



essex savers
net credit union

Local Ethical Finance

ESSEX SAVERS

ANNUAL REPORT

2014/15

Essex Savers net Credit Union Ltd, 53 New Street, Chelmsford, Essex, CM1 1AT
Tel: 01245 496314 E-mail: info@essexsavers.co.uk

Registered under the Credit Union Act 1979 and the Industrial and Provident Societies Act 1965 – Reg. No 710C
Authorised by the Prudential Regulatory Authority and Regulated by the Financial Conduct Authority and the Prudential
Regulatory Authority - Firm number: 230859

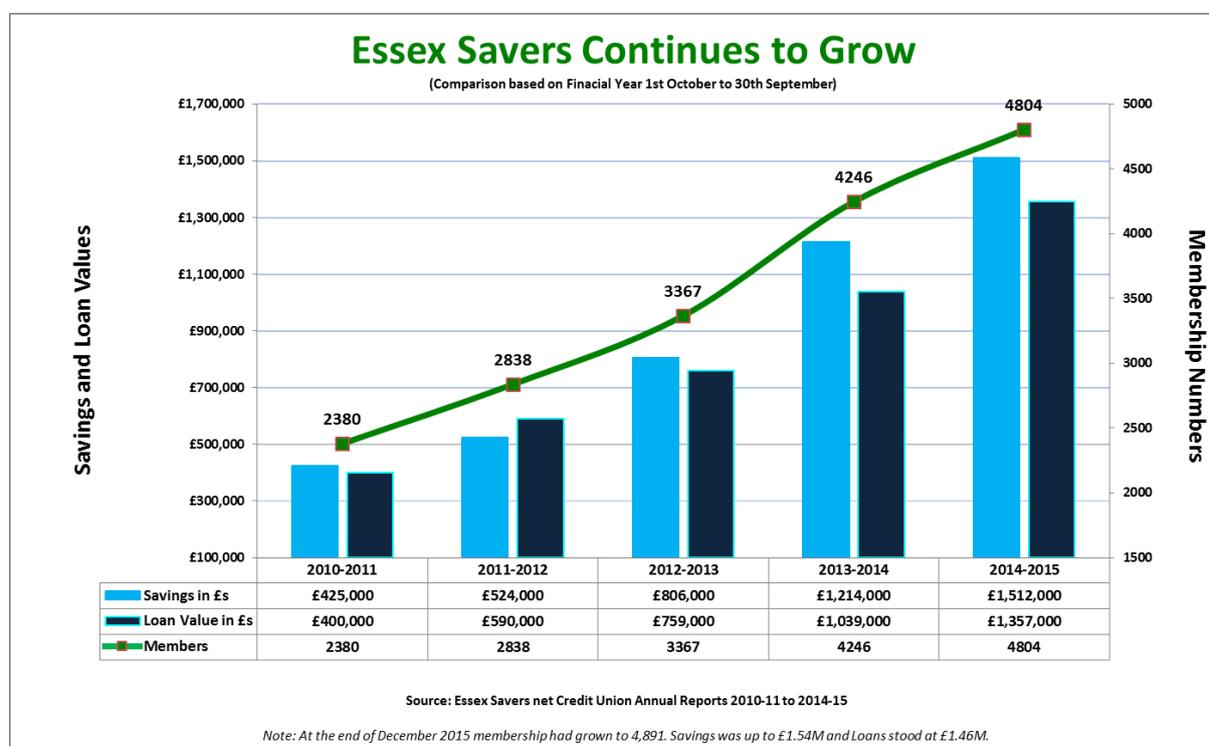
The Board's Annual Report

for the financial year 1 October 2014 – 30 September 2015

(as presented to the Annual General Meeting, 11 February 2016)

Our financial year 2014-15 was one of development and continued expansion, building on last year's exceptionally strong growth in membership, savings and loans. Membership this year slowed together with savings, but lending continued to increase providing an increase in loan income and a small surplus for the year.

- Membership: 4,804 increase of 13%.
- Saving balance: £1.45 million, up 19%
- Loans balances increased to £1.36 million from £1.04 million, up 30.7%. This has provided loan income of £197K compared to last year's £129K, up 52.7%.

