

**HILLINGDON CREDIT UNION LIMITED**

for the

**YEAR ENDED 30TH SEPTEMBER 2016**

**FCA registration number 213406**

# **HILLINGDON CREDIT UNION LIMITED**

## **YEAR ENDED 30TH SEPTEMBER 2016**

### **Administrative information**

<b>Status</b>	Hillingdon Credit Union Ltd was incorporated under the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979 on the 17th January 1991.	
<b>Directors</b>	Richard Ashaye Jacky Peacock OBE Harry Panesar Steph Harrison Peter James (Treasurer) Kathy Kendall (resigned March 2016) Abhineet Rai (resigned March 2016) Timi Olubokun Lawrence Greenberg	
<b>Company Secretary</b>	Garry Burgess	
<b>Other Officers</b>	Supervisory Committee	Credit Committee
	N Green	RS Allen
	Lee Moi Green	G Burges
<b>President</b>	David Williams	
<b>Bankers Registered Office</b>	The Co-Operative bank PO Box 250 Skelmersdale WN8 6WT	
<b>Credit Union Registered Office</b>	Committee Room 1 Civic Centre Uxbridge UB8 1UW	
<b>Prudential Regulation Authority No.</b>	213406	
<b>Auditors</b>	Appleby & Wood Registered Auditors 40 The Lock Building 72 High Street Stratford London E15 2QB	

**HILLINGDON CREDIT UNION LIMITED**

**YEAR ENDED 30TH SEPTEMBER 2016**

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# HILLINGDON CREDIT UNION LIMITED

## YEAR ENDED 30TH SEPTEMBER 2016

### **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 a Credit Union, 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**

The results for the year are as shown in the attached accounts, as are movements in the Credit Union's fixed assets.

### **Directors' of Management**

The directors' during the year were:

David Williams - President	Steph Harrison
Garry Burgess (secretary)	Peter James (Treasurer)
Richard Ashaye	Harry Panesar
Kathy Kendall (resigned March 2016)	Abhineet Rai (Resigned March 2016)
Jacky Peacock OBE	Timi Olubokun
Lawrence Greenberg	

### **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, Messrs Appleby & Wood, 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

# **HILLINGDON CREDIT UNION LIMITED**

**YEAR ENDED 30TH SEPTEMBER 2016**

## **Independent Auditors' Report to the members of Hillingdon Credit Union Limited**

We have audited the financial statements of Hillingdon Credit Union Limited for the year ended 30th September 2016 which comprise of the revenue account, the balance sheet and the related notes. 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).

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4 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 Ethical Standards for Auditors.

### **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 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 30th 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 Act 2014 and the Credit Unions Act 1979.
- the information provided in the directors' report is consistent with the financial statements.

### **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 Act 2014 & Credit Unions Act 1979 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.

Appleby & Wood  
Statutory Auditors  
40 The Lock Building  
72 High Street  
London E15 2QB

Date

**HILLINGDON CREDIT UNION LIMITED**

**REVENUE ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

		<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
Loan interest receivable and similar income	Note 4	278,036	248,120
Interest payable	5	<u>(38,313 )</u>	<u>(31,701 )</u>
<b>Net interest income</b>		239,723	216,419
Fees and commissions receivable	6	24,893	32,897
Fees and commissions payable		<u>(2,261 )</u>	<u>(3,748 )</u>
<b>Net fees, Interest and commissions receivable</b>		262,355	245,568
Other income	6a	137	1,385
Administrative expenses	7a	(94,266 )	(73,933 )
Depreciation and amortisation	10	-	(3,480 )
Other operating expenses	7b	(11,350 )	(9,732 )
Impairment losses on loans to members	11 c	<u>(84,290 )</u>	<u>(70,199 )</u>
<b>Surplus before taxation</b>		72,586	89,609
Taxation	9a	<u>(6,225 )</u>	<u>(3,521 )</u>
<b>Surplus for the financial year</b>		66,361	86,088
		-	-
<b>Total comprehensive income</b>		<u>66,361</u>	<u>86,088</u>



**HILLINGDON CREDIT UNION LIMITED**

**BALANCE SHEET AS AT 30TH SEPTEMBER 2016**

	2016	2015
	£	£
Note		
<b>ASSETS</b>		
Cash, cash equivalents and liquid deposits	725,061	596,870
Cash	60	-
Deposits held at UK Financial Institutions	<u>1,447,164</u>	<u>1,206,500</u>
	2,172,285	1,803,370
Loans and advances to members	11a 1,641,688	1,474,376
Tangible fixed assets	10 -	-
Other receivables	8,517	10,376
Prepayments and accrued income	<u>10,530</u>	<u>5,097</u>
<b>Total assets</b>	<b><u>3,833,020</u></b>	<b><u>3,293,219</u></b>
<b>LIABILITIES</b>		
Share capital	3,093,045	2,648,641
Junior Savers	225,326	196,731
Other payables	12 <u>10,085</u>	<u>9,644</u>
	3,328,456	2,855,016
Retained earnings	15 <u>504,564</u>	<u>438,203</u>
<b>Total liabilities</b>	<b><u>3,833,020</u></b>	<b><u>3,293,219</u></b>

