

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Firm Reference No 213756

Registered No IP00658C

**DIRECTORS REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

30 SEPTEMBER 2019

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

ADMINISTRATIVE INFORMATION

Directors	Mark Anderson (Chairman) Michael Harrowven Sally Chicken Ruth Wailes Andrew Wailes Julie Mansfield Les Abbie Michelle Monck Graham Evans Stephen Moore
Secretary	Julie Mansfield
Society Registration Number	IP00658C
Financial Conduct Authority Registration Number	213756
Registered Office	61-63 Austin Street Ipswich Suffolk IP2 8DF
Auditors	Lindley Adams Limited Chartered Accountants and Statutory Auditors 28, Prescott Street Halifax, HX1 2LG
Bankers	The Co-operative Bank Plc P.O. Box 101, 1 Balloon Street Manchester M60 4EP Ipswich Building Society PO Box 547 Ipswich IP3 9WZ Cambridge & Counties Bank Charnwood Court 5B New Walk Leicester, LE1 6TE Lloyds Bank Plc 25 Gresham Street London EC2 7HN

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

CONTENTS

Directors' Report	1-2
Independent Auditors' Report	3-4
Revenue Account	5
Balance Sheet	6
Statement of changes in Retained Earnings	7
Cash flow statement	8
Notes to the financial statements	9-18

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

The Directors present their report and the financial statements for the year ended 30 September 2019.

Principal activity and Business Review

The principal activities of the credit union are the promotion and encouragement of regular saving and prudent borrowing by its members, as defined in the Credit Unions Act 1979.

Results and Dividends

The surplus for the year, after taxation, amounted to £36,568 (2018 - £62,594). In addition, there were 3,453 (2018 - 3,344) adult members with 1,144 (2018 - 1,012) members holding loans with the Credit Union.

The Directors have approved the payment of 2% junior interest at the year end. The Directors recommend the payment of a 0.25% dividend for adult and corporate members at the year end. This will be voted upon at the Annual General Meeting.

Directors

The directors who served during the year are as stated below:

Mark Anderson (Chair)	-	appointed May 2019
Michael Harrowven		
Sally Chicken		
Ruth Wailes		
David Adams	-	resigned September 2019
Julie Mansfield		
Andrew Wailes		
Les Abbie	-	appointed May 2019
Michelle Monck	-	appointed May 2019
Graham Evans	-	appointed May 2019
Stephen Moore	-	appointed September 2019

Financial risk management objectives and policies

The main financial risks arising from the 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 and these are summarised below:

- Credit Risk: All loan applications are assessed with reference to the Credit Union's lending policy. Changes to policy are approved by the Board.
- Interest Rate Risk: The main interest rate risk arises from differences between interest rate exposures on assets and on liabilities that form an integral part of the credit union's operations. The Credit Union considers interest rates when deciding on the dividend rates to propose on share accounts.
- Liquidity Risk: The Credit Union's policy is to maintain sufficient funds in a liquid form at all times to ensure that the Credit Union can meet its liabilities as they fall due. The objective of liquidity is to help smooth mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

These areas are outlined in greater detail in section 15 of the Notes to the Financial Statements.

Statement of Directors' Responsibilities

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

Credit Union legislation requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland" (United Kingdom Accounting Standards and applicable law). Under Credit Union legislation 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 surplus or deficit of the Credit Union for that year. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and accounting 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 and with the Credit Union 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.

In so far as the directors are aware:

- There is no relevant audit information (information needed by the Credit Union's auditors in connection with preparing their report) of which the Credit Union's auditors are unaware, and
- The directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Credit Union's auditors are aware of that information.

This report was approved by the Board on 09.03.20 and signed on its behalf by:

Name of Director 1: SALLY ANNE CHICKEN

Signature Sally Chicken

Name of Director 2: RUTH WAILES

Signature Ruth Wailes

REPORT OF THE INDEPENDENT AUDITOR TO EASTERN SAVINGS AND LOANS CREDIT UNION LTD

OPINION

We have audited the financial statements of Eastern Savings and Loans Credit Union Ltd (the 'credit union') for the year ended 30 September 2019 which comprise revenue account, balance sheet, statement of changes to retained earnings, cash flow statement and notes to the financial statements, 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 Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

BASIS FOR 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 the provisions available for small entities, in the circumstances as set out in note 24 to the financial statements, 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 Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board 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.

