



**Alexander Sloan**

Accountants and Business Advisers

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**HASTINGS AND ROTHER CREDIT UNION LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

Registration No. 213644

# HASTINGS AND ROTHER CREDIT UNION LIMITED

## CREDIT UNION INFORMATION

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**FCA number** 213644

**Registered Society number** IP000594C

**Directors**

R Street	
I Gray	
P Hooper	
K Maitland	
G de Lussy	
G Clark	
A Matthews	
C Fitzgerald	(Appointed 23 February 2022)
J Everard	
M Clark	(Appointed 28 September 2022)
D Drake	(Appointed 17 November 2021)

**Secretary** D Drake

**Registered office**

Jackson Hall  
Portland Place  
Hastings  
TN34 1QN

**Auditor**

Alexander Sloan Accountants and Business Advisers  
180 St Vincent Street  
Glasgow  
G2 5SG

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# HASTINGS AND ROTHER CREDIT UNION LIMITED

## CONTENTS

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	<b>Page</b>
Directors' report	1 - 2
Independent auditor's report	3 - 5
Revenue account	6
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11 - 25

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# HASTINGS AND ROTHER CREDIT UNION LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 SEPTEMBER 2022

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The Directors present their annual report and financial statements for the year ended 30 September 2022.

#### Principal activity

The principal activity of the credit union continued to be that defined in the Credit Union Act 1979.

The credit union is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

#### Results and dividends

The results for the year are set out on page 6.

#### Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

R Street	
I Gray	
P Hooper	
K Maitland	
J Eason	(Resigned 30 September 2022)
G de Lussy	
G Clark	
A Matthews	
C Fitzgerald	(Appointed 23 February 2022)
J Everard	
M Clark	(Appointed 28 September 2022)
D Drake	(Appointed 17 November 2021)

#### Compliance statement

Under the Prudential Regulation Authority rulebook the Board of Directors must report to the members at the Annual General Meeting on certain areas of compliance within the credit union. The credit union is therefore pleased to report that during the year the credit union has been in compliance with:

- Depositor Protection Rules 11, 12, 14 and the requirements of rule 15 that relate to rule 11; and
- PRA Credit Union Rule 2.10 (fidelity bond insurance requirements); and
- The requirements of compliance under the PRA "additional activities".

#### Principal risks and uncertainties

The main financial risks of the credit union are set out in the notes to the financial statements.

# HASTINGS AND ROTHER CREDIT UNION LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2022

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#### Statement of Directors responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Legislation requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under the Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014 the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the credit union and of the surplus or deficit of the credit union for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the credit union's transactions and disclose with reasonable accuracy at any time the financial position of the credit union and enable them to ensure that the financial statements comply with the Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014. Directors 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.

#### Statement of disclosure to auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the credit union's auditor is unaware. Additionally, the Directors individually have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the credit union's auditor is aware of that information.

#### Auditor

A resolution for the re-appointment of Alexander Sloan as auditors of the credit union is to be proposed at the forthcoming Annual General Meeting.

By order of the board

.....

D Drake  
**Secretary**

Date: .....

# HASTINGS AND ROTHER CREDIT UNION LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF HASTINGS AND ROTHER CREDIT UNION LIMITED

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#### Opinion

We have audited the financial statements of Hastings and Rother Credit Union Limited (the 'credit union') for the year ended 30 September 2022 which comprise the revenue account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2022 and of its surplus or deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014.

#### 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 credit union 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.

#### Emphasis of Matter- Non- Going Concern Basis

We draw attention to note 1 of the financial statements which describes the preparation of the financial statements on a non-going concern basis. As described in note 1, Hastings and Rother Credit Union has decided to seek a partner for a transfer of engagements in the next financial year. This is due to the loss making position and the Credit Union being below the PRA Capital Requirements. The legal entity of Hastings and Rother Credit Union Limited would be closed down following such a transfer, with the assets and liabilities moved to the acquiring Credit Union. As such, although Hastings and Rother Credit Union's operations would continue as part of another Credit Union, Hastings and Rother Credit Union as an entity would not exist in the foreseeable future. Therefore, the Board have concluded that it is no longer appropriate to prepare the financial statements on a going concern basis. There have been no adjustments made to the financial statements as a result of the application of the non-going concern basis of accounting. This is because at this stage it is planned that assets and liabilities would transfer to the acquiring Credit Union. Our opinion is not modified in respect of this matter.

#### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

# HASTINGS AND ROTHER CREDIT UNION LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF HASTINGS AND ROTHER CREDIT UNION LIMITED

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#### **Opinions on other matters prescribed by the Co-operative and Community Benefit Societies Act 2014**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

#### **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:

- proper books of account have not been kept by the credit union in accordance with the requirements of the legislation; or
- a satisfactory system of control over transactions has not been kept by the credit union in accordance with the requirements of the legislation; or
- the Revenue Account and Balance Sheet are not in agreement with the books of account of the credit union; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement, 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 the Directors 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 credit union'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 credit union 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the credit union through discussions with directors and other management, and from our wider knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the credit union, including Corporate and Community Benefit Society legislation and taxation legislation.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

# HASTINGS AND ROTHER CREDIT UNION LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF HASTINGS AND ROTHER CREDIT UNION LIMITED

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We assessed the susceptibility of the credit union's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

#### ***Extent to which the audit was considered capable of detecting irregularities, including fraud***

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 2 were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with PRA, FCA and HMRC.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Use of our report**

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

**Alexander Sloan**

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**Accountants & Business Advisers  
Statutory Auditor**

180 St Vincent Street  
Glasgow  
G2 5SG



**HASTINGS AND ROTHER CREDIT UNION LIMITED****REVENUE ACCOUNT****FOR THE YEAR ENDED 30 SEPTEMBER 2022**

	Notes	2022 £	2021 £
Loan interest receivable and similar income	3	8,485	6,861
Net interest receivable		<u>8,485</u>	<u>6,861</u>
Fees and commissions receivable	4	4,343	5,721
Fees and commissions payable	5	(8,016)	(5,680)
Net fees and commissions		<u>(3,673)</u>	<u>41</u>
Other operating income	6	54,925	59,687
Administrative expenses	7	(67,851)	(61,676)
Depreciation and amortisation		(3,596)	(954)
Other operating expenses	8	(5,196)	(4,589)
Impairment on loans for bad and doubtful debts	14	(3,037)	1,388
<b>(Deficit) before taxation</b>		<u>(19,943)</u>	<u>758</u>
Corporation tax	11	(196)	(90)
<b>(Deficit)/surplus for the year</b>		<u><b>(20,139)</b></u>	<u><b>668</b></u>

The Revenue Account has been prepared on the basis that all operations are continuing operations.  
The notes on pages 11 to 25 form an integral part of these financial statements.

# HASTINGS AND ROTHER CREDIT UNION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 30 SEPTEMBER 2022*

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	Notes	2022 £	2021 £
(Deficit)/surplus for the year		(20,139)	668
Other comprehensive income		-	-
<b>Total comprehensive (loss)/income for the year</b>		<u>(20,139)</u>	<u>668</u>

The notes on pages 11 to 25 form an integral part of these financial statements.

**HASTINGS AND ROTHER CREDIT UNION LIMITED****BALANCE SHEET****AS AT 30 SEPTEMBER 2022**

	Notes	2022 £	2021 £
<b>Assets</b>			
Cash and balances at central banks	12	20	-
Loans and advances to banks	12	442,355	397,469
Loans and advances to customers	13	26,074	29,963
Intangible assets	15	4,000	-
Tangible assets	16	2,507	2,121
Other receivables	17	12,759	8,649
Prepayments		2,245	14,079
<b>Total assets</b>		<b>489,960</b>	<b>452,281</b>
<b>Liabilities and reserves</b>			
Customer accounts	18	453,319	385,667
Other liabilities	19	12,155	7,808
Deferred income	20	12,481	26,662
		477,955	420,137
General reserve	26	12,005	22,105
Other reserves	26	-	10,039
Total reserves		12,005	32,144
<b>Total liabilities and reserves</b>		<b>489,960</b>	<b>452,281</b>

The financial statements were approved by the Board of Directors and authorised for issue on ..... and are signed on its behalf by:

.....  
R Street  
**Director**

.....  
M Clark  
**Director**

.....  
D Drake  
**Secretary**

The notes on pages 11 to 25 form an integral part of these financial statements.

