



Alexander Sloan
Accountants and Business Advisers

KENT SAVERS CREDIT UNION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

Registration No. 503258

KENT SAVERS CREDIT UNION LIMITED

CREDIT UNION INFORMATION

FCA number 503258

Society Number: 745C

Directors

Kathy Cox - Chairperson	(Appointed 27 November 2018)
Sarah Cryer	(Appointed 30 October 2018)
Barry Golding	(Appointed 24 September 2019)
Chris Goulding	
Martin Kingman	
Gavin Richards	(Appointed 24 September 2019)
Stephen Sidebottom	(Appointed 27 November 2018)
Stephen John Stokes	(Appointed 27 August 2019)
Lucy Swannell	(Appointed 26 February 2019)
David Wilson	

Secretary Lucy Swannell (Appointed 26 February 2019)

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

Auditor Alexander Sloan
180 St Vincent Street
Glasgow
G2 5SG

KENT SAVERS CREDIT UNION LIMITED

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KENT SAVERS CREDIT UNION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The Directors present their annual report and financial statements for the year ended 30 September 2019.

Principal activity

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

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

Results and dividends

The results for the year are set out on page 5.

Directors

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

Kathy Cox - Chairperson	(Appointed 27 November 2018)
Sarah Cryer	(Appointed 30 October 2018)
David English	(Appointed 26 February 2019 and resigned 28 May 2019)
Barry Golding	(Appointed 24 September 2019)
Chris Goulding	
Martin Kingman	
Gavin Richards	(Appointed 24 September 2019)
Raviv Shtaingos	(Appointed 18 December 2018 and resigned 30 April 2019)
Stephen Sidebottom	(Appointed 27 November 2018)
Stephen John Stokes	(Appointed 27 August 2019)
Lucy Swannell	(Appointed 26 February 2019)
Diane Tatt	(Resigned 31 October 2018)
Nick Vickers	(Resigned 27 August 2019)
David Wilson	

Compliance statement

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

Depositor Protection Rules 11, 12, 14 and the requirements of rule 15 that relate to rule 11;

PRA Credit Union Rule 2.10 (fidelity bond insurance requirements).

Principal risks and uncertainties

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

KENT SAVERS CREDIT UNION LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019-

Statement of Directors responsibilities

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

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

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

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

Statement of disclosure to auditor

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

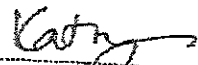
By order of the board



Lucy Swannell

Secretary

Date: 11/03/2020



Kathy Cox - Chairperson

Director

Date: 11 March 2020

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 2019 which comprise the revenue account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2019 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 Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

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

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 credit union'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 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.

KENT SAVERS CREDIT UNION LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF KENT SAVERS CREDIT UNION LIMITED

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the credit union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the credit union or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Alexander Sloan
Accountants and Business Advisers
Statutory Auditor

180 St Vincent Street
Glasgow
G2 5SG

KENT SAVERS CREDIT UNION LIMITED

REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 £	2018 £
Loan interest receivable and similar income	3	171,443	164,265
Net interest receivable		<u>171,443</u>	<u>164,265</u>
Fees and commissions receivable	4	15,048	9,238
Fees and commissions payable	5	(14,283)	(13,972)
Net fees and commissions		<u>765</u>	<u>(4,734)</u>
Other operating income	6	4,034	460
Administrative expenses	7	(140,576)	(107,512)
Depreciation and amortisation		(4,689)	(2,637)
Other operating expenses	8	(14,573)	(15,128)
Impairment on loans for bad and doubtful debts	14	(86,138)	(268,028)
(Deficit) before taxation		<u>(69,734)</u>	<u>(233,314)</u>
Corporation tax	11	(558)	(308)
Deficit for the year		<u><u>(70,292)</u></u>	<u><u>(233,622)</u></u>

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

The notes on pages 10 to 26 form an integral part of these financial statements.

KENT SAVERS CREDIT UNION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 £	2018 £
Deficit for the year		(70,292)	(233,622)
Other comprehensive income		-	-
Total comprehensive loss for the year		<u>(70,292)</u>	<u>(233,622)</u>

The notes on pages 10 to 26 form an integral part of these financial statements.

