

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 2016

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

ADMINISTRATIVE INFORMATION

Directors	Frank Eliel (Chairman) Sally Chicken Michael Harrowven Ruth Wailes Denise Lawson David Adams	
Secretary	Julie Mansfield	
Society Registration Number	IP00658C	
Financial Conduct Authority Registration Number	213756	
Registered Office	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 Santander UK Plc 2 Triton Square Regent's Place London NW1 3AN Barclays Bank Plc 1 Churchill Place London E14 5HP	
		Scottish Widows 67 Morrison Street Edinburgh EH3 8YJ

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

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EASTERN SAVINGS AND LOANS CREDIT UNION LTD**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

The Directors present their report and the financial statements for the year ended 30 September 2016.

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 deficit for the year, after taxation, amounted to £20,675 (2015 - £26,729 deficit). In addition, there were 3,425 (2015 7238) adult members with 779 (2015 998) members holding loans with the Credit Union.

The Directors do not recommend the payment of a dividend at the year end.

Directors

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

Frank Eliel (Chairman)
Sally Chicken
Alan Boreham
Michael Harrowven
Ruth Wailes
Denise Lawson
David Adams

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 and signed on its behalf by:

Name of Director 1: _____

Signature _____

Name of Director 2: _____

Signature _____

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF EASTERN SAVINGS AND LOANS CREDIT UNION LTD

We have audited the financial statements of Eastern Savings and Loans Credit Union Ltd for the year ended 30 September 2016 as set out on pages 5 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland".

The report is made solely for the Credit Union's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Credit Union's members those matters that 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 Credit Union's members as a body for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors including APB Ethical Standard – Provisions Available for Small Entities (Revised).

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Credit Union's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON THE FINANCIAL STATEMENTS

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 2016 and of its income and expenditure for the year then ended; and,
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and with the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- Proper books of account have not been kept by the Credit Union in accordance with the requirements of the legislation.
- A satisfactory system of control over transactions has not been maintained by the Credit Union in accordance with the requirements of the legislation,
- The revenue account or the other accounts (if any) to which our report relates, and the balance sheet are not in agreement with the books of account of the credit union.
- We have not obtained all the information and explanations necessary for the purposes of our audit.

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

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Revenue Account for the year ended 30 September 2016

	Note	2016 £	2015 £
Loan Interest receivable and similar income	4	127,404	151,268
Interest payable	5	(1,317)	(1,092)
Net interest income		126,087	150,176
Fees and commissions receivable	6	43,491	13,332
Fees and commissions payable		(6,419)	(7,664)
Net fees and commissions receivable		37,072	5,668
Other income	7	120,144	224,889
Administrative expenses	8a	(247,926)	(311,778)
Depreciation and amortisation	11	(5,964)	(8,598)
Other operating expenses	8b	(33,380)	(38,883)
Impairment gains (losses) on loans to members	12e	(15,476)	(52,708)
Deficit Before Taxation		(19,443)	(31,234)
Taxation		(1,232)	(856)
Deficit for the Financial Year		(20,675)	(32,090)
Gain from merger		0	5,361
Total comprehensive expenditure		(20,675)	(26,729)

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 2016

	Note	2016 £	2015 £
ASSETS			
Loans and advances to banks	16	1,488,183	1,591,282
Loans and advances to members	12	536,672	589,535
Tangible fixed assets	11	12,581	17,666
Prepayments and accrued income		33,652	70,481
Total assets		2,071,088	2,268,964
LIABILITIES			
Subscribed capital - repayable on demand	13	1,385,788	1,530,460
Other payables	14	600,348	618,386
		1,986,136	2,148,846
Retained earnings		84,952	120,118
Total liabilities		2,071,088	2,268,964

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

Director

Director

Secretary

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Statement of Changes in Retained Earnings for the year ended 30 September 2016

	Note	2016 £	2015 £
As at 1 October 2015		120,118	90,247
Subordinated loans granted		0	65,000
Deferred Shares issued		0	1,500
Growth Fund reserve transfers		0	(9,900)
Repayment of funding	21	(14,491)	0
Total comprehensive expenditure of the year		(20,675)	(26,729)
As at 30 September 2016		84,952	120,118

Movement in reserves

	Retained earnings		Deferred	Subordinated	Growth Fund
	General reserve	Other reserves	Shares reserve	loans reserve	reserve
As at 1 October 2015	(23,605)	24,780	3,500	65,000	50,443
Deficit for year	(21,047)	0	0	0	372
Other movements	0	(14,491)	0	0	0
As at 30 September 2016	(44,652)	10,289	3,500	65,000	50,815

	Total Reserves
As at 1 October 2015	120,118
Surplus for year	(20,675)
Other movements	(14,491)
As at 30 September 2016	84,952

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Cash flow statement for the year ended 30 September 2016

