



ANNUAL REPORT AND AUDITED ACCOUNTS 2007

Hull and East Yorkshire Credit Union Limited
Hull Business Centre
Guildhall Road
KINGSTON UPON HULL
HU1 1HJ
Telephone 01482 318518
Website www.hullandeycu.co.uk

- *An Industrial and Provident Society*
- *Authorised and regulated by the Financial Services Authority (FRN 213620)*
- *Member of the Association of British Credit Unions (Yorkshire Chapter)*
- *Member of the Financial Services Compensation Scheme and the Financial Ombudsman Service*
- *Category F Consumer Credit Licence*

The 9th Annual General Meeting

will be held in Room C1 in the Guildhall,
Alfred Gelder Street, Kingston upon Hull
on Tuesday, 4 December, 2007
at 5.45 pm.

- ◆ Members must show proof of identity to gain entry.
- ◆ Light refreshments will be available from 5.00 pm.
- ◆ The notice and agenda will be posted to all members' registered addresses in advance of the meeting.

Committee Members and their Attendances

Year ended 30 September, 2007

	Possible	Actual	
Directors:			Credit Committee:
Michael Adamson	11	11	John Bailey
John Bailey	11	11	Geoffrey Heseltine
Tony Craggs	11	9	Eddie Hotham
Pat Heseltine	11	8	Tony Craggs
Alan Hignett	11	10	
Eddie Hotham	11	9	
Leslie Howden	11	9	
Edwin King <i>1</i>	6	5	
Michael Lucas <i>2</i>	4	0	Supervisory Committee:
Brian Navier	11	9	Kathleen King <i>4</i>
Carolyn Ruston <i>3</i>	9	3	Barbara Wenn
James Sharp	11	8	Dave King
John Smith	11	10	

1 appointed March 2007

2 resigned February 2007

3 elected December 2006

4 Appointed July 2007

REPORT OF THE DIRECTORS for the year ended 30 September, 2007

Fellow members,

We have pleasure in submitting our Report and the Audited Accounts of the Credit Union for the period ended 30 September, 2007.

Directors and Officers

Following the 2006 Annual General Meeting the officers elected were:

*President – Alan Hignett
*Vice President – Mike Adamson
*Secretary - John Smith
*Assistant Secretary – Brian Navier
*Treasurer – Eddie Hotham
*Assistant Treasurer – Tony Craggs
Marketing & Publicity Officer – Mike Burton
Health & Safety Officer – Mike Adamson
Volunteer Liaison Officer – Brian Navier
Training & Development Officer – Brian Navier
Child Protection Officer – Alan Hignett
Complaints Officer – Jim Sharp
Equal Opportunities & Diversity Officer – Carolyn Ruston
<i>* Member of the Executive Committee until June 2007</i>

We welcomed Carolyn Ruston and Edwin King to the Board, and thanked Les Howden for four years sterling service as our President. Following a review of governance arrangements the Executive Committee was abolished in June and replaced by a Management Team.

Membership

Membership increased at a rapid pace during the year:

	<i>New accounts</i>	<i>Accounts closed</i>	<i>Total as at 30.9.07</i>
Adult Members	1,515	217*	4,214
Young and First Savers	124	14	463

** includes 62 transferred to suspense under the dormant account procedure, introduced following the 2003 AGM.*

Membership is open to anyone who lives or works in the County of East Yorkshire (including the City of Hull).

Statistics

		2007	2006	% increase
Adult Membership		4,214	2,916	44.5
Young and First Savers		463	363	27.5
Total Adult Members' savings	£	2,369,634	2,202,765	7.6
Average savings per Adult Member	£	562	755	-25.6
Total Net Assets	£	2,663,927	2,449,177	8.8

Results for the Year

Your Credit Union has again traded successfully, with a significant increase in membership and income earned. Expenditure also increased, reflecting further investment in service development and a prudent approach to provisioning for bad and doubtful debts. The surplus available after taxation is £80,441. The Board recommends that this be appropriated as follows:

Dividend of 3.00% on members' savings	64,353
Transfer to General Reserve Fund	16,088
	80,441
£	

Highlights of the year

Here are just a few of the highlights of the year 2006-7:

- Membership passed the 4,000 "milestone" and we were delighted to enrol Diana Johnson, MP for Hull North, as our **4,000th new member**. Diana has been a firm ally of the credit union movement both in Parliament and across her constituency.
- We obtained some excellent publicity when we appeared in a **BBC Look North** feature which favourably compared our loan products against high-cost doorstep lenders just before Christmas.
- Our **accounting software** was upgraded at a cost of £17,773, in order to streamline office administration and make possible the introduction of a wider range of products and services.
- We have continued to work with a wide range of partners, including the two local authorities, housing associations and various community organisations. Our work with **Hull City Council**, for example, now includes HomeCheque (a cashback loan facility to help residents improve their homes), Direct Payments (for Social Services clients who employ carers) and involvement with the City's Customer Service Centres to raise awareness of good money

management. It was gratifying that the City Council passed a motion of continued support for our work at their January 2007 Council meeting.