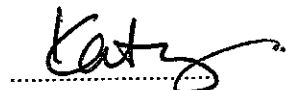
KENT SAVERS CREDIT UNION LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2019

	Notes	2019 £	2018 £
Assets			
Cash and balances at central banks	12	974	3,415
Loans and advances to banks	12	509,057	674,192
Loans and advances to customers	13	1,224,931	988,545
Tangible assets	15	19,820	21,774
Other receivables	16	8,913	3,654
Total assets		1,763,695	1,691,580
Liabilities and reserves			
Customer accounts	17	1,647,959	1,623,739
Other liabilities	18	437,896	321,123
Deferred income	21	8,481	8,481
Provisions for liabilities	22	4,543	3,129
		2,098,879	1,956,472
General reserve	27	(507,467)	(437,175)
Other reserves	27	172,283	172,283
Total reserves		(335,184)	(264,892)
Total liabilities and reserves		1,763,695	1,691,580

The financial statements were approved by the Board of Directors and authorised for issue on 11 March 2020 and are signed on its behalf by:



Kathy Cox - Chairperson
Director



Lucy Swannell
Secretary

The notes on pages 10 to 26 form an integral part of these financial statements.

KENT SAVERS CREDIT UNION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Other Reserve Reserve £	General Reserve £	Total £
Balance at 1 October 2017	172,283	(203,553)	(31,270)
Year ended 30 September 2018:			
Deficit and total comprehensive income for the year	-	(233,622)	(233,622)
Other movements	-	-	-
Balance at 30 September 2018	<u>172,283</u>	<u>(437,175)</u>	<u>(264,892)</u>
Year ended 30 September 2019:			
Deficit and total comprehensive income for the year	-	(70,292)	(70,292)
Balance at 30 September 2019	<u>172,283</u>	<u>(507,467)</u>	<u>(335,184)</u>

The notes on pages 10 to 26 form an integral part of these financial statements.

KENT SAVERS CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	£	2019 £	£	2018 £
Cash flows from operating activities					
Deficit for the period			(70,292)		(233,622)
Depreciation and amortisation	9	4,689		2,637	
Corporation tax expenses	11	558		308	
Provision movement	14	86,138		269,626	
Interest income on loans	3	(168,503)		(162,646)	
			(77,118)		109,925
Working capital adjustments					
Change in other receivables and prepayments	16	(5,259)		579	
Change in other liabilities	18	(647)		762	
Change in provisions	22	1,414		(99,466)	
			(4,492)		(98,125)
Cash flows from changes in operating assets and liabilities					
Loan repayments less loans advanced	13	(154,021)		177,120	
Customer balance cash movement		24,220		93,045	
Movement on funds on deposit	12	(67,325)		(13,151)	
			(197,126)		257,014
Corporation tax paid			(307)		(561)
Net cash flow from operating activities			(349,335)		34,631
Investing activities					
Purchase of tangible fixed assets	15	(2,735)		(23,788)	
Net cash used in investing activities			(2,735)		(23,788)
Financing activities					
Cash movement on subordinated loans		117,169		176,124	
Net cash generated from financing activities			117,169		176,124
Net (decrease)/increase in cash and cash equivalents			(234,901)		186,967
Cash and cash equivalents at beginning of year			442,249		255,282
Cash and cash equivalents at end of year			207,348		442,249

The notes on pages 10 to 26 form an integral part of these financial statements.

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

Background 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.

1.1 Accounting convention

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

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

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

1.2 Income

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

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

1.3 Tangible fixed assets

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

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

Fixtures, fittings and equipment	Straight line over 6 years
----------------------------------	----------------------------

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

1.4 Impairment of fixed assets

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

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

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

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

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

1.5 Cash at bank and in hand

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

1.6 Financial instruments

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

Basic financial assets

Basic financial assets, which include loans to members and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled. The credit union does not transfer loans to third parties.

Classification of financial liabilities

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

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

Basic financial liabilities

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

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

Other financial liabilities

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

Derecognition of financial liabilities

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

1.7 Taxation

Kent Savers Credit Union is not liable to corporation tax payable on its activities of making loans to members as these are not classified as trade. However, corporation tax is payable on investment income and any chargeable gains arising.

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.

