



Alexander Sloan
Accountants and Business Advisers

Kent Savers Credit Union Limited Annual Report and Financial Statements Year Ended 30 September 2018

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Kent Savers Credit Union Limited

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Kent Savers Credit Union Limited

Credit Union Information

FCA Number 503258

Society Number 745C

Registered office Maidstone Community Support Centre
39-48 Marsham Street
Maidstone
Kent
ME14 1HH

Auditors Alexander Sloan
180 St Vincent Street
Glasgow
G2 5SG

Kent Savers Credit Union Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Kent Savers Credit Union Limited

Directors' Report for the Year Ended 30 September 2018

The Directors present their report and the financial statements for the year ended 30 September 2018.

Principal activity

The principal activity of the Credit Union continues to be that defined in the Credit Unions Act 1979. The Credit Union's common bond covers individuals who either work or live within the historical county area of Kent.

Directors of the Credit Union

The directors who held office during the year were as follows:

Philip Davies (resigned 31 January 2018)

Mark Faithful (resigned 20 November 2017)

Lesley Jones (resigned 27 October 2017)

Martin Kingman - Chairman

Catherine Parker - Secretary and director (resigned 27 March 2018)

Diane Tatt

David Wilson

Chris Goulding (co-opted 30 January 2018)

Nick Vickers (co-opted 18 December 2017)

Principal risks and uncertainties

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and interest rate risk.

Credit Risk - The Credit Union is exposed to the risk of default on loans and bank balances. All loans are required by the Credit Union to be assessed against the Credit Union's lending policy.

Liquidity Risk - The Credit Union's policy is to maintain sufficient funds in liquid forms at all times to be able to meet its liabilities as they fall due and to meet the regulator's liquidity requirements.

Interest Rate Risk - The main interest rate risk arises from differences between interest rate exposures on assets and liabilities that form an integral part of the Credit Union's activities. The Credit Union considers interest rates when setting the level of proposed dividends each period.

Kent Savers Credit Union Limited

Directors' Report for the Year Ended 30 September 2018

Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Credit Union's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Statement of Directors' Responsibilities

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 (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 period. 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; and
- 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 Unions Act 1979 and the Co-operative and Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Kent Savers Credit Union Limited

Directors' Report for the Year Ended 30 September 2018

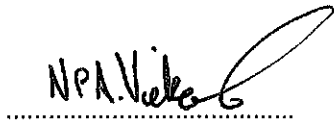
Reappointment of auditors

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.

Approved by the Board on 26/2/19 and signed on its behalf by:



.....
Martin Kingman
Chairman



.....
Nick Vickers
Director

Kent Savers Credit Union Limited

Independent Auditor's Report to the Members of Kent Savers Credit Union Limited

Opinion

We have audited the financial statements of Kent Savers Credit Union Limited (the 'Credit Union') for the year ended 30 September 2018, which comprise the Revenue Account, Balance Sheet, Statement of Changes in Equity, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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.

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 2018 and of its 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 Co-operative and Community Benefits 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.

Kent Savers Credit Union Limited

Independent Auditor's Report to the Members of Kent Savers Credit Union Limited

Material Uncertainty Related to Going Concern

The Credit Union has generated a deficit in the year, resulting in negative reserves of £264,892 at 30 September 2018. As outlined in Note 2, the Directors have plans to increase capital in the forthcoming period. The Credit Union's Reserves are below the minimum capital requirements set by the Prudential Regulation Authority (PRA). The Credit Union's ability to continue as a going concern depends on the success of the Director's plans and the support from the PRA.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Credit Union and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

Kent Savers Credit Union Limited

Independent Auditor's Report to the Members of Kent Savers Credit Union Limited

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 maintained 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 Statement of Directors' Responsibilities [set out on page 3], 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.

Kent Savers Credit Union Limited

Independent Auditor's Report to the Members of Kent Savers Credit Union Limited

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Credit Union audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kent Savers Credit Union Limited