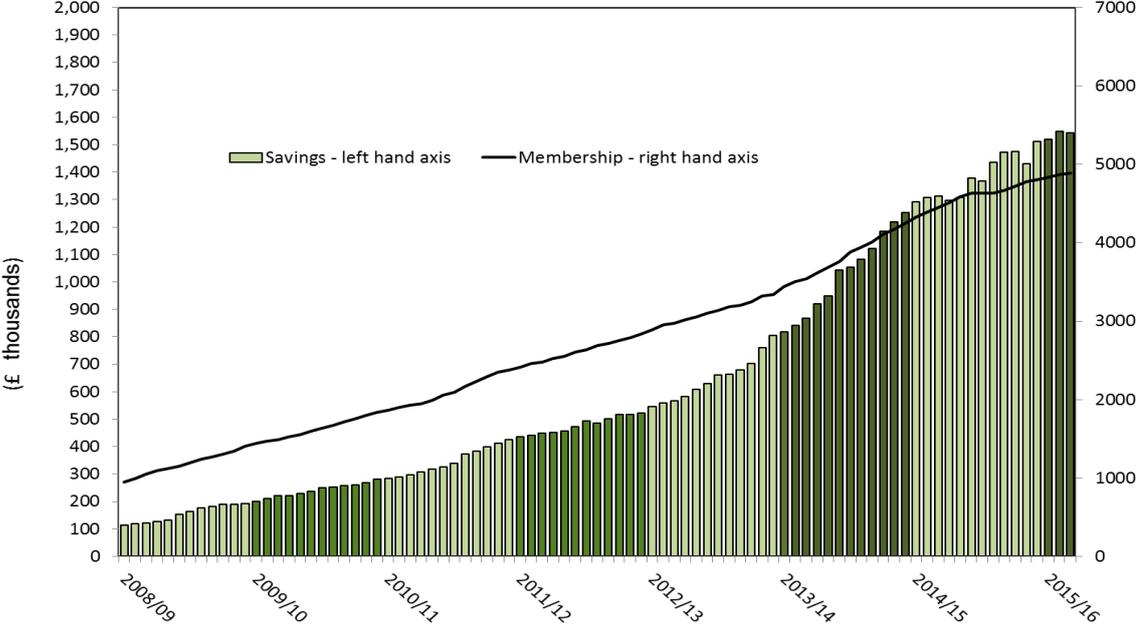


Going forward we have the challenge of increasing savings from existing members and recruiting new saving members, including corporates, who are willing to invest ethically so that we have the resources to meet the growing demand for credit. The increase in business will move us further towards our goals of growth and sustainability.

There continues to be a need to raise awareness. We have wonderful testimonies from members who have benefited from our services but many more people need our support to overcome financial problems and get their finances 'on an even keel'. We therefore need more people joining us, saving and spreading the good news of Essex Savers throughout Essex. It is our saving members that enable us to increase lending to assist others while providing immediate help by way of a loan if these members find themselves in a crisis.

As a co-operative, it is our members who not only benefit from our services but will also share in any surplus, as a dividend, when we become more profitable. We also have social purpose, to reduce financial exclusion and contribute towards the economic regeneration of the communities where we operate.

From humble beginnings, membership is approaching 5,000...