OTHER INFORMATION

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Board is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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:

- a satisfactory system of control over transactions has not been maintained;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF THE BOARD

As explained more fully in the Statement of Directors' responsibilities set out on page 2, the Board is 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 they 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 Board is 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 Board either intend to liquidate the Credit Union or to cease operations, or have no realistic alternative but to do so.

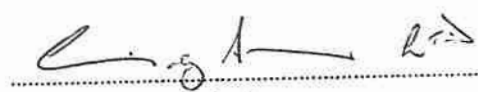
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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.

USE OF OUR REPORT

This report is made solely to the credit union, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the credit union those matters we are required to state to it in a Report of the auditors 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, for our audit work, for this report, or for the opinions we have formed.



 Lindley Adams Limited
 Chartered Accountants and Statutory Auditors
 28 Prescott Street,
 Halifax, HX1 2LG

Date..... 11 / March / 2020

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Revenue Account for the year ended 30 September 2019

	Note	2019 £	2018 £
Loan Interest receivable and similar income	4	151,897	137,889
Interest payable	5	(1,636)	(1,620)
Net interest income		150,261	136,269
Fees and commissions receivable	6	41,914	42,012
Fees and commissions payable		(14,017)	(12,041)
Net fees and commissions receivable		27,897	29,971
Other income	7	113,700	140,582
Administrative expenses	8a	(169,873)	(162,917)
Depreciation and amortisation	11	(3,925)	(3,612)
Other operating expenses	8b	(36,974)	(38,822)
Impairment losses on loans to members	12e	(42,913)	(37,273)
Surplus Before Taxation		38,173	64,198
Taxation		(1,605)	(1,604)
Surplus for the Financial Year		36,568	62,594
Total comprehensive income		36,568	62,594

Note: There is no comprehensive income other than those included on the Revenue Account.

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Balance Sheet as at 30 September 2019

	Note	2019 £	2018 £
ASSETS			
Loans and advances to banks	16	1,045,878	1,106,607
Loans and advances to members	12	812,952	735,051
Tangible fixed assets	11	4,946	6,781
Prepayments and accrued income		28,678	23,137
Total assets		1,892,454	1,871,576
LIABILITIES			
Subscribed capital - repayable on demand	13	1,430,424	1,375,048
Other payables	14	286,349	357,415
		1,716,773	1,732,463
Retained earnings		110,681	74,113
Subordinated loan	20	65,000	65,000
Total liabilities		1,892,454	1,871,576

The financial statements were approved, and authorised for issue by the board on 09.03.20 and signed on its behalf by:

Sally Clarke
Director

Ruth Whites
Director

L. M. - nish
Secretary

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Statement of Changes in Retained Earnings for the year ended 30 September 2019

	Note	2019 £	2018 £
As at 1 October 2018		74,113	16,138
Repayment of funding		0	(4,619)
Total comprehensive income for the year		36,568	62,594
As at 30 September 2019		110,681	74,113

Movement in reserves

	Retained earnings		Deferred	Lloyds	
	General reserve	Other reserves	Shares reserve	Development Fund	Growth Fund reserve
As at 1 October 2018	(64,212)	10,289	3,500	70,000	54,536
Surplus for year	6,568	0	0	30,000	0
Other movements	0	0	0	0	0
As at 30 September 2019	(57,644)	10,289	3,500	100,000	54,536

Note 21

	Total Reserves
As at 1 October 2018	74,113
Surplus for year	36,568
Other movements	0
As at 30 September 2019	110,681

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Cash flow statement for the year ended 30 September 2019