	Note	2016 £	2015 £
Cash Flows from operating activities			
Deficit before taxation		(19,443)	(31,234)
Adjustments for non-cash items			
Return of funding from reserves	21	(14,491)	0
Depreciation	11	5,964	8,598
Impairment losses	12e	30,995	69,139
		<u>22,468</u>	<u>77,737</u>
Movements in:			
Prepayments and accrued income		36,829	(37,637)
Other payables		<u>(18,038)</u>	<u>(1,058)</u>
		<u>18,791</u>	<u>(38,695)</u>
Cash flows from changes in operative assets and liabilities			
Cash inflow from subscribed capital	13	7,467,543	6,463,616
Cash outflow from repaid capital	13	(7,612,215)	(6,472,475)
New loans to members	12a	(571,508)	(721,541)
Repayment of loans by members	12a	593,376	678,489
		<u>(122,804)</u>	<u>(51,911)</u>
Taxation paid		<u>(1,232)</u>	<u>(856)</u>
Net Cash flows from operating activities		<u>(102,220)</u>	<u>(44,959)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(879)	0
Net inflow from acquisition		0	5,361
		<u>(879)</u>	<u>5,361</u>
Net decrease in cash and cash equivalents		<u>(103,099)</u>	<u>(39,598)</u>
Cash and cash equivalents at beginning for year		1,591,282	1,630,880
Cash and cash equivalents at end of year	16	<u>1,488,183</u>	<u>1,591,282</u>

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2016

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 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.

First-time adoption of FRS 102

These are the Credit Union's first financial statements to comply with FRS 102. The date of transition to FRS 102 is 1 October 2014.

The transition to FRS 102 has resulted in a small number of accounting policy changes compared to those applied previously. Note 20 to the financial statements describes the differences between the retained earnings and surplus or deficit presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ended at 30 September 2015 (i.e. comparative information), as well as the retained earnings presented in the opening balance sheet (i.e. at 1 October 2014). It also describes all the required changes in accounting policies made on first time adoption of FRS 102.

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%.

	2016	2015
The relevant ratios are:-	4.10%	5.29%

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.

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2016 (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 furniture & fittings	4 years
Computers	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 accumulated surpluses to date that have not been declared as dividends returnable to members.

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2016 (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	2016	2015
		£	£
	Loan interest receivable from members	121,528	145,881
	Bank interest receivable from cash and liquid deposits	5,875	5,387
	Total loan interest receivable and similar income	127,404	151,268
5	Interest expense		
	Interest expense is the interest paid to junior depositors 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.		
		2016	2015
		£	£
	Junior Interest paid during the year	1,317	1,092
	Interest rate	2.00%	2.00%
	Junior Interest proposed, but not recognised	1,636	1,317
	Interest rate	2.00%	2.00%
6	Fees and commissions receivable	2016	2015
		£	£
	Entrance fees	1,442	3,691
	Member service charges	41,663	9,329
	Other fees	386	312
	Total fees and commissions receivable	43,491	13,332
7	Other Income	2016	2015
		£	£
	Grants released: Revenue	34,449	90,357
	: Capital	2,042	7,321
	CUCA income	29,411	25,326
	Donations and other income	13,692	56,010
	Suffolk local welfare scheme	40,550	45,875
		120,144	224,889

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2016 (continued)

8 Expenses	Note	2016	2015
		£	£
Administrative expenses	8a	247,926	311,778
Depreciation and amortisation	11	5,964	8,598
Other operating expenses	8b	33,380	38,883
		<u>287,269</u>	<u>359,259</u>
8a Administrative Expenses	Note	2016	2015
		£	£
Employment costs	9b	159,506	195,073
Payroll costs		702	1,242
Training and Conference		165	1,372
Advertising and Publicity		7,898	16,560
Directors & Volunteers expenses		5,713	8,353
Auditors remuneration	8c	6,000	8,570
Telephone		4,529	3,578
Computer costs		10,324	11,306
General expenses		3,759	2,199
Social activity costs		50	184
Printing, Postage and Stationery		10,501	20,956
Cornerstone expenses		2,700	4,703
Loan fees		2,000	1,000
CUCA		33,701	35,718
Other insurances		378	964
Total Administrative Expenses		<u>247,926</u>	<u>311,778</u>
8b Other Operating Expenses		2016	2015
		£	£
Cost of occupying offices (excluding depreciation)			
Rents and Rates		10,316	10,775
Cleaning		407	361
Repairs and Maintenance		804	532
Heating and Lighting		2,905	3,088
		<u>14,432</u>	<u>14,756</u>
Regulatory and financial management costs			
Financial Conduct Authority and Prudential Regulation Authority Fees		1,027	601
National Body Dues		5,026	6,919
Financial Services Compensation Scheme Levy		556	1,258
Fidelity Insurance		2,425	2,109
Loan Protection and life savings insurance		8,434	9,976
Debt recovery fees & credit checks		1,480	3,264
		<u>18,948</u>	<u>24,127</u>
Total Other operating Expenses		<u>33,380</u>	<u>38,883</u>

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2016 (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.