The financial statements were approved, and authorised for issue, by the Board on behalf by:

and signed on its

**HILLINGDON CREDIT UNION LIMITED**

**STATEMENT OF CHANGES IN RETAINED EARNINGS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
As at 1 October 2015	438,203	352,115
Total comprehensive income for the year	<u>66,361</u>	<u>86,088</u>
<b>As at 30 September 2016</b>	<b><u>504,564</u></b>	<b><u>438,203</u></b>

**HILLINGDON CREDIT UNION LIMITED**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

	Note	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Surplus/(deficit) before taxation		72,586	89,609
Adjustments for non-cash items:			
Depreciation	10	-	3,480
Impairment losses	11 c	91,910	101,996
		<u>164,496</u>	<u>195,085</u>
Movements in:			
Other receivables		(3,574)	(1,462)
Other payables		441	26,948
		<u>161,363</u>	<u>220,571</u>
<b>Cash flows from changes in operating assets and liabilities</b>			
Cash inflow from subscribed capital		3,944,974	3,687,326
Cash outflow from repaid capital		(3,474,679)	(3,235,236)
New loans to members		(1,449,597)	(1,254,897)
Repayment of loans by members		1,190,375	1,050,990
		<u>372,436</u>	<u>468,754</u>
Taxation paid		(3,521)	(3,397)
		<u>368,915</u>	<u>465,357</u>
<b>Net cash flows from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	-	-
		<u>368,915</u>	<u>465,357</u>
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year		1,803,370	1,338,013
<b>Cash and cash equivalents at end of year</b>	<b>14</b>	<u><u>2,172,285</u></u>	<u><u>1,803,370</u></u>

**HILLINGDON CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

**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.

**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 17 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 (ie 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 financial statements are prepared on the going concern basis.

**HILLINGDON CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

**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. 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:

Building Work	33.3%
Office equipment	20.0%
Information Systems	33.3%

**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.

**HILLINGDON CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

**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 cashflows.

**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**

A pension is not currently offered to Hillingdon Credit Union employees. The staging date for Hillingdon Credit Union is August 2017 when a defined contribution plan will be offered to all employees.

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.

**HILLINGDON CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

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

	Note	2016	2015
		£	£
Loan interest receivable from members		246,909	230,516
Bank interest receivable on cash and liquid deposits		31,127	17,604
<b>Total loan interest receivable and similar income</b>		<b><u>278,036</u></b>	<b><u>248,120</u></b>

**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.

	2016	2015
	£	£
<b>Interest paid during the year</b>	<b><u>38,313</u></b>	<b><u>31,701</u></b>
<b>Dividend rate:</b>		
<b>Interest proposed, but not recognised</b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Dividend rate:</b>	<b><u>1.5%</u></b>	<b><u>1.5%</u></b>

	2016	2015
	£	£
<b>6. Fees and commissions receivable</b>		
Cuna Rebate	360	-
Commissions received - Cornerstone	7,820	11,674
Service charge	16,713	21,223
<b>Total fees and commissions receivable</b>	<b><u>24,893</u></b>	<b><u>32,897</u></b>

**6a. Other Income**

Other income	137	1,385
	<b><u>137</u></b>	<b><u>1,385</u></b>

**7a. Administrative expenses**

		2016	2015
		£	£
Employment costs	8a	62,873	56,175
Staff training		1,625	225
Directors' expenses		819	574
Honorarium		1,000	1,000
Auditors' remuneration	7c	3,660	3,100
Telephone		525	525
Computer maintenance		13,517	6,233
Legal and professional		6,136	1,100
General expenses		437	2,317
Advertising & Marketing		-	57
Printing, postage and stationery		3,524	2,477
Donation		150	150
<b>Total administrative expenses</b>		<b><u>94,266</u></b>	<b><u>73,933</u></b>

**HILLINGDON CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

	<b>2016</b>	<b>2015</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	1,479	-
Association of British Credit Unions Limited dues	2,918	2,635
Financial Services Compensation Scheme levy	-	-
Fidelity insurance	2,643	2,929
Loan protection insurance	4,310	4,168
	<u>11,350</u>	<u>9,732</u>

**7c. Auditors' remuneration**

Fees payable for audit	3,660	3,100
Fees payable to the auditor for other services	-	-
<b>Total auditors' remuneration</b>	<u>3,660</u>	<u>3,100</u>

**8. Employees and employment costs**

**8a. Number of employees**

The average monthly number of employees during the year were:

	Number	Number
Office Staff	<u>4</u>	<u>4</u>

No member of the key management personnel earned over £60,000 in the year. Staff had a total share holding of £46,378 (2015 £10,800) and loans of £229 (2015 £1,081).

**8b. Directors' Remuneration**

No remuneration is paid to the directors. At the year end, Directors held total shares of £20,359 (2015 £18,399) and total loans of £5,206 (2015 £8,336).

