEY Credit Union** – to simplify communications and better reflect our modern appeal, while respecting our proud heritage.
- In April, we were delighted to enter into a partnership with **Withernsea Big Local** to expand the work of our Withernsea branch and achieve greater impact in the town and surrounding area. The social investment comprises a subordinated loan of £30,000 to boost our capital base, together with three-year revenue funding, enabling us to employ a Development Officer and equip the branch office in The Shores to attract more savings and loans business. At the Big Local Public Meeting in September we were able to report that the project had launched successfully and was on track to achieve its aims.
- Efforts to grow our **Loan Book** continued apace, with record funds of £4.9 million out on loan at Christmas. To mark the issue of our 50,000th loan we presented the member with a £50 shopping voucher.

Service improvements

- In March we began a roll-out of our long awaited **Mobile App**, starting with payroll members and then extending to others by early summer. Members can register for the App via our website and use it to view their accounts in real time, 24/7, make funds transfers and submit enquiries direct from phones and tablets. By year end, over 1,890 members (14%) were using it and feedback received has been very positive.
- In May we started to issue savings withdrawals and loans via **Faster Payments**, which normally enables members to receive funds into their bank account either the same day or early the next day.
- After eight years intensive use, **Hull Central's** banking hall was looking tired. We implemented a refit in the summer, with a new welcome desk, consultation pods, oak laminate floor, redecoration and Wifi access. The new layout will facilitate further technology benefits such as paperless applications.
- Our Goole Members' Group expressed concern at the difficult access to their branch for members with disabilities or limited mobility. As the lease was expiring, your Board approved a relocation to **Unit 6, Old Station Hotel, Pasture Road**. After a refit, the new branch – which is ideally placed for the town centre – opened for business on 20 September and local members are very proud of it.

Working with our partners

Our efforts to promote financial well-being result in many mutually beneficial partnerships:

- Our successful collaboration with the **Illegal Money Lending Team (IMLT)** led to the launch of a further Street Games saving group at Astra Youth Centre, Bransholme and the offer of £25 *Stop Loan Shark bonuses* for new Christmas Savers in other target locations.

- In November we relaunched the **Engage Current Account** for members, with lower monthly fees, in order to assist those facing the challenge of Universal Credit.
- For many years we partnered with the **Co-op Electrical Store** to provide domestic appliances as a low-cost alternative to weekly payment stores. Sadly it closed down at the end of 2018 and we are seeking an alternative ethical provider.
- We attended Tenants' Forums at **Ongo Homes** and **East Riding of Yorkshire Council** (ERYC) to discuss our services and provide information. We contributed to a discussion on financial inclusion issues at ERYC's Overview Management Committee in July and were congratulated on our work across the County.
- Our **Winterton 2022 Big Local** project was relaunched early in 2019, with a weekly school bank and one-to-one money information sessions in the community as well as the Wednesday contact point in the Co-op store. The changes have brought more residents into membership.
- We were delighted to be the recipients of a £65,000 Large Grant from the **Lloyds Banking Group Credit Union Development Fund**, helping to support our capital development programme. We attended an event in Westminster to receive our award.
- Following a year of fund-raising, at the 2018 AGM we presented £750 to **Aim Higher**, a local charity supporting families challenged by mental health issues. Our 2019 Charity of the Year, chosen by our Local Member Groups and staff team, is **Yorkshire Air Ambulance**. With Morrisons and Specsavers we supported Our Goole's **Christmas Toy Appeal**.
- We are most grateful to the **Hull branch of UNISON** who sponsored our Members' Lottery prize fund throughout 2019.

Raising awareness

- Our year-long **marketing strategy** was designed to grow membership across the communities we serve, promote the take up of loans and savings and support employer partnerships.
- We had a strong seasonal **campaign calendar**, featuring a Christmas Refer a Friend Draw, New Year Money Makeover, Spring Loan Sale, Back to School and Home Improvement Loans. Campaigns were supported with posters and flyers in branch, web banners, social media activity, e-newsletters and in some cases targeted door to door leafleting.
- To expand **social engagement** with our members, we ran a series of four special prize draws for our 20th Anniversary, inviting users to tag three friends, to win £150. This led to a 21% increase in Facebook "likes"; making ours one of the most popular credit union sites; we also increased traffic on Twitter and LinkedIn.
- In November HEY Credit Union was featured in the BBC1 series **A Matter of Life & Debt** with a member's life-changing story about switching to an affordable credit union loan. On **BBC Radio 4's Money Box**, Ashleigh - one of our Goole members - explained how our Family Loan & Savings Plan helps her smooth out the "lumpy costs" of Christmas and children's birthdays.
- We have joined in **staff wellbeing** events at our payroll partners (DWP – 12 sites; Hull City Council; East Riding of Yorkshire Council; North East Lincolnshire Council; Lebus Upholstery and Ongo) and provided their volunteer Credit Union Champions with posters, forms and a new Powerpoint briefing.
- We appreciated a donation of £1,890 from **Lincolnshire Co-operative's Community Champion** fund, using it to purchase an outdoor events kit, which made its debut at *Engage for Change* in Queens Gardens in the summer. At carnivals in Withernsea and Scunthorpe we brought our products and values to the notice of ever more people.