	Note	2019 £	2018 £
Cash Flows from operating activities			
Surplus before taxation		38,173	64,198
Adjustments for non-cash items			
Return of funding from reserves		0	(4,619)
Depreciation	11	3,925	3,612
Impairment losses	12e	50,906	44,669
		<u>54,831</u>	<u>43,662</u>
Movements in:			
Prepayments and accrued income		(5,541)	6,740
Other payables		<u>(71,066)</u>	<u>(66,598)</u>
		(76,607)	(59,858)
Cash flows from changes in operative assets and liabilities			
Cash inflow from subscribed capital	13	10,914,511	10,619,504
Cash outflow from repaid capital	13	(10,859,135)	(10,571,026)
New loans to members	12a	(863,416)	(796,562)
Repayment of loans by members	12a	734,609	586,464
		<u>(73,431)</u>	<u>(161,620)</u>
Taxation paid		<u>(1,605)</u>	<u>(1,604)</u>
Net Cash flows from operating activities		(58,639)	(115,222)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(2,090)	(1,146)
Net inflow from acquisition		0	0
		<u>(2,090)</u>	<u>(1,146)</u>
Net decrease in cash and cash equivalents		(60,729)	(116,368)
Cash and cash equivalents at beginning of the year		1,106,607	1,222,975
Cash and cash equivalents at end of year	16	<u><u>1,045,878</u></u>	<u><u>1,106,607</u></u>

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2019

1 Legal and regulatory framework

The Credit Union is a society 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. The 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.

In accordance with the regulatory environment for credit unions, deposits from members can be made by subscription for redeemable shares, deferred shares and interest - bearing shares. At present the Credit Union has only issued redeemable share and deferred shares.

2 Accounting policies**Basis of preparation**

These financial statements have been prepared in accordance with FRS 102 - the Financial Reporting Standard applicable in the UK and Ireland.

The financial statements are prepared on the historical cost basis.

Going concern

The directors of the Credit Union believe that it is appropriate to prepare the financial statements on the going concern basis. In accordance with PRA Rulebook Guidelines outlined in Section 8.5 (1), the credit union must maintain a minimum Capital-To-Total assets ratio of 3%.

	2019	2018
The relevant ratios are:-	9.28%	7.43%

Income

Loan interest receivable and similar income: Interest on both loans to members and loans to banks (i.e. 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. Exempt interest on members loans is not recognised.

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: Other income is recognised either evenly over the period to which it relates or when the transaction is complete.

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. The Credit Union is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as a trade. However, corporation tax is payable on investment income.

As a result of the limited activities of the Credit Union from which profits are chargeable to corporation tax, it is unlikely that deferred tax will arise.

Deferred grants and funding / revenue contributions

Deferred grants in respect of capital expenditure are credited to the income and expenditure account over the estimated useful life of the relevant fixed assets. Deferred grants and funding in respect of revenue items are credited to the income and expenditure account over the period to which they relate or to match the relevant expenditure. The grants / funding shown in the balance sheet represent the grants / funding receivable to date less the amount so far credited to the income and expenditure account.

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2019 (continued)

2 Accounting policies (cont.)**Tangible fixed assets**

Tangible fixed assets comprises items of property, plant 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 property, plant and equipment, less its estimated residual value, on a straight line basis over its estimated useful life. The categories of property, plant and equipment are depreciated as follows:

Office equipment & furniture	4 years
Computers, software and hardware	3 years
Building alterations	10 years

Cash and cash equivalents

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

Financial assets – loans and advances to members

Loans to members are financial assets with fixed or determinable payments. Loans are made to members for provident or productive purposes on such security (or without security) and terms as the rules of the Credit Union provide. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest 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

The Credit Union 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, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

Financial liabilities – subscribed capital

Members' shareholdings in the Credit Union are redeemable and therefore are classified as financial liabilities, and described as subscribed capital. They are initially recognised at the amount of cash deposited and subsequently measured at amortised cost.

Employee benefits

Defined contribution plans: The amounts charged as expenditure for the defined contribution plan are the contributions payable by the Credit Union for the relevant period.

Other employee benefits: Other short and long term employee benefits, including holiday pay, are recognised as an expense over the period they are earned.

Reserves

Retained earnings are the accumulation of surplus and deficits to date.

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2019 (continued)

3 Use of 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 the 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

Impaired losses are stated after specifically reviewing all loans in arrears. The criteria used is whether the loan will be repaid within the term of the loan based upon the current regular pattern of repayments.