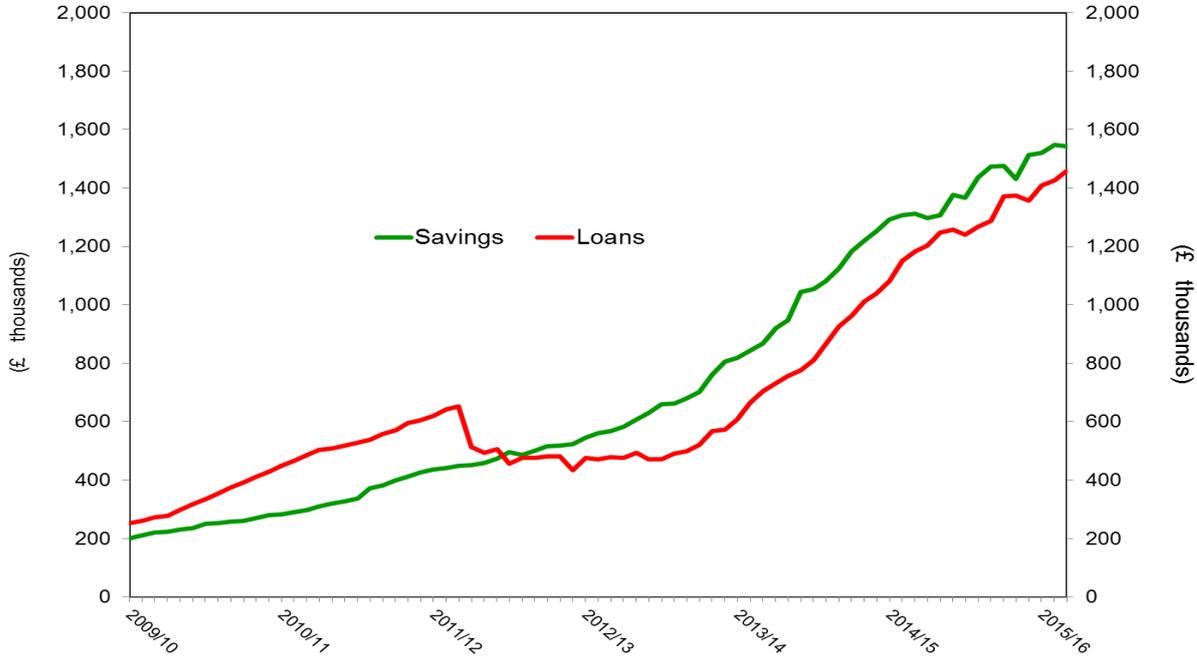
Since 2012 Essex Savers has accepted corporates as members, allowing organisations, businesses, charities and local groups to invest and borrow. We currently have 32 corporates which have provided £85K in deferred shares and £15K in subordinated lending to assist with our capital requirements in the past. We now hope to increase our corporate membership to achieve the higher regulatory capital legally required by the Bank of England, as well as to provide the resource for lending to small new and developing businesses for their growth and to increase their profitability and ours.

We have provided members with **Budget accounts** for many years, as a place to receive their income. We have allied this to a pre-paid VISA card to provide members with access to their money. Together these function as a simple current account. The new ENGAGE VISA debit card became available in July 2015 and has additional features, budgeting and standing order facilities, so is ideal for members without transactional bank accounts or who would welcome a budgeting tool. We are now better able to provide members who need to bank their wages or benefits with an ideal solution. Of the 100 cards in use, 35+ regularly use our Budget account, having their money loaded to their ENGAGE card.

When our membership reaches 5,000 (we are nearly there) the Bank of England requires us to increase our capital by 2%. With further increases in savings and investment, we can increase lending and therefore our loan income to assist with this capital requirement. However, we will need other financial support: grants, subordinated lending or deferred shares to achieve the capital required over this year and next. From our £7 million of lending, Essex Savers has already achieved enormous cost benefits for local authorities and housing providers, while reducing costs to residents who borrow from us. It is therefore

hoped that these benefiting organisations will support us with the capital needed so we can continue to provide our services and cost benefits as we move toward financial independence and long term sustainability.

...and outstanding lending is over £1.4 million



Development during the year and future plans:

In terms of **marketing**, our website has been improved dramatically and is now updated regularly. It is much more user-friendly and we hope members will visit it regularly – it is our means of communicating with you all to let you have the latest NEWS and developments. It has information regarding our services and guidance to access them, all the forms you will need and lots else besides. www.essex-savers.co.uk. In addition, we are now on social media: facebook  and twitter  @Essex_Savers1

Chelmsford, particularly our Head Office, where we are open four days a week (including a late night on Wednesday) has become increasingly busy in the past year. Most people who come in have heard about us from other members and we have had many referrals from Job Centre plus and more recently from Barclays. We have three other Service points in Chelmsford.

In **Southend Borough**, we are most fortunate that Mick Davey has taken on the role of Co-ordinator. This has helped us enormously with the delivery, organisation and promotion of our services in the area. New local contacts have been made and existing ones developed giving greater opportunity to develop in the area. We need people in a similar role in their local area to promote and deliver our services, reaching those who most need us and helping to raise the finance to support us in doing so. Southend Borough Council have provided premises and resources to provide our services one day per week at The HUB Victoria Shopping Centre, in addition to our other Service points.

Thurrock continues to be active and has been especially successful with businesses. Lack of volunteers has hampered growth here but plans are now moving forward for Grays. We

hope that, having achieved so much there already with council support, they will again provide the financial resource to grow in the borough.

Maldon District - Long awaited services have arrived at Barclays both in Maldon and Burnham. Awareness-raising is needed for people to take advantage of our services there, but we plan to do this in the coming months.