Developing our services

We have continued to invest in new services to increase our usefulness to both existing and new members:

- After considerable planning and upfront investment, our new **Credit Union Current Account** went live in February, and to date nearly 300 accounts have been opened. We are one of nine “founder investor” credit unions to pilot this exciting project, which makes it possible for members to conduct all their financial business through their friendly local credit union for the first time. Many of the new account holders have either not previously had a bank account, or held one with more restrictive features or higher charges. Development of the Current Account is being co-ordinated by our trade association, ABCUL, and as more credit unions take up the scheme, we will benefit from both a return on our investment and reducing running costs.
- Following the collapse of the unregulated Farepak hamper club, which caused considerable hardship to many low income families, a demand arose for a safe and convenient Christmas savings product. We therefore launched a **Christmas Club** account to help members save up for their festive treats. Money saved in this account cannot be withdrawn until 1 November, a bonus is earned, and importantly – unlike hamper clubs - all savings are backed by the Financial Services Authority’s Compensation Scheme.
- We gained permission from the FSA to pay different levels of dividend on our range of savings products. This will permit the further development of our savings portfolio in 2007-8, in order to better serve all our members.

Promoting Financial Inclusion

Members can be proud that their credit union is at the leading edge of the national campaign to promote financial inclusion in Britain. As a member-owned, community-based business set up for service rather than profit, we are ideally placed to progress this vital work:

- Through our **Growth Fund** contract with the Department of Work and Pensions we have already been able to bring affordable credit and user-friendly banking services within the reach of nearly two thousand low income local families. Continued successful performance of this major contract will

also reinforce our financial strength as we work towards a sustainable future with reduced reliance on external funding.

- We supported the Government's **Now let's talk money** campaign to raise awareness of credit unions as a better alternative to high-cost doorstep credit firms and unregulated moneylenders.
- We were awarded a small grant (part-funded by the Government's Financial Inclusion Fund) to help forge useful links with the **Hull and East Yorkshire Citizens Advice** bureaux. These funds have already been used to develop financial literacy courses and facilitate more joined up working.

“Treating Customers Fairly”

Your Board fully supports the FSA's **Treating Customers Fairly** initiative and developed a policy to keep it at the heart of all we do. Examples of the policy in action include making sure members are aware of the terms and conditions relating to savings and loans, and always being open and honest about our interest charges.

We are pleased to report that another year passed without receiving any reportable complaints and members continued to send in numerous messages complimenting the team on their excellent customer care. In fact, in our **2006 Members' Satisfaction Survey**, 74% of respondents said their overall satisfaction with the Credit Union had improved during the year.

Marketing activities

The Marketing & Publicity Group met on two occasions to oversee the development of our marketing efforts.

We continued with our monthly **“You and Your Money”** advice column in *Hull in print*, a popular news magazine that goes into every home in the city; we also advertised from time to time in *Best Pages*, *Bridlington Free Press*, *Driffeld Times*, *Beverley Guardian* and various community newsletters. A notice was placed in the **NHS Trust Staff Handbook** as a way of introducing our services to the many thousands of Health Service employees in the region.

An attractive set of four glossy themed posters was produced to promote our new Christmas Club, Current Account, safe saving and affordable credit. The posters launched our **new corporate identity**, featuring the HEYCU logo and a distinctive “wavy stripe” down the right hand side of all publications, together with different colours for each product. The new branding has since been applied to all

our product leaflets and forms as they became due for reprinting, creating a more professional image for our business.

Our **interactive website** continues to prove very popular, and we have kept it up to date with news and events, also updated the facility to download handy forms and leaflets.

During the year a further supply of **promotional gift** pens, coffee mugs and coasters was obtained and we trust members are making good use of these to advertise their credit union among their friends, family, colleagues and associates.

The **HEY Leaders** – a supporters group of over 100 workplace and community representatives – are important ambassadors for the Credit Union and we continue to email them monthly with news-posters and the latest Members' Lottery results.