**Independent Auditor's Report to the Members of Kent Savers Credit Union
Limited**

Alexander Sloan

.....
Alexander Sloan
180 St Vincent Street
Glasgow
G2 5SG

Date: *1 March 2019*

Kent Savers Credit Union Limited

Revenue Account for the Year Ended 30 September 2018

	Note	2018 £	2017 £
Loan interest receivable and similar income	3	164,265	173,938
Interest payable and similar charges	4	-	(6,552)
Net interest income		<u>164,265</u>	<u>167,386</u>
Fees and commissions receivable	5	9,238	928
Fees and commissions payable	6	(13,972)	(10,762)
Net fees and commissions		<u>(4,734)</u>	<u>(9,834)</u>
Other operating income	7	460	3,260
Administrative expenses	8	(107,512)	(95,007)
Depreciation and amortisation		(2,637)	(328)
Other operating expenses	9	(15,128)	(14,807)
Impairment on loans for bad and doubtful debts	16	(268,028)	(86,988)
Deficit before tax		<u>(233,314)</u>	<u>(36,318)</u>
Corporation tax	13	(308)	(561)
Deficit for the financial year		<u>(233,622)</u>	<u>(36,879)</u>
Total comprehensive income for the year		<u>(233,622)</u>	<u>(36,879)</u>

The Revenue Account has been prepared on the basis that all operations are continuing operations.

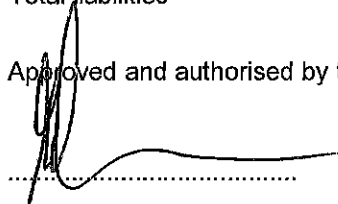
The notes on pages 15 to 36 form an integral part of these financial statements.

Kent Savers Credit Union Limited

Balance Sheet as at 30 September 2018

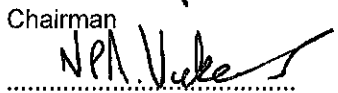
	Note	2018 £	2017 £
Assets			
Cash and balances at central banks	14	3,415	4,328
Loans and advances to banks	14	674,192	473,161
Loans and advances to customers	15	988,545	1,272,645
Tangible fixed assets	17	21,774	623
Other receivables	18	3,654	4,233
Total assets		1,691,580	1,754,990
Liabilities			
Customer accounts	20	1,623,739	1,530,694
Other liabilities	21	321,123	144,490
Accruals and deferred income	22	8,481	8,481
Provisions	23	3,129	102,595
		1,956,472	1,786,260
Other reserves	25	172,283	172,283
General reserve	25	(437,175)	(203,553)
Total reserves		(264,892)	(31,270)
Total liabilities		1,691,580	1,754,990

Approved and authorised by the Board on 26/2/19 and signed on its behalf by:



Martin Kingman

Chairman



Nick Vickers

Director

The notes on pages 15 to 36 form an integral part of these financial statements.

Kent Savers Credit Union Limited

Statement of Changes in Equity for the Year Ended 30 September 2018

	Other reserves £	General reserve £	Total £
At 1 October 2017	172,283	(203,553)	(31,270)
Deficit for the year	-	(233,622)	(233,622)
At 30 September 2018	172,283	(437,175)	(264,892)
	Other reserves £	General reserve £	Total £
At 1 October 2016	172,283	(166,674)	5,609
Deficit for the year	-	(36,879)	(36,879)
At 30 September 2017	172,283	(203,553)	(31,270)

The notes on pages 15 to 36 form an integral part of these financial statements.

Kent Savers Credit Union Limited

Statement of Cash Flows for the Year Ended 30 September 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Deficit for the year		(233,622)	(36,879)
<u>Adjustments to cash flows from non-cash items</u>			
Depreciation and amortisation	10	2,637	328
Corporation tax expense	13	308	561
Provision movement	16	269,626	86,988
Interest income on loans		(162,646)	(171,071)
Distribution on member shares		-	6,351
		(123,697)	(113,722)
<u>Working capital adjustments</u>			
Decrease in other receivables and prepayments	18	579	8,873
Increase in trade and other payables	21	762	1,600
(Decrease)/increase in provisions	23	(99,466)	102,595
Decrease in deferred income, including grants		-	(525)
		(98,125)	112,543
Cash flows from changes in operating assets and liabilities			
Loan repayments less loans advanced		177,120	(164,624)
Customer balance cash movement		93,045	177,357
Movement on funds on deposit		(13,151)	(74,915)
		257,014	(62,182)
Income taxes paid	13	(561)	(1,086)
Net cash flow from operating activities		34,631	(64,447)
Cash flows from investing activities			
Acquisitions of property plant and equipment		(23,788)	-
Cash flows from financing activities			
Interest charged and not paid	4	-	201
Movement in subordinated loans	19	176,124	25,001
Net cash flows from financing activities		176,124	25,202

The notes on pages 15 to 36 form an integral part of these financial statements.

