

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
FOR  
HASTINGS & ROTHER CREDIT UNION LTD

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FOR THE YEAR ENDED 30 SEPTEMBER 2019

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HASTINGS & ROTHER CREDIT UNION LTD

COMPANY INFORMATION  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

DIRECTORS:

R Street  
I Gray  
M Richardson  
P Hooper  
K Maitland  
R Paynter  
J Eason  
G S de Lussy

SECRETARY:

G S de Lussy

REGISTERED OFFICE:

Jackson Hall  
Portland Place  
Hastings  
East Sussex  
TN34 1QN

REGISTERED NUMBER:

IP00594C (England and Wales)

AUDITORS:

Ashdown Hurrey Auditors Limited  
Statutory Auditor  
20 Havelock Road  
Hastings  
East Sussex  
TN34 1BP

STRATEGIC REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present their strategic report for the year ended 30 September 2019.

REVIEW OF BUSINESS

The deficit for the year, after taxation, amounted to £(2,529) (2018 - surplus £5,917).

There were 2,881 (2018 - 2,467) adult members with 70 (2018 - 80) members holding loans with the Credit Union. Of the total adult members noted 1,752 are considered non - active.

PRINCIPAL RISKS AND UNCERTAINTIES

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 and these are summarised below:

- Credit Risk: All loan applications are assessed with reference to the Credit Union's lending policy. Changes to policy are approved by the Board.
- Interest Rate Risk: The main interest rate risk arises from differences between interest rate exposures on assets and on liabilities that form an integral part of the credit union's operations. The Credit Union considered interest rates when deciding on the dividend rates to propose on share accounts.
- Liquidity Risk: The Credit Union's policy is to maintain sufficient funds in a liquid form at all times to ensure that the Credit Union can meet its liabilities as they fall due. The objective of liquidity is to help smooth mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

These areas are outlined in greater detail in section 17 of the Notes to the Financial Statements.

ON BEHALF OF THE BOARD:

G S de Lussy - Secretary

7 April 2020

REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present their report with the financial statements of the company for the year ended 30 September 2019.

PRINCIPAL ACTIVITY

The principal activities of the credit union are the preparation and encouragement of regular saving and prudent borrowing by its members, as defined in the Credit Unions Act 1979.

DIVIDENDS

No dividends will be distributed for the year ended 30 September 2019.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2018 to the date of this report.

R Street  
I Gray  
M Richardson  
P Hooper  
K Maitland  
G S de Lussy

Other changes in directors holding office are as follows:

R Paynter - appointed 25 March 2019  
J Eason - appointed 25 March 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Credit Union 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, including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland" (United Kingdom Accounting Standards and applicable law). Under Credit Union legislation 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 year. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and 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 Co-Operative and Community Benefit Society Act 2014 and with the Credit Union Act 1979. 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

HASTINGS & ROTHER CREDIT UNION LTD (REGISTERED NUMBER: IP00594C)

REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

**AUDITORS**

The auditors, Ashdown Hurrey Auditors Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

G S de Lussy - Secretary

7 April 2020

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
HASTINGS & ROTHER CREDIT UNION LTD

Opinion

We have audited the financial statements of Hastings & Rother Credit Union Ltd (the 'company') for the year ended 30 September 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its loss 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 Companies Act 2006, the Co-operative and Community Benefit Societies Act 2014 and Credit Unions Act 1979.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
HASTINGS & ROTHER CREDIT UNION LTD

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; 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 set out on page three, 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 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 company'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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Lawrence FCCA (Senior Statutory Auditor)  
for and on behalf of Ashdown Hurrey Auditors Limited  
Statutory Auditor  
20 Havelock Road  
Hastings  
East Sussex  
TN34 1BP