All members of the committee are members of the Credit Union. They receive no remuneration for services and participate in the activities of the Credit Union on the same terms as other members. They received reimbursement of expenses in the year of £819 (2015 £574).

The Treasurer received an honorarium of £1,000 in the year which was approved by the Board at the AGM.

**HILLINGDON CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

**9. Taxation**

a) Recognised in the Revenue Account

The taxation charge for the year, based on the small profits rate of Corporation Tax of 20% 2015: 20% taking into account marginal relief) comprised:

Current tax		
UK Corporation tax	6,225	3,521
	<u>6,225</u>	<u>3,521</u>
Total current tax recognised in the Revenue Account	<u>6,225</u>	<u>3,521</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**

Tangible fixed assets comprise the following property, plant and equipment:-

	<b>Office Equipment &amp; Computers 2016 £</b>	<b>Office Equipment &amp; Computers 2015 £</b>
<b>Cost</b>		
At 30th September 2015	10,440	10,440
Additions	-	-
Disposal	-	-
<b>At 30th September 2016</b>	<u>10,440</u>	<u>10,440</u>
<b>Depreciation</b>		
At 30th September 2015	10,440	6,960
Charge for the year	-	3,480
Disposal	-	-
<b>At 30th September 2016</b>	<u>10,440</u>	<u>10,440</u>
<b>Net book value</b>		
<b>At 30th September 2016</b>	<u>-</u>	<u>-</u>
At 30th September 2015	-	-

**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.

**HILLINGDON CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

	Note	2016 £	2015 £
<b>Not impaired:</b>			
Not in arrears		1,641,688	1,474,376
<b>Sub-total: loans not impaired</b>		<u>1,641,688</u>	<u>1,474,376</u>
<b>Individually impaired:</b>			
Up to 3 months past due		-	50,304
Between 3 and 6 months past due		34,722	7,994
Between 6 months and 1 year past due		69,445	27,827
Over 1 year past due		175,333	101,465
<b>Total loans</b>		<u>1,921,188</u>	<u>1,661,966</u>
<b>Impairment allowance</b>		<u>(279,500 )</u>	<u>(187,590 )</u>
<b>Total carrying value</b>		<u>1,641,688</u>	<u>1,474,376</u>
<b>11b. Provision for impairment losses</b>			
As at 1 October 2015		187,590	85,594
Allowance for losses made during the year		91,910	101,996
Allowances reversed during the year		-	-
Increase in allowances during the year	11 c	<u>91,910</u>	<u>101,996</u>
<b>As at 30 September 2016</b>		<u><b>279,500</b></u>	<u><b>187,590</b></u>
<b>11c. Impairment losses recognised for the year</b>			
Impairment of individual financial assets		-	(16,903 )
Increase in impairment allowances during the year		91,910	101,996
		<u>91,910</u>	<u>85,093</u>
Reversal of impairment where debts recovered		(7,620 )	(14,894 )
<b>Total impairment losses recognised for the year</b>		<u><b>84,290</b></u>	<u><b>70,199</b></u>
<b>12. Other payables</b>			
UK Corporation Tax		6,225	3,521
Other payables		-	-
Accruals and deferred income		3,860	6,123
		<u>10,085</u>	<u>9,644</u>

**HILLINGDON CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

**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.

**HILLINGDON CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

	2016		2015	
	Average	Average	Average	Average
	Interest	Interest	Interest	Interest
	rate	rate	rate	rate
	Amount	Amount	Amount	Amount
	£	£	£	£
<b>Financial assets</b>				
Loans to members	1,641,688	15.8%	1,474,376	16.2%
<b>Financial liabilities</b>				
Share capital	3,093,045	1.5%	2,648,641	1.5%

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	Statutory	Total
	Reserve	Reserve	Reserve
	£	£	£
At 1st October 2015	99,800	338,403	438,203
Comprehensive surplus for the year	66,361	-	66,361
Transfer between funds	(44,899 )	44,899	-
Balance carried forward at 30th September 2016	121,262	383,302	504,564

**HILLINGDON CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

**15. 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.

**16. Related party transactions**

During the year - members of the Board, staff and their close family members had loans with the Credit Union of £5,435 (2015 £9,417). 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 £66,737 (2015 £29,199).

**17. 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 financial impacts.

**Reconciliation of surplus from previous UK accounting standards to FRS 102**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Surplus/(Deficit) as previously reported	80,942	69,773
Short term employee benefits	-	-
Interest receivable	<u>5,146</u>	<u>5,230</u>
Surplus (in accordance with FRS 102)	<u>86,088</u>	<u>75,003</u>

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

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Retained earnings	433,057	346,885
Short terms employee benefits	-	-
Interest receivable	<u>5,146</u>	<u>5,230</u>
Retained earnings (in accordance with FRS 102)	<u>438,203</u>	<u>352,115</u>

The adjustments are:

**18a. 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.

No transitional accrual was deemed necessary as it was not of a material nature.

**18b. 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 loan on a received basis. This change has resulted in an increase in the Interest receivable and an increase in reserves as shown above.