



Hull & East Yorkshire
Credit Union
The Fairer Alternative

**Hull and East Yorkshire
Credit Union Limited**

**Annual Report and
Financial Statements
30 September 2017**

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

Registered number 591C

FRS 213620

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Hull and East Yorkshire Credit Union Limited

Credit Union Information

Directors

John Bailey

Tony Craggs

Allan Davidson

Alan Hignett

John Lawrence

Bill Meadows

Susan Nicholson

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 2017

Fellow Members,

We have pleasure in submitting our Report and the Audited Accounts of the Credit Union for the period ended 30 September 2017.

PRINCIPAL ACTIVITIES

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

DIRECTORS AND OFFICERS

<i>Directors:</i>	<i>Office held</i>	<i>Possible attendance</i>	<i>Actual attendance</i>	<i>Committees served</i>	<i>Notes</i>
John Bailey	Assistant Treasurer	11	9	AR PT	
Tony Craggs		11	10	AR	
Allan Davidson		11	10	AR	
Alan Hignett	President	11	10		
John Lawrence		11	10		
Bill Meadows	Assistant Secretary	11	11	PT	
Susan Nicholson	Secretary	11	7		
Kate Pike		11	10	AR PT	
Andrew Stankard	Vice President	11	10	PT	
Jane Walton	Treasurer	11	9	AR	

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

Juliana Okai-Aboagye resigned from the Board in December and was thanked for her contribution.

Business Planning

The directors hold a **Strategic Planning Event** in May each year when they review and update the strategic plan. Objectives are set to guide management and staff based on the agreed vision and strategic direction of the business. The Board monitors progress at its monthly meetings using a progress tracker.

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

From December 2016 the separate Audit and Risk Committees were merged and new terms of reference adopted. 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 business continuity, payroll arrangements and loan compliance. A follow up audit was also completed, to assess the extent to which previous audit recommendations had been implemented.

All key risks were reviewed regularly in conjunction with the Management Team and new or emerging risks assessed for potential impact on the business. The Committee also regularly monitored our portfolio of invested funds.

Personnel & Training Committee

The Committee was redesignated, with new terms of reference, to include oversight of training. Six meetings were held. All staffing policies were reviewed on a rolling programme, and structural planning undertaken to prepare the business and our people for the rapid technological challenges affecting our industry.

The new PRA/FCA Certification and Conduct Rules were successfully introduced on 7 March, a new Sick Pay Policy implemented on a trial basis, and feedback given to ABCUL on the first year of the new ABCUL Training Academy.

Director Training

Newly appointed directors are given **Induction Training** including at least one “day in the office” to see how the credit union operates. **Pre-Board Training sessions**, held prior to meetings, this year covered *Equality and Diversity*, *The Conduct Rules* and *New Approaches to Loan Book Development*. Directors signed up to the **ABCUL Academy** which provides an expanding range of relevant training opportunities.

External Involvement

David Martin continued to represent the region on the Board of ABCUL, our trade association. Several HEYCU directors and staff participate in the ABCUL Yorkshire & North East Forum, enabling useful information to be shared across the sector for mutual benefit. Matthew Stevens was our voting delegate at the 2017 ABCUL AGM.

HEADLINES

Membership

	<i>New accounts</i>	<i>Closures*</i>	<i>Total as at 30.9.17</i>	<i>Total as at 30.9.16</i>	<i>% change</i>
Adult Members	1,642	1,228	11,997	11,583	+3.6%
Junior Savers	162	129	1,378	1,345	+2.5%

* includes 872 cancelled under the dormant account procedures approved by the 2003 AGM.

