

**HERTSAVERS CREDIT UNION LIMITED**

for the

**YEAR ENDED 30TH SEPTEMBER 2018**

**FCA registration number 213747**

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# HERTSAVERS CREDIT UNION LIMITED

YEAR ENDED 30TH SEPTEMBER 2018

## Administrative information

**Status** Hertsavers Credit Union Ltd was incorporated under the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979 on the 7th June 2001.

**Directors**

Philomena Johnson (Chair)  
Anthony Barnard (V Chair)  
John Eames-Petersen (Treasurer)  
Fiona Plumridge (Secretary)  
George Woodcraft  
Dr Helen Green  
Katie Kiely  
Lorraine Stevenson  
Claudia Sabeta (resigned Sept 18)  
Thomas Gitau (resigned Aug 18)

**Bankers Registered Office** The Co-Operative bank  
PO Box 250  
Skelmersdale  
WN8 6WT

**Credit Union Registered Office** The Bungalow  
Pinkwell Lane  
Hayes  
Middlesex  
UB3 1PE

**Prudential Regulation Authority No.** 213747

**Auditors** PWH Accountancy Ltd  
Registered Auditors  
The Counting House  
High Street  
Lutterworth  
Leicestershire LE17 4AY

Hertsavers Credit Union Ltd is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

**HERTSAVERS CREDIT UNION LIMITED**

**YEAR ENDED 30TH SEPTEMBER 2018**

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# HERTSAVERS CREDIT UNION LIMITED

YEAR ENDED 30TH SEPTEMBER 2018

## **Directors' Report**

The Directors present their annual report on the affairs of the Credit Union, together with the Accounts and Auditors' report for the year.

### **Principal Activities**

The principal activities of the Credit Union are those of accepting deposits from and lending sums to its members, with the objects of promoting thrift amongst its members and providing credit for their benefit at a fair and reasonable rate of interest.

### **Results of Operations and Dividends**

During the year the value of loans to members decreased. This has resulted in a loss for the year of £19,652 (2017 - loss of £11,372). Full results are shown in the attached financial statements.

During the year the Directors arranged a ten year Subordinated Loan of £10,000.

The targeted marketing of Child Benefit Loans resulted in increased value and proportion of the loan book during the year. However the expense of the personal touch can no longer be borne, and the arrangement ceased after the end of the financial year.

The Directors do not recommend payment of a dividend this year.

### **Directors' of Management**

The directors' during the year were:

Philomena Johnson (Chair)	Katie Kiely
Anthony Barnard (V Chair)	Loraine Stevenson
John Eames-Petersen (Treasurer)	Claudia Sabeta
Fiona Plumridge (Secretary)	Thomas Gitau
George Woodcraft	
Dr Helen Green	

The Directors meet once a month to review financial and other results reported by Credit Union Solutions. In addition they discuss any issues raised by members, proposed changes of administrative and banking procedures, training and other issues relating to volunteers.

The Directors express their thanks to volunteers, and local government agencies for providing opportunities to engage with the public about HertSavers and its role in assisting those in need of reasonably priced credit in Hertfordshire.

(this report continues on the next page)

**HERTSAVERS CREDIT UNION LIMITED**

**YEAR ENDED 30TH SEPTEMBER 2018**

**Directors' Report (continued)**

**Directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Co-operative and Community Benefit Act law and Credit Union law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the credit union and of the excess of income over expenditure of the credit union for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the society and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Act Societies 2014. They are also responsible for safeguarding the assets of the credit union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that so far as they are aware, there is no relevant audit information of which the credit union's auditors are unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the credit union's auditors are aware of that information.

**Auditors**

The auditors, PWH Accountancy Limited, have indicated their willingness to accept re-appointment under the provisions of the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

Signed on behalf of the directors of management

Director  
Date

*P J Johnson*  
19<sup>th</sup> March 2019

# HERTSAVERS CREDIT UNION LIMITED

YEAR ENDED 30TH SEPTEMBER 2018

Independent Auditors' Report to the members of Hertsavers Credit Union Limited

## **Opinion**

We have audited the financial statements of Hertsavers Credit Union Limited (the 'society') for the year ended 30th September 2018 which comprise the Revenue Account and Balance Sheet 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).

This report is made solely to the society's members, as a body, in accordance with section 83 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as at 30th September 2018 and of its income and expenditure for the period then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and Credit Union's 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 society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the society'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 directors are responsible for the other information. The other information comprises the information included in the Directors' Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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.