Kent Savers Credit Union Limited

Statement of Cash Flows for the Year Ended 30 September 2018

	Note	2018 £	2017 £
Net increase/(decrease) in cash and cash equivalents		186,967	(39,245)
Cash and cash equivalents at 1 October		<u>255,282</u>	<u>294,527</u>
Cash and cash equivalents at 30 September		<u><u>442,249</u></u>	<u><u>255,282</u></u>

The notes on pages 15 to 36 form an integral part of these financial statements.

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

1 General information

Kent Savers 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.

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 Kent Savers Credit Union Limited has only issued redeemable shares.

The address of its registered office is:
Maidstone Community Support Centre
39-48 Marsham Street
Maidstone
Kent
ME14 1HH

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention.

The accounts are presented in UK Sterling and rounded to the nearest pound.

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

2 Accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis. The Credit Union has generated a deficit in the current year leading to a reduction in reserves. The Credit Union is currently below the required capital to asset ratio. The directors have secured additional loan funding from the London Borough of Bexley. This allows the Credit Union to draw down up to £600,000. The directors believe this will result in the Credit Union meeting its capital to asset ratio in the forthcoming years. The Credit Union's ability to continue as a going concern depends on access to these funds and the support of the PRA. The financial statements do not contain any adjustments that would be necessary if the Credit Union was not able to continue as a going concern.

Key sources of estimation uncertainty

Impairment of loans to members:

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 there is objective evidence that any individual loan is impaired during the course of the year, 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.

Grants

Grants are credited to deferred income. Grants for capital expenditure are released to the Revenue Account over the expected useful life of the asset. Grants for revenue expenditure are released to the Revenue Account as the expenditure is incurred.

Finance income policy

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

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.

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

2 Accounting policies (continued)

Tax

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.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Kent Savers Credit Union Limited 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 Kent Savers Credit Union Limited from which surpluses are chargeable to corporation tax, it is unlikely that deferred tax will arise.

Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible fixed assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Furniture and Fittings	Straight line over 6 years
Computers	Straight line over 6 years

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, call deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

2 Accounting policies (continued)

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Revenue Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Credit Union has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Provisions

Provisions are recognised when the Credit Union has an obligation at the reporting date as a result of a past event, it is probable that the Credit Union will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Credit Union has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as an employee benefit expense when they are due. If the contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

2 Accounting policies (continued)

Financial instruments

Classification

Loans to members are a debt instrument measured at amortised cost using the effective interest rate.

Shares are redeemable and therefore are classed as financial liabilities. They are initially recognised at the amount of cash deposited and subsequently at amortised cost.

Recognition and measurement

Loans to members are financial assets with fixed or determinable payments, and are not quoted in an active market. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest rate method. Loans are derecognised when the rights to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

The Credit Union does not transfer loans to third parties.

Impairment

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 there is objective evidence that any individual loan is impaired during the course of the year, 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.

3 Interest receivable and similar income

	2018	2017
	£	£
Interest income on loans	162,646	171,071
Interest income on bank deposits	1,619	2,867
	<hr/>	<hr/>
	164,265	173,938
	<hr/>	<hr/>

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

4 Interest payable and similar charges

	2018 £	2017 £
Ordinary share dividend	-	6,351
Total distributions to customers	-	6,351
Interest on bank overdrafts and borrowings	-	201
	-	6,552

The distributions on member's shares represents distributions paid in the year which were approved at the last Annual General Meeting. The dividend rates approved at the previous AGM were:

	2018 %	2017 %
Dividends paid during the period		
Juvenile dividend	0.00	0.50
Ordinary member dividend	0.00	0.50

5 Fees and commissions receivable

	2018 £	2017 £
Commissioned services income	7,886	-
Entrance fees	1,352	928
Fees and commissions receivable	9,238	928

6 Fees and commissions payable

	2018 £	2017 £
Bank charges	13,972	10,762

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

7 Other operating income

	2018	2017
	£	£
Other income	460	323
Government grants	-	2,937
	<u>460</u>	<u>3,260</u>

8 Administrative expenses

	2018	2017
	£	£
Employee benefits expense	75,018	63,335
Auditor's remuneration	4,858	3,960
Death benefit costs	1,608	3,435
Member communication and advertising	5,622	5,358
Legal, professional and credit costs	6,132	7,268
Computer costs	10,228	10,115
Travel costs	532	281
Other admin costs	3,514	1,255
Administrative expenses	<u>107,512</u>	<u>95,007</u>