Savings, Loans and Assets

	<i>2017</i>	<i>2016</i>	<i>% change</i>
Adult Members' Savings deposits	£10,033,871	£9,459,605	+6.1%
Junior Savings deposits	£429,490	£397,480	+8.1%
Average deposits per Adult Member	£836	£817	+2.3%
Average deposits per Junior Saver	£312	£296	+5.4%
Total Members' Loans	£3,122,068	£2,391,134	+30.6%
Average loan per borrowing Member	£1,142	£856	+33.4%
Net Assets	£11,532,118	£11,006,404	+4.8%

Key Ratios:

<i>Indicator of:</i>	<i>Indicator</i>	<i>2017</i>	<i>2016</i>	<i>Target</i>
Effective financial structure	Capital to Total Assets	9.1%	10.2%	>10%
	Borrowings to Total Assets	0%	0%	0%
	Total Shares to Total Assets	85.5%	84.3%	70-90%
	Net Loans to Total Assets	25.7%	20.6%	>40%
Protection	Bad Debt Written Off to Total Loans	1.2%	1.4%	<10%
	Net Assets to Total Shares and Junior Deposits	110.2%	111.7%	>105%
Asset quality	Arrears (over 3 mths) to Total Loans	3.2%	3.6%	<20%
	Non-earning Assets to Total Assets	8.5%	14.4%	<10%
	Net Zero-cost funds to Non-earning Assets	127.9%	84.0%	>200%
Returns	Loan income to Total Loans	15.6%	17.9%	>6%
Efficiency	Operating Expenses to Total Assets	5.9%	6.5%	<8%
	Members and Juniors served per FTE Staff	791	803	>1,000

FINANCIAL RESULTS

During the year we were able to increase our loan portfolio by over 30% and earn higher returns from both members' loans and the surplus funds we invest. Members' and Juniors' savings and assets also continued to grow.

We managed to reduce our normal Operating Expenses and would have achieved a break even position (after members' dividends and tax). However, the exceptional and final costs of closing the Credit Union Current Account resulted in an overall deficit, which has been charged to Reserves.

Your Board and management are continuing with actions to return the business to profitability over the current three year plan period. Our Balance Sheet remains strong, with a capital to assets ratio close to the 10% target.

HIGHLIGHTS OF THE YEAR

- On 10 June it was the **18th Anniversary** of the founding of our credit union. At the time we were hosting a visit by Mrs Sherry Saxon, Regional Director of PedFed Credit Union, Georgia, USA and her husband Sidney. They were thrilled to share in HEYCU's "coming of age" celebrations, helping to cut a decorated cake in the presence of directors, staff and volunteers. We can all look back with pride at what has been achieved since a group of colleagues at Hull City Council set out on the path to build what has become the region's largest co-operative financial services provider.
- With the help of Cornerstone Mutual Services, we switched over to a new **user-friendly website** in May. The new site is much easier to navigate – on smartphones, tablets, laptops or desk computers – whether users are looking to join online, download forms or access one of our partner sites such as Co-op Energy or the Co-op Electrical Store. Loan and savings products are displayed more clearly and the improved loan calculator – with a slider bar – is proving popular for finding out the repayments on a CU Loan. In the first four months since the launch, visits to our website increased by 178%.
- In July, we became one of only a dozen financial institutions to be awarded the prestigious **5-star Fairbanking Mark** by the Fairbanking Foundation, for our CU Loan product. The award, only granted after a rigorous independent assessment of consumer feedback, recognises that our CU Loan has the required features to make a positive impact on our members' financial well-being, such as providing a budget planner to help them work out whether they can afford the repayments, no penalties for early settlement, and encouraging saving alongside loan repayments.
- We were one of ten credit unions selected to benefit from the 2016-17 **Barclays Credit Union Development Project**. The programme supported our development in two key areas – capacity building and financial capability. With input from the Barclays Project team we held a Loans Workshop, looking at creative ways to improve our lending processes and develop new products to give a better service, while our Employees' Council and Board of Directors engaged in a review of our Equalities and Diversity policies. Other outputs included a Social Media Workshop, Member Survey, Mystery Shopper exercise and the production of a free Budget Planner to assist our members with money management. We thank the Barclays Team for their valuable help and advice.
- In February we visited the Houses of Parliament to receive a £100,000 Large Grant from the **Lloyds Banking Group Credit Union Development Fund**. The award was given to strengthen our capital position during our ambitious development programme and we are most appreciative of their support. We liaised with the local branches of Lloyds, making presentations to their managers meetings and enabling Lloyds' staff to signpost consumers seeking smaller loans to us.