6 July 2020

**HASTINGS & ROTHER CREDIT UNION LTD (REGISTERED NUMBER: IP00594C)****REVENUE ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

|   | Notes | 2019<br>£             | 2018<br>£           |
|---|-------|-----------------------|---------------------|
| Loan interest receivable and similar income | 7     | 13,243                | 13,246              |
| Interest payable                            |       | -                     | -                   |
| <b>Net interest income</b>                  |       | <u>13,243</u>         | <u>13,246</u>       |
| Fees and commissions receivable             | 5     | 27,347                | 20,897              |
| Fees and commissions payable                |       | (5,658)               | (4,399)             |
| <b>Net fees and commissions receivable</b>  |       | <u>21,689</u>         | <u>16,498</u>       |
| Other income                                | 5     | 13,125                | 8,190               |
| Administrative expenses                     | 21    | (43,181)              | (28,418)            |
| Depreciation and amortisation               |       | (663)                 | (316)               |
| Other operating expenses                    | 21    | (3,752)               | (3,681)             |
| Impairment losses on loans to members       | 12    | (2,453)               | 648                 |
| <b>Surplus before taxation</b>              |       | <u>(1,992)</u>        | <u>6,167</u>        |
| Taxation                                    | 10    | (537)                 | (250)               |
| <b>Surplus for the financial year</b>       |       | <u>(2,529)</u>        | <u>5,917</u>        |
| Other comprehensive income                  |       | -                     | -                   |
| Total comprehensive income/(Loss)           |       | <u><u>(2,529)</u></u> | <u><u>5,917</u></u> |

The notes form part of these financial statements

**HASTINGS & ROTHER CREDIT UNION LTD (REGISTERED NUMBER: IP00594C)**

**BALANCE SHEET  
30 SEPTEMBER 2019**

|  | Notes | 30.9.19 |                       | 30.9.18 |                       |
|--|-------|---------|-----------------------|---------|-----------------------|
|  |       | £       | £                     | £       | £                     |
| <b>ASSETS</b>                              |       |         |                       |         |                       |
| Loans and advances to banks                | 14    |         | 321,561               |         | 317,759               |
| Loans and advances to members              | 12    | 46,740  |                       | 44,447  |                       |
| Tangible fixed assets                      | 11    | 825     |                       | 316     |                       |
| Prepayments and accrued income             | 12    | 10,227  |                       | 7,050   |                       |
| Other receivables                          | 12    | 3,787   |                       | 3,628   |                       |
|  |       |         | <u>61,579</u>         |         | <u>55,441</u>         |
| TOTAL ASSETS                               |       |         | <u><u>383,140</u></u> |         | <u><u>373,199</u></u> |
| <b>LIABILITIES</b>                         |       |         |                       |         |                       |
| Subscribed capital - repayable upon demand | 15    |         | 301,085               |         | 294,005               |
| Other payables                             | 15    |         | 51,691                |         | 46,301                |
|  |       |         | <u>352,776</u>        |         | <u>340,306</u>        |
| Retained earnings                          | 18    |         | 30,364                |         | 32,893                |
| TOTAL LIABILITIES                          |       |         | <u><u>383,140</u></u> |         | <u><u>373,199</u></u> |

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

.....  
Mr R Maitland

.....  
Mr K Street

The notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

|                              | Retained<br>earnings<br>£ | Other<br>reserves<br>£ | Total<br>equity<br>£ |
|------------------------------|---------------------------|------------------------|----------------------|
| Balance at 1 October 2017    | 22,485                    | 4,491                  | 26,976               |
| Changes in equity            |                           |                        |                      |
| Total comprehensive income   | 5,917                     | -                      | 5,917                |
| Balance at 30 September 2018 | <u>28,402</u>             | <u>4,491</u>           | <u>32,893</u>        |
| Changes in equity            |                           |                        |                      |
| Total comprehensive loss     | (2,529)                   | -                      | (2,529)              |
| Balance at 30 September 2019 | <u><u>25,873</u></u>      | <u><u>4,491</u></u>    | <u><u>30,364</u></u> |

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

|  | Notes | 30.9.19<br>£          | 30.9.18<br>£          |
|--|-------|-----------------------|-----------------------|
| Cash flows from operating activities             |       |                       |                       |
| Cash generated from operations                   | 1     | (10,982)              | (6,525)               |
| Cash inflow from subscribed capital              |       | 555,863               | 657,335               |
| Cash outflow from repaid capital                 |       | (548,783)             | (646,886)             |
| Tax paid   |       | (250)                 | (230)                 |
| Cash outflow from new loans made                 |       | (52,759)              | (53,645)              |
| Cash inflow from repayment of loans              |       | 47,993                | 58,483                |
| Net cash from operating activities               |       | <u>(8,918)</u>        | <u>8,532</u>          |
| Cash flows from investing activities             |       |                       |                       |
| Purchase of tangible fixed assets                |       | (1,173)               | -                     |
| Interest received                                |       | 13,893                | 13,246                |
| Cashflow from/(to) 3 month deposit               |       | 195,975               | (45,975)              |
| Net Cashflow to Engage card                      |       | -                     | (3,627)               |
| Net cash from investing activities               |       | <u>208,695</u>        | <u>(36,356)</u>       |
| Increase/(decrease) in cash and cash equivalents |       |                       |                       |
| Cash and cash equivalents at beginning of year   | 2     | 121,784               | 149,608               |
| Cash and cash equivalents at end of year         | 2     | <u><u>321,561</u></u> | <u><u>121,784</u></u> |