Braintree, Colchester and Rochford have all shown interest in Essex Savers' services for their areas. We are pursuing possible volunteers and organisations to achieve this.

Epping Forest will shortly have a new service point in Loughton at the Restore Centre. We are still in Epping Library each week.

A full list of our current **Service Points** is on the web. We are keen to be more accessible to people, so if individuals or organisations are interested in promoting us and setting up services in their area, please do be in touch.

Partnerships:

We continue to develop our many partner relationships and add to them. To name just a few: Southend BC is now active in its support. Barclays remains a key player, using their branches to host Service Points. Contis provides a vital part of our services, the ENGAGE pre-paid VISA debit cards. Libraries continue to be part of our service point network. We have engaged more with the Illegal Money Lending Team in the year, having had members with Loan Shark problems that needed investigation. Lighthouse (recycled household goods) continues to resource our members with excellent reconditioned goods and home start-up packs.

Essex Savers' move towards sustainable service delivery is a real encouragement to us all, especially to those running Essex Savers who are all members and volunteers. We all know how much work is involved. We trust that the year ahead will provide us with the necessary resources and finance to employ a full-time team at Head Office to work with our many volunteers to increase member satisfaction (which is already high) and benefit more residents and communities throughout Essex, Southend and Thurrock.

It is you, our members who help us reach our goals for growth and sustainability by letting their family, friends and colleagues know of Essex Savers' services. Can we encourage both individual members' and corporates (large and small) to save and invest with us, as well as borrowing, if needed? We are providing an ethical alternative for banking services. Do visit the website to see all that we offer or speak to one of our many volunteers.

The final word is for our volunteers – it would not be possible without you! A huge THANK YOU.

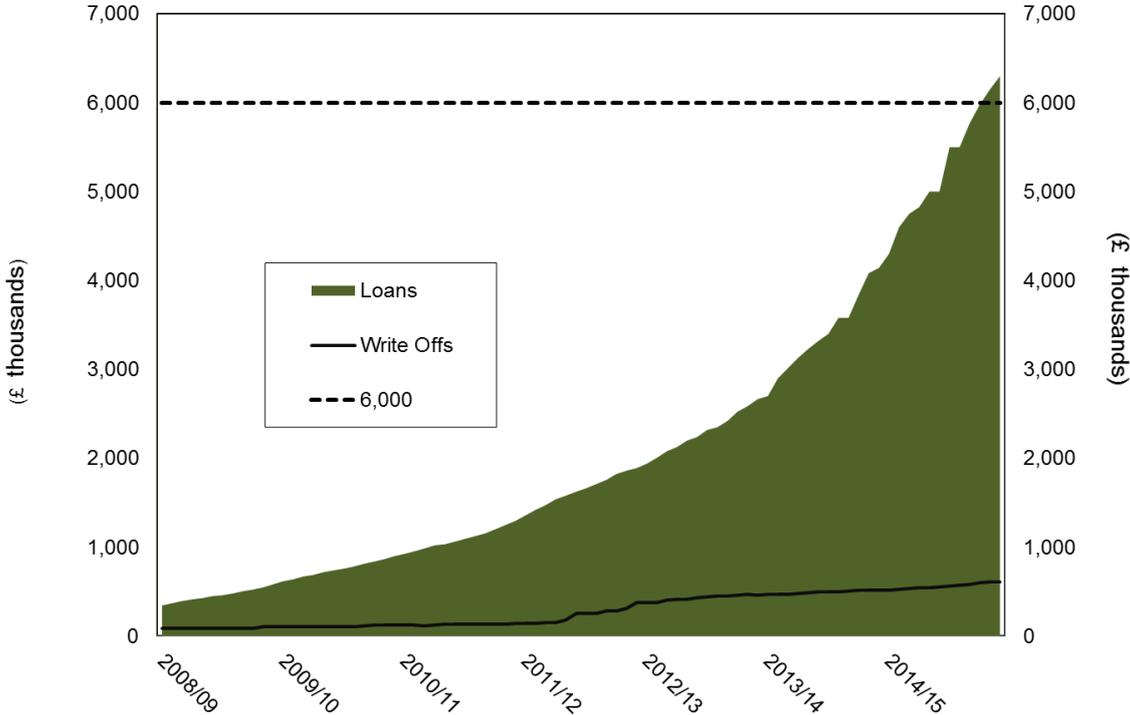
Alison Davies
President
February 2016

Credit Committee Report 2014/15

The demand for loans has increased dramatically over the last two years, together with the growing requirement for a faster turn-around of loans.