9 Other operating expenses

	2018	2017
	£	£
Regulatory costs	5,773	5,737
Office costs	9,355	9,070
Other operating expenses	<u>15,128</u>	<u>14,807</u>

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

10 Operating surplus

Arrived at after charging:

	2018	2017
	£	£
Depreciation expense	2,637	328
Operating lease - Rent	8,000	8,083
	<u>8,000</u>	<u>8,083</u>

11 Staff costs

The aggregate remuneration (including key management remuneration) was as follows:

	2018	2017
	£	£
Wages and salaries	71,577	61,293
Social security costs	2,358	1,435
Pension costs, defined contribution scheme	1,083	607
	<u>75,018</u>	<u>63,335</u>

The average number of persons employed by the Credit Union during the year, analysed by category was as follows:

	2018	2017
	No.	No.
Administration and support	<u>4</u>	<u>3</u>

Directors of the Credit Union are reimbursed for expenses incurred on the Credit Union's behalf but are not remunerated by the Credit Union.

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

12 Auditor's remuneration

	2018 £	2017 £
Audit of the financial statements	4,200	3,960
Other fees to auditors		
All other non-audit services	658	-

13 Corporation tax

Tax charged in the revenue account

	2018 £	2017 £
Current taxation		
UK corporation tax	308	561

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK 2018 - 19% (2017 higher than the standard rate of corporation tax in the UK - 19.5%).

The differences are reconciled below:

	2018 £	2017 £
Deficit before tax	(233,314)	(36,318)
Corporation tax at standard rate	(44,330)	(7,082)
Effect of transactions exempt from taxation	44,638	7,643
Total tax charge	308	561

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

14 Loans and advances to banks

	2018	2017
	£	£
Cash at bank	438,834	250,954
Short-term deposits	235,358	222,207
	<hr/>	<hr/>
Loans and advances to banks	674,192	473,161
Cash balances	3,415	4,328
	<hr/>	<hr/>
Total cash and bank balances and deposits	677,607	477,489
Less amounts maturing more than 8 days	(235,358)	(222,207)
	<hr/>	<hr/>
Cash and cash equivalents in statement of cash flows	<u>442,249</u>	<u>255,282</u>

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

15 Loans and advances to customers

	Note	2018 £	2017 £
Loan movement in the period			
Opening balance		1,565,044	1,232,652
Interest accrued on loans during period		162,646	171,071
Loans advanced during the period		578,323	742,713
Repayments received during period		(755,443)	(578,089)
Loans derecognised		(184,154)	(3,303)
		<u>1,366,416</u>	<u>1,565,044</u>
Loan impairment		(377,871)	(292,399)
		<u>988,545</u>	<u>1,272,645</u>
Loan repayments			
Loans due within one year		574,068	610,288
Due after one year		792,348	954,756
Loan impairment		(377,871)	(292,399)
		<u>988,545</u>	<u>1,272,645</u>
Classification of loans			
Loans to individual members		988,545	1,272,645
		<u>988,545</u>	<u>1,272,645</u>

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

16 Loan Impairment

	Provision for debts written off	Doubtful debt provision	Total provision
Opening impairment	72,172	220,227	292,399
Charge to Revenue Account	252,797	15,231	268,028
Derecognised	(184,154)	-	(184,154)
Bad debt recovered	1,598	-	1,598
Closing provision	<u>142,413</u>	<u>235,458</u>	<u>377,871</u>

The Credit Union has taken a prudent approach of writing off bad debts. Under FRS 102, the criteria for writing off a loan differs from this policy. As a result, certain loans written off by the Credit Union have been reallocated to provisions per "Provisions for debts written off" as stated above. There is no net effect on the surplus or net assets of the Credit Union from this reallocation.

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

17 Tangible fixed assets

	Furniture, fittings and equipment £	Total £
Cost or valuation		
At 1 October 2017	45,518	45,518
Additions	23,788	23,788
	69,306	69,306
At 30 September 2018		
Depreciation		
At 1 October 2017	44,895	44,895
Charge for the year	2,637	2,637
	47,532	47,532
At 30 September 2018		
Carrying amount		
At 30 September 2018	21,774	21,774
At 30 September 2017	623	623

18 Other receivables

	2018 £	2017 £
Other debtors	3,654	4,233
	3,654	4,233
Other receivables	3,654	4,233

19 Loans and borrowings

	2018 £	2017 £
Non-current loans and borrowings		
Subordinated loans	311,669	135,545
	311,669	135,545