NOTES TO THE CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

|  | 30.9.19         | 30.9.18        |
|--|-----------------|----------------|
|  | £               | £              |
| (Loss)/profit before taxation                    | (1,992)         | 6,167          |
| Depreciation charges                             | 663             | 316            |
| Movement on Loan Impairment reserve              | 1,824           | (391)          |
| Finance income                                   | (13,243)        | (13,246)       |
|  | <u>(12,748)</u> | <u>(7,154)</u> |
| (Increase)/decrease in trade and other debtors   | (3,337)         | 1,504          |
| Increase/(decrease) in trade and other creditors | 5,103           | (875)          |
|  | <u>(10,982)</u> | <u>(6,525)</u> |

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 30 September 2019

|                           | 30.9.19        | 1.10.18        |
|---------------------------|----------------|----------------|
|                           | £              | £              |
| Cash and cash equivalents | <u>321,561</u> | <u>121,784</u> |

Year ended 30 September 2018

|                           | 30.9.18        | 1.10.17        |
|---------------------------|----------------|----------------|
|                           | £              | £              |
| Cash and cash equivalents | <u>121,784</u> | <u>149,608</u> |

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. LEGAL AND REGULATORY INFORMATION

The Credit Union is a society established under the Co-Operative and Community Benefit Societies Act 2014, whose principal activity is to operate as a credit union, within the meaning of the Credit Unions Act 1979. The Credit Union has registered with the Financial Conduct Authority and is regulated by the Prudential Regulation Authority under the provisions of the Financial Services and Markets Act 2000.

In accordance with the regulatory environment for credit unions, deposits from members can be made by subscription for redeemable shares, deferred shares and interest-bearing shares. At present the Credit Union has only issued redeemable shares.

2. STATUTORY INFORMATION

Hastings & Rother Credit Union Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

3. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going concern

The directors of the Credit Union believe that it is appropriate to prepare the financial statements on the going concern basis. In accordance with PRA Rulebook Guidelines outlined in Section 8.5 (1), the credit union must maintain a minimum Capital-To-Total assets ratio of 3%.

|                           | 2019  | 2018  |
|---------------------------|-------|-------|
| The relevant ratios are:- | 7.93% | 8.81% |

Income

Loan interest receivable and similar income: Interest on both loans to members and loans to banks (i.e. cash and cash equivalents held on deposit with other financial institutions) is recognised using the effective interest method, and is calculated and accrued on a daily basis. Exempt interest on members loans is not recognised.

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

Other income: Other income is recognised either evenly over the period to which it relates or when the transaction is complete.

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.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

|                       |               |
|-----------------------|---------------|
| Fixtures and fittings | - 20% on cost |
| Computer equipment    | - 33% on cost |

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

3. ACCOUNTING POLICIES - continued

Financial assets - loans and advances to members

Loans to members are financial assets with fixed or determinable payments. Loans are made to members for provident or productive purposes on such security (or without security) and terms as the rules of the Credit Union provide. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

Impairment of financial assets

The Credit Union assesses, at each balance sheet date, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised.

Any impairment losses are recognised in the revenue account, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

Financial liabilities - subscribed capital

Members' shareholdings in the Credit Union are redeemable and therefore are classified as financial liabilities, and described as subscribed capital. They are initially recognised at the amount of cash deposited and subsequently measured at amortised cost.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The Credit Union is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as a trade. However, corporation tax is payable on investment income.

As a result of the limited activities of the Credit Union from which profits are chargeable to corporation tax, it is unlikely that deferred tax will arise.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and with the Bank of England and loans and advances to banks (i.e. cash deposited with banks) with maturity of less than or equal to three months.