4 Loan interest receivable and similar income

	2019	2018
	£	£
Loan interest receivable from members	143,452	129,665
Bank interest receivable from cash and liquid deposits	8,445	8,224
Total loan interest receivable and similar income	151,897	137,889

5 Interest expense

The adult and corporate members interest expense is paid for the prior year. The interest is agreed by the Board of Directors after the year end. As a result it does not represent a liability at the balance sheet date.

	2019	2018
	£	£
Junior Interest paid during the year	1,636	1,620
Interest rate	2.00%	2.00%
Adult and corporate members interest proposed, but not recognised	3,121	-
Junior Interest	1,843	1,680
Adult and corporate members interest rate	0.25%	-
Junior interest rate	2.00%	2.00%

6 Fees and commissions receivable

	2019	2018
	£	£
Entrance fees	2,434	2,162
Member service charges	31,861	33,057
Other fees	7,619	6,793
Total fees and commissions receivable	41,914	42,012

7 Other Income

	2019	2018
	£	£
Grants released	38,521	33,121
Restricted funding	30,000	70,000
Donations and other income	45,179	35,721
Suffolk local welfare scheme	0	1,740
	113,700	140,582

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2019 (continued)

8	Expenses	Note	2019	2018
			£	£
	Administrative expenses	8a	169,873	162,917
	Depreciation and amortisation	11	3,925	3,612
	Other operating expenses	8b	36,974	38,822
			<u>210,772</u>	<u>205,351</u>
8a	Administrative Expenses	Note	2019	2018
			£	£
	Employment costs	9b	112,819	112,492
	Subcontractor costs	19	0	5,435
	Training and Conference		495	55
	Advertising and Publicity		8,741	6,610
	Directors & Volunteers expenses		2,056	1,373
	Auditors remuneration	8c	6,000	6,720
	Telephone		4,312	4,455
	Computer costs		20,969	9,437
	General expenses		6,330	6,807
	Printing, Postage and Stationery		5,823	7,039
	Loan fees		2,000	2,000
	Other insurances		328	494
	Total Administrative Expenses		<u>169,873</u>	<u>162,917</u>
8b	Other Operating Expenses		2019	2018
	Cost of occupying offices (excluding depreciation)		£	£
	Rents and Rates		7,481	7,390
	Cleaning		200	230
	Repairs and Maintenance		239	597
	Heating and Lighting		25	5,341
			<u>7,945</u>	<u>13,558</u>
	Regulatory and financial management costs			
	Financial Conduct Authority and Prudential Regulation Authority Fees		166	366
	National Body Dues		3,427	4,036
	Financial Services Compensation Scheme Levy		31	306
	Fidelity Insurance		2,571	2,571
	Loan Protection and life savings insurance		8,553	7,924
	Debt recovery fees & credit checks		14,281	10,061
			<u>29,029</u>	<u>25,264</u>
	Total Other operating Expenses		<u>36,974</u>	<u>38,822</u>

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2019 (continued)

8c Auditors remuneration

The Credit Union voluntarily presents an analysis of its auditors' remuneration in accordance with Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008.

	2019	2018
	£	£
Fees payable for the audit of the Credit Union's annual accounts	5,910	6,630
Fees payable to the Credit Union's Auditor for other services:		
Services relating to taxation	90	90
Total Auditors remuneration	6,000	6,720

9 Employees and employment costs**9a Number of employees**

The average monthly number of employees during the year were:

	2019	2018
	Number	Number
Office staff	8	9

9b Employment costs

	2019	2018
	£	£
Wages and salaries	108,010	107,422
Social security costs	3,405	3,380
Payments to defined contribution pension schemes	1,404	1,690
Total employment costs	112,819	112,492

9c Directors remuneration

The Directors of the Credit Union are all unpaid volunteers. The key management team for the Credit Union includes the credit union manager and 1 senior staff member.

	2019	2018
	£	£
Short term employee benefits	51,008	50,148
Payments to defined contribution pension schemes	869	507
Total key management personnel compensation	51,877	50,655

Short-term employee benefits include wages, salaries, social security contributions and paid annual leave.