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

20 Customer accounts

	2018 £	2017 £
Customer balance movement in the period		
Opening balance	1,530,694	1,346,986
Deposited during the period	1,012,522	860,469
Withdrawn during the period	(919,477)	(676,761)
	1,623,739	1,530,694
Classification of Customer balances		
Individual member shares	1,532,531	1,463,335
Corporate shares	86,875	64,794
Member balances	1,619,406	1,528,129
Juvenile deposits	4,333	2,565
	1,623,739	1,530,694

21 Other liabilities

	Note	2018 £	2017 £
Due within one year			
Other payables		489	681
Accrued expenses		8,657	7,703
Corporation tax liability	13	308	561
		9,454	8,945
Due after one year			
Subordinated loans	19	311,669	135,545

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

22 Accruals and deferred income

	2018	2017
	£	£
Deferred income brought forward	8,481	9,006
Deferred income released	-	(525)
	8,481	8,481
	8,481	8,481

23 Provisions

	London Borough of Bexley Council Fund	Maidstone Borough Council Loan Fund	Total
	£	£	£
At 1 October 2017	97,595	5,000	102,595
Provisions used	-	(1,871)	(1,871)
Increase/(decrease) from transfers and other changes	(97,595)	-	(97,595)
	-	3,129	3,129
At 30 September 2018	-	3,129	3,129

The Credit Union has entered into agreements with the London Borough of Bexley and Maidstone Borough Council for the operation of loan funds for their residents. The funds from the London Borough of Bexley have been reclassified as subordinated loans during the year, and are included in the figures shown in Note 19 above.

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

24 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2018	2017
	£	£
Not later than one year	9,810	8,083
Later than one year and not later than five years	18,601	-
	<u>28,411</u>	<u>8,083</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £8,360 (2017 - £8,083).

25 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 Reserves

The Other Reserve represents funds granted to Kent Savers Credit Union Limited at the end of the contract with the DWP for the funding of loans to financially excluded households. This reserve is available to be utilised as required by Kent Savers Credit Union Limited. Other reserves also represent one off non repayable grants from certain Housing Associations for their tenants to gain access to affordable credit. These grants will be utilised as required.

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

26 Capital

Kent Savers Credit Union Limited classes all of its reserves as capital. In addition, a proportion of the Credit Union's subordinated loans are classified as capital in accordance with the PRA Credit Union Rulebook. The Credit Union manages its reserves through its financial and budgeting policies and procedures. The Prudential Regulation Authority sets out requirements for the capital ratio that the Credit Union must maintain. The ratio is calculated after proposed dividends. The Credit Union's compliance with the ratio at the year end is set out below:

	2018	2017
	%	%
Regulatory Requirement		
Minimum capital to asset ratio	3.00	3.00
Actual Capital to Asset Ratio	<u>1.58</u>	<u>5.94</u>

Funds advanced by the London Borough of Bexley for the purposes of giving loans to its residents are classified as subordinated loans. The total maximum capital amount agreed by the London Borough of Bexley as subordinated loan is £600,000, depending on the total sum of loans made to its residents.

The accounting treatment of the London Borough of Bexley capital commitment is constrained by the PRA definition of subordinated loans, whereby funded subordinated payments qualify as capital, but unfunded commitments do not.

At the end of the financial year, the amount of loans outstanding to Bexley residents was £330,725, with a total advanced by Bexley to the credit union of £150,000. Had the additional amount available under the Bexley commitment been accounted for as capital due and payable under the subordinated loan, this would have increased the credit union's capital by £180,725, and the resulting capital to assets ratio would be 11.05%.

The credit union intends to draw down on the Bexley subordinated loan commitment as necessary during the next financial year with due regard to the accounting treatment and impact on the capital to asset ratio.

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

27 Financial Risk Management

Kent Savers Credit Union Limited 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 Kent Savers Credit Union Limited 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 repayments to Kent Savers Credit Union Limited, resulting in financial loss to the Credit Union. In order to manage this risk the Board approves the lending policy of Kent Savers Credit Union Limited 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 Kent Savers Credit Union Limited is to maintain sufficient funds in liquid form at times 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, currency risk and other price risk. The main risks impacting the Credit Union are set out below:

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

27 Financial Risk Management (continued)

Interest rate risk: The main interest rate risk for Kent Savers Credit Union Limited arises between the interest rate exposure on loans, bank deposits and shares that form an integral part of a Credit Union's operations. Kent Savers Credit Union Limited 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 position.