**HASTINGS AND ROTHER CREDIT UNION LIMITED****STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 30 SEPTEMBER 2022**

	<b>Other Reserve £</b>	<b>General Reserve £</b>	<b>Total £</b>
<b>Balance at 1 October 2020</b>	10,506	20,970	31,476
Year ended 30 September 2021:			
Surplus and total comprehensive income for the year	-	668	668
Other movements	(467)	467	-
<b>Balance at 30 September 2021</b>	<b>10,039</b>	<b>22,105</b>	<b>32,144</b>
Year ended 30 September 2022:			
Deficit and total comprehensive income for the year	-	(20,139)	(20,139)
Other movements	(10,039)	10,039	-
<b>Balance at 30 September 2022</b>	<b>-</b>	<b>12,005</b>	<b>12,005</b>

The notes on pages 11 to 25 form an integral part of these financial statements.

**HASTINGS AND ROTHER CREDIT UNION LIMITED****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 30 SEPTEMBER 2022**

	Notes	£	2022 £	£	2021 £
<b>Cash flows from operating activities</b>					
Deficit for the period			(20,139)		668
Depreciation and amortisation	9	3,596		954	
Corporation tax expenses	11	196		90	
Provision movement	14	3,037		(1,388)	
Interest income on loans	3	(7,454)		(6,386)	
			(625)		(6,730)
<b>Working capital adjustments</b>					
Change in other receivables and prepayments		7,724		274	
Change in other liabilities		4,241		184	
Change in deferred income		(14,181)		20,647	
			(2,216)		21,105
<b>Cash flows from changes in operating assets and liabilities</b>					
Loan repayments less loans advanced	13	8,306		8,810	
Customer balance cash movement		67,652		43,590	
Movement on funds on deposit	12	(199,722)		-	
			(123,764)		52,400
Corporation tax paid			(90)		(38)
<b>Net cash flow from operating activities</b>			<b>(146,834)</b>		<b>67,405</b>
<b>Investing activities</b>					
Purchase of intangible assets	15	(6,000)		-	
Purchase of tangible fixed assets	16	(1,982)		-	
Net cash used in investing activities			(7,982)		-
<b>Proceeds from borrowings</b>		-		-	
<b>Net cash used in financing activities</b>			<b>-</b>		<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>			<b>(154,816)</b>		<b>67,405</b>
Cash and cash equivalents at beginning of year			397,469		330,064
<b>Cash and cash equivalents at end of year</b>	<b>28</b>		<b>242,653</b>		<b>397,469</b>

The notes on pages 11 to 25 form an integral part of these financial statements.

# HASTINGS AND ROTHER CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

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### 1 Accounting policies

#### Background information

Hastings and Rother Credit Union Limited is registered in the UK as a society under the Co-operative and Community Benefit Societies Act 2014, whose principal activity is to operate as a credit union, within the meaning of the Credit Union Act 1979. The credit union is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Co-operative and Community Benefit Societies Act 2014.

The financial statements are prepared in sterling, which is the functional currency of the credit union. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

#### 1.2 Going concern

The Board have reviewed the options available to the Credit Union due to the loss making position and the capital ratio being below the PRA requirement. Following a review by the Board the Credit Union has decided to seek a partner to carry out a transfer of engagements to. During a transfer of engagements the assets and liabilities of Hastings and Rother Credit Union would be transferred to another Credit Union including member share and loan balances. The legal entity of Hastings and Rother Credit Union would be closed once the assets and liabilities have been transferred. Therefore, the Directors have concluded that the Credit Union is no longer a going concern. There have been no adjustments to the financial statements as a result of the application of the non-going concern basis of accounting and no changes to the timing of liabilities as nothing has changed at this stage of the process.