10 Taxation**10a Recognised in the Revenue Account**

The taxation charge for the year, based on the small profits rate of Corporation Tax of 19% (2018 19%) comprised:

	Note	2019	2018
		£	£
Current tax			
UK Corporation tax	10b	1,605	1,604
Total current tax and total taxation expense recognised in the Revenue Account		1,605	1,604

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2019 (continued)

10b Reconciliation of taxation expense

The Credit Union is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as a trade. However, corporation is payable on investment income. As a result, tax charge for the year differs from the standard rate of corporation tax. The differences are explained below:

	2019 £	2018 £
Surplus Before Taxation	<u>38,173</u>	<u>64,198</u>
Surplus before taxation multiplied by small profits rate of corporation tax in the UK of 19% (2018 19%)	7,253	12,198
Effects of:		
Non-taxable surplus on transactions with members	<u>(5,648)</u>	<u>(10,594)</u>
Total tax charge for the year	<u>1,605</u>	<u>1,604</u>

11 Tangible Fixed Assets

Tangible Fixed Assets comprise the following property, plant and equipment:

	Office equip & furniture £	Building alterations £	Computers, software and hardware £	Total
Cost				
As at 1 October 2018	5,111	51,681	26,340	83,132
Additions	0	0	2,090	2,090
Disposals	(400)	0	(1,980)	(2,380)
As at 30 September 2019	<u>4,711</u>	<u>51,681</u>	<u>26,450</u>	<u>82,842</u>
Depreciation				
As at 1 October 2018	5,111	46,014	25,226	76,351
Charge for the year	0	3,034	891	3,925
Charge on disposal	(400)	0	(1,980)	(2,380)
As at 30 September 2019	<u>4,711</u>	<u>49,048</u>	<u>24,137</u>	<u>77,896</u>
Net Book Value				
As at 30 September 2019	<u>0</u>	<u>2,633</u>	<u>2,313</u>	<u>4,946</u>
As at 30 September 2018	<u>0</u>	<u>5,667</u>	<u>1,114</u>	<u>6,781</u>

12 Loans and advances to members**12a Loans and advances to members**

	Note	2019 £	As Restated 2018 £
As at 1 October 2018		1,012,026	802,035
Advanced during the year		863,416	796,562
Interest receivable		143,452	129,665
Repaid during the year		<u>(878,061)</u>	<u>(716,129)</u>
Gross loans and advances to members	12b	<u>1,140,833</u>	<u>1,012,133</u>
Impairment losses:			
Individual financial assets	12b, 12e	(6,766)	(107)
Groups of financial assets	12d	<u>(321,115)</u>	<u>(276,975)</u>
	12c	<u>(327,881)</u>	<u>(277,082)</u>
As at 30 September 2019		<u>812,952</u>	<u>735,051</u>

12b Memorandum - Total loan assets regulatory purposes

	Note	2019 £	2018 £
Gross loans and advances to members		1,140,833	1,012,133
Impairment of individual financial assets		<u>(6,766)</u>	<u>(107)</u>
Total loan assets for regulatory purposes	15b	<u>1,134,067</u>	<u>1,012,026</u>

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2019 (continued)

12c Credit risk disclosures

The credit union does not offer mortgages and as a result all loans to members are unsecured, except where there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding. In addition to this, the following group of loans are secured by loan guarantee funds (total £52,259, 2018: £52,443):

Breckland £6,586 (2018 £1,451), Broadland £37,471 (2018 £33,236), Freebridge £25 (2018 £500), Suffolk Coastal District Council £7,755 (2018 £16,378), Broadland Housing Association £212 (2018 £262), Ipswich Borough Council £Nil (2018 £360) and Victory Housing Association £210 (2018 £256).