	2016	2015
	£	£
Fees payable for the audit of the Credit Union's annual accounts	5,910	8,480
Fees payable to the Credit Union's Auditor for other services:		
Services relating to taxation	90	90
Total Auditors remuneration	6,000	8,570

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

The average monthly number of employees during the year were:

	2016	2015
	Number	Number
Office staff	14	15

9b Employment costs

	2016	2015
	£	£
Wages and salaries	150,022	184,323
Social security costs	9,068	10,750
Payments to defined contribution pension schemes	416	0
Total employment costs	159,506	195,073

9c Directors remuneration

The Directors of the Credit Union are all unpaid volunteers. The key management team for the Credit Union would include the credit union manager and 1 senior staff (2 in 2015).

	2016	2015
	£	£
Short term employee benefits	46,080	64,863
Payments to defined contribution pension schemes	180	0
Total key management personnel compensation	46,260	64,863

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 20% (2015/6 20%) comprised:

	Note	2016	2015
		£	£
Current tax			
UK Corporation tax	10b	1,232	856
Total current tax and total taxation expense recognised in the Revenue Account		1,232	856

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2016 (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:

	2016 £	2015 £
Deficit before taxation	(19,443)	(31,234)
Surplus before taxation multiplied by small profits rate of corporation tax in the UK of 20% (2015 20%)	(3,889)	(6,247)
Effects of:		
Non-taxable adjustment re holiday pay	369	170
Non-taxable deficit on transactions with members	4,752	6,933
Total tax charge for the year	1,232	856

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 2015	5,544	51,681	29,308	86,533
Additions	0	0	879	879
Disposals	0	0	0	0
As at 30 September 2016	5,544	51,681	30,187	87,412
Depreciation				
As at 1 October 2015	5,544	36,891	26,432	68,867
Charge for the year	0	3,041	2,923	5,964
Charge on disposal	0	0	0	0
As at 30 September 2016	5,544	39,932	29,355	74,831
Net Book Value				
As at 30 September 2016	0	11,749	832	12,581
As at 30 September 2015	0	14,790	2,876	17,666

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

	Note	2016 £	2015 £
As at 1 October 2015		771,285	894,068
Advanced during the year		571,508	721,541
Interest receivable		121,528	145,881
Repaid during the year		(714,904)	(824,370)
Gross loans and advances to members	12b	749,417	937,120
Impairment losses:			
Individual financial assets	12b, 12e	(97,761)	(165,835)
Groups of financial assets	12d	(114,984)	(181,750)
	12c	(212,745)	(347,585)
As at 30 September 2016		536,672	589,535

12b Memorandum - Total loan assets regulatory purposes

	Note	2016 £	2015 £
Gross loans and advances to members		749,417	937,120
Impairment of individual financial assets		(97,761)	(165,835)
Total loan assets for regulatory purposes	15b	651,656	771,285

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2016 (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:

Breckland £6,699 (2015 £21,820), Broadland £43,712 (2015 £70,069), Freebridge £1,101 (2015 £1,694), Suffolk County Council £2,213 (2015 £3,842), Suffolk Coastal District Council £30,344 (2015 £28,592), Broadland Community Partnership £ nil (2015 £634), Broadland Housing Association £297 (2015 £868), Ipswich Borough Council £240 (2015 £543), Saffron Housing Association £96 (2015 £823), Victory Housing Association £341 (2015 £584).

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.

	2016		2015	
	Amount	Proportion	Amount	Proportion
Not impaired:				
Neither past due nor impaired	414,407	55.29%	242,986	25.93%
Up to 3 months past due	92,315	12.32%	319,613	34.11%
Between 3 and 6 months past due	2,038	0.27%	8,535	0.91%
Between 6 and 9 months past due	870	0.12%	1,715	0.18%
Between 9 months and 1 year past due	0	0.00%	898	0.10%
Over 1 year past due	0	0.00%	3,979	0.42%
Sub-total: loans not impaired	509,630	68.00%	577,726	61.65%
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	27,128	3.62%	24,915	2.66%
Between 6 and 9 months past due	15,274	2.04%	21,632	2.31%
Between 9 months and 1 year past due	11,035	1.47%	15,083	1.61%
Over 1 year past due	186,350	24.87%	297,764	31.77%
Total loans	749,417	32.00%	937,120	38.35%
Impairment allowance	(212,745)		(347,585)	
Total carrying value	536,672		589,535	