Current tax

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

1.8 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

1.9 Retirement benefits

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.

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

1.10 Leases

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

1.11 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.

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Loan Impairment

The credit union assesses, at each reporting date, if there is objective evidence that any of its loans to customers are impaired. The loans are assessed collectively in groups that share similar credit-risk characteristics. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised. Any impairment losses are recognised in the Revenue Account, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

3 Interest receivable and similar income

	2019 £	2018 £
Interest income on loans	168,503	162,646
Interest income on bank deposits	2,940	1,619
	<u>171,443</u>	<u>164,265</u>

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

4	Fees and commissions receivable		2019 £	2018 £
	Entrance fees		1,652	1,352
	Commissioned services income		13,396	7,886
			<u>15,048</u>	<u>9,238</u>
5	Fees and commissions payable		2019 £	2018 £
	Bank and other charges		14,283	13,972
			<u>14,283</u>	<u>13,972</u>
6	Other operating income		2019 £	2018 £
	Other income		4,034	460
			<u>4,034</u>	<u>460</u>
7	Administrative expenses		2019 £	2018 £
		Notes		
	Staff costs	10	94,929	75,018
	Death benefit insurance		-	1,608
	External auditor's remuneration		7,545	4,858
	Member communication and advertising		7,715	5,622
	Legal, professional and credit control costs		7,916	6,132
	Computer and software expenses		12,657	10,228
	Travel costs		1,819	532
	General administration costs		7,995	3,514
			<u>140,576</u>	<u>107,512</u>

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

8 Other operating expenses	2019	2018
	£	£
Regulatory costs	6,219	5,773
Costs of occupying offices	8,354	9,355
	<u>14,573</u>	<u>15,128</u>
9 Operating deficit	2019	2018
	£	£
Operating deficit for the year is stated after charging:		
Fees payable to the credit union's external auditor for the audit of the financial statements	6,240	4,200
Depreciation of owned tangible fixed assets	4,689	2,637
Operating lease charges	8,115	8,000
	<u>19,044</u>	<u>14,837</u>
10 Employees		
The average monthly number of persons (including Directors) employed by the credit union during the year was:		
	2019	2018
	Number	Number
Administration and support	<u>4</u>	<u>4</u>
Their aggregate remuneration comprised:		
	2019	2018
	£	£
Wages and salaries	88,860	71,577
Social security costs	3,939	2,358
Pension costs	2,130	1,083
	<u>94,929</u>	<u>75,018</u>
11 Corporation tax	2019	2018
	£	£
Current tax		
UK corporation tax on taxable surplus for the current period	<u>558</u>	<u>308</u>

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

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

	2019 £	2018 £
Deficit before taxation	(69,734)	(233,314)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(13,249)	(44,330)
Tax effect of income/expenditure not taxable in determining taxable surplus	13,807	44,638
Taxation charge for the year	558	308

12 Loans and advances to banks

	2019 £	2018 £
Cash held at banks	206,374	438,834
Bank deposits	302,683	235,358
Loans and advances to banks	509,057	674,192
Cash in hand	974	3,415
Total cash and bank balances	510,031	677,607
Loans split by repayment period		
Cash and cash equivalents	207,348	442,249
Amounts maturing in over 8 days	302,683	235,358
	510,031	677,607

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

13 Loans and advances to customers

	Notes	2019 £	2018 £
Loan movement			
Opening balances		1,366,416	1,565,044
Interest on loans		168,503	162,646
Loans advanced during the period		819,415	578,323
Loans repaid during the period		(665,394)	(755,443)
Loans derecognised		(7,406)	(184,154)
		<u>1,681,534</u>	<u>1,366,416</u>
Loan impairment provisions	14	(456,603)	(377,871)
		<u>1,224,931</u>	<u>988,545</u>
 Loans split by repayment period			
Capital repayments due within 1 year		638,669	574,068
Capital repayments due after 1 year		1,042,865	792,348
Loan impairment provisions	14	(456,603)	(377,871)
		<u>1,224,931</u>	<u>988,545</u>

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

14 Loan impairment

	Write off Provision £	Arrears Provision £	Total Provisions £
Loan impairment provision			
Opening balances	142,413	235,458	377,871
Provision movement	35,479	43,253	78,732
Closing balances	<u>177,892</u>	<u>278,711</u>	<u>456,603</u>

