



Alexander Sloan
Accountants and Business Advisers

KENT SAVERS CREDIT UNION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Registration No. 503258

KENT SAVERS CREDIT UNION LIMITED

CREDIT UNION INFORMATION

FCA number 503258

Registered Society number 745C

Directors Kathy Cox - Chairperson
Sarah Cryer
Chris Goulding
Gavin Richards
Stephen Sidebottom
Stephen John Stokes
Lucy Swannell
John Bradshaw (Appointed 5 December 2020)
Alberto Martellini (Appointed 24 November 2020)

Secretary Lucy Swannell

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 2020

The Directors present their annual report and financial statements for the year ended 30 September 2020.

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

Sarah Cryer

Barry Golding

(Resigned 26 November 2019)

Chris Goulding

Martin Kingman

(Resigned 9 January 2020)

Gavin Richards

Stephen Sidebottom

Stephen John Stokes

Lucy Swannell

David Wilson

(Resigned 2 July 2020)

John Bradshaw

(Appointed 5 December 2020)

Alberto Martellini

(Appointed 24 November 2020)

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 2020

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.

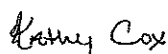
Statement of disclosure to auditor

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 27/1/2021
Date:



.....
Kathy Cox - Chairperson
Director 26/1/2021
Date:

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 2020 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 2020 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

Alexander Sloan
Accountants and Business Advisers
Statutory Auditor

27/1/2021

180 St Vincent Street
Glasgow
G2 5SG

KENT SAVERS CREDIT UNION LIMITED

REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 £	2019 £
Loan interest receivable and similar income	3	167,269	171,443
Interest payable and similar charges		(455)	-
Net interest receivable		<u>166,814</u>	<u>171,443</u>
Fees and commissions receivable	4	12,136	15,048
Fees and commissions payable	5	(14,066)	(14,283)
Net fees and commissions		<u>(1,930)</u>	<u>765</u>
Other operating income	6	104,638	4,034
Administrative expenses	7	(143,891)	(140,576)
Depreciation and amortisation		(4,821)	(4,689)
Other operating expenses	8	(14,594)	(14,573)
Impairment on loans for bad and doubtful debts	14	(168,018)	(86,138)
(Deficit) before taxation		<u>(61,802)</u>	<u>(69,734)</u>
Corporation tax	11	(697)	(558)
Deficit for the year		<u><u>(62,499)</u></u>	<u><u>(70,292)</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 2020

	2020 £	2019 £
Deficit for the year	(62,499)	(70,292)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(62,499)</u>	<u>(70,292)</u>

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

KENT SAVERS CREDIT UNION LIMITED

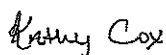
BALANCE SHEET

AS AT 30 SEPTEMBER 2020

	Notes	2020 £	2019 £
Assets			
Cash and balances at central banks	12	-	974
Loans and advances to banks	12	1,101,388	509,057
Loans and advances to customers	13	892,207	1,224,931
Tangible assets	15	17,451	19,820
Other receivables	16	3,959	8,913
Total assets		2,015,005	1,763,695
Liabilities and reserves			
Customer accounts	17	1,901,634	1,647,959
Other liabilities	18	9,500	9,058
Subordinated loans	19	475,620	428,838
Deferred income	21	17,681	8,481
Provisions for liabilities	22	8,253	4,543
		2,412,688	2,098,879
General reserve	27	(569,966)	(507,467)
Other reserves	27	172,283	172,283
Total reserves		(397,683)	(335,184)
Total liabilities and reserves		2,015,005	1,763,695

26/1/2021

The financial statements were approved by the Board of Directors and authorised for issue on
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 2020

	Other Reserve £	General Reserve £	Total £
Balance at 1 October 2018	172,283	(437,175)	(264,892)
Year ended 30 September 2019:			
Deficit and total comprehensive income for the year	-	(70,292)	(70,292)
Other movements	-	-	-
	<u>172,283</u>	<u>(507,467)</u>	<u>(335,184)</u>
Balance at 30 September 2019	172,283	(507,467)	(335,184)
Year ended 30 September 2020:			
Deficit and total comprehensive income for the year	-	(62,499)	(62,499)
	<u>172,283</u>	<u>(569,966)</u>	<u>(397,683)</u>
Balance at 30 September 2020	172,283	(569,966)	(397,683)