**HERTSAVERS CREDIT UNION LIMITED**  
**YEAR ENDED 30TH SEPTEMBER 2018**

Independent Auditors' Report to the members of Hertsavers Credit Union Limited (continued)

**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 requires us to report to you if, in our opinion:

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

**Responsibilities of the Directors'**

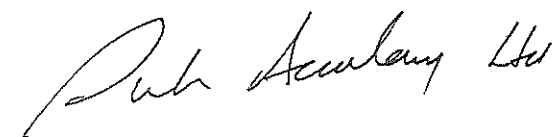
As explained more fully in the Directors' responsibilities statement on page 4 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors' either intend to liquidate the society 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



**PWH Accountancy Limited, Statutory Auditors**

The Counting House  
High Street  
Lutterworth  
Leicestershire  
LE17 4AY

Date *19<sup>th</sup> March 2019*

HERTSAVERS CREDIT UNION LIMITED

REVENUE ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER 2018

		2018 £	2017 £
Loan interest receivable and similar income	Note 4	43,728	42,756
Interest payable	5	<u>-</u>	<u>(3,872)</u>
<b>Net interest income</b>		43,728	38,884
Fees and commissions receivable	6	3,313	-
Fees and commissions payable		<u>(1,391)</u>	<u>(1,282)</u>
<b>Net fees, Interest and commissions receivable</b>		45,650	37,602
Other income	6a	1,974	7,147
Administrative expenses	7a	(48,446)	(50,196)
Depreciation and amortisation	10	-	-
Other operating expenses	7b	(3,781)	(3,966)
Impairment losses on loans to members	11 c	<u>(14,504)</u>	<u>(1,531)</u>
<b>(Deficit)/Surplus before taxation</b>		(19,107)	(10,944)
Taxation	9a	<u>(545)</u>	<u>(428)</u>
<b>(Deficit)/Surplus for the financial year</b>		(19,652)	(11,372)
		-	-
<b>Total comprehensive income</b>		<u>(19,652)</u>	<u>(11,372)</u>



**HERTSAVERS CREDIT UNION LIMITED**

**BALANCE SHEET AS AT 30TH SEPTEMBER 2018**

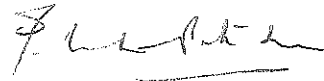
		2018 £	2017 £
<b>ASSETS</b>			
Cash, cash equivalents and liquid deposits		164,717	210,551
Deposits held at UK Financial Institutions		<u>359,446</u>	<u>314,505</u>
		524,163	525,056
Loans and advances to members	11a	223,305	231,115
Other receivables		-	-
Prepayments and accrued income		<u>3,392</u>	<u>2,310</u>
<b>Total assets</b>		<u><u>750,860</u></u>	<u><u>758,481</u></u>
<b>LIABILITIES</b>			
Share capital		674,359	674,256
Junior Savers		16,884	19,785
Other payables	12	<u>8,436</u>	<u>3,607</u>
		699,679	697,648
EDHC Loan Capital and Funds	15a	24,179	24,179
Subordinated loans		10,000	-
Retained earnings	15	<u>17,002</u>	<u>36,654</u>
<b>Total liabilities</b>		<u><u>750,860</u></u>	<u><u>758,481</u></u>

The financial statements were approved, and authorised for issue, by the Board on 19/03/19 and signed on its behalf by:

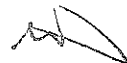
P Johnson (Chair)



J Eames-Petersen (Treasurer)



A Barnard (V Chair)



HERTSAVERS CREDIT UNION LIMITED

STATEMENT OF CHANGES IN RETAINED EARNINGS

FOR THE YEAR ENDED 30TH SEPTEMBER 2018

RESERVES

	2018	2017
	£	£
As at 1 October 2017	36,654	48,026
Total comprehensive income for the year	(19,652)	(11,372)
As at 30 September 2018	<u>17,002</u>	<u>36,654</u>

**HERTSAVERS CREDIT UNION LIMITED**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

	Note	2018 £	2017 £
<b>Cash flows from operating activities</b>			
Surplus/(deficit) before taxation		(19,107)	(10,944)
Adjustments for non-cash items:			
Impairment losses	11 c	(4,326)	(8,617)
		<u>(23,433)</u>	<u>(19,561)</u>
Movements in:			
Other receivables		(1,082)	(1,066)
Other payables		4,702	(4,532)
		<u>(19,813)</u>	<u>(25,159)</u>
<b>Cash flows from changes in operating assets and liabilities</b>			
Increase/(decrease) in Capital Pots		-	1,050
Cash inflow from subscribed capital		615,676	668,874
Cash outflow from repaid capital		(657,869)	(538,856)
New loans to members		297,535	228,422
Repayment of loans by members		(235,994)	(301,115)
		<u>(465)</u>	<u>33,216</u>
Taxation paid		(428)	(739)
		<u>(893)</u>	<u>32,477</u>
<b>Net cash flows from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	-	-
		<u>(893)</u>	<u>32,477</u>
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year		525,056	492,579
		<u>524,163</u>	<u>525,056</u>

**HERTSAVERS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

**1. Legal and regulatory framework**

The Credit Union is a society established under the Industrial and Provident Societies Act 1965, 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 Republic of Ireland*.