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

12d Allowance account for impairment losses	Note	2016	2015
		£	£
As at 1 October 2015		181,750	283,539
Allowance for losses made during the year		16,395	12,902
Allowances reversed during the year		(83,161)	(114,691)
Decrease in allowance during the year	12e	(66,766)	(101,789)
As at 30 September 2016		114,984	181,750
12e Impairment losses recognised for the year		2016	2015
		£	£
Impairment for individual financial assets		97,761	165,835
Decrease in impairment allowances during the year		(66,766)	(101,789)
		30,995	64,046
Reversal of impairment where debts recovered		(15,519)	(11,338)
Total impairment losses (gains) recognised for the year		15,476	52,708

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2016 (continued)

13 Subscribed capital - financial liabilities

	2016	2015
	£	£
As at 1 October 2015	1,530,460	1,539,319
Received during the year	7,466,226	6,462,524
Interest paid during the year	1,317	1,092
Repaid during the year	(7,612,215)	(6,472,475)
As at 30 September 2016	1,385,788	1,530,460

Deposits from members may only be made by way of subscription of shares. The balance includes shares made by juvenile depositors - £86,454 (2015 £82,622).

14 Other payables

	2016	2015
	£	£
UK Corporation tax	1,175	1,020
Creditors and accruals	47,565	38,701
Loan Guarantee Funds	239,244	245,557
Menta Fund	0	7,219
Rent Deposit Scheme	28,373	28,220
Local Welfare Scheme	81,547	79,526
Home Improvement Scheme	59,001	59,001
Grants carried forward: Revenue	143,443	157,100
Capital	0	2,042
	600,348	618,386

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 2016 (continued)

15b Interest rate risk disclosures

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

	2016		2015	
	Amount	Average Interest Rate	Amount	Average Interest Rate
	£	%	£	%
Financial assets				
Loans to members	749,417	14.41%	937,120	19.80%

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

	2016	2015
	£	£
Loans and advances to banks	1,488,183	1,591,282
	<u>1,488,183</u>	<u>1,591,282</u>
Less: amounts maturing after three months	0	0
Total cash and cash equivalents	<u><u>1,488,183</u></u>	<u><u>1,591,282</u></u>

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, 37 members of the board, staff, volunteers and their close family members held shares with the credit union (2015 20 members). In addition, during the year 3 members of the board, staff, volunteers and their close family members, had loans with the Credit Union (2015 2 members). These loans were approved on the same basis as loans to other members of the Credit Union. None of the directors, staff, volunteers and close family members have any preferential terms on their loans.

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2016 (continued)

20 Transition to FRS 102

The Credit Union has adopted FRS 102 for the first time in these financial statements for the year ended 30 September 2016. The reconciliations below highlight the key impacts on both the surplus for the financial year and the retained earnings.

Reconciliation of surplus from previous UK accounting standards to FRS 102

	2016	2015
	£	£
Deficit as previously reported	(19,678)	(25,881)
Interest payable	0	0
Short term employee benefits	(997)	(848)
Deficit (in accordance with FRS 102)	(20,675)	(26,729)

Reconciliation of retained earnings from previous UK accounting standards to FRS 102

	2016	2015
	£	£
Retained earnings	86,797	120,966
Short term employee benefits	(1,845)	(848)
Retained earnings (in accordance with FRS 102)	84,952	120,118

The adjustments are:

20a Employee benefits

Under UK accounting standards, the Credit Union did not make a provision for holiday pay, i.e. Holiday earned but not taken prior to the year end. In contrast, FRS 102 requires the cost of short-term compensated absences to be recognised when employees render the service that increases their entitlement. As a result an additional accrual has been made to reflect this.

21 Other Reserves

During the year, a liability arising from the merger with Norfolk Credit Union Ltd in 2014 was paid by the credit union, this has the effect of reducing the surplus acquired from the merger.

THE 1982-83 BUDGET AND FINANCIAL STATEMENT

The following table shows the estimated income and expenditure for the year ending 31 September 1983.

Estimated income

The following table shows the estimated income and expenditure for the year ending 31 September 1983. The income is estimated at £101,000 and the expenditure is estimated at £101,000. The net result is estimated to be nil.

2012	2011	2010
£	£	£
(12,832)	(12,832)	(12,832)
0	0	0
(8-16)	(8-16)	(8-16)
(52,752)	(52,752)	(52,752)
2012	2011	2010
£	£	£
120,308	120,308	120,308
(8-8)	(8-8)	(8-8)
120,308	120,308	120,308

The following table shows the estimated income and expenditure for the year ending 31 September 1983. The income is estimated at £101,000 and the expenditure is estimated at £101,000. The net result is estimated to be nil.

The following table shows the estimated income and expenditure for the year ending 31 September 1983. The income is estimated at £101,000 and the expenditure is estimated at £101,000. The net result is estimated to be nil.