Our People

- In April we welcomed Matthew (Withernsea) to our staff team, which now comprises 22 colleagues. We congratulated Sandra (Loans) on completing **ten years' service** and Lauren (Branch Co-ordinator) on the birth of her son, Thomas.
- Over 70 dedicated **volunteers** support us regularly by serving at branches or running school savings clubs. During the year four volunteers – Steve Johnston (Grimsby), Ross Weekes, Liz Weekes and Anne Anderson (Driffild) – retired from active duty and we thank them for their services. We were sad to learn of the death of two volunteers – Jane Daniels (Driffild) and John Mumby (Scunthorpe).
- Our **Employees' Council** provides a way for staff to be consulted about policies and involved in the development of our business plans. In January a new Council comprising Jamie-Leigh and Kathryn (Hull Central), Sarah (Bridlington) and Patrick (Scunthorpe) took up office. They helped to choose our Charity of the Year, for which a staff 20K Sponsored Walk was organised, raising £375 for Yorkshire Air Ambulance.

- We were delighted when the **Rose Dorman Lifetime Achievement Award** – the highest honour in the British Credit Union Movement – was bestowed upon David Martin (Scunthorpe volunteer and former ABCUL Director and Treasurer) at the ABCUL AGM 2019.
- As a contribution to the development of the next generation of credit union leaders, HEYCU donated a further £1,000 to the **CU Futures Programme**.

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 would like to thank all our staff, volunteers, partners and supporters for producing another year of progress and you, our members for your steadfast loyalty. Our 20th anniversary is a time to celebrate and reflect upon all that has been achieved and look forward to many more years of useful service.

This report was approved by the Board of Directors on 5 November 2019 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 2019 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 2019 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 Unions 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. 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
5 November 2019

First Floor
Albion House
Albion Street
Hull
HU1 3TE

Hull and East Yorkshire Credit Union Limited

Revenue Account

for the year ended 30 September 2019

	Notes	2019 £	2018 £
Loan interest receivable and similar income	4	804,937	671,157
Dividends payable	5	(94,467)	(58,668)
Net interest income		<u>710,470</u>	<u>612,489</u>
Administrative expenses	6	(782,096)	(630,207)
Other operating income	7	149,509	80,152
Operating surplus before taxation	8	<u>77,883</u>	<u>62,434</u>
Tax on surplus on ordinary activities	10	(18,557)	(19,020)
Surplus for the financial year		<u>59,326</u>	<u>43,414</u>

Hull and East Yorkshire Credit Union Limited

Balance Sheet

as at 30 September 2019

	Notes	2019 £	2018 £
Fixed assets			
Tangible assets	11	597,765	552,138
Current assets			
Debtors	12	4,595,229	4,228,023
Cash at bank and in hand		<u>7,186,315</u>	<u>7,051,559</u>
		11,781,544	11,279,582
Creditors: amounts falling due within one year	17	(151,721)	(149,274)
Net current assets		<u>11,629,823</u>	<u>11,130,308</u>
Net assets		<u>12,227,588</u>	<u>11,682,446</u>
Financial Liabilities			
Members' shares	18	10,508,180	10,082,995
Junior savings	19	487,911	457,280
		<u>10,996,091</u>	<u>10,540,275</u>
<u>Reserves</u>			
General reserve		1,113,901	1,054,575
Revaluation reserve		87,596	87,596
		<u>1,201,497</u>	<u>1,142,171</u>
Members' funds		<u>12,197,588</u>	<u>11,682,446</u>
Subordinated Loan	22	30,000	-
		<u>12,227,588</u>	<u>11,682,446</u>

Approved by the board on 5 November 2019, 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 2019

	Revenue reserve	General reserve	Revaluation reserve	Total	Members' shares	Junior savings	Total
	£	£	£	£	£	£	£
At 1 October 2017	-	1,011,161	57,596	1,068,757	10,033,871	429,490	11,532,118
Loss 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
At 30 September 2018	-	1,054,575	87,596	1,142,171	10,082,995	457,280	11,682,446
At 1 October 2018	-	1,054,575	87,596	1,142,171	10,082,995	457,280	11,682,446
Surplus for the financial year	59,326	-	-	59,326	-	-	59,326
Transfers	(59,326)	59,326	-	-	-	-	-
Movement during the financial year	-	-	-	-	425,185	30,631	455,816
At 30 September 2019	-	1,113,901	87,596	1,201,497	10,508,180	487,911	12,197,588