PRODUCTS AND SERVICES

- We reviewed our Loan product range and introduced a **Swap & Drop** facility for members looking to save money by consolidating existing credit commitments into a low-interest Credit Union Loan; a **Child Benefit Loan & Savings Plan** to help families to manage their money wisely by combining sensible borrowing and regular saving; and **Flexi-Credit** to help our payroll members to cope with unexpected bills. We also prepared to take part in **CULoans.co.uk** - a UK-wide online loans platform run by My Community Bank and accessible via MoneySupermarket.
- A major challenge this year was to exit from the **Credit Union Current Account (CUCA)** which was used by nearly 2,000 members as a day to day transactional account. As an alternative we offered members the **Engage Classic Debit card** and **Engage Current Account** which feature a package of benefits including a free mobile app, contactless debit card for shopping, budgeting tool and cashback rewards. The CUCA exit was completed on 31 January 2017.
- Following changes at our banking provider, the **PayPoint deposit** facility was withdrawn on 30 September, and we reluctantly introduced a £5 reimbursement charge when issuing cheques. Fortunately most members use our free BACS transfer facility for withdrawals and loans.
- After reviewing our savings product range in the current low interest environment, the Board decided to close the **Loyalty Saver account** to new users in January, as the 1% enhanced dividend commitment was no longer sustainable. Members were advised that all Loyalty Accounts would be closed at the year end.
- The Government increased the eligible savings limit for the **Financial Services Compensation Scheme** from £75,000 to £85,000 per depositor with effect from 30 January 2017.
- New **Pennies2Pounds school banks** were opened at Acre Heads Primary School, Anlaby and St Joseph RC Primary School, Goole and planning began for a similar facility at the Oasis Academy, Grimsby.

- Our self-funded **Members' Death Benefit Scheme**, paid out 20 claims (67 in 2016) totalling £7,974 (£23,894 in 2016). From 1st January 2017 it was revised to cover members' loans only.

CREDIT UNION EXPANSION PROJECT (CUEP)

Your Board shares members' frustration at the delays to our plans to deploy the latest technology to transform the way we support our members. We are one of 35 credit unions that signed up, in 2015, for the DWP-sponsored **CUEP Model Credit Union platform**, to be implemented by Cornerstone Mutual Services (part of ABCUL) and Fiserv. So far only 3 credit unions have transformed and the programme has suffered unforeseen problems. We have taken all actions possible to expedite the situation, written to the Chairs of ABCUL and Cornerstone to express our concern and are currently investigating alternative options for providing 24/7 online banking for our members. We will keep members updated of further developments.

PARTNERSHIPS

We continue to partner with a broad range of organisations for mutual benefit:

- We worked with the **England Illegal Money Lending Team (ILMT)** to raise awareness of the dangers of borrowing from "loan sharks" and the availability of more affordable credit options. Our *Shop the Sharks* campaign, centred on Goole Branch, awarded £25 vouchers to new members who started saving or borrowing with us. We engaged with local schools and community groups to spread the message to the whole community. In recognition of the impact made, the IMLT presented HEYCU with their National Champions Award and £3,000 for ongoing initiatives.
- In the rural western part of our common bond, support from the Arthur Rank Centre, Goole & Selby Methodist Circuit and other partners enabled new contact points to open in **Howden** (in June) and **Hemingbrough** (in September). Residents in communities where banking services have disappeared have welcomed our presence.
- We are involved with two **Big Local Projects**, in Winterton, North Lincolnshire and the Greatfield area of Hull to improve residents' financial well-being. In the latter case **Hull Families Project** is delivering the project plan. Working with local schools, churches and Hull City of Culture team, we joined in Greatfield's 60th anniversary celebrations while at Winterton we opened a weekly contact point in the town's Co-op store.
- Upon the sad demise of the small Grimsby-based **North East Lincolnshire Credit Union** in November, our Scunthorpe volunteers and staff made sterling efforts, working with the financial regulator and ABCUL, to achieve a managed close-down, minimise the impact on their members, and assist them to join our credit union. Talks were held with North East Lincolnshire Council regarding options for continued provision in the area, and an enquiry point was established at **Centre4 Community Hub** in the Nunsthorpe district for local residents to use.
- Other partnership activities included continued engagement with **East Riding of Yorkshire Council's** Financial Inclusion Forum, a presence at the **Ongo Carnival** and **Hull Housing Swap Event**, a colleague sign up day at **East Riding College** and a presentation to **Goole Town Council**.
- We should like to thank the **Hull branch of UNISON** for agreeing to sponsor our Members' Lottery prize fund.

