EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2021

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%.

	2021	2020
The relevant ratios are:-	7.94%	8.04%

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 2021 (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 2021 (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

	2021	2020
	£	£
Loan interest receivable from members	153,079	153,157
Bank interest receivable from cash and liquid deposits	4,749	6,601
Total loan interest receivable and similar income	**157,828**	**159,758**

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.

	2021	2020
	£	£
Junior Interest paid during the year	1,094	1,112
Interest rate	1.00%	1.00%
Adult and corporate members interest proposed, but not recognised	2,166	0
Junior Interest	1,260	1,112
Adult and corporate members interest rate	0.15%	0.00%
Junior interest rate	1.00%	1.00%

6 Fees and commissions receivable

	2021	2020
	£	£
Entrance fees	2,076	1,980
Member service charges	30,049	30,363
Other fees	6,690	8,417
Total fees and commissions receivable	**38,815**	**40,760**

7 Other Income

	2021	2020
	£	£
Grants released	20,236	43,316
Service level agreement income	37,553	41,201
Donations and other income	0	200
Furlough reclaim	208	4,003
	57,997	**88,720**

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2021 (continued)

8	**Expenses**	**Note**	**2021**	**2020**
			£	£
	Administrative expenses	8a	168,306	159,650
	Depreciation and amortisation	11	3,194	5,124
	Other operating expenses	8b	37,292	32,006
			208,792	**196,780**

8a	**Administrative Expenses**	**Note**	**2021**	**2020**
			£	£
	Employment costs	9b	118,369	116,810
	Training and Conference		480	530
	Advertising and Publicity		17,181	9,167
	Directors & Volunteers expenses		315	87
	Auditors remuneration	8c	6,000	6,000
	Telephone		3,217	3,376
	Computer costs		13,142	12,730
	General expenses		3,312	3,054
	Printing, Postage and Stationery		4,041	5,649
	Loan fees		2,000	2,000
	Other insurances		249	247
	Total Administrative Expenses		**168,306**	**159,650**

8b	**Other Operating Expenses**	**2021**	**2020**
	Cost of occupying offices (excluding depreciation)	£	£
	Rents and Rates	7,401	5,768
	Cleaning	75	82
	Repairs and Maintenance	837	635
	Heating and Lighting	2,363	2,261
		10,676	8,746
	Regulatory and financial management costs		
	Financial Conduct Authority and Prudential Regulation Authority Fees and FSCS fee	296	296
	National Body Dues	3,363	3,361
	Fidelity Insurance	1,496	1,272
	Loan Protection and life savings insurance	8,815	8,636
	Debt recovery fees & credit checks	12,646	9,695
		26,616	23,260
	Total Other operating Expenses	**37,292**	**32,006**

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2021 (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.

	2021	2020
	£	£
Fees payable for the audit of the Credit Union's annual accounts	5,910	5,910
Fees payable to the Credit Union's Auditor for other services:		
Services relating to taxation	90	90
Total Auditors remuneration	**6,000**	**6,000**

9 Employees and employment costs

9a Number of employees

The average monthly number of employees during the year were:	2021 Number	2020 Number
Office staff	8	8

9b Employment costs

	2021	2020
	£	£
Wages and salaries	113,810	111,699
Social security costs	2,833	3,371
Payments to defined contribution pension schemes	1,726	1,740
Total employment costs	**118,369**	**116,810**

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.

	2021	2020
	£	£
Short term employee benefits	53,725	51,977
Payments to defined contribution pension schemes	1,107	1,067
Total key management personnel compensation	**54,832**	**53,044**

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% (2020 19%) comprised:

	Note	2021	2020
Current tax		£	£
UK Corporation tax	10b	861	1,254
Total current tax and total taxation expense recognised in the Revenue Account		**861**	**1,254**

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2021 (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:

	2021	2020
	£	£
Surplus (Deficit) Before Taxation	9,180	(2,091)
Surplus (Deficit) before taxation multiplied by small profits rate of corporation tax in the UK of 19% (2020 19%)	1,744	(397)
Effects of:		
Non-taxable surplus/(deficit) on transactions with members	(883)	1,651
Total tax charge for the year	**861**	**1,254**

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 2020	4,711	51,681	32,420	**88,812**
Additions	0	3,024	0	**3,024**
Disposals	(593)	0	(1,872)	**(2,465)**
As at 30 September 2021	**4,118**	**54,705**	**30,548**	**89,371**
Depreciation				
As at 1 October 2020	4,711	51,681	26,628	**83,020**
Charge for the year	0	404	2,790	**3,194**
Charge on disposal	(593)	0	(1,872)	**(2,465)**
As at 30 September 2021	**4,118**	**52,085**	**27,546**	**83,749**
Net Book Value				
As at 30 September 2021	**0**	**2,620**	**3,002**	**5,622**
As at 30 September 2020	0	0	5,792	**5,792**

1 Loans and advances to members

12a Loans and advances to members

		Note	2021	2020
			£	£
As at 1 October 2020			1,076,869	1,134,067
Advanced during the year			660,281	687,810
Interest receivable			153,079	153,157
Repaid during the year			(859,079)	(889,650)
Gross loans and advances to members		12b	**1,031,150**	**1,085,384**
Impairment losses:	Individual financial assets	12b, 12e	(96,064)	(8,515)
	Groups of financial assets	12d	(329,546)	(397,021)
		12c	**(425,610)**	**(405,536)**
As at 30 September 2021			**605,540**	**679,848**

12b Memorandum - Total loan assets regulatory purposes

	Note	2021	2020
		£	£
Gross loans and advances to members		1,031,150	1,085,384
Impairment of individual financial assets		(96,064)	(8,515)
Total loan assets for regulatory purposes	15b	**935,086**	**1,076,869**

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2021 (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 £70,985, 2020: £71,536):

Breckland £3,969 (2020 £4,904), Broadland £39,707 (2020 £50,799), Suffolk Coastal District Council £27,052 (2020 £15,492), Broadland Housing Association £177 (2020 £177) and Victory Housing Association £80 (2020 £164).