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 2020

	Notes	£	2020 £	£	2019 £
Cash flows from operating activities					
Deficit for the period			(62,499)		(70,292)
Depreciation and amortisation	9	4,821		4,689	
Corporation tax expenses	11	697		558	
Provision movement	14	168,018		86,138	
Interest income on loans	3	(163,599)		(168,503)	
			9,937		(77,118)
Working capital adjustments					
Change in other receivables and prepayments	16	4,954		(5,259)	
Change in other liabilities	18	304		(647)	
Change in provisions	22	3,710		1,414	
Change in deferred income		9,200		-	
			18,168		(4,492)
Cash flows from changes in operating assets and liabilities					
Loan repayments less loans advanced	13	328,305		(154,021)	
Customer balance cash movement		253,675		24,220	
Movement on funds on deposit	12	(70,578)		(67,325)	
			511,402		(197,126)
Corporation tax paid			(559)		(307)
Net cash flow from operating activities			476,449		(349,335)
Investing activities					
Purchase of tangible fixed assets	15	(2,452)		(2,735)	
Net cash used in investing activities			(2,452)		(2,735)
Financing activities					
Movement on subordinated loans		46,782		117,169	
Net cash generated from financing activities			46,782		117,169
Net increase/(decrease) in cash and cash equivalents			520,779		(234,901)
Cash and cash equivalents at beginning of year			207,348		442,249
Cash and cash equivalents at end of year			<u>728,127</u>		<u>207,348</u>

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 2020

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 Going concern

The Credit Union has prepared financial projections taking into account the expected impact Covid-19 on the Credit Union's financial reserves. While it is unknown how long the pandemic will last or the extent of the impact on the economy, at the time of approving the financial statements, the Directors have a reasonable expectation that the credit union has adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Income

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

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

1.4 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
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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.

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

(Continued)

1.5 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.

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.

1.6 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.

1.7 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.

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

(Continued)

Classification of financial liabilities

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

Basic financial liabilities

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

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

Other financial liabilities

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

Derecognition of financial liabilities

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

1.8 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.

1.9 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 2020

1 Accounting policies

(Continued)

1.10 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.

1.11 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.

1.12 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

	2020	2019
	£	£
Interest income on loans	163,599	168,503
Interest income on bank deposits	3,670	2,940
	<u>167,269</u>	<u>171,443</u>

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

4	Fees and commissions receivable	2020 £	2019 £	
	Entrance fees	1,322	1,652	
	Commissioned services income	10,814	13,396	
		<u>12,136</u>	<u>15,048</u>	
		<u><u>12,136</u></u>	<u><u>15,048</u></u>	
5	Fees and commissions payable	2020 £	2019 £	
	Bank and other charges	14,066	14,283	
		<u>14,066</u>	<u>14,283</u>	
		<u><u>14,066</u></u>	<u><u>14,283</u></u>	
6	Other operating income	2020 £	2019 £	
	Other income	3,116	4,034	
	Grant income	98,504	-	
	Donations received	3,018	-	
		<u>104,638</u>	<u>4,034</u>	
		<u><u>104,638</u></u>	<u><u>4,034</u></u>	
7	Administrative expenses	2020 £	2019 £	
		Notes		
	Staff costs	10	108,133	94,929
	External auditor's remuneration		9,042	7,545
	Member communication and advertising		7,503	7,715
	Legal, professional and credit control costs		2,714	7,916
	Computer and software expenses		13,260	12,657
	Travel costs		372	1,819
	General administration costs		2,867	7,995
			<u>143,891</u>	<u>140,576</u>
			<u><u>143,891</u></u>	<u><u>140,576</u></u>

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

8 Other operating expenses

	2020	2019
	£	£
Regulatory costs	5,523	6,219
Costs of occupying offices	9,071	8,354
	<u>14,594</u>	<u>14,573</u>

9 Operating deficit

	2020	2019
	£	£
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	8,613	6,240
Depreciation of owned tangible fixed assets	4,821	4,689
Operating lease charges	8,522	8,115
	<u>21,956</u>	<u>19,044</u>

10 Employees

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

	2020	2019
	Number	Number
Administration and support	<u>5</u>	<u>4</u>

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	101,228	88,860
Social security costs	3,864	3,939
Pension costs	3,041	2,130
	<u>108,133</u>	<u>94,929</u>

11 Corporation tax

	2020	2019
	£	£
Current tax		
UK corporation tax on taxable surplus for the current period	<u>697</u>	<u>558</u>