MARKETING AND COMMUNICATING

- To promote our new **DWP payroll partnership**, member recruitment visits were made to major office sites in Newcastle, Washington, Glasgow, Leeds, Falkirk and Dundee as well as our local Job Centres. We issued a monthly newsletter to our DWP members, sponsored articles and competitions in their *Livelif*e staff e-magazine, and developed a network of volunteer Workplace Champions.
- Much of our marketing effort focused on raising awareness of our competitive loan deals, to encourage all members to consider us first when seeking credit. Campaigns included *Swap & Drop*, *Spring Forward* (targeting members who hadn't borrowed from us before), and a highly successful *Sizzling Summer Loan Sale*. Each campaign was supported by email-shots, posters, flyers, pull-up banners and social media postings.
- We took part in a **Community Roadshow**, held in St Stephen's Shopping Centre, Hull in January, for which a 40 second video commercial was produced to showcase our new Child Benefit Loan & Savings Plan.
- During the year we introduced school children to our new savings mascot, **Penny the pennywise Penguin**, and designed some attractively-branded jute shopping bags and children's lunch bags to use as promotional gifts.
- We continued to use **social media** to good effect, issued regular **newsletters** to our workplace and community volunteers, and supplied **articles** to a wide range of publications in our area.

GOVERNANCE

- Our level of compliance with the **ABCUL Code of Governance** is monitored regularly by your Board. There are 45 elements, 30 of which are defined as Required and 15 as Gold standards. We currently comply fully with 28 Required (R) and 14 Gold (G) standards. The three standards with outstanding action are:
 - *Element 27 R – Elected member foundation training; and*
 - *Element 28 G – Elected member refresher training* – The standards require re-wording to recognise that the ABCUL Academy now provides the core of an elected member training programme. As further Academy courses are launched we will develop an integrated learning pathway for them, including induction training for new directors and refresher training for the whole Board.
 - *Element 36 R - Equality and Diversity* – With support from the Barclays Project, we are taking action to promote equality and diversity and improve the overall experience of members, staff and volunteers.
- Our **Environmental and Community Impact Policy** was refreshed and we worked with Co-op Energy to introduce some energy saving measures (LED lighting, improved insulation and rooftop solar panels) at Central Office.
- This year we adopted a new **Dividend Policy** and a **Schedule of Delegated Authority**. All policies were reviewed during the year by the Board or its Committees to make sure they were legally compliant and working effectively.
- The duties of the Board's **Secretary** and **Treasurer** were reviewed in the light of the publication of a major advisory report, *Credit Union Strategic Governance*, sponsored by CUEP.
- We attended three meetings of the **ABCUL Larger Credit Unions Group**, to share good practice and discuss new service developments to help our movement to grow and achieve long-term sustainability. In September it was our turn to host a meeting, during City of Culture year, and we arranged an evening guided tour of Hull's historic Old Town for the enjoyment of our guests.