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

	Notes	2019 £	2018 £
Impairment revenue account charge			
Impairment provision movement - Other		56,940	52,498
Impairment provision - Bexley		39,623	32,974
Bad debts derecognised	13	7,406	184,154
Bad debts recovered		(17,831)	(1,598)
		<u>86,138</u>	<u>268,028</u>

Under the terms of the Loan Fund agreement with London Borough of Bexley Council, the impairment provision of £39,623 applied to loans to Bexley residents from that fund is underwritten by the Council and any future write offs of these impaired loans will be met by drawing down on the subordinated loan commitment (see note 28).

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

15 Tangible fixed assets	Fixtures, fittings and equipment £	
Cost		
At 1 October 2018		69,306
Additions		2,735
Disposals		(11,393)
		<u>60,648</u>
At 30 September 2019		<u>60,648</u>
Depreciation and impairment		
At 1 October 2018		47,532
Depreciation charged in the year		4,689
Eliminated in respect of disposals		(11,393)
		<u>40,828</u>
At 30 September 2019		<u>40,828</u>
Carrying amount		
At 30 September 2019		<u>19,820</u>
At 30 September 2018		<u>21,774</u>
16 Other receivables	2019	2018
	£	£
Amounts falling due within one year:		
Other debtors	8,913	3,654
	<u>8,913</u>	<u>3,654</u>
17 Customer accounts	2019	2018
	£	£
Deposit movement		
Opening balances	1,623,739	1,530,694
Deposited during the period	951,058	1,012,522
Withdrawn during the period	(926,838)	(919,477)
	<u>1,647,959</u>	<u>1,623,739</u>
Deposits split by type		
Standard dividend bearing member shares	1,572,302	1,532,531
Corporate dividend bearing shares	70,202	86,875
Juvenile member deposits	5,455	4,333
	<u>1,647,959</u>	<u>1,623,739</u>

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

18 Other liabilities

	Notes	2019 £	2018 £
Subordinated loans	19	428,838	311,669
Corporation tax		559	308
Other creditors		-	489
Accruals and deferred income		8,499	8,657
		<u>437,896</u>	<u>321,123</u>

19 Loans and overdrafts

	2019 £	2018 £
Subordinated loans	<u>428,838</u>	<u>311,669</u>
Payable after one year	<u>428,838</u>	<u>311,669</u>

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

20 Financial risk management

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

The main financial risks arising from the activities of the credit union are credit risk, liquidity risk and market risk. The Board reviews and agrees policies for managing each of these risks which are summarised below:

Credit risk

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

Liquidity risk

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

Market risk

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

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

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

Other price risk: The credit union only holds investments in government securities and those with credit institutions that meet the criteria of Chapter 6 of the PRA rulebook. The credit union monitors the investments throughout the year.

21 Deferred income

	2019 £	2018 £
Grants received	8,481	8,481
	<u>8,481</u>	<u>8,481</u>

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

22 Provisions for liabilities

	2019 £	2018 £
Maidstone Borough Council	4,543	3,129
	<u>4,543</u>	<u>3,129</u>
Movements on provisions:		£
At 1 October 2018		3,129
Additional funds received in year		5,000
Provisions used		(3,586)
At 30 September 2019		<u>4,543</u>

The Credit Union has entered into agreements with the London Borough of Bexley and Maidstone Borough Councils for the operation of loan funds for their residents. The funds from the London Borough of Bexley are classified as subordinated loans and are included in the figures shown in note 19. The funds from Maidstone Borough Council are provisioned as a liability.