The interest rate on a members' loan is fixed over the term of the loan and therefore the interest receivable is not affected by fluctuations in market interest rates. If market interest rates for personal loans were to move significantly below the rates offered by the credit union, there is a risk that members would transfer their loans to other financial institutions, resulting in loss of income for the credit union. To mitigate this risk, the credit union can:

- adjust the interest rates offered on loans to remain competitive with market rates;
- pay a rebate of interest at the year end, providing an adequate surplus is available;
- emphasise the benefits of a credit union loan over loans with other financial institutions.

The interest received by the Credit Union on investments is largely dependent on prevailing market rates of interest. To mitigate the risk of unfavourable movements in market interest rates the Credit Union always holds a proportion of deposits and investments in fixed rate products with a maximum term of a year. The Credit Union's investment portfolio is reviewed annually to ensure the best use of surplus funds.

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.

Other price risk: The Credit Union does not hold any listed investments.

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

28 Credit risk on loans to members

The Credit Union holds £674,192 in bank accounts and deposits. In order to deal with the credit risk of banking institutions, the Credit Union spreads its bank accounts between a number of different UK financial institutions. At the year end bank funds were held between seven different banks and building societies. The Credit Union believes the full amount is recoverable and no provision against the bank balances is required.

The carrying amount of the loans to members represents the Credit Union's maximum exposure to 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.

	2018 £	2017 £
Loans not impaired		
Not past due	917,479	1,218,161
Loans impaired		
Between 3 months and 6 months due	109,552	51,031
Between 6 months and 1 year past due	121,971	67,876
Over 1 year past due	75,001	155,804
Individually impaired and written off for internal purposes	142,413	72,172
	<u>448,937</u>	<u>346,883</u>
	1,366,416	1,565,044
Impairment allowance	<u>(377,871)</u>	<u>(292,399)</u>
	<u>988,545</u>	<u>1,272,645</u>

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

29 Interest Rate Disclosure

The following table shows the interest received during the year divided by the closing loan balance.

	2018 Amount £	2018 Rates received in year %	2017 Amount £	2017 Rates received in year %
Financial assets				
Loans to members	988,545	16.45	1,272,645	13.44
	2018 Amount £	2017 Amount £	2016 Amount £	2016 Rates paid in year
Financial liabilities				
Juvenile deposits	4,333	2,565	-	-
Member shares	1,619,406	1,528,129	-	.42
	1,623,739	1,530,694	-	.41

30 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.

Kent Savers Credit Union Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

31 Related party transactions

Key management personnel

The Credit Union classes Directors and members of the Senior Management team as Key Management.

Key management compensation

	2018	2017
	£	£
Salaries and other short term employee benefits	15,357	30,000
Post-employment benefits	227	300
	<u>15,584</u>	<u>30,300</u>

Summary of transactions with key management

Loans to key management are issued on standard terms and conditions. At the year end £19,587 (2017 - £7,033) was owed by Key Management and their close family members in loans to the Credit Union. Key management and their close family members held shares in the Credit Union amounting to £7,136 (2017 - £6,787) at the year end.

Kent Savers Credit Union Limited

The following pages do not form part of the statutory accounts

This page does not form part of the statutory financial statements.

Kent Savers Credit Union Limited

Detailed Revenue Account for the Year Ended 30 September 2018

	Note	2018 £	2017 £
Income			
Interest income on loans		162,646	171,071
Interest income on bank deposits		1,619	2,867
Interest Received		164,265	173,938
Fees and commissions receivable	5	9,238	928
Other operating income	7	460	3,260
		173,963	178,126
Expenditure			
Employee benefits expense		75,018	63,335
Auditor's remuneration		4,858	3,960
Death benefit costs		1,608	3,435
Bank charges		13,972	10,762
Regulatory costs		5,773	5,737
Office costs		9,355	9,070
Member communication and advertising		5,622	5,358
Legal, professional and credit costs		6,132	7,268
Computer costs		10,228	10,115
Travel costs		532	281
Other admin costs		3,514	1,255
Depreciation and amortisation		2,637	328
Impairment on loans for bad and doubtful debts		268,028	86,988
		407,277	207,892
Operating Surplus/(Deficit)		(233,314)	(29,766)
Deficit before tax		(233,314)	(29,766)
Corporation Tax	13	(308)	(561)
Deficit for the financial year before dividend		(233,622)	(30,327)
Distributions		-	(6,552)
Deficit for the financial year after dividend		(233,622)	(36,879)

This page does not form part of the statutory financial statements.