PEOPLE

- During the year we welcomed Patrick to our staff team, which was 21 strong at year end. Two colleagues, Linda and Matthew, were presented with certificates marking the completion of **ten years' service**. Steve's secondment to Cornerstone Mutual Services ended in January.
- We also benefited from the commitment of around 90 volunteers. We were sorry to say farewell to Rita, our **Schools Co-ordinator**, in January as she moved to the North-East. Rita had established several successful school banks while active with the Driffield branch.
- All employees were enrolled to the new **ABCUL Training Academy** which provides a range of training opportunities tailored to their roles. Staff are assigned a personal Learning Pathway, with modules to work on at their own pace, followed by a knowledge test. Many staff had completed their original Pathways by the year end.
- We are very proud of Lauren (Central Office) who became one of the first credit union employees to graduate from the **CU Futures** leadership programme, at a ceremony held at the ABCUL AGM in Manchester. Lauren visited the Irish League of Credit Unions' annual conference in Dublin after her group project was awarded the top marks. HEYCU donated £1,000 to CU Futures as a gesture of our commitment to young people's development.
- Five staff colleagues completed the **Hull 10k run** in June, raising funds for good causes. Well done to them all!

BRANCHES

All our branches have served their communities well and managed to increase their membership during the year.

- **Bridlington** branch operates every Monday, Thursday and Friday from a prime town centre location.
- **Goole** branch opens three days a week and held a successful Cupcake Day, raising £100 for the Alzheimer's Society. Weekly contact points operate at Howden, Hemingbrough and the Moorlands Centre, Old Goole. A new Local Members' Group was launched in September to engage our most active members.
- **Driffield** branch, which opens twice a week in the Town Council Offices, maintained an active Local Members' Group and raised funds to support the community. The school banks based around Driffield were well supported thanks to the efforts of our local volunteers. We advertised in the Driffield Town Guide.
- **Scunthorpe** branch moved to full day opening, without a lunch time closure, from March. It also supported a Wednesday contact point at the Co-op store in Winterton and one at Centre 4, Grimsby.
- **Withernsea** branch held its regular Wednesday sessions at The Shores and advertised regularly via Seaside Radio.

- **Beverley** branch opened every Thursday at the Cherry Tree Centre while **Wetwang** branch operated on Tuesday mornings in the Community Hall.

APPRECIATION

Your Board of Directors would like to thank all our staff, volunteers, sponsors, partners and supporters for their valued contribution to our work and all our members for their ongoing loyalty and support. We look forward to serving our members, new and old, in the years ahead.

DIRECTORS' RESPONSIBILITIES

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

Co-operative and Community Benefit Society law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (Financial Reporting Standard 102 and applicable law). Under that law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Credit Union and of the income and expenditure of the Credit Union for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Credit Union will continue in business.

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

Disclosure of information to auditors

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

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

This report was approved by the Board of Directors on 7 November 2017 and signed on its behalf.

A F HIGNETT 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 2017 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 2017 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. This description forms part of our auditor's report.

Mark Jackson BA MBA
(Senior Statutory Auditor)
 for and on behalf of
Jacksons
Accountants and Statutory Auditors
7 November 2017

First Floor
Albion House
Albion Street
Hull
HU1 3TE

Hull and East Yorkshire Credit Union Limited

Revenue Account

for the year ended 30 September 2017

	Notes	2017 £	2016 £
Loan interest receivable and similar income	4	536,434	515,405
Dividends payable	5	(48,355)	(44,493)
Net interest income		<u>488,079</u>	<u>470,912</u>
Administrative expenses	6	(677,544)	(711,107)
Other operating income	7	212,019	198,542
Operating surplus(deficit) before taxation	8	<u>22,554</u>	<u>(41,653)</u>
Exceptional Item – CUCA closure		(82,871)	-
Tax on (deficit)/surplus on ordinary activities	10	(20,245)	(18,667)
Deficit for the financial year		<u>(80,562)</u>	<u>(60,320)</u>

Hull and East Yorkshire Credit Union Limited

Balance Sheet

as at 30 September 2017

	Notes	2017 £	2016 £
Fixed assets			
Tangible assets	11	506,570	517,259
Current assets			
Debtors	12	3,147,317	2,394,657
Cash at bank and in hand		<u>8,083,479</u>	<u>8,303,441</u>
		11,230,796	10,698,098
Creditors: amounts falling due within one year	17	(205,248)	(208,953)
Net current assets		<u>11,025,548</u>	<u>10,489,145</u>
Net assets		<u>11,532,118</u>	<u>11,006,404</u>
Financial Liabilities			
Members' shares	18	10,033,871	9,459,605
Junior savings	19	429,490	397,480
		<u>10,463,361</u>	<u>9,857,085</u>
<u>Reserves</u>			
General reserve		1,011,161	1,091,723
Revaluation reserve		57,596	57,596
Members' funds		<u>11,532,118</u>	<u>11,006,404</u>