Specific campaigns have been run to market our highly-competitive **Family Protection Plan, The Health Scheme** and other insurance products. However, we are finding that “word of mouth” by satisfied members is increasingly the most powerful way to spread awareness of Credit Union services around the city and county that we serve.

Our People

During the year we welcomed Richard, Linda, Matthew and Jill to our **staff team**, which now comprises 12 colleagues, based in Hull and Bridlington and including four development officers seconded by Hull City Council.

The Credit Union also benefits from the efforts of numerous **volunteers**, who staff our branch contact points and First Saver groups. An Awayday for officers, volunteers and staff, held at Driffield Community Centre in June, brought everyone together for a pleasant blend of training, planning and social activity.

Our **Personnel Committee** met on three occasions to oversee staffing policies on behalf of the Board. They designated a Stakeholder Staff Pension Scheme and kept under review changes to employment legislation.

To improve communications we now issue a regular staff bulletin and have recently introduced weekly training sessions.

Volunteers and staff have attended the **Yorkshire Chapter training days**; we also attended ABCUL's **Autumn Conference** in Coventry and **AGM** in Blackpool. Alan Hignett and Brian Navier are both active members of the Yorkshire Chapter Executive Committee, while Brian also serves on ABCUL's national Supervisory Committee.

Looking to the future

Your Board responded to an important **HM Treasury consultation** on proposals to modernise Credit Union and Co-operative legislation. Throughout the credit union movement there is a widespread belief that, while the sector has considerable potential to make a difference to the way people manage their money, it is currently hampered by outdated, restrictive legislation. We are hopeful that the changes will help us to widen our appeal and compete on a level playing field within Britain's increasingly sophisticated financial services industry.

On the same theme, our President and Secretary attended ABCUL-sponsored events to discuss **"Scaling up the Credit Union sector"** and develop a vision whereby we can make an even more significant contribution to financial inclusion in Britain.

Appreciation

During the past year the Credit Union has experienced considerable growth both in size and complexity. Our staff team deserve to be congratulated on the way that they have tackled the ever increasing workload, while maintaining our reputation for friendly, caring and efficient service. Many thanks too, to all our volunteers for their dedicated efforts.

Once again the loyal support of you, our members, is much appreciated and we trust that this will be maintained in the year ahead as we strive to meet your financial needs.

For and on behalf of the Board

A F HIGNETT DEUK President

J E SMITH ACIS Secretary

6 November 2007

REPORT OF THE CREDIT COMMITTEE

During the year we granted a record 2,321 loans to a value of £1.76 million. Of these, over two-thirds (1,577) were for amounts up to £500, while a further 467 were for between £501 and £1,000. We are therefore firmly established in the affordable small loans market, which is poorly served by banks and other providers.

We maintained our interest charges throughout the year:

- Personal loans for regular savers – up to £4,999 – 12.7% APR; £5,000 and above – 7.5% APR;
- Freedom Loans for new members and non-savers – 26.8% APR

Following successive bank interest rises, our lowest rate (7.5% APR) has emerged as a “best buy”, and proved especially popular with members seeking finance for car purchase and home improvements.

Our Freedom Loan is at least six times cheaper than leading home credit firms. Word is clearly spreading, for during the year we issued 1,374 Freedom Loans to a value of £734,000.

We were also pleased to be able to help victims of the floods in Hull and East Yorkshire with a low-cost loan to replace their damaged furnishings.

If you have not yet taken up the option of a Credit Union loan, why not give us a try and save some money? Remember, unlike many lenders we do not charge any arrangement or early settlement fees.

Eddie, Geoff, John and Tony

REPORT OF THE SUPERVISORY COMMITTEE

Currently the members are Barbara Wenn, Kath King (co-opted until the AGM) and Dave King (no relation). We completed testing throughout the year to ensure that systems procedures are effective. Testing included share contributions, loan applications, expenditure and sundry sales.

We also tested the accuracy of computer input, particularly the standard details of new members. In addition we report the results of our testing periodically to the Board, making recommendations, where necessary, to help improve policies and procedures. We attend Board meetings to ensure that they are properly conducted and issues are fully discussed before decisions are made. To conclude, the Supervisory Committee is satisfied that the Credit Union is run properly, effectively and in the best interests of its members.