Employee benefits

Other employee benefits: Other short and long term employee benefits, including holiday pay, are recognised as an expense over the period they are earned.

Reserves

Retained earnings are the accumulated surpluses to date that have not been declared as dividends returnable to members.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 high degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

## Impairment losses on loans to members

Impaired losses are stated after specifically reviewing all loans in arrears. The criteria used is whether the loan will be repaid within the term of the loan based upon the current regular pattern of repayments.

## 5. OTHER OPERATING INCOME

|                      | 30.9.19       | 30.9.18      |
|----------------------|---------------|--------------|
|                      | £             | £            |
| Grant income         | 12,163        | 7,000        |
| Donations            | 3             | 150          |
| Miscellaneous income | 959           | 1,040        |
|                      | <u>13,125</u> | <u>8,190</u> |

## FEES AND COMMISSIONS RECEIVABLE

|   | 2019          | 2018          |
|---|---------------|---------------|
|   | £             | £             |
| Entrance fees   | 920           | 635           |
| Annual service charge                                     | 4,126         | 3,807         |
| Hastings Borough Council housing loans, HMO and card fees | 23,086        | 13,742        |
| LHA Administration fees                                   | 900           | 1,061         |
| Prepaid card fees   | 1,367         | 1,543         |
| Other fees  | -             | 107           |
|   | <u>30,399</u> | <u>20,897</u> |

## 6. EMPLOYEES AND DIRECTORS

|                       | 30.9.19       | 30.9.18       |
|-----------------------|---------------|---------------|
|                       | £             | £             |
| Wages and salaries    | 24,217        | 17,927        |
| Social security costs | 1,667         | -             |
| Other pension costs   | 361           | -             |
|                       | <u>26,245</u> | <u>17,927</u> |

The average number of employees during the year was as follows:

|              | 30.9.19  | 30.9.18  |
|--------------|----------|----------|
| Office staff | <u>2</u> | <u>1</u> |

The Directors of the Credit Union are all unpaid volunteers. The key management team for the Credit Union includes the credit union manager.

|                         | 30.9.19  | 30.9.18  |
|-------------------------|----------|----------|
|                         | £        | £        |
| Directors' remuneration | <u>-</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

7. INTEREST RECEIVABLE AND SIMILAR INCOME

|                          | 30.9.19       | 30.9.18       |
|--------------------------|---------------|---------------|
|                          | £             | £             |
| Deposit account interest | 2,829         | 1,315         |
| Loan interest receivable | 10,414        | 11,931        |
|                          | <u>13,243</u> | <u>13,246</u> |

8. (LOSS)/PROFIT BEFORE TAXATION

The loss (2018 - profit) is stated after charging:

|                             | 30.9.19    | 30.9.18    |
|-----------------------------|------------|------------|
|                             | £          | £          |
| Depreciation - owned assets | <u>664</u> | <u>316</u> |

9. AUDITORS' REMUNERATION

|   | 30.9.19      | 30.9.18      |
|---|--------------|--------------|
|   | £            | £            |
| Fees payable to the company's auditors and their associates for the audit of the company's financial statements | <u>5,430</u> | <u>1,260</u> |
| Total audit fees  | <u>5,430</u> | <u>1,260</u> |
| Taxation compliance services  | <u>-</u>     | <u>90</u>    |
| Total non-audit fees  | <u>-</u>     | <u>90</u>    |
| Total fees payable  | <u>5,430</u> | <u>1,350</u> |

10. TAXATION

Analysis of the tax charge

The tax charge on the loss for the year was as follows:

|                      | 30.9.19    | 30.9.18    |
|----------------------|------------|------------|
|                      | £          | £          |
| Current tax:         |            |            |
| UK corporation tax   | <u>537</u> | <u>250</u> |
| Tax on (loss)/profit | <u>537</u> | <u>250</u> |

UK corporation tax was charged at 19% in 2018.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 10. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

|  | 30.9.19<br>£   | 30.9.18<br>£ |
|--|----------------|--------------|
| (Loss)/profit before tax   | <u>(1,992)</u> | <u>6,167</u> |
| (Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%) | (378)          | 1,172        |
| Effects of:  |                |              |
| Expenses not deductible for tax purposes   | 10,584         | -            |
| Income not taxable for tax purposes  | <u>(9,669)</u> | <u>(922)</u> |
| Total tax charge   | <u>537</u>     | <u>250</u>   |

The Credit Union is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as a trade. However, corporation tax is payable on investment income. As a result, tax charge for the year differs from the standard rate of corporation tax.