Since Archbishop Justin Welby’s visit to us in May 2013, we have offered our own equivalent to a PayDay loan (interest rate, 42.6% APR - far below the PayDay lenders 1,000+ APR). This has proved popular and helped many to avoid the high cost predatory lenders that cause over-indebtedness with the attendant consequences. We have many testimonies from those we have supported in this way who are now saving members with us.

Total loans to date passed the £6 million last year and currently stand at £7.36 million (6,804 loans).



This year’s borrowing has been no exception to the past as members continued to pay off problem debt (70 PayDay loans paid off in the last two years). Car purchase and repairs are a growing requirement, keeping people ‘on the road’, for their work, a new job or for family. We have covered expenses as members get back to work while also being able to provide an account for their wages. Home improvements, vital repairs, house deposits, rental deposits all continue to feature, as do purchases of white goods, new and reconditioned. College fees are another regular reason as are funeral expenses. Holiday and Christmas expenses are seasonal but regular requirements too.

In the financial year loans issued were £550K (655 loans) up from £296K (290 loans) in the previous year and £135K (162 loans) the year before - so we have been busy!

This increased lending has brought us far greater loan income which is moving us towards a more sustainable business. Income from loans this year was up £68K to £197K, a 52.5% rise.

Increased demand can be attributed to: the changing loans market (including the restriction on interest rates for PayDay and similar lenders), resulting in less options for borrowers; or to changes in life's circumstances: lack of job security; redundancies and unemployment; zero hour contracts; sickness; relationship breakdown; welfare changes, delays and sanctions.

While the majority of members pay by standing order, more employers offer their staff payroll deduction and welfare recipients are encouraged to use their Essex Savers accounts to bank their payments, there still remain others whose less ordered life style means that regular repayments are more difficult to achieve.

Our increased loan volume, while increasing our income, also increases the workload, with more loans to monitor to keep reducing defaults. We are prioritising more frequent checks, leading to speedy follow-up of defaulters, and where necessary recovery through our new debt collection provider or welfare benefits, if appropriate.

The challenge is to improve the quality of our loan portfolio further while increasing lending and loan income. Our members (personal and corporate) rely on us for credit when they need it to avoid using high-interest lenders. However, as responsible lenders, we need to verify income on personal budgets to ensure members are not becoming over-indebted for the benefit of their financial health and ours. We are meeting the challenge and expect to see continuing improvements in loan quality and income from our lending this year.

Credit Committee
February 2016

Treasurer's Report 2014/15

Members

The accounts for the year to 30 September 2015 show an increase in members' shares of 19% to £1,449,486, while net loans to members are up 28% on last year at £1,255,681.

Cash

Cash and bank balances at £300,287 include members' funds of £205,073 and office funds of £95,214.

Income

Interest received on loans to members increased by 52.5% to £197,184, while income from grants was up 11% to £25,100. If the credit union is to scale up to become a sustainable social enterprise more income is needed to cover central costs which will rise in tandem with the increase in growth.

Expenses

Expenditure is monitored monthly; general expenses for the year are 9% lower at £49,055 down £4,641 from last year. Salary costs increased by £17,934 to £66,193 due to staff being paid four days a week instead of the previous three days, these longer hours are due to the ever mounting workload from servicing more accounts.

Arrears Provision/Bad Debt

During the year Essex Savers continued to write loans off after being unpaid for twelve months, this has since been changed so that all unpaid loans at twelve months are 100% provisioned for in revenue account and left as an asset on the balance sheet, this change was made to align with PRA guidelines.

The bad debt write offs & provisions of £133,151 were up from £82,164 in the previous year up 9% from last year. This level of non-repayment needs to be reduced for the credit union to become sustainable.

However there has been good progress made during the year on the collection of arrears direct from welfare benefits; in the year £23,192 was collected, up 15% from £19,839 last year.

Capital

The surplus for the year of £2,620 means there is a net positive capital reserve of £69,969, 4.60% of assets. The PRA requirement at 30th September 2015 was that credit unions have a capital to assets ratio of at least 3%, on assets of £1,519,455 this equates to £45,584 for Essex Savers, giving us a surplus of £24,385 (1.51%).