#### 1.3 Income

Fees and charges receivable either arise in connection with a specific transaction, or accrue evenly over the year. Income relating to individual transactions is recognised when the transaction is complete.

Interest receivable on loans to members and bank interest are recognised using the effective interest rate basis and are calculated and accrued on a daily basis.

#### 1.4 Intangible fixed assets

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	33% straight line
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# HASTINGS AND ROTHER CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2022

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#### 1 Accounting policies

(Continued)

##### 1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	25% straight line
Computers	33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

##### 1.6 Impairment of fixed assets

At each reporting period end date, the credit union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the credit union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the revenue account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the revenue account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### 1.7 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of less than 8 days.

##### 1.8 Financial instruments

The credit union has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised in the credit union's balance sheet when the credit union becomes party to the contractual provisions of the instrument.

##### **Basic financial assets**

Basic financial assets, which include loans to members and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

# HASTINGS AND ROTHER CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2022

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#### 1 Accounting policies

(Continued)

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the revenue account, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

The credit union assesses, at each balance sheet date, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised. Any impairment losses are recognised in the revenue account, as the difference between the carrying value of the expected cash flows.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the credit union transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

##### **Basic financial liabilities**

Basic financial liabilities, including members deposits are classified as debt and are initially recognised at transaction price. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### **Other financial liabilities**

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through the revenue account. Debt instruments may be designated as being measured at fair value through the revenue account to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the credit union's contractual obligations expire or are discharged or cancelled.

#### 1.9 Taxation

The tax expense for the period comprises current tax. Tax is recognised in the revenue account, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.



# HASTINGS AND ROTHER CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2022

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#### 1 Accounting policies

(Continued)

##### **Current tax**

The tax currently payable is based on taxable surplus for the year. Taxable surplus differs from the surplus as reported in the revenue account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The credit union's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **1.10 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the credit union is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

##### **1.11 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

##### **1.12 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

##### **1.13 Government grants**

Grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. Revenue grants are recognised as income over the periods when the related costs are incurred. Capital grants are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

The Big Local funding grant had previously been released as loans issued under the grant were issued. The credit union has changed the recognition method to recognise grants as bad debts are incurred under the scheme. The change has meant a reduction in recognised grants of £7,361.

#### 2 Judgements and key sources of estimation uncertainty

In the application of the credit union's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

**HASTINGS AND ROTHER CREDIT UNION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 SEPTEMBER 2022****2 Judgements and key sources of estimation uncertainty (Continued)****Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

**Loan Impairment**

The credit union assesses, at each reporting date, if there is objective evidence that any of its loans to customers are impaired. The loans are assessed collectively in groups that share similar credit-risk characteristics. 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.

**3 Interest receivable and similar income**

	<b>2022</b>	<b>2021</b>
	£	£
Interest income on loans	7,454	6,386
Interest income on bank deposits	1,031	475
	<u>8,485</u>	<u>6,861</u>

**4 Fees and commissions receivable**

	<b>2022</b>	<b>2021</b>
	£	£
Entrance fees	2,023	1,600
Service charges	2,320	3,561
Banking service charges	-	560
	<u>4,343</u>	<u>5,721</u>

**5 Fees and commissions payable**

	<b>2022</b>	<b>2021</b>
	£	£
Bank charges	3,534	5,680
Banking service charges	4,482	-
	<u>8,016</u>	<u>5,680</u>