## 11. TANGIBLE FIXED ASSETS

|                       | Fixtures<br>and<br>fittings<br>£ | Computer<br>equipment<br>£ | Totals<br>£  |
|-----------------------|----------------------------------|----------------------------|--------------|
| <b>COST</b>           |                                  |                            |              |
| At 1 October 2018     | 831                              | 3,158                      | 3,989        |
| Additions             | <u>325</u>                       | <u>848</u>                 | <u>1,173</u> |
| At 30 September 2019  | <u>1,156</u>                     | <u>4,006</u>               | <u>5,162</u> |
| <b>DEPRECIATION</b>   |                                  |                            |              |
| At 1 October 2018     | 831                              | 2,842                      | 3,673        |
| Charge for year       | <u>65</u>                        | <u>599</u>                 | <u>664</u>   |
| At 30 September 2019  | <u>896</u>                       | <u>3,441</u>               | <u>4,337</u> |
| <b>NET BOOK VALUE</b> |                                  |                            |              |
| At 30 September 2019  | <u>260</u>                       | <u>565</u>                 | <u>825</u>   |
| At 30 September 2018  | <u>-</u>                         | <u>316</u>                 | <u>316</u>   |

## 12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                | 30.9.19<br>£  | 30.9.18<br>£  |
|--------------------------------|---------------|---------------|
| Loans and advances to members  | 46,740        | 44,447        |
| Loans and advances to banks    | 3,787         | 3,627         |
| Prepayments and accrued income | <u>10,227</u> | <u>7,050</u>  |
|                                | <u>60,754</u> | <u>55,124</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

## LOANS AND ADVANCES TO MEMBERS

|  | Note | 30.9.19<br>£ | 30.9.18<br>£ |
|--|------|--------------|--------------|
| At 1 October 2018                                |      | 50,263       | 58,452       |
| Advanced during the year                         |      | 52,759       | 53,645       |
| Repaid during the year                           |      | (47,993)     | (58,483)     |
| Gross loans and advances to members              |      | 55,029       | 53,614       |
| Impairment losses                                |      |              |              |
| Individual financial assets                      |      | (673)        | (3,351)      |
| Groups of financial assets                       |      | (7,616)      | (5,816)      |
| At 30 September 2019                             |      | 46,740       | 44,447       |
| Memorandum-Total loan assets regulatory purposes |      |              |              |
|  |      | £            | £            |
| Gross loans and advances to members              |      | 55,029       | 53,614       |
| Impairment of individual financial assets        |      | (673)        | (3,351)      |
| Total loan assets for regulatory purposes        |      | 54,356       | 50,263       |

## Credit risk disclosures

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

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.

|                                      | 30.9.19     |                 | 30.9.18     |                 |
|--------------------------------------|-------------|-----------------|-------------|-----------------|
|                                      | Amount<br>£ | Proportion<br>% | Amount<br>£ | Proportion<br>% |
| Not impaired:                        |             |                 |             |                 |
| Neither past due nor impaired        | 23,170      | 42.6            | 20,896      | 41.6            |
| Up to 3 months past due              | 15,263      | 28.1            | 16,803      | 33.4            |
| Between 3 and 6 months past due      | 2,184       | 4.0             | 7,342       | 14.6            |
| Between 6 and 9 months past due      | 1,249       | 2.3             | 2,795       | 5.6             |
| Between 9 months and 1 year past due | 370         | 0.7             | -           | -               |
| Over 1 year past due                 | 12,120      | 22.3            | 2,427       | 4.8             |
| Sub-total: Loans not impaired        | 54,356      | 100.0           | 50,263      | 100.0           |
| Individually impaired:               |             |                 |             |                 |
| Not yet past due, but impaired       | -           | -               | -           | -               |
| Up to 3 months past due              | -           | -               | -           | -               |
| Between 3 and 6 months past due      | -           | -               | -           | -               |
| Between 6 and 9 months past due      | -           | -               | -           | -               |
| Between 9 months and 1 year past due | -           | -               | -           | -               |
| Over 1 year past due                 | -           | -               | -           | -               |
| Total loans                          | 54,356      | 100.0           | 50,263      | 100.0           |
| Impairment allowance                 | (7,616)     |                 | (5,816)     |                 |
| Total carrying value                 | 46,740      |                 | 44,447      |                 |