Barbara, Kath and Dave

INCOME AND EXPENDITURE ACCOUNT

for the year ended 30 September, 2007

	2007	2006
	£	£
<i>Continuing operations</i>		
Income		
Interest on loans to members	191,732	138,941
Interest on loans to credit unions	15,168	14,379
Membership fees	4,424	1,470
Grants and donations	95,264	58,441
Insurance commission	2,204	2,301
Other Income	2,907	254
Total Income	<u>311,699</u>	<u>215,786</u>
Less Total Expenditure (Note 2)	266,290	149,060
	45,409	66,726
Interest receivable from Investments	43,518	24,741
Surplus for year before taxation	88,927	91,467
Taxation (Note 3)	(8,486)	(4,103)
Surplus for year after taxation	80,441	87,364
Transfer to General Reserve	16,088	27,942
Surplus for the year	64,353	59,422

The Credit Union has no recognised gains or losses other than those shown above.

BALANCE SHEET as at 30 September, 2007

	2007		2006	
	£	£	£	£
Long term assets				
Loans to members		1,823,040		1,413,541
Less Provision for Bad/Doubtful Debts		(75,600)		(21,500)
		<u>1,747,440</u>		<u>1,392,041</u>
Tangible fixed assets (Note 4)		31,046		12,506
Intangible fixed assets (Note 1)		140,910		88,427
		<u>1,919,396</u>		<u>1,492,974</u>
Current Assets				
Investments – deposit accounts	1,030,108		877,616	
Cash at bank and in hand	315,566		161,855	
Loans to other credit unions	183,423		176,667	
Prepayments and accrued income	50,517		22,788	
	<u>1,579,614</u>		<u>1,238,926</u>	
Less Creditors – due within one year				
Corporation Tax (Note 3)	8,486		4,103	
Provision for Cashback loans	135,564		111,843	
Sundry creditors	63,283		19,433	
	<u>207,333</u>		<u>135,379</u>	
		<u>1,372,281</u>		<u>1,103,547</u>
Total assets less current liabilities		<u>3,291,677</u>		<u>2,596,521</u>
Less Creditors – due after more than one year				
Growth Fund Project (Note 5)		627,750		147,344
Total Net Assets		<u>2,663,927</u>		<u>2,449,177</u>
Represented by:				
Members' Shares and Deposits		2,369,634		2,202,765
Young and First Savers' Deposits		66,403		46,743
Capital Grants and Donations		12,041		4,111
Reserves (Note 6)		215,849		195,558
		<u>2,663,927</u>		<u>2,449,177</u>

Approved by the Board on 6 November, 2007

A F Hignett, President
M Adamson, Vice President
E Hotham, Treasurer

NOTES TO THE ACCOUNTS

I Principal accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material to the affairs of the Credit Union:

(a) *Basis of accounting*

The financial statements have been prepared under the historical cost accounting convention and in accordance with applicable accounting standards.

(b) *Fixed assets*

Tangible fixed assets are stated at cost less, where applicable, amounts written off on a straight line basis. Depreciation is charged at the following rates:

Computer equipment and software	25%
Furniture and equipment	15%

Intangible fixed assets represent an investment in the Credit Unions' Banking Project and are not depreciated because in the opinion of the Directors the cost will be recouped from future returns.

(c) *Subsidiary companies*

The Credit Union has no subsidiary companies.

(d) *Provision for bad and doubtful debts*

Known bad debts are written off. General provision is made in accordance with the requirements of the Financial Services Authority.

(e) *Interest receivable*

Interest receivable on loans to credit unions and investments is accrued. Interest on loans to members is charged at a rate of 2.00% per month or less on the outstanding loan balance.

(f) *Income from grants and donations*

Grants and donations are accounted for as and when they become due to the Credit Union.

2 Expenditure

	2007	2006
	£	£
Personnel costs	134,987	69,373
Training and Development	838	1,415
Accommodation (rent, maintenance and repairs)	9,113	4,720
Fidelity and General Insurance	2,269	1,962
Life Savings and Loan Protection Insurance	13,105	11,634
Printing, Stationery, Postage, Advertising	19,756	11,029
IT and Communications	12,682	8,669
Governance, Legal and Regulatory costs	1,412	1,836
External Audit	1,238	1,124
ABCUL Subscription	3,353	2,882
Other Expenses	13,021	7,846
Depreciation	6,621	5,888
Provision for Bad and Doubtful Debts	47,895	20,682
Total	266,290	149,060

3 Taxation

The charge for taxation is based upon deposit account interest receivable for the year and is made up of:	2007	2006
	£	£
Corporation tax at 19.5% (2006 – 19%)	8,486	4,103

4 Tangible Fixed Assets

Cost:	Computer Equipment / Software	Furniture & Equipment	Total
B/fwd.	25,136	10,905	36,041
Additions	21,335	3,826	25,161
Total	46,471	14,731	61,202

Depreciation:

B/fwd.	17,593	5,942	23,535
Charge for Year	5,153	1,468	6,621
Total	22,746	7,410	30,156

Net Book Value:

At End of Year	23,725	7,321	31,046
<i>Last Year</i>	<i>7,543</i>	<i>4,963</i>	<i>12,506</i>

The Credit Union had no capital commitments at the year end.