Approved by the board on 7 November 2017

A. Hignett, President

A. Stankard, Vice President

J. Walton, Treasurer

Hull and East Yorkshire Credit Union Limited
Statement of Changes in Members' Funds
for the year ended 30 September 2017

	Revenue reserve	General reserve	Revaluation reserve	Total	Members' shares	Junior savings	Total
	£	£	£	£	£	£	£
At 1 October 2015	-	1,152,043	57,596	1,209,639	8,563,402	381,265	10,154,306
Loss for the financial year	(60,320)	-	-	(60,320)	-	-	(60,320)
Transfers	60,320	(60,320)	-	-	-	-	-
Movement during the financial year	-	-	-	-	896,203	16,215	912,418
At 30 September 2016	-	1,091,723	57,596	1,149,319	9,459,605	397,480	11,006,404
At 1 October 2016	-	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
At 30 September 2017	-	1,011,161	57,596	1,068,757	10,033,871	429,490	11,532,118

Hull and East Yorkshire Credit Union Limited

Statement of Cash Flows

for the year ended 30 September 2017

	2017	2016
	£	£
Operating activities		
Operating (deficit)/surplus	22,554	(41,653)
Adjustments for:		
Depreciation	28,158	25,482
Impairment losses	19,756	(32,088)
	<u>70,468</u>	<u>(48,259)</u>
Movements in:		
Decrease in debtors	(41,482)	16,825
(Decrease)/increase in creditors	(5,316)	(71,907)
	<u>23,670</u>	<u>(103,341)</u>
Changes in operating assets and liabilities		
Cash inflow from members' deposits	14,799,158	15,366,941
Cash outflow from repaid members' deposits	(14,192,882)	(14,454,523)
New loans to members	(2,952,622)	(2,585,987)
Repayment of loans by members	2,221,688	2,134,001
	<u>(100,988)</u>	<u>357,091</u>
Corporation tax paid	(18,634)	(13,239)
Exceptional Item – CUCA closure	(82,871)	-
Cash generated by operating activities	<u>(202,493)</u>	<u>343,852</u>
Investing activities		
Payments to acquire tangible fixed assets	(17,469)	(6,040)
Cash (used in)/generated by investing activities	<u>(17,469)</u>	<u>(6,040)</u>
Net cash generated		
Cash generated by operating activities	(202,493)	343,852
Cash (used in)/generated by investing activities	(17,469)	(6,040)
Net cash generated	<u>(219,962)</u>	<u>337,812</u>
Cash and cash equivalents at 1 October	<u>8,303,441</u>	<u>7,965,629</u>
Cash and cash equivalents at 30 September	<u>8,083,479</u>	<u>8,303,441</u>
Cash and cash equivalents comprise:		
Cash at bank	8,083,479	8,303,441

Hull and East Yorkshire Credit Union Limited

Notes to the Accounts for the year ended 30 September 2017

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	2017	2016
		£	£
	Interest receivable on loans to members	430,661	407,642
	Interest on loans to other credit unions	2,196	14,634
	Bank interest receivable on cash and liquid deposits	103,577	93,129
		<u>536,434</u>	<u>515,405</u>

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.