Hull and East Yorkshire Credit Union Limited
Statement of Cash Flows
for the year ended 30 September 2019

	2019	2018
	£	£
Operating activities		
Operating (deficit)/surplus	77,883	62,434
Adjustments for:		
Depreciation	24,334	20,816
Impairment losses	132,000	19,554
	<u>234,217</u>	<u>102,804</u>
Movements in:		
(Increase)/decrease in debtors	104,681	(17,563)
(Decrease)/increase in creditors	2,902	(54,790)
	<u>341,800</u>	<u>30,451</u>
Changes in operating assets and liabilities		
Cash inflow from members' deposits	17,902,195	15,765,003
Cash outflow from repaid members' deposits	(17,446,379)	(15,688,089)
New loans to members	(3,733,574)	(3,786,569)
Repayment of loans by members	3,129,687	2,703,872
	<u>193,729</u>	<u>(975,332)</u>
Corporation tax paid	(19,012)	(20,204)
	<u>174,717</u>	<u>(995,536)</u>
Investing activities		
Payments to acquire tangible fixed assets	(69,961)	(36,384)
Cash (used in)/generated by investing activities	<u>(69,961)</u>	<u>(36,384)</u>
Financing activities		
Proceeds from the issue of subordinated loan	30,000	-
	<u>30,000</u>	<u>-</u>
Net cash generated		
Cash generated by operating activities	174,717	(995,536)
Cash (used in)/generated by investing activities	(69,961)	(36,384)
Cash generated by financing activities	30,000	-
	<u>134,756</u>	<u>(1,031,920)</u>
Net cash generated	<u>134,756</u>	<u>(1,031,920)</u>
Cash and cash equivalents at 1 October	7,051,559	8,083,479
Cash and cash equivalents at 30 September	<u>7,186,315</u>	<u>7,051,559</u>
Cash and cash equivalents comprise:		
Cash at bank	7,186,315	7,051,559

Notes to the Accounts for the year ended 30 September 2019

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.

4	Loan interest receivable and similar income	2019	2018
		£	£
	Interest receivable on loans to members	701,393	564,178
	Interest on loans to other credit unions	5,874	6,916
	Bank interest receivable on cash and liquid deposits	97,670	100,063
		<hr/>	<hr/>
		804,937	671,157

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.

	2019	2018
	£	£
<i>Dividends paid during the year</i>		
Dividends paid to Members	90,197	56,079
Dividends paid on Junior Savings	4,270	2,589
	<hr/>	<hr/>
	94,467	58,668

6	Administrative expenses	2019	2018
		£	£
	Personnel costs	391,317	372,927
	Training and development	4,478	3,268
	Members' Death Benefits Scheme	3,479	692
	Printing, stationery, postage and advertising	31,626	31,885
	IT and Communications	39,005	34,694
	Governance, Legal and Regulatory costs	6,054	6,746
	Other expenses	24,106	19,827
	Premises and Accommodation	39,841	33,725
	Fidelity and General Insurance	8,346	7,966
	Subscriptions and levies	11,510	11,708
	Depreciation of tangible owned fixed assets	24,334	20,816
	Banking and Finance costs	13,055	9,195
	Audit charges	8,653	10,809
	Bad debts - Charged in the year	176,292	65,949
		<hr/>	<hr/>
		782,096	630,207

7	Other operating income	2019	2018
		£	£
	Membership fees	11,904	14,053
	Income from service agreements	52,904	47,243
	Grants and sponsorships	75,885	14,091
	Insurance commission	1,033	1,051
	Sundry income	7,783	3,714
		<hr/>	<hr/>
		149,509	80,152