5 Growth Fund project

The credit union has a contract with the Department of Work and Pensions (DWP) to deliver affordable credit and banking services in areas of high financial exclusion from 1 July 2006 to 31 March 2008. The total contract value is £1,013,908 (Capital and revenue) of which £851,985 has been received to date.

6 Reserves

	Total	General	Revenue
Balance brought forward as at 1 October	195,558	117,095	78,463
Surplus for the year after taxation	80,441	0	80,441
Transfer to General Reserve (Compulsory 20%)		16,088	(16,088)
Dividends paid	(60,438)		(60,438)
Adjustment for over-provision of Dividend 2006	288	0	288
Balance carried forward as at 30 September	215,849	133,183	82,666
Less Proposed Dividend 2007	(64,353)		(64,353)
Balance after Dividend paid	151,496	133,183	18,313

7 Directors

Loans are made to directors and committee members, as members of the Credit Union, in the ordinary course of business and on the same terms as are available to other members.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

We have audited the financial statements of Hull and East Yorkshire Credit Union for the year ended 30 September 2007, which comprise the income and expenditure account, balance sheet and related notes. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005).

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of Directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 1978 and the Credit Unions Act 1979. We also report to you whether, in our opinion, the Directors' Report is consistent with the financial statements. In addition, we report to you if proper accounting records have not been kept, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the credit union is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the credit union's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the credit union's affairs at 30 September, 2007 and of its surplus for the year then ended;

- the financial statements have been properly prepared in accordance with the Credit Unions Act 1979 and the Friendly & Industrial Provident Societies Act 1968 and the regulations made under it;
- the information given in the directors' report is consistent with the financial statements.

**Frazer Clark, Registered Auditors,
Louis Pearlman Centre, Goulton Street, HULL. HU3 4DL**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Industrial and Provident Society law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Credit Union and of the income and expenditure of the Credit Union for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Credit Union and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965-1968 and the Credit Unions Act 1979. They are also responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PERSONAL DETAILS

Please write to the Credit Union Office promptly if you change your name, address, telephone number or workplace. You may also wish to review your 'nomination' – that is the person or organisation you have instructed us to pay your savings to on your death.

PROGRESS IN OUR BRANCHES

Driffield

We celebrated the second anniversary of the Branch in May, and are now serving 165 adult members and 164 junior savers, with collective savings of over £70,000. In January we opened three more First Savers collection points at local primary schools and then in September, after much negotiating and planning, we were pleased to open Secondary Savers in Driffield School. This means that young people transferring from the feeder primary schools no longer have to drop the savings habit when they move up.

We have continued to run stalls and membership drives at events in the town, issued our Branch newsletter CUBOID, and maintained our regular Wednesday presence at the Community Centre – please note the new times: 11 am to 1 pm.

A big thank you to all our volunteers, who have made possible another year of excellent progress.

Bridlington

Membership has continued to grow, with 266 active members at the year end, with total savings of £40,000. Our three contact points have been busier than ever as more residents discover our safe, friendly and affordable services. Many thanks to our volunteer team who run them, week in, week out.

We secured some funding from the Advance Bridlington Neighbourhood Programme, to help us continue playing our part in the regeneration of the town. Research shows that credit union members who are granted loans tend to support local businesses and thereby keep money circulating within their own community.

Our Development Officer has formed links with numerous community groups and local schools. We are a key partner, with Help the Aged and Barclays, in a “Money Matters” project designed to build confidence among over 50s – particularly those who have lost a partner – in accessing financial services. Work is also under way to establish a contact point for families using Bridlington Childrens Centre, together with some financial literacy courses jointly with the Citizens Advice Bureau.

Beverley

The contact points are at the Cherry Tree Centre on Thursday afternoons, and at the Customer Service Centre near County Hall every weekday for share deposits.

We have a First Savers Club at St John’s Primary School and have been in touch with other Beverley primary schools, so far without success.

We are short of volunteers and will soon be losing Brian Navier, who comes to Cherry Tree from Central Office on Thursday afternoons. A meeting is to be called shortly to try to tackle this problem and the consequent possible loss of the Branch Office.

We will be sad to lose Brian and would like to thank him for the friendly and professional way he has run the Cherry Tree contact point.