The financial statements are prepared on the historical cost basis.

**Going concern**

The financial statements are prepared on the going concern basis.

**HERTSAVERS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

**Income**

Loan interest receivable and similar income: Interest on loans to members is recognised using the effective interest method, and is calculated and accrued on a daily basis.

Fees and commissions receivable: Income relating to individual transactions is recognised when the transaction is completed.

Other income: Other income is recognised when receivable.

**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. 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.

**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. Deprecation 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. There are currently no fixed assets held.

**Cash and cash equivalents**

Cash, cash equivalents and liquid deposits comprise cash on hand and investments with a maturity of less than or equal to 8 days.

**HERTSAVERS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

**Financial assets – loans and advances to members**

Loans to members are financial assets with fixed or determinable payments, and are not quoted in an active market. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest 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. The Credit Union does not transfer loans to third parties.

**Impairment of financial assets**

The Credit Union assesses, on a monthly basis, 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**

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.

**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.

**HERTSAVERS CREDIT UNION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

**4. Loan interest receivable and similar income**

	Note	2018	2017
		£	£
Loan interest receivable from members		40,195	40,617
Bank interest receivable on cash and liquid deposits		3,533	2,139
<b>Total loan interest receivable and similar income</b>		<u>43,728</u>	<u>42,756</u>

**5. Interest expense**

Interest expense is the dividend paid to members for the prior year. The dividend is formally proposed by the Directors after the year end and is confirmed at the following AGM. As a result it does not represent a liability at the balance sheet date.

	2018	2017
	£	£
<b>Interest paid during the year including loan interest rebate</b>	<u>0</u>	<u>3,872</u>
<b>Dividend rate:</b>		
<b>Interest proposed, but not recognised</b>	<u>-</u>	<u>-</u>
<b>Dividend rate:</b>	<u>0.0%</u>	<u>0.5%</u>

**6. Fees and commissions receivable**

	2018	2017
	£	£
Service Fees	3,313	-
<b>Total fees and commissions receivable</b>	<u>3,313</u>	<u>-</u>

**6a. Other Income**

	2018	2017
	£	£
Grants	1,150	1,030
VAT refund	-	5,872
Other income	824	245
	<u>1,974</u>	<u>7,147</u>

**7a. Administrative expenses**

		2018	2017
		£	£
Employment costs	8a	-	-
Staff training		563	90
Directors expenses		415	284
Meeting and travel expenses		-	750
Consultancy Fees		34,976	36,453
Auditors' remuneration	7c	2,760	2,150
Computer maintenance		625	3,171
Internal audit		-	400
Legal and professional		4,872	3,658
VAT recovery fee		-	924
General expenses		927	41
Advertising & Marketing		3,308	2,189
Printing, postage and stationery		-	86
<b>Total administrative expenses</b>		<u>48,446</u>	<u>50,196</u>

**HERTSAVERS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>7b. Other operating expenses</b>		
<b>Regulatory and financial management costs</b>		
Financial Conduct Authority and Prudential Regulation Authority fees	321	308
Association of British Credit Unions Limited dues	1,308	1,421
Loan protection and life savings insurance	620	1,042
Fidelity insurance	1,532	1,195
	<u>3,781</u>	<u>3,966</u>
<b>7c. Auditors' remuneration</b>		
Fees payable for audit	2,340	2,150
Fees payable to the auditor for other services	420	-
<b>Total auditors' remuneration</b>	<u>2,760</u>	<u>2,150</u>

**8. Directors' Remuneration**

No remuneration is paid to the directors. At the year end, Directors held total shares of £3,382 (2017 £2,596) and total loans of £9,952 (2017 £2,440).

Included in administrative expenses is £34,976 (2017 £36,453) paid to Credit Union Solutions as part of a commercial agreement to provide consultancy services (including accounting and back office support).



**HERTSAVERS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

**9. Taxation**

a) Recognised in the Revenue Account

The taxation charge for the year, based on the small profits rate of Corporation Tax of 19% (2017: 20%) taking into account marginal relief) comprised:

Current tax		
UK Corporation tax	<u>545</u>	<u>428</u>
Total current tax recognised in the Revenue Account	<u>545</u>	<u>428</u>

b) The Credit Union is not liable to corporation tax payable on its activities of making loans to members. However, corporation tax is payable on investment income.