8	Operating surplus before taxation	2019	2018		
	This is stated after charging:	£	£		
	Depreciation of owned fixed assets	24,334	20,816		
	Auditors' remuneration for audit services	<u>3,600</u>	<u>3,600</u>		
9	Staff costs	2019	2018		
		£	£		
	Wages and salaries	351,642	332,061		
	National insurance costs	17,401	20,162		
	Other pension costs	17,162	16,106		
	Other staff expenses	<u>5,112</u>	<u>4,598</u>		
		<u>391,317</u>	<u>372,927</u>		
	Average number of employees during the year	Number	Number		
		<u>22</u>	<u>20</u>		
10	Taxation	2019	2018		
	Analysis of charge in period	£	£		
	Current tax:				
	UK Corporation Tax on invested income for the period	<u>18,557</u>	<u>19,020</u>		
11	Tangible fixed assets				
		Land and Buildings	IT Equipment and Software	Furniture and Equipment	Total
		<i>At cost</i>	<i>At cost</i>	<i>At cost</i>	
	Cost or valuation	£	£	£	£
	At 1 October 2018	538,734	191,509	176,615	906,858
	Additions	<u>-</u>	<u>25,588</u>	<u>44,373</u>	<u>69,961</u>
	At 30 September 2019	<u>538,734</u>	<u>217,097</u>	<u>220,988</u>	<u>976,819</u>
	Depreciation				
	At 1 October 2018	45,974	164,179	144,567	354,720
	Charge for the year	<u>4,916</u>	<u>11,782</u>	<u>7,636</u>	<u>24,334</u>
	At 30 September 2019	<u>50,890</u>	<u>175,961</u>	<u>152,203</u>	<u>379,054</u>
	Carrying amount				
	At 30 September 2019	<u>487,844</u>	<u>41,136</u>	<u>68,785</u>	<u>597,765</u>
	At 30 September 2018	<u>492,760</u>	<u>27,330</u>	<u>32,048</u>	<u>552,138</u>
12	Debtors	2019	2018		
		£	£		
	Loan debtors	4,808,652	4,204,765		
	Impairment losses on groups of loan debtors	(252,000)	(120,000)		
	Prepayments and accrued income	<u>38,577</u>	<u>143,258</u>		
		<u>4,595,229</u>	<u>4,228,023</u>		
13	Loans and advances to members	2019	2018		
		£	£		
	As at 1 October	4,204,765	3,122,068		
	Advanced during the year	3,733,574	3,786,569		
	Repaid during the year	<u>(3,129,687)</u>	<u>(2,703,872)</u>		
		<u>4,808,652</u>	<u>4,204,765</u>		

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.

	2019 £	2018 £
Not impaired:		
Neither past due nor impaired	4,259,969	3,871,516
Up to 3 months past due	<u>195,857</u>	<u>143,496</u>
	4,455,826	4,015,012
Individually impaired:		
Between 3 and 6 months past due	62,515	72,200
Between 6 months and over 1 year past due	<u>290,311</u>	<u>117,553</u>
	4,808,652	4,204,765
Impairment allowance	<u>(252,000)</u>	<u>(120,000)</u>
	<u>4,556,652</u>	<u>4,084,765</u>
15 Allowance account for impairment losses	2019 £	2018 £
As at 1 October	120,000	100,446
Allowances increased/(reversed) during the year	<u>132,000</u>	<u>19,554</u>
As at 30 September	<u>252,000</u>	<u>120,000</u>
16 Impairment losses recognised for the year	2019 £	2018 £
Impairment of individual financial assets	44,292	46,395
Increase in impairment allowances during the year	<u>132,000</u>	<u>19,554</u>
	<u>176,292</u>	<u>65,949</u>
17 Creditors: amounts falling due within one year	2019 £	2018 £
Corporation tax	18,557	19,012
Other creditors	21,087	12,165
Provision for Housing loans	<u>112,077</u>	<u>118,097</u>
	<u>151,721</u>	<u>149,274</u>
18 Members' deposits	2019 £	2018 £
As at 1 October	10,082,995	10,033,871
Received during the year	17,871,564	15,737,213
Repaid during the year	<u>(17,446,379)</u>	<u>(15,688,089)</u>
As at 30 September	<u>10,508,180</u>	<u>10,082,995</u>
19 Junior savings	2019 £	2018 £
As at 1 October	457,280	429,490
Movement during the year	<u>30,631</u>	<u>27,790</u>
As at 30 September	<u>487,911</u>	<u>457,280</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

	2019	2018
	£	£
Cash and balances with the Bank of England	122,502	152,978
Loans and advances to banks	7,063,813	6,898,581
	7,186,315	7,051,559
Less: amounts maturing after three months	(3,444,909)	(5,716,385)
	3,741,406	1,335,174

22 Subordinated Loan

On 26 April 2019 Hull and East Yorkshire Credit Union received an evergreen loan from Local Trust (in respect of the Withernsea Big Local Partnership). This loan is subordinate to the interests of all other creditors, including members and junior depositors. It is for an initial 7-year period, extendable at the discretion of Local Trust, and interest is payable at the higher rate of (a) 0.75% or (b) 0.75% above the current members' dividend rate.

23 Events after the reporting date

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

24 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.

25 Related party transactions

During the year, 15 members of the Board, employees and their close family members (2018: 14 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.

26 Presentation currency

The financial statements are presented in Sterling.

27 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).

28 Principal place of business

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

38 Brook Street
Kingston upon Hull
HU2 8LA