**HASTINGS AND ROTHER CREDIT UNION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 SEPTEMBER 2022**

<b>6 Other operating income</b>		<b>2022</b>	<b>2021</b>
		<b>£</b>	<b>£</b>
Other income		-	95
Grant income		10,134	12,719
Contract income		44,791	46,873
		<u>54,925</u>	<u>59,687</u>
		<u><u>54,925</u></u>	<u><u>59,687</u></u>
<b>7 Administrative expenses</b>		<b>2022</b>	<b>2021</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
Staff costs	<b>10</b>	44,373	42,951
Death benefit insurance		228	225
External auditor's remuneration		7,724	4,800
Member communication and advertising		4,735	2,249
Legal, professional and credit control costs		526	-
Computer and software expenses		3,467	4,794
Travel costs		1,000	-
General administration costs		5,798	6,657
		<u>67,851</u>	<u>61,676</u>
		<u><u>67,851</u></u>	<u><u>61,676</u></u>
<b>8 Other operating expenses</b>		<b>2022</b>	<b>2021</b>
		<b>£</b>	<b>£</b>
Regulatory costs		919	816
Costs of occupying offices		4,277	3,773
		<u>5,196</u>	<u>4,589</u>
		<u><u>5,196</u></u>	<u><u>4,589</u></u>
<b>9 Operating (deficit)/surplus</b>		<b>2022</b>	<b>2021</b>
		<b>£</b>	<b>£</b>
Operating (deficit)/surplus for the year is stated after charging:			
Fees payable to the credit union's external auditor for the audit of the financial statements		7,724	4,800
Depreciation of owned tangible fixed assets		1,596	954
Amortisation of intangible assets		2,000	-
Operating lease charges		3,622	3,247
		<u>13,942</u>	<u>8,991</u>
		<u><u>13,942</u></u>	<u><u>8,991</u></u>

**HASTINGS AND ROTHER CREDIT UNION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 SEPTEMBER 2022****10 Employees**

The average monthly number of persons (including Directors) employed by the credit union during the year was:

	<b>2022</b>	<b>2021</b>
	<b>Number</b>	<b>Number</b>
Office Staff	3	3
	<u>          </u>	<u>          </u>

Their aggregate remuneration comprised:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Wages and salaries	42,495	38,830
Social security costs	1,012	2,849
Pension costs	866	1,272
	<u>          </u>	<u>          </u>
	<u>44,373</u>	<u>42,951</u>

**11 Corporation tax**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax on taxable surplus for the current period	196	90
	<u>          </u>	<u>          </u>

The actual charge for the year can be reconciled to the expected charge for the year based on the surplus or deficit and the standard rate of tax as follows:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Deficit before taxation	(19,943)	758
	<u>          </u>	<u>          </u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(3,789)	144
Tax effect of income/expenditure not taxable in determining taxable surplus	3,985	(54)
	<u>          </u>	<u>          </u>
Taxation charge for the year	<u>196</u>	<u>90</u>

**HASTINGS AND ROTHER CREDIT UNION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 SEPTEMBER 2022****12 Loans and advances to banks**

	<b>2022</b>	<b>2021</b>
	£	£
Cash held at banks	242,633	397,469
Bank deposits	199,722	-
	<u>442,355</u>	<u>397,469</u>
Loans and advances to banks	442,355	397,469
Cash in hand	20	-
	<u>442,375</u>	<u>397,469</u>
Total cash and bank balances	<u><u>442,375</u></u>	<u><u>397,469</u></u>
<b>Loans split by repayment period</b>		
Cash and cash equivalents	242,653	397,469
Amounts maturing in over 8 days	199,722	-
	<u>442,375</u>	<u>397,469</u>
	<u><u>442,375</u></u>	<u><u>397,469</u></u>

**13 Loans and advances to customers**

	<b>Notes</b>	<b>2022</b>	<b>2021</b>
		£	£
<b>Loan movement</b>			
Opening balances		40,596	43,853
Interest on loans		7,454	6,386
Loans advanced during the period		29,500	30,950
Loans repaid during the period		(37,806)	(39,760)
Loans derecognised		-	(833)
		<u>39,744</u>	<u>40,596</u>
Loan impairment provisions	<b>14</b>	(13,670)	(10,633)
		<u>26,074</u>	<u>29,963</u>
		<u><u>26,074</u></u>	<u><u>29,963</u></u>
<b>Loans split by repayment period</b>			
Capital repayments due within 1 year		37,063	35,919
Capital repayments due after 1 year		2,681	4,677
Loan impairment provisions	<b>14</b>	(13,670)	(10,633)
		<u>26,074</u>	<u>29,963</u>
		<u><u>26,074</u></u>	<u><u>29,963</u></u>
<b>Loans split by type</b>			
Loans to members		39,744	40,596
Loan impairment provisions	<b>14</b>	(13,670)	(10,633)
		<u>26,074</u>	<u>29,963</u>
		<u><u>26,074</u></u>	<u><u>29,963</u></u>