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

Allowance account for impairment losses

| Note | 30.9.19 | 30.9.18 |
|------|---------|---------|
| 22   | £       | £       |

|  |       |         |
|--|-------|---------|
| At 1 October 2018                                | 5,816 | 9,559   |
| Allowances increased/(reversed) during the year  | 1,800 | (3,743) |
| Increase/(Decrease) in allowance during the year | 1,800 | (3,743) |
| As at 30 September 2019                          | 7,616 | 5,816   |

Impairment losses recognised for the year

| 30.9.19 | 30.9.18 |
|---------|---------|
| £       | £       |

|  |       |         |
|--|-------|---------|
| Impairment of individual financial assets                      | 653   | 3,351   |
| Increase / (Decrease) in impairment allowances during the year | 1,800 | (3,742) |
| Reversal of impairment where debts recovered                   | 2,453 | (391)   |
|  | -     | (256)   |
| Total impairment losses / (gains) recognised for the year      | 2,453 | (647)   |

## 13. CURRENT ASSET INVESTMENTS

| 30.9.19 | 30.9.18 |
|---------|---------|
| £       | £       |

|                             |   |         |
|-----------------------------|---|---------|
| Bank deposits (Long notice) | - | 195,975 |
|-----------------------------|---|---------|

## 14. CASH AT BANK AND IN HAND

| 30.9.19 | 30.9.18 |
|---------|---------|
| £       | £       |

|   |         |           |
|---|---------|-----------|
| Loans and advances to banks               | 325,348 | 321,386   |
| Less: Amounts maturing after three months | -       | (195,975) |
|   | 325,348 | 125,411   |

## 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| 30.9.19 | 30.9.18 |
|---------|---------|
| £       | £       |

|  |         |         |
|--|---------|---------|
| Subscribed capital - repayable upon demand           | 301,085 | 294,005 |
| Tax  | 537     | 250     |
| Social security and other taxes                      | 683     | 1,516   |
| Other creditors                                      | -       | 12,163  |
| Unclaimed balances                                   | 1,366   | 1,366   |
| Hastings Borough Council Housing loan repayments due | 43,627  | 28,245  |
| Accruals and deferred income                         | 5,478   | 2,761   |
|  | 352,776 | 340,306 |

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

SUBSCRIBED CAPITAL - FINANCIAL LIABILITIES

|  | 30.9.19        | 30.9.18        |
|--|----------------|----------------|
|  | £              | £              |
| At 1 October 2018                      | 294,005        | 283,556        |
| Received during the year (Net of fees) | 555,863        | 657,335        |
| Dividends paid during the year         | -              | -              |
| Repaid during the year                 | (548,783)      | (646,886)      |
|  | <u>301,085</u> | <u>294,005</u> |
| At 30 September 2019                   | <u>301,085</u> | <u>294,005</u> |

Deposits from members may only be made by way of subscription of shares. The balance includes shares made by juvenile members; £2,159 (2018: £3,575).

16. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

|                 | 30.9.19      | 30.9.18  |
|-----------------|--------------|----------|
|                 | £            | £        |
| Within one year | <u>2,304</u> | <u>-</u> |

These leases are in respect of the office and archive space used by the Credit Union.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 17. FINANCIAL INSTRUMENTS

## Financial risk management

The Credit Union manages its subscribed capital and loans to members so that it earns income from the margin between interest receivable and interest payable.

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk, and interest rate risk. The board reviews and agrees policies for managing each of these risks, which are summarised below.

**Credit risk:** Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to the Credit Union, resulting in financial loss to the Credit Union. In order to manage the risk the Board approves the Credit Union's lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of payment has changed. The Credit Union also monitors its banking arrangements closely in light of the current banking situation.

**Liquidity risk:** The Credit Union's policy is to maintain sufficient funds in liquid form at all times to ensure that it meets its liabilities as they fall due. The objective of the Credit Union's liquidity policy is to smooth mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise. Note 2 provides further details about the impact of the maturity mismatch on the going concern status of the Credit Union.