The carrying amount of the loans to members represents the 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		As Restated 2018	
	Amount	Proportion	Amount	Proportion
Not impaired:				
Neither past due nor impaired	716,406	62.80%	611,290	60.40%
Up to 3 months past due	72,366	6.34%	100,620	9.94%
Between 3 and 6 months past due	0	0.00%	0	0.00%
Between 6 and 9 months past due	0	0.00%	0	0.00%
Between 9 months and 1 year past due	0	0.00%	0	0.00%
Over 1 year past due	0	0.00%	0	0.00%
Sub-total: loans not impaired	788,772	69.14%	711,910	70.34%
Individually impaired:				
Not yet past due, but impaired	0	0.00%	0	0.00%
Up to 3 months past due	0	0.00%	0	0.00%
Between 3 and 6 months past due	19,521	1.71%	21,005	2.08%
Between 6 and 9 months past due	19,728	1.73%	10,804	1.07%
Between 9 months and 1 year past due	15,191	1.33%	20,696	2.04%
Over 1 year past due	297,621	26.09%	247,718	24.47%
Total loans	1,140,833	30.86%	1,012,133	29.66%
Impairment allowance	(327,881)		(277,082)	
Total carrying value	812,952		735,051	

Factors that are considered in determining whether loans are impaired are discussed in note 3.

	Note	2019	As Restated 2018
		£	£
12d Allowance account for impairment losses			
As at 1 October 2018		276,975	232,413
Allowance for losses made during the year		88,056	84,494
Allowances reversed during the year		(43,916)	(39,932)
Increase in allowance during the year	12e	44,140	44,562
As at 30 September 2019		321,115	276,975
12e Impairment losses recognised for the year		2019	2018
		£	£
Impairment of individual financial assets		6,766	107
Increase in impairment allowances during the year		44,140	44,562
		50,906	44,669
Reversal of impairment where debts recovered		(7,993)	(7,396)
Total impairment losses recognised for the year		42,913	37,273

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2019 (continued)

13 Subscribed capital - financial liabilities	2019	2018
	£	£
As at 1 October 2018	1,375,048	1,326,570
Received during the year	10,912,875	10,617,884
Interest paid during the year	1,636	1,620
Repaid during the year	(10,859,135)	(10,571,026)
As at 30 September 2019	1,430,424	1,375,048

Deposits from members made by way of subscription for shares. The balance includes deposits made by juvenile depositors - £106,906 (2018 - £92,232).

14 Other payables	2019	2018
	£	£
UK Corporation tax	1,646	1,604
Creditors and accruals	36,944	35,185
Loan Guarantee Funds	178,140	197,829
Rent Deposit Scheme	28,521	28,521
Local Welfare Scheme	0	15,658
Home Improvement Scheme	33,668	33,668
Grants carried forward: Revenue	7,430	44,950
	286,349	357,415

15 Additional financial instruments disclosures

15a Financial risk management

The Credit Union manages its subscribed capital and loans to members so that it earns income from the margin between interest receivable and interest payable.

The main financial risks arising from the 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 the Credit Union, resulting in financial loss to the Credit Union. In order to manage the risk the Board approves the 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 payment has changed. The Credit Union also monitors its banking arrangements closely in light of the current banking situation.

Liquidity risk: The Credit Union's policy is to maintain sufficient funds in liquid form at all times to ensure that it meets its liabilities as they fall due. The objective of the 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. Note 2 provides further details about the impact of the maturity mismatch on the going concern status of the Credit Union.

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

Interest rate risk: The 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. The Credit Union considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital. The Credit Union does not use interest rate options to hedge its own positions.

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2019 (continued)

15b Interest rate risk disclosures

The following table shows the average interest rates applicable to relevant financial assets and financial liabilities.

	2019		2018	
	Amount	Average Interest Rate	Amount	Average Interest Rate
Financial assets	£	%	£	%
Loans to members	1,140,833	13.33%	1,012,133	13.62%

The interest rates applicable to loans to members are fixed and range from 6% to 36%.

15c Liquidity risk disclosures

Excluding short-term other payables, as noted on the balance sheet, the Credit Union's financial liabilities, the subscribed capital, are repayable on demand.

15d Fair value of financial instruments

The Credit Union does not hold any financial instruments at fair value.