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.

	2021		2020	
Not impaired:	**Amount**	**Proportion**	**Amount**	**Proportion**
Neither past due nor impaired	532,270	51.61%	574,301	52.91%
Up to 3 months past due	56,765	5.51%	63,441	5.85%
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	**589,035**	**57.12%**	**637,742**	**58.76%**
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	14,591	1.42%	44,871	4.13%
Between 6 and 9 months past due	7,938	0.77%	22,590	2.08%
Between 9 months and 1 year past due	16,946	1.64%	13,533	1.25%
Over 1 year past due	402,640	39.05%	366,648	33.78%
Total loans	**1,031,150**	**42.88%**	**1,085,384**	**41.24%**
Impairment allowance	(425,610)		(405,536)	
Total carrying value	**605,540**		**679,848**	

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

12d Allowance account for impairment losses	**Note**	**2021**	**2020**
		£	£
As at 1 October 2020		397,021	321,115
Allowance for losses made during the year		49,856	90,351
Allowances reversed during the year		(117,331)	(14,445)
Increase (decrease) in allowance during the year	12e	**(67,475)**	**75,906**
As at 30 September 2021		**329,546**	**397,021**

12e Impairment losses recognised for the year	**2021**	**2020**
	£	£
Impairment of individual financial assets	96,064	8,515
Increase (decrease) in impairment allowances during the year	(67,475)	75,906
	28,589	**84,421**
Reversal of impairment where debts recovered	(2,945)	(5,499)
Total impairment losses recognised for the year	**25,644**	**78,922**

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2021 (continued)

13 Subscribed capital - financial liabilities	2021	2020
	£	£
As at 1 October 2020	1,703,693	1,430,424
Received during the year	9,445,358	10,559,297
Interest paid during the year	1,094	1,810
Repaid during the year	(9,404,318)	(10,287,838)
As at 30 September 2021	**1,745,827**	**1,703,693**

Deposits from members made by way of subscription for shares. The balance includes deposits made by juvenile depositors - £127,313 (2020 - £118,257).

14 Other payables	2021	2020
	£	£
UK Corporation tax	902	1,296
Creditors and accruals	21,709	32,093
Subordinated loan	17,000	4,000
Loan Guarantee Funds	105,412	113,757
Rent Deposit Scheme	0	28,521
Home Improvement Scheme	0	33,668
Grants carried forward: Revenue	7,430	7,775
	152,453	**221,110**

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 2021 (continued)

15b Interest rate risk disclosures

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

	2021		2020	
	Amount	Average Interest Rate	Amount	Average Interest Rate
Financial assets	£	%	£	%
Loans to members	1,031,150	14.47%	1,085,384	13.76%

The interest rates applicable to loans to members are fixed and range from 6% (6.17% APR) to 36% (42.58% APR).

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	**2021**	**2020**
	£	£
Loans and advances to banks	1,433,976	1,381,615
Less: amounts maturing after three months	0	0
Total cash and cash equivalents	**1,433,976**	**1,381,615**

17 Post balance sheet events

In 2020, the Covid-19 pandemic occurred. The measures taken by the UK government to contain the virus have impacted the economic activity of credit unions. The directors have assessed the impact on the credit union and the business continuity plans. Their view is, although the credit union will be affected and there may be a fall in income and increase in doubtful loans, the credit union will meet all regulatory requirements for the foreseeable future. It is appropriate to prepare the accounts on a going concern basis as set out in the Accounting Policies (going concern) Note to the Financial Statements. The full extent of the impact is dependent on the duration of Covid-19, the effect on the economy and the measures required to be taken by the UK government, the results of this cannot be predicted.

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, 24 members of the board, staff, volunteers, their close family members and connected corporate members held shares with the credit union (2020 - 25 members). No members from the board, staff, volunteers or their close family members, had loans with the Credit Union (2020 0 member).

20 Subordinated Loan

The credit union has two subordinated debts totalling £65,000 to strengthen the credit unions regulatory capital. The debt of £45,000 has a maturity date of 31.03.2025 whilst the second debt of £20,000 matures on 31.07.2024. These are presented in accordance with the PRA rulebook, rule 8.2 (5). The loans are written down from capital by 20% over the final four years to maturity, the impact on regulatory capital is set out below:

			2021	2020
			£	£
Regulatory capital is made up of:	Retained earnings		115,655	107,336
	Subordinated loan		48,000	61,000
	CAPITAL	A	**163,655**	**168,336**
This is divided by:	**TOTAL ASSETS**	B	**2,061,935**	**2,093,139**
CAPITAL TO TOTAL ASSETS RATIO (A / B x 100):			7.94%	8.04%

EASTERN SAVINGS AND LOANS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2021 (continued)

21 Operating Lease Agreements

Minimum lease payments under non-cancellable operating leases fall due as follows:	**2021**	**2020**
	£	£
Within one year	7,000	7,000
Within two and five years	14,000	21,000
More than five years	0	0
	21,000	**28,000**

22 Financial Commitments

The credit union's only financial commitments are the operating lease payments.	**2021**	**2020**
	£	£
Contracted but not provided for in the financial statements	21,000	28,000

23 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.