**10. Tangible fixed assets**

All tangible fixed assets are expensed in the year of purchase.

**11a. Credit risk disclosures**

The Credit Union does not offer mortgages and as a result all loans to members are unsecured, except that there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding.

The carrying amount of the loans to members represents the Credit Union's maximum exposure to credit risk. Where loans are not impaired it is expected that the amounts repayable will be received in full.

**HERTSAVERS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

	Note	2018 £	2017 £
<b>Not impaired:</b>			
Loans not impaired		223,305	231,115
<b>Sub-total: loans not impaired</b>		<u>223,305</u>	<u>231,115</u>
<b>Individually impaired:</b>			
Up to 3 months past due		-	83
Between 3 and 6 months past due		693	1,035
Between 6 months and 1 year past due		11,501	23,245
Over 1 year past due		53,480	45,637
<b>Total loans</b>		<u>288,979</u>	<u>301,115</u>
<b>Impairment allowance</b>		<u>(65,674 )</u>	<u>(70,000 )</u>
<b>Total carrying value</b>		<u>223,305</u>	<u>231,115</u>
<b>11b. Provision for impairment losses</b>			
As at 1 October 2017		70,000	78,617
Allowance for losses made during the year		6,818	2,314
Released (to)/against capital funds		(1,280 )	(1,049 )
Allowances reversed during the year		(9,864 )	(9,882 )
Increase in allowances during the year	11 c	<u>(4,326 )</u>	<u>(8,617 )</u>
<b>As at 30 September 2018</b>		<u>65,674</u>	<u>70,000</u>
<b>11c. Impairment losses recognised for the year</b>			
Impairment of individual financial assets		9,864	9,882
Provision Charged prior year movement		11,611	614
Released against funds		(1,280 )	1,049
(Decrease)/Increase in impairment allowances during the year		<u>(4,326 )</u>	<u>(8,617 )</u>
		15,869	2,928
Reversal of impairment where debts recovered		(1,365 )	(1,397 )
<b>Total impairment losses recognised for the year</b>		<u>14,504</u>	<u>1,531</u>
<b>12. Other payables</b>			
UK Corporation Tax		555	428
Accruals and deferred income		7,881	3,179
		<u>8,436</u>	<u>3,607</u>

**HERTSAVERS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

**13. Additional financial instruments disclosures**

**13a. 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 this risk the Board approves the Credit Union lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed.

**Liquidity risk:** The Credit Union's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due. The objective of the liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

**Market risk:** Market risk is generally comprised of interest rate risk, currency risk and other price risk. The Credit Union conducts all its transactions in sterling and does not deal in derivatives or commodity markets. Therefore it 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 operation and 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. The risk is monitored on a regular basis by the Board.

**13b. Interest rate risk disclosures**

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

**HERTSAVERS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

	2018		2017	
	Amount	Average Interest rate	Amount	Average Interest rate
	£	£	£	£
<b>Financial assets</b>				
Loans to members	223,305	18.5%	239,732	18.5%
<b>Financial liabilities</b>				
Share capital	661,305	0.0%	674,256	0.50%

The interest rates applicable to loans to members are fixed and range from 4.79% to 36%. The interest payable on share capital is determined at the AGM. As a result, the surplus for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

**13c. Liquidity risk disclosures**

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

**13d. Fair value of financial instruments**

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

**14. Post balance sheet events**

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

**15. Reserves**

	Voluntary Reserve	Statutory Reserve	Total
	£	£	£
At 1st October 2017	24,985	11,669	36,654
Comprehensive (deficit) for the year	(19,652)	-	(19,652)
Transfer between funds	-	-	-
Balance carried forward at 30th September 2018	5,333	11,669	17,002

**15a. Other Capital Reserves**

	2018	2017
	£	£
EDHC Loan Capital	24,179	24,179
	24,179	24,179

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

**16. 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) had 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.

**17. Related party transactions**

During the year - members of the Board, staff and their close family members had loans with the Credit Union of £9,952 (2017 £2,440). These loans were approved on the same basis as loans to other members. None of the directors, staff or their close family members, have any preferential terms on their loans. They also had share values of £5,981 (2017 £5,164).

**18. Employee benefits**

Under the UK accounting standards, the Credit Union did not make a provision for holiday pay, FRS 102 requires the cost of holiday pay to be recognised when employees render the service that increases their entitlement.

**19. Loan Interest**

The Credit Union is now required to ensure that all members loan Interest is on a receivable basis. Historically, the Credit Union accounted for its Interest on members loans on a receivable basis.