**HASTINGS AND ROTHER CREDIT UNION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 SEPTEMBER 2022****13 Loans and advances to customers (Continued)****14 Loan impairment**

	Write off Provision £	Arrears Provision £	Total Provisions £
<b>Loan impairment provision</b>			
Opening balances	726	9,907	10,633
Provision movement	3,328	(291)	3,037
	<u>4,054</u>	<u>9,616</u>	<u>13,670</u>
Closing balances	<u>4,054</u>	<u>9,616</u>	<u>13,670</u>

Under Financial Reporting Standard 102 (FRS 102), the criteria for derecognising (writing off a loan) is different from when the credit union would write off the loan for internal purposes. Loans written off by the Board that do not meet the criteria in FRS 102 for being derecognised are not written off in these financial statements. The loans the credit union feel should be written off but which do not meet the criteria in FRS 102 for being derecognised are fully provided in the write off provision which is shown above. As a result there is no net effect on the surplus or net assets of the credit union from this requirement of FRS 102.

	Notes	2022 £	2021 £
<b>Impairment revenue account charge</b>			
Impairment provision movement		3,037	(2,221)
Bad debts derecognised	13	-	833
		<u>3,037</u>	<u>(1,388)</u>

**15 Intangible fixed assets**

	Software £
<b>Cost</b>	
At 1 October 2021	-
Additions - separately acquired	6,000
	<u>6,000</u>
At 30 September 2022	<u>6,000</u>
<b>Amortisation and impairment</b>	
At 1 October 2021	-
Amortisation charged for the year	2,000
	<u>2,000</u>
At 30 September 2022	<u>2,000</u>
<b>Carrying amount</b>	
At 30 September 2022	<u>4,000</u>
At 30 September 2021	<u>-</u>

**HASTINGS AND ROTHER CREDIT UNION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 SEPTEMBER 2022****16 Tangible fixed assets**

	Fixtures and fittings £	Computers £	Total £
<b>Cost</b>			
At 1 October 2021	1,156	6,446	7,602
Additions	-	1,982	1,982
	<u>1,156</u>	<u>8,428</u>	<u>9,584</u>
At 30 September 2022	1,156	8,428	9,584
<b>Depreciation and impairment</b>			
At 1 October 2021	1,026	4,455	5,481
Depreciation charged in the year	65	1,531	1,596
	<u>1,091</u>	<u>5,986</u>	<u>7,077</u>
At 30 September 2022	1,091	5,986	7,077
<b>Carrying amount</b>			
At 30 September 2022	<u>65</u>	<u>2,442</u>	<u>2,507</u>
At 30 September 2021	<u>130</u>	<u>1,991</u>	<u>2,121</u>

**17 Other receivables**

	2022 £	2021 £
<b>Amounts falling due within one year:</b>		
Other debtors	12,759	8,649
	<u>12,759</u>	<u>8,649</u>

**18 Customer accounts**

	2022 £	2021 £
<b>Deposit movement</b>		
Opening balances	385,667	342,077
Deposited during the period	607,961	576,778
Withdrawn during the period	(540,309)	(533,188)
	<u>453,319</u>	<u>385,667</u>
<b>Deposits split by type</b>		
Standard dividend bearing member shares	434,568	380,413
Juvenile member deposits	18,751	5,254
	<u>453,319</u>	<u>385,667</u>

**HASTINGS AND ROTHER CREDIT UNION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 SEPTEMBER 2022**

<b>19 Other liabilities</b>	<b>2022</b>	<b>2021</b>
	£	£
Corporation tax	196	90
Other taxation and social security	636	676
Other creditors	-	1,400
Accruals and deferred income	11,323	5,642
	<u>12,155</u>	<u>7,808</u>
<b>20 Deferred income</b>	<b>2022</b>	<b>2021</b>
	£	£
Opening balance	26,662	6,015
Increase in period	2,921	20,647
Release in period	(17,102)	-
	<u>12,481</u>	<u>26,662</u>
<b>21 Retirement benefit schemes</b>	<b>2022</b>	<b>2021</b>
<b>Defined contribution schemes</b>	£	£
Charge to revenue account in respect of defined contribution schemes	<u>866</u>	<u>1,272</u>

The credit union operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the credit union in an independently administered fund.