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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:

	2020 £	2019 £
Deficit before taxation	(61,802)	(69,734)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(11,742)	(13,249)
Tax effect of income/expenditure not taxable in determining taxable surplus	12,439	13,807
Taxation charge for the year	697	558

12 Loans and advances to banks

	2020 £	2019 £
Cash held at banks	728,127	206,374
Bank deposits	373,261	302,683
Loans and advances to banks	1,101,388	509,057
Cash in hand	-	974
Total cash and bank balances	1,101,388	510,031
Loans split by repayment period		
Cash and cash equivalents	728,127	207,348
Amounts maturing in over 8 days	373,261	302,683
	1,101,388	510,031

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

13 Loans and advances to customers

	Notes	2020 £	2019 £
Loan movement			
Opening balances		1,681,534	1,366,416
Interest on loans		163,599	168,503
Loans advanced during the period		453,803	819,415
Loans repaid during the period		(782,108)	(665,394)
Loans derecognised		(14,284)	(7,406)
		<u>1,502,544</u>	<u>1,681,534</u>
Loan impairment provisions	14	(610,337)	(456,603)
		<u>892,207</u>	<u>1,224,931</u>
Loans split by repayment period			
Capital repayments due within 1 year		230,630	638,669
Capital repayments due after 1 year		1,271,914	1,042,865
Loan impairment provisions	14	(610,337)	(456,603)
		<u>892,207</u>	<u>1,224,931</u>

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

14 Loan impairment

	Write off Provision £	Arrears Provision £	Total Provisions £
Loan impairment provision			
Opening balances	177,892	278,711	456,603
Provision movement	60,807	92,927	153,734
Closing balances	<u>238,699</u>	<u>371,638</u>	<u>610,337</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	2020 £	2019 £
Impairment revenue account charge			
Impairment provision movement - Other		103,691	56,940
Impairment provision - Bexley		57,577	39,623
Bad debts derecognised	13	14,284	7,406
Bad debts recovered		(7,534)	(17,831)
		<u>168,018</u>	<u>86,138</u>

Under the terms of the Loan Fund agreement with London Borough of Bexley Council, the impairment provision of £57,577 (2019: £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 2020

15 Tangible fixed assets		
		Fixtures, fittings and equipment
		£
Cost		
At 1 October 2019		60,648
Additions		2,452
Disposals		(399)
		<hr/>
At 30 September 2020		62,701
		<hr/>
Depreciation and impairment		
At 1 October 2019		40,828
Depreciation charged in the year		4,821
Eliminated in respect of disposals		(399)
		<hr/>
At 30 September 2020		45,250
		<hr/>
Carrying amount		
At 30 September 2020		17,451
		<hr/> <hr/>
At 30 September 2019		19,820
		<hr/> <hr/>
16 Other receivables		
	2020	2019
	£	£
Amounts falling due within one year:		
Other debtors	3,959	8,913
	<hr/>	<hr/>
17 Customer accounts		
	2020	2019
	£	£
Deposit movement		
Opening balances	1,647,959	1,623,739
Deposited during the period	1,121,719	951,058
Withdrawn during the period	(868,044)	(926,838)
	<hr/>	<hr/>
	1,901,634	1,647,959
	<hr/> <hr/>	<hr/> <hr/>
Deposits split by type		
Standard dividend bearing member shares	1,828,295	1,572,302
Corporate dividend bearing shares	67,041	70,202
Juvenile member deposits	6,298	5,455
	<hr/>	<hr/>
	1,901,634	1,647,959
	<hr/> <hr/>	<hr/> <hr/>

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

18 Other liabilities

	Notes	2020 £	2019 £
Subordinated loans	19	475,620	428,838
Corporation tax		697	559
Accruals		8,803	8,499
		<u>485,120</u>	<u>437,896</u>

19 Loans and overdrafts

	2020 £	2019 £
Subordinated loans	<u>475,620</u>	<u>428,838</u>
Payable after one year	<u>475,620</u>	<u>428,838</u>

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

	2020	2019
	£	£
Grants received	8,481	8,481
Increase in period	9,200	-
	<u>17,681</u>	<u>8,481</u>

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

22 Provisions for liabilities

	2020 £	2019 £
Maidstone Borough Council	8,253	4,543
Movements on provisions:		
		£
At 1 October 2019		4,543
Additional funds received in year		10,000
Provisions used		(6,290)
At 30 September 2020		8,253

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

	2020 £	2019 £
Defined contribution schemes		
Charge to revenue account in respect of defined contribution schemes	3,041	2,130

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 2020

24 Credit risk on lending

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

	£	£
Security for loans		
Attached shares	55,342	52,747

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.