The small surplus in the year of £2,620 is a step in the right direction; this was due to the increased interest income received, which in turn was due to the increased members loans provided, which in turn was funded by the increase in member's shares. In the absence of grant funding it is this cycle that needs to continue to be enlarged so that in tandem with improved loan collection rates Essex Savers will become sustainable and be able to maintain its services, particularly the provision of financial support to members affected by the on-going difficult economic circumstances.

Brian Goldsmith

Director and Treasurer

February 2016

ESSEX SAVERS NET CREDIT UNION LIMITED

REVENUE ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER 2015

| | 2015 | | 2014 | |
|--|--------|------------------|--------|------------------|
| | £ | £ | £ | £ |
| Income | | | | |
| Interest received on loans to members | | 197,184 | | 129,292 |
| Interest Accruals | | 0 | | - |
| Membership fees | | 3,104 | | 4,237 |
| Bank interest received | | 186 | | 161 |
| Bad Debt Recovered | | 23,192 | | 19,839 |
| Grants - | | | | |
| DWP - Capital | | - | | - |
| Chelmsford Borough Council | | 10,000 | | - |
| Thurrock Borough Council | | 2,250 | | 7,000 |
| Other | | 600 | | 700 |
| Southend Council | | 12,250 | | 14,750 |
| Unity Trust Grant | | 0 | | - |
| Donations | | - | | - |
| Sundry Income | | 2,290 | | 1,757 |
| | | <u>251,056</u> | | <u>177,736</u> |
| Less Expenditure | | | | |
| Regulatory | 1,701 | | 1,380 | |
| Affiliation | 4,906 | | 3,378 | |
| Audit fee | 3,960 | | 3,960 | |
| Accountancy Fees | 860 | | 1,532 | |
| Insurance | 2,042 | | 1,446 | |
| Rent | 11,511 | | 11,511 | |
| Post, Printing & Stationery | 4,522 | | 4,359 | |
| Training | 398 | | 340 | |
| Computer Expenses | 4,080 | | 9,982 | |
| Telephone | 1,910 | | 3,111 | |
| Bank charges | 610 | | 479 | |
| Sundry | 3,735 | | 4,067 | |
| Sundry Write off | 7,687 | | 7,587 | |
| Volunteer Expenses | 34 | | 26 | |
| Salary & Wages | 66,193 | | 48,259 | |
| Advertising & Promotions | 757 | | 538.00 | |
| Debt Collection Agency | 342 | | - | |
| Bad debt written off | 94,287 | | 60,229 | |
| Provision for doubtful debts | 38,864 | | 21,935 | |
| | | <u>(248,399)</u> | | <u>(184,119)</u> |
| Surplus/(Deficit) for the year before taxation | | 2,657 | | (6,383) |
| Corporation Tax | | (37) | | (30) |
| Surplus/(Deficit) for the year after taxation | | <u>2,620</u> | | <u>(6,413)</u> |
| Allocated (to)/from: | | | | |
| General Reserve/Statutory | | (524) | | - |
| General Reserve/ Voluntary | | (2,096) | | 6,413 |
| | | <u>-</u> | | <u>-</u> |

ESSEX SAVERS NET CREDIT UNION LIMITED

BALANCE SHEET AS AT 30TH SEPTEMBER 2015

| | 2015 | | 2014 | |
|------------------------------|----------------|------------------|----------------|------------------|
| | £ | £ | £ | £ |
| Loans to Members | | 1,357,231 | | 1,039,189 |
| Less Provision for Bad Debts | | <u>(101,550)</u> | | <u>(62,686)</u> |
| | | 1,255,681 | | 976,503 |
| Current Assets | | | | |
| Debtors | 37,338 | | 19,984 | |
| Cash at bank | <u>300,287</u> | | <u>323,561</u> | |
| | 337,625 | | 343,545 | |
| Current Liabilities | | | | |
| Juvenile deposits | 27,860 | | 20,827 | |
| Other deposits | 25,273 | | 17,039 | |
| Corporation Tax | 37 | | 30 | |
| Other creditors and accruals | <u>20,681</u> | | <u>10,924</u> | |
| | 73,851 | | 48,820 | |
| Net Current Assets | | 263,774 | | 294,725 |
| Total Net Assets | | <u>1,519,455</u> | | <u>1,271,228</u> |
| Represented By: | | | | |
| Members Share Capital | | 1,384,354 | | 1,174,116 |
| Corporate Shares | | 65,132 | | 39,763 |
| Deferred Shares | | 105,000 | | 105,000 |
| Subordinated Loans | | 67,600 | | 57,600 |
| General Reserve | | <u>(102,631)</u> | | <u>(105,251)</u> |
| Growth Fund | | - | | - |
| | | <u>1,519,455</u> | | <u>1,271,228</u> |

These abridged financial statements are extracted from the full statutory accounts.