23 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to revenue account in respect of defined contribution schemes	2,130	1,083
	<u>2,130</u>	<u>1,083</u>

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

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

24 Credit risk on lending

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

	£	£
Security for loans		
Attached shares	52,747	46,639

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

	2019 £	2018 £
Loans not individually impaired		
Not past due	800,963	654,156
Up to 3 months past due	317,066	263,323
	<u>1,118,029</u>	<u>917,479</u>
Loans individually impaired		
Between 3 and 6 months past due	126,904	109,552
Between 6 months and 1 year past due	69,305	121,971
Over 1 year past due	189,404	75,001
Individually impaired and written off for internal purposes	177,892	142,413
	<u>563,505</u>	<u>448,937</u>
Total loans	1,681,534	1,366,416
Impairment allowance	(456,603)	(377,871)
	<u>1,224,931</u>	<u>988,545</u>

	Bexley Loans £	Other Loans £	Total £
Impairment Allowance:			
Between 3 and 6 months past due	34,694	9,722	44,416
Between 6 months and 1 year past due	35,982	8,909	44,891
Over 1 year past due	57,640	131,764	189,404
Individually impaired and written off for internal purposes	81,899	95,993	177,892
	<u>210,215</u>	<u>246,388</u>	<u>456,603</u>

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

25 Credit risk on bank and investments

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

	2019	2018
	£	£
Bank accounts	206,374	438,834
Bank term deposits	302,683	235,358
	<u>509,057</u>	<u>674,192</u>

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

26 Interest rates on financial instruments

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

	2019		2018	
	Amount	Rates received	Amount	Rates received
	£	in year	£	in year
		%		%
Financial assets				
Loans to members	1,681,534	11.06%	1,366,416	11.10%
Loans and advances to banks	509,057	0.50%	674,192	0.28%
	<u>2,190,591</u>		<u>2,040,608</u>	
Financial liabilities				
Juvenile deposits	(5,455)	-	(4,333)	-
Dividend bearing shares	(1,642,504)	-	(1,619,406)	-
Loans to the credit union	(428,838)	-	(311,669)	-
	<u>(2,076,797)</u>		<u>(1,935,408)</u>	

27 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 Reserve

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 (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

27 Reserves

(Continued)

28 Capital

The credit union classes all of its reserves as capital. The credit union manages its reserves through its financial and budgeting policies and procedures. The Prudential Regulation Authority sets out requirements for 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:

	2019 %	2018 %
Actual capital to asset ratio	<u>4.37%</u>	<u>1.58%</u>
Regulatory requirement		
Base capital requirement	<u>3.00%</u>	<u>3.00%</u>
Total capital requirement	<u>3.00%</u>	<u>3.00%</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 £1.1m, 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 £670,796, with a total advanced by Bexley to the credit union to date of £350,000. 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 ratio to 28.33%.

The credit union intends to continue 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.

29 Financial commitments, guarantees and 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 (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

30 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	10,041	9,810
Between two and five years	8,791	18,601
Total lessee operating lease commitment	<u>18,832</u>	<u>28,411</u>

31 Related party transactions

Key management personnel

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

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019 £	2018 £
Wages and salaries	18,000	15,357
Pension expense	450	227
Aggregate compensation	<u>18,450</u>	<u>15,584</u>

Transactions with key management

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

	2019 £	2018 £
Loans to key management and their close family	17,888	19,587
Shares held by key management and their close family	<u>4,042</u>	<u>7,136</u>

The following page does not form part of the statutory accounts

KENT SAVERS CREDIT UNION LIMITED

DETAILED REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 £	2018 £
Income			
Interest income on loans	3	168,503	162,646
Interest income on bank deposits	3	2,940	1,619
Fees and commissions receivable	4	15,048	9,238
Other income	6	4,034	460
		<u>190,525</u>	<u>173,963</u>
Expenditure			
Staff costs	10	94,929	75,018
Death benefit insurance		-	1,608
Auditors remuneration		7,545	4,858
Member communication and advertising	7	7,715	5,622
Legal, professional and credit control costs	7	7,916	6,132
Computer and software expenses	7	12,657	10,228
Travel costs	7	1,819	532
Bank charges	5	14,283	13,972
General administration costs	7	7,995	3,514
Regulatory costs	8	6,219	5,773
Costs of occupying offices	8	8,354	9,355
Depreciation and amortisation	9	4,689	2,637
Impairment on loans for bad and doubtful debts	14	86,138	268,028
		<u>260,259</u>	<u>407,277</u>
Surplus before taxation		(69,734)	(233,314)
Corporation tax	11	(558)	(308)
		<u>(70,292)</u>	<u>(233,622)</u>
Distributions		-	-
Deficit for the year		<u>(70,292)</u>	<u>(233,622)</u>