16 Cash and cash equivalents

	2019	2018
	£	£
Loans and advances to banks	1,045,878	1,106,607
Less: amounts maturing after three months	0	0
Total cash and cash equivalents	1,045,878	1,106,607

17 Post balance sheet events

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

18 Contingent liabilities

The 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. The Financial Conduct Authority (FCA) has provided details of how the calculation of next year's contribution towards the FSCS will be calculated and full provision has been included for this liability. 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 totality of the levy that the Credit Union will have to pay.

19 Related Party Transactions

During the year, 27 members of the board, staff, volunteers, their close family members and connected corporate members held shares with the credit union (2018 - 24 members). In addition, during the year no members from the board, staff, volunteers or their close family members, had loans with the Credit Union (2018 0 member). None of the directors, staff, volunteers and close family members have any preferential terms for loans.

Sally Chicken, a director of the credit union, is also a director of Rainbow Saver Anglia Credit Union Ltd and has significant influence over both entities. Rainbow Saver Anglia Credit Union Ltd has a corporate share account with the credit union, the balance at 30 September 2019 is £969 (2018 £969).

David Adams, a director of the credit union up to September 2019, is also a director-shareholder of M&D Adams Limited. In this year the credit union has not paid any amounts to the company for subcontractor costs (2018 £5,435). There were no amounts outstanding at the year end.

20 Subordinated Loan

The credit union has two subordinated debts totalling £65,000 which are included in total capital.

In accordance with the PRA rules, the loans will be written down by 20% over the final four years to maturity.

The maturity dates for the debts are as follows:

£45,000	31.03.2025	£20,000	31.07.2024
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EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2019 (continued)

21 Lloyds Banking Group Credit Union Development Fund

In 2014, the credit union was awarded £70,000 from the Lloyds Banking Foundation to support its reserves. In 2018, these restricted funds were transferred into the credit union reserves.

In this year, the credit union received a further £30,000 from the Lloyds Banking Group Credit Union Development Fund. The restricted funding was awarded to add to the credit unions reserves, this is included in the Revenue account under Other Income and has been transferred to the Lloyds Development Reserve in full.

22 Operating Lease Agreements

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2019	2018
	£	£
Within one year	7,000	7,000
Within two and five years	28,000	28,000
More than five years	0	7,000
	<u>35,000</u>	<u>42,000</u>

23 Financial Commitments

The credit union's only financial commitments are the operating lease payments.

	2019	2018
	£	£
Contracted but not provided for in the financial statements	<u>35,000</u>	<u>42,000</u>

24 Non-audit services

In common with many other Credit Unions of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist us with the preparation of the financial statements.

25 Prior year adjustment

After a detailed assessment of historical impairment of individual assets, £193,518 of impaired loans were brought back into Loans and Advances to members at 1 October 2017 and included in the balance of impairments of groups of financial assets. Whilst the balance of Loans and Advances to members carried on the balance sheet is unchanged, the following disclosures have been amended to the comparative figures for 30 September 2018:

	2018
	£
Loans and advances to members (Note 11a)	
Gross loans and advances to members	862,293
Balance at 1 October 2017 of loans brought back at 30 September 2019	<u>149,840</u>
Revised Gross loans and advances to members	<u>1,012,133</u>
Impairment losses (Note 11a, 11c & 11e)	£
Individual financial assets made during the year	43,784
Reversal impairment of individual financial assets brought back	<u>(43,677)</u>
Revised Individual financial assets	<u>107</u>
Groups of financial assets (Note 11a, 11c, 11d)	£
Groups of financial assets	83,458
Balance at 1 October 2017 of loans brought back	<u>149,840</u>
Reversal impairment of individual financial assets brought back	<u>43,677</u>
Revised Groups of financial assets brought forward	<u>276,975</u>
Allowance account for impairment losses (Note 11d, 11e)	£
As at 1 October 2017	82,573
Balance at 1 October 2017 of loans brought back	<u>149,840</u>
Revised at 1 October 2017	<u>232,413</u>
Increase in allowance for during the year	885
Increase losses made on previous impairments made on individual assets	<u>43,677</u>
Revised Increase in impairment allowances during the year	<u>44,562</u>
Revised allowance account for impairment losses	<u>276,975</u>