## HASTINGS AND ROTHER CREDIT UNION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 30 SEPTEMBER 2022

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#### 22 Financial risk management

The credit union manages its shares and loans so that it earns income from the margin between interest receivable and interest payable (including dividends paid).

The main financial risks arising from the activities of the credit union are credit risk, liquidity risk and market 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 repayment to the credit union, resulting in financial loss to the credit union. In order to manage this risk the Board approves the 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 the likelihood of repayment has changed. The credit union also monitors its banking arrangements for credit risk.

##### ***Liquidity risk***

The policy of the credit union is to maintain sufficient funds in liquid form at any time to ensure that it can meet its liabilities as they fall due and meet the liquidity ratios set by the regulators. The objective of the policy is to provide a degree of protection against any unexpected developments that may arise.

##### ***Market risk***

Market risk generally comprises of interest rate risk, foreign currency risk and other price risk. The main risks impacting the credit union are set out below:

Interest rate risk: The main interest rate risk for the credit union arises between the interest rate exposure on loans, bank deposits and shares that form an integral part of a credit union's operations. The credit union considers rates of interest receivable when deciding on proposed dividend rates. Dividend rates are based on the historical results of the credit union and the credit union's strategic plans. The credit union does not use interest rate options to hedge its own positions.

Foreign Currency Risk: All transactions are carried out in sterling and therefore the credit union is not exposed to any form of foreign currency risk.

**HASTINGS AND ROTHER CREDIT UNION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2022****23 Credit risk on lending**

The credit union holds the following security against its loans to members:

	<b>2022</b>	<b>2021</b>
	£	£
<b>Security for loans</b>		
Attached shares	16,838	15,933

The carrying amount of the loans to members represents the credit union's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full. The status 'past due' includes any loan where payments are in arrears. The amount included is the entire loan amount and not just the overdue amount.

	<b>2022</b>	<b>2021</b>
	£	£
<b>Loans not individually impaired</b>		
Not past due	11,701	9,250
Up to 3 months past due	5,486	13,497
	<u>17,187</u>	<u>22,747</u>
<b>Loans individually impaired</b>		
Between 3 and 6 months past due	5,798	1,896
Between 6 months and 1 year past due	3,303	3,775
Over 1 year past due	9,402	11,452
Individually impaired and written off for internal purposes	4,054	726
	<u>22,557</u>	<u>17,849</u>
Total loans	39,744	40,596
Impairment allowance	(13,670)	(10,633)
	<u>26,074</u>	<u>29,963</u>

**24 Credit risk on bank and investments**

The credit union invests funds not yet actively deployed in the following investments:

	<b>2022</b>	<b>2021</b>
	£	£
Bank accounts	242,633	397,469
Bank term deposits	199,722	-
	<u>442,355</u>	<u>397,469</u>

The credit union believes the full amount of these investments is recoverable.

**HASTINGS AND ROTHER CREDIT UNION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 SEPTEMBER 2022****25 Interest rates on financial instruments**

The following table shows the interest earned during the year divided by the average loan balance and the dividend/interest paid during the year divided by the average share balance. The average balance is taken as the average of the opening and closing balances.