	2017	2016
<i>Dividends paid during the year</i>	£	£
Dividends paid to Members	45,858	41,795
Dividends paid on Junior Savings	<u>2,497</u>	<u>2,698</u>
	<u>48,355</u>	<u>44,493</u>

6	Administrative expenses	2017	2016
		£	£
	Personnel costs	369,518	363,953
	Training and development	2,874	2,177
	Members' Death Benefits Scheme	7,974	23,894
	Printing, stationery, postage and advertising	31,053	32,935
	IT and Communications	32,618	27,841
	Governance, Legal and Regulatory costs	7,785	8,147
	Other expenses	31,888	17,346
	Accommodation	28,657	22,881
	Fidelity and General Insurance	7,590	7,639
	Subscriptions and levies	11,550	12,248
	Depreciation of tangible owned fixed assets	28,158	25,482
	Banking and Finance costs - continuing	52,439	158,935
	Audit charges	8,280	9,600
	Bad debts - Charged in the year	57,160	(1,971)
		<u>677,544</u>	<u>711,107</u>

7	Other operating income	2017	2016
		£	£
	Membership fees	9,097	4,078
	Income from service agreements	69,644	86,272
	Grants and sponsorships	107,500	5,002
	Insurance commission	1,152	1,020
	Sundry income	<u>24,626</u>	<u>102,170</u>
		<u>212,019</u>	<u>198,542</u>

13	Loans and advances to members	2017	2016
		£	£
	As at 1 October	2,391,134	1,939,148
	Advanced during the year	2,952,622	2,585,987
	Repaid during the year	<u>(2,221,688)</u>	<u>(2,134,001)</u>
		<u>3,122,068</u>	<u>2,391,134</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.

	2017	2016
	£	£
Not impaired:		
Neither past due nor impaired	2,837,440	2,123,035
Up to 3 months past due	<u>184,177</u>	<u>166,945</u>
	3,021,617	2,289,980
Individually impaired:		
Between 3 and 6 months past due	24,823	22,619
Between 6 months and 1 year past due	<u>75,628</u>	<u>78,535</u>
	3,122,068	2,391,134
Impairment allowance	<u>(100,446)</u>	<u>(80,690)</u>
	<u>3,021,622</u>	<u>2,310,444</u>

15	Allowance account for impairment losses	2017	2016
		£	£
	As at 1 October	80,690	112,778
	Allowances increased/(reversed) during the year	<u>19,756</u>	<u>(32,088)</u>
	As at 30 September	<u>100,446</u>	<u>80,690</u>

16	Impairment losses recognised for the year	2017	2016
		£	£
	Impairment of individual financial assets	37,404	30,117
	Increase in impairment allowances during the year	<u>19,756</u>	<u>(32,088)</u>
		<u>57,160</u>	<u>(1,971)</u>

17	Creditors: amounts falling due within one year	2017	2016
		£	£
	Corporation tax	20,196	18,585
	Other creditors	51,809	41,396
	Provision for Housing loans	<u>133,243</u>	<u>148,972</u>
		<u>205,248</u>	<u>208,953</u>

18	Members' deposits	2017	2016
		£	£
	As at 1 October	9,459,605	8,563,402
	Received during the year	14,767,148	15,350,726
	Repaid during the year	<u>(14,192,882)</u>	<u>(14,454,523)</u>
	As at 30 September	<u>10,033,871</u>	<u>9,459,605</u>
19	Junior savings	2017	2016
		£	£
	As at 1 October	397,480	381,265
	Movement during the year	<u>32,010</u>	<u>16,215</u>
		<u>429,490</u>	<u>397,480</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	2017	2016
		£	£
	Cash and balances with the Bank of England	170,815	130,399
	Loans and advances to banks	<u>7,912,664</u>	<u>8,173,042</u>
		8,083,479	8,303,441
	Less: amounts maturing after three months	<u>(5,956,264)</u>	<u>(7,284,243)</u>
		<u>2,127,215</u>	<u>1,019,198</u>

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, 16 members of the Board, staff and their close family members (2016: 13 members) had loans with Hull and East Yorkshire Credit Union. These loans were approved on the same basis as loans to other members of Hull and East Yorkshire Credit Union. None of the directors, staff or their close family members, have preferential terms on their loans.

25 Presentation currency

The financial statements are presented in Sterling.

26 Legal form of entity and country of incorporation

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

27 Principal place of business

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

38 Brook Street
Kingston upon Hull
HU2 8LA