Copies of the full statutory accounts are obtainable on application to the Chelmsford Office.

Supervisory Committee Internal Audit Report 2014/15

Supervisors act as independent monitors to ensure the company policies and procedures are followed. The Board are provided with a detailed quarterly appraisal of overall effectiveness of control systems and suggestions made for their improvement where necessary. The activities must conform to relevant legislation where applicable.

The systems of Essex Savers have been regularly checked and reported on for range of activities covered within the year October 2014 and September 2015. As result, changes in procedures and training have been actioned.

***Alan Mint
Internal Auditor
February 2016***

Directors & Supervisors

ALISON DAVIES – PRESIDENT

Alison trained in management and as a computer systems analyst. While bringing up a family, she was involved in charity and church work. She then became a volunteer Money Adviser/Debt Counsellor leading to paid CAB Management. In 1996 she moved to Essex as Social Responsibility Officer for Chelmsford Diocese working on issues of: Justice, Relationship, Employment, Ageing, Environment, Poverty and Debt, initiating netCUDA Ltd to set up credit unions in the region, including Essex Savers. Currently she is the Managing Director of netCUDA Ltd; Member of APPG on Debt & Personal Finance; Member of the APPG on Credit Unions; Director of UK Credit Unions Ltd.

ALUN POWELL – VICE PRESIDENT

Alun was, until retirement, a senior economist within HSBC's Business Economics Unit, specializing in industrial, regional and market analyses to support credit, marketing and planning policies. His principal area of activity was to monitor trends in the key business segments of personal sector savings, the mortgage and consumer credit markets and business lending. In addition he tracked developments in financial services as well as giving presentations to Bank training courses and to customers on the UK economy. He is treasurer of his local church, treasurer of the Blue Falcons Gymnastic Display Team based at Chelmer Valley High School, serves on the Diocesan investment committee, is a governor at the Cathedral School where he is treasurer of the school's trust fund, and has recently graduated from the University of Birmingham with an MA in First World War Studies.

BRIAN GOLDSMITH – TREASURER

Brian is an AAT qualified Accountant with over twenty years' experience in insurance, dealing with multi-currency financial and regulatory reporting to Lloyds of London. He previously worked for the European Patent Office in The Hague, Holland. He currently works for Amlin plc. He audits the accounts for the Trinity Methodist church in Chelmsford. He is married, has a young daughter and enjoys listening to music, watching sport and swimming.

NOEL MEAD – COMPANY SECRETARY

Noel Mead is a qualified company secretary with wide commercial experience. He has worked for financial and industrial companies and spent some years with the Trusthouse Forte plc hotels and catering group. Noel was closely involved with the management buy-out of the business to business services company Gardner Merchant from Trusthouse Forte and the subsequent trade sale to Sodexo. More recently he has been the company secretary of a small PLC and operates a consultancy business providing company secretarial and legal services to a range of clients.

HAZEL STOTHARD – DIRECTOR

Hazel has around 30 years' experience within the Financial Services industry starting in IT and moving through Project Management, Programme Management and Business Solutions Architecture. Her career has included a variety of senior management and project management roles delivering major change programmes in both the UK domestic and global environments with exposure to both project, people and departmental management.

Alongside her financial career, she has developed a property portfolio providing experience of both renovating and renting properties to the Chelmsford residential market. This has given her a variety of exposure to a wide array of Chelmsford residents – including both self-funding and housing benefit tenants. Hazel volunteered for Essex Savers with a view to using her previous experience to assist the Chelmsford community.

PAUL BRAISBY – DIRECTOR

Paul Braisby has an engineering background and spent 10 years in production management. He went on to study for an MBA which led him into management consultancy, initially with a major national

consultancy and then in a small practice in the City before becoming self employed. He now specialises in working with small to medium size businesses. He is active in his local community, being a Parish Councillor, school governor as well as a member of other groups. Qualifications are: MBA, BTech, C dipAF, CEng, MIET, MIBC, CMC, MCIM.