	2020 £	2019 £
Loans not individually impaired		
Not past due	617,822	800,963
Up to 3 months past due	195,606	317,066
	<u>813,428</u>	<u>1,118,029</u>
Loans individually impaired		
Between 3 and 6 months past due	98,574	126,904
Between 6 months and 1 year past due	147,734	69,305
Over 1 year past due	204,109	189,404
Individually impaired and written off for internal purposes	238,699	177,892
	<u>689,116</u>	<u>563,505</u>
Total loans	1,502,544	1,681,534
Impairment allowance	(610,337)	(456,603)
	<u>892,207</u>	<u>1,224,931</u>

	Bexley Loans £	Other Loans £	Total £
Impairment Allowance:			
Between 3 and 6 months past due	19,013	17,482	36,495
Between 6 months and 1 year past due	71,757	35,767	107,524
Over 1 year past due	95,122	132,497	227,619
Individually impaired and written off for internal purposes	182,688	56,011	238,699
	<u>368,580</u>	<u>241,757</u>	<u>610,337</u>

KENT SAVERS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

25 Credit risk on bank and investments

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

	2020	2019
	£	£
Bank accounts	728,127	206,374
Bank term deposits	373,261	302,683
	<u>1,101,388</u>	<u>509,057</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.

	2020		2019	
	Amount	Rates received in year	Amount	Rates received in year
	£	%	£	%
Financial assets				
Loans to members	1,502,544	10.28%	1,681,534	11.06%
Loans and advances to banks	1,101,388	0.46%	509,057	0.50%
	<u>2,603,932</u>		<u>2,190,591</u>	
Financial liabilities				
Juvenile deposits	(6,298)	-	(5,455)	-
Dividend bearing shares	(1,895,336)	-	(1,642,504)	-
Loans to the credit union	(475,620)	-	(428,838)	-
	<u>(2,377,254)</u>		<u>(2,076,797)</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 2020

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:

	2020	2019
	%	%
Actual capital to asset ratio	<u>3.77%</u>	<u>4.37%</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 £606,787 (2019: £670,796) with a total advanced by Bexley to the credit union to date against these amounts of £395,620 (2019: £248,293). 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 14.25% (2019: 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 2020

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:

	2020 £	2019 £
Within one year	6,092	10,041
Between two and five years	3,023	8,791
Total lessee operating lease commitment	<u>9,115</u>	<u>18,832</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.

	2020 £	2019 £
Wages and salaries	19,283	18,000
Pension expense	540	450
Aggregate compensation	<u>19,823</u>	<u>18,450</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.

	2020 £	2019 £
Loans to key management and their close family	12,562	17,888
Shares held by key management and their close family	<u>7,303</u>	<u>4,042</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 2020

		2020	2019
	Notes	£	£
Income			
Interest income on loans	3	163,599	168,503
Interest income on bank deposits	3	3,670	2,940
Fees and commissions receivable	4	12,136	15,048
Other income	6	104,638	4,034
		<hr/>	<hr/>
		284,043	190,525
Expenditure			
Staff costs	10	108,133	94,929
Auditors remuneration		9,042	7,545
Member communication and advertising	7	7,503	7,715
Legal, professional and credit control costs	7	2,714	7,916
Computer and software expenses	7	13,260	12,657
Travel costs	7	372	1,819
Bank charges	5	14,066	14,283
General administration costs	7	2,867	7,995
Regulatory costs	8	5,523	6,219
Costs of occupying offices	8	9,071	8,354
Depreciation and amortisation	9	4,821	4,689
Impairment on loans for bad and doubtful debts (Bexley loans: £57,577)	14	168,018	86,138
Loan interest payable		455	-
		<hr/>	<hr/>
		345,845	260,259
Surplus before taxation		(61,802)	(69,734)
Corporation tax	11	(697)	(558)
		<hr/>	<hr/>
		(62,499)	(70,292)
Distributions		-	-
		<hr/>	<hr/>
Deficit for the year		(62,499)	(70,292)
		<hr/> <hr/>	<hr/> <hr/>