**Market risk:** Market risk is generally comprised of interest rate risk, currency risk and other price risk. The Credit Union conducts all its transactions in sterling and does not deal in derivatives or commodity markets. Therefore the Credit Union is not exposed to any form of currency risk or other price risk.

**Interest rate risk:** The Credit Union's main interest rate risk arises from differences between the interest rate exposures on the receivables and payables that form an integral part of a credit union's operations. The Credit Union considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital. The Credit Union does not use interest rate options to hedge its own positions.

## Interest rate risk disclosures

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

|                  | 30.9.19     |                                  | 30.9.18     |                                  |
|------------------|-------------|----------------------------------|-------------|----------------------------------|
|                  | Amount<br>£ | Average<br>Interest<br>Rate<br>% | Amount<br>£ | Average<br>Interest<br>Rate<br>% |
| Financial assets |             |                                  |             |                                  |
| Loans to members | 54,356      | 23.57                            | 50,263      | 21.95                            |

The interest rate applicable to loans to members are fixed are charged at 24% per annum on a reducing balance.

## Liquidity risk disclosures

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

## Fair value of financial instruments

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

## 18. RESERVES

|                      | Retained<br>earnings<br>£ | Other<br>reserves<br>£ | Totals<br>£   |
|----------------------|---------------------------|------------------------|---------------|
| At 1 October 2018    | 28,402                    | 4,491                  | 32,893        |
| Deficit for the year | (2,529)                   |                        | (2,529)       |
| At 30 September 2019 | <u>25,873</u>             | <u>4,491</u>           | <u>30,364</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

19. CONTINGENT LIABILITIES

The Credit Union participates in the Financial Services Compensation Scheme (FSCS) and therefore has a contingent liability, which cannot be quantified, in respect of contributions to the FSCS, as required by the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) has provided details of how the calculation of next year's contributions 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.

20. RELATED PARTY DISCLOSURES

Key management personnel of the entity or its parent (in the aggregate)

|                               | 30.9.19      | 30.9.18      |
|-------------------------------|--------------|--------------|
|                               | £            | £            |
| Payroll costs                 | 22,638       | -            |
| Amount due from related party | <u>1,852</u> | <u>2,210</u> |

During the year, 1 members of the board, volunteers and close relatives, had or were issued with loans from the Credit Union (2018: 3 Members). These loans were approved on the same basis as loans to other members of the Credit Union. None of the directors, staff, volunteers and close family members have any preferential terms on their loans.

21. POST BALANCE SHEET EVENTS

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

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 22. EXPENSES

## Administrative Expenses

|  | 2019<br>£     | 2018<br>£     |
|--|---------------|---------------|
| Salaries and wages                                   | 24,217        | 10,850        |
| Employer's social security and pension contributions | 2,028         | 7,077         |
| Directors and volunteers expenses                    | 747           | 1,115         |
| Auditors remuneration                                | 5,430         | 1,350         |
| Telephone  | 1,312         | 1,029         |
| Computer maintenance                                 | 2,374         | 2,536         |
| General expenses                                     | 54            | 1,529         |
| Printing, postage and stationery                     | 2,643         | 2,932         |
| Other insurances                                     | 453           | -             |
| Storage and archive                                  | 1,233         | -             |
| Office move  | 2,663         | -             |
| Training and development                             | 27            | -             |
|  | <u>43,181</u> | <u>28,418</u> |

## Other Operating Expenses

|  | 2019<br>£    | 2018<br>£    |
|--|--------------|--------------|
| Cost of occupying office (excluding depreciation)                    |              |              |
| Rent and rates   | 2,173        | 1,763        |
| Regulatory and financial management costs                            |              |              |
| Financial Conduct Authority and Prudential Regulation Authority fees | 221          | 247          |
| National Body dues   | 788          | 706          |
| Financial Services Compensation Scheme levy                          | -            | 57           |
| Fidelity insurance   | 382          | 535          |
| Loan protection insurance  | 188          | 251          |
| Debt recovery fees and credit checks                                 | -            | 122          |
|  | <u>1,579</u> | <u>1,918</u> |
|  | <u>3,752</u> | <u>3,681</u> |