MIKE O'SULLIVAN – DIRECTOR & MLRO

Mike O'Sullivan has a background in Stock broking and Banking with leading City Financial Institutions. An Alumni of London Business School, he is a strong believer in Credit Unions which in the current financial climate are proving a strong alternative to traditional banks for many people.

PETE FENWICK - DIRECTOR

Pete is a former academic with a PhD in Management from Cranfield University. He worked in higher education for over 25 years, initially as a lecturer and researcher, roles he combined with work as a trade union officer. He ended his career on the other side of the table as a senior manager in the Business School at the University of East London. Before lecturing, Pete worked in export sales for Unipart and the now sadly defunct British Leyland. The sadly extant Wonga and other licensed usurers underpin his commitment to the success of Essex Savers and its vital work in our county.

MALCOLM WATSON - DIRECTOR

Malcolm has been married for 47 years, has two married children and two grandchildren all of whom live in Essex. He has lived in Writtle for 20 years since moving to the Chelmsford area. He retired 14 years' ago from a career in finance in London, holding a senior management position in a major European bank specialising in the trading and financing of commodities.

In 2011 he stood for and was elected to Chelmsford City Council where he now serves on a number of Committees including Development Policy, Overview & Scrutiny, Audit, and Treasury Management. Additionally he has been appointed as a Trustee of Chelmsford United Charities which owns and operates some Alms Houses in central Chelmsford.

Outside of local politics Malcolm was Treasurer of Chelmsford U3A for 6 years and his outside interests are family and supporting Southend United Football Club where he has held a season ticket for many years.

CHRIS LINDSEY – DIRECTOR

Chris Lindsey is an experienced IT Professional with an in depth knowledge of the bookmaking industry and experience in the banking and public sectors. He gained a first class degree in Computing and Economics at the University of East Anglia in 1981. He then spent 6 years as a management consultant with Arthur Andersen & Co which included long term assignments on a number of public sector contracts. This was followed by a further 6 years as an IT Manager with Swiss Bank Corporation primarily supporting their International Trading and Investment operations. He started at Ladbrokes in 1992 as Project Services Controller and was assigned to various roles across the Retail IT department throughout the 1990s. He programme managed the initiation, development and national roll out of Ladbrokes proprietary retail betting system. He was promoted to IT Director for Ladbrokes Retail Division in 2000 and helped establish Ladbrokes leadership in Retail bookmaking through effective use of technology. Since leaving Ladbrokes in 2012 he set up his own IT Consulting business and volunteers for the Whitechapel Mission in Stepney. He joined the Board of Essex Savers net Credit Union in 2013.

MARK CHAHINE-WARRINGTON – DIRECTOR

Before retiring early Mark was an international trader with extensive experience in the steel sector and a strong background in commercial development. He has much experience in international travel and project work, leading purchase and development projects and in managing a company. Educated in both commercial and social sciences to MPhil level.

For some time he was Chair, Board of Trustees for a UK based charity that offers assistance, advice and support to the international seafarer community and their families, offering a 24/7 multilingual free helpline service via phone, SMS, internet, text, and Skype.

TOM REILLY – DIRECTOR (resigned during the financial year)

Tom is a career banker with RBS spanning 35 years covering a variety of positions including risk management and Bank of England reporting. He has specialized in continuous improvement methodologies and change management and is a qualified Six Sigma Green Belt. Since taking early retirement from the bank in 2009 he has worked in the voluntary sector with Citizens Advice Bureau specializing in the delivery of financial capability information and guidance and until recently undertook various duties within Essex Savers head office. He is currently working in the public sector with Essex County Council. He is married with grown up children and his main interests are sport, holidays and ballroom dancing.

SUPERVISORY TEAM

ALAN MINT

Alan is a qualified accountant holding a Masters' degree in Business Administration. Previously, he worked at senior positions in Telecommunications before setting up his own limited company working as consultant for a number of household names.

BRYAN CRUNDAN

A Business Analyst with significant experience of leading and contributing to the analysis, definition, specification and delivery of products and systems within the retail banking, financial services, UK government and commercial sectors.

Bryan is a versatile professional with excellent communication skills, and a proven ability to work effectively with technical, business and project management staff across all levels. Pragmatic and results-orientated, he can employ a broad spectrum of skills in a team, whilst being equally effective in applying specialised techniques or methodologies to deliver specific individual assignments to time and to budget.