	2022		2021	
	Amount £	Interest rates in year %	Amount £	Interest rates in year %
<b>Financial assets</b>				
Loans to members	39,744	18.56%	40,596	15.12%
Loans and advances to banks	442,355	0.25%	397,469	0.13%
	<u>482,099</u>		<u>438,065</u>	
<b>Financial liabilities</b>				
Juvenile deposits	(18,751)	-	(5,254)	-
Dividend bearing shares	(434,568)	-	(380,413)	-
	<u>(453,319)</u>		<u>(385,667)</u>	

**26 Reserves****General Reserve**

The general reserve represents the base capital of the credit union and is the retained surpluses and deficits which have not been allocated to another specific reserve.

**Other**

The Other Reserve represents funds the Board have allocated towards future projects of the Credit Union.

**27 Capital**

The credit union classes all of its reserves as capital. The credit union manages its reserves through its financial and budgeting policies and procedures. The Prudential Regulation Authority sets out requirements for regulatory capital that the credit union must maintain. The credit union's compliance with the requirements at the year end is set out below:

	2022 %	2021 %
Actual regulatory capital ratio	<u>2.45</u>	<u>7.11</u>
<b>Regulatory requirement</b>		
Regulatory minimum capital ratio requirement	<u>3.00</u>	<u>3.00</u>

**HASTINGS AND ROTHER CREDIT UNION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 SEPTEMBER 2022****27 Capital (Continued)****28 Analysis of changes in net funds**

	1 October 2021 £	Cash flows £	30 September 2022 £
Cash and cash equivalents	397,469	(154,816)	242,653
Bank deposits maturing in over 8 days	-	199,722	199,722
	<u>397,469</u>	<u>44,906</u>	<u>442,375</u>

**29 Financial commitments, guarantees and contingent liabilities**Contingent Liabilities

The credit union participates in the Financial Services Compensation Scheme (FSCS) which provides protection for its members up to the level of protection offered by the FSCS. As a result of the credit union's participation it has a contingent liability, which cannot be quantified, in respect of future contributions to the FSCS, as required by the Financial Services and Markets Act 2000.

**30 Related party transactions**

The credit union classes the Directors and members of the senior management team as key management.

**Remuneration of key management personnel**

The remuneration of key management personnel is as follows.

	2022 £	2021 £
Wages and salaries	<u>35,394</u>	<u>42,951</u>

**Transactions with key management**

One of the Directors is Chair of Big Local NE. The Credit Union received funding from the charity in the previous year. In the current year the Credit Union repaid £6,692 of funding received in the previous year and used £3,308 of funding to cover bad debt costs.

Balances held by members of key management and their close family members in the credit union are set out below. Loans to key management and their close family members are on standard terms and conditions.

	2022 £	2021 £
Loans to key management and their close family	-	-
Shares held by key management and their close family	<u>18,961</u>	<u>17,635</u>

**The following page does not form part of the statutory accounts**

**HASTINGS AND ROTHER CREDIT UNION LIMITED****DETAILED REVENUE ACCOUNT****FOR THE YEAR ENDED 30 SEPTEMBER 2022**

	Notes	2022 £	2021 £
<b>Income</b>			
Interest income on loans	3	7,454	6,386
Interest income on bank deposits	3	1,031	475
Fees and commissions receivable	4	4,343	5,721
Other income	6	54,925	59,687
		<u>67,753</u>	<u>72,269</u>
<b>Expenditure</b>			
Staff costs	10	44,373	42,951
Death benefit insurance		228	225
Auditors remuneration		7,724	4,800
Member communication and advertising	7	4,735	2,249
Legal, professional and credit control costs	7	526	-
Computer and software expenses	7	3,467	4,794
Travel costs	7	1,000	-
Bank charges	5	3,534	5,680
Banking services costs	5	4,482	-
General administration costs	7	5,798	6,657
Regulatory costs	8	919	816
Costs of occupying offices	8	4,277	3,773
Depreciation and amortisation	9	3,596	954
Impairment on loans for bad and doubtful debts	14	3,037	(1,388)
		<u>87,696</u>	<u>71,511</u>
Surplus before taxation		(19,943)	758
Corporation tax	11	(196)	(90)
		<u>(20,139)</u>	<u>668</u>
Distributions		-	-
(Deficit)/surplus for the year		<u>(20,139)</u>	<u>668</u>