TRADING AND PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

|  | 30.9.19           |                   | 30.9.18           |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | £                 | £                 | £                 | £                 |
| Fees and commissions receivable  |                   |                   |                   |                   |
| Entrance fees  | 920               |                   | 635               |                   |
| Annual membership fees   | 4,126             |                   | 3,807             |                   |
| Hastings Borough Council housing loans,<br>HMO and card fees           | 20,034            |                   | 13,742            |                   |
| LHA Administration fees  | 900               |                   | 1,061             |                   |
| Prepaid card fees  | 1,367             |                   | 1,543             |                   |
| Other fees   | -                 |                   | 109               |                   |
|  | <u>          </u> | 27,347            | <u>          </u> | 20,897            |
| Fees and commissions payable   |                   |                   |                   |                   |
| Fees and commissions payable   |                   | 5,658             |                   | 4,399             |
|  |                   | <u>          </u> |                   | <u>          </u> |
| GROSS PROFIT   |                   | 21,689            |                   | 16,498            |
| Other income   |                   |                   |                   |                   |
| Grant income   | 12,163            |                   | 7,000             |                   |
| Donations  | 3                 |                   | 150               |                   |
| Miscellaneous income   | 959               |                   | 1,040             |                   |
| Deposit account interest   | 2,829             |                   | 1,315             |                   |
| Loan interest receivable   | 10,414            |                   | 11,931            |                   |
|  | <u>          </u> | 26,368            | <u>          </u> | 21,436            |
|  |                   | <u>          </u> |                   | <u>          </u> |
|  |                   | 48,057            |                   | 37,934            |
| Expenditure  |                   |                   |                   |                   |
| Rents and rates  | 2,173             |                   | 1,763             |                   |
| Insurance  | 453               |                   | -                 |                   |
| Wages  | 24,217            |                   | 17,927            |                   |
| Social security  | 1,667             |                   | -                 |                   |
| Pensions   | 361               |                   | -                 |                   |
| Telephone  | 1,312             |                   | 1,029             |                   |
| Printing, postage and stationery                                       | 2,643             |                   | 2,932             |                   |
| Travelling   | 747               |                   | 1,115             |                   |
| Computer maintenance   | 2,374             |                   | 2,536             |                   |
| Storage and archive costs  | 1,233             |                   | -                 |                   |
| Office move expenses   | 2,663             |                   | -                 |                   |
| Sundry expenses  | (7)               |                   | 1,529             |                   |
| Training and development   | 27                |                   | -                 |                   |
| Auditors' remuneration   | 5,430             |                   | 1,260             |                   |
| Auditors' remuneration for non audit work                              | -                 |                   | 90                |                   |
| Bad debts  | 653               |                   | 3,351             |                   |
| Bad debt allowance   | 1,800             |                   | (3,743)           |                   |
| Bad debt recovered   | -                 |                   | (256)             |                   |
| Financial Conduct Authority and Prudential<br>regulation authority fee | 221               |                   | 247               |                   |
| National Body dues   | 788               |                   | 706               |                   |
| Financial Services Compensation Scheme<br>levy                         | -                 |                   | 57                |                   |
| Fidelity insurance   | 382               |                   | 535               |                   |
| Loan protection insurance  | 188               |                   | 251               |                   |
| Debt recovery fees and credit checks                                   | 61                |                   | 122               |                   |
|  | <u>          </u> | 49,386            | <u>          </u> | 31,451            |
|  |                   | <u>          </u> |                   | <u>          </u> |
| Carried forward  |                   | (1,329)           |                   | 6,483             |

TRADING AND PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

|                       | 30.9.19         |                       | 30.9.18         |                     |
|-----------------------|-----------------|-----------------------|-----------------|---------------------|
|                       | £               | £                     | £               | £                   |
| Brought forward       |                 | (1,329)               |                 | 6,483               |
| Depreciation          |                 |                       |                 |                     |
| Fixtures and fittings | 65              |                       | -               |                     |
| Computer equipment    | 598             |                       | 316             |                     |
|                       | <u>        </u> | <u>663</u>            | <u>        </u> | <u>316</u>          |
| NET (LOSS)/PROFIT     |                 | <u><u>(1,992)</u></u> |                 | <u><u>6,167</u></u> |