



**Alexander Sloan**

Accountants and Business Advisers

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**KENT SAVERS CREDIT UNION LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2021**

Registration No. 503258

# KENT SAVERS CREDIT UNION LIMITED

## CREDIT UNION INFORMATION

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**FCA number** 503258

**Registered Society number** 745C

**Directors**

Kathy Cox	
Gavin Richards	
Stephen Sidebottom - Chairperson	
Stephen John Stokes	
Lucy Swannell	
John Bradshaw	(Appointed 5 December 2020)
Alberto Martellini	(Appointed 24 November 2020)
Samantha Bagnell	(Appointed 23 February 2021)
Steven Fox	(Appointed 23 February 2021)

**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

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# KENT SAVERS CREDIT UNION LIMITED

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# KENT SAVERS CREDIT UNION LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 SEPTEMBER 2021

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The Directors present their annual report and financial statements for the year ended 30 September 2021.

#### 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 7.

#### 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	
Sarah Cryer	(Resigned 1 March 2021)
Chris Goulding	(Resigned 1 October 2021)
Gavin Richards	
Stephen Sidebottom - Chairperson	
Stephen John Stokes	
Lucy Swannell	
John Bradshaw	(Appointed 5 December 2020)
Alberto Martellini	(Appointed 24 November 2020)
Samantha Bagnell	(Appointed 23 February 2021)
Steven Fox	(Appointed 23 February 2021)

#### Compliance statement

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

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

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 2021

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### Statement of Directors responsibilities

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

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

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

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

### Statement of disclosure to auditor

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

By order of the board



Lucy Swannell

**Secretary** 3/3/2022

Date: .....



Stephen Sidebottom - Chairperson

**Director** 28/2/2022

Date: .....

# KENT SAVERS CREDIT UNION LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF KENT SAVERS CREDIT UNION LIMITED

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#### Opinion

We have audited the financial statements of Kent Savers Credit Union Limited (the 'credit union') for the year ended 30 September 2021 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 2021 and of its surplus 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the credit union's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

#### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# KENT SAVERS CREDIT UNION LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF KENT SAVERS CREDIT UNION LIMITED

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

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

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

#### **Matters on which we are required to report by exception**

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

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

#### **Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the credit union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the credit union or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

# KENT SAVERS CREDIT UNION LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF KENT SAVERS CREDIT UNION LIMITED

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

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

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

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

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

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

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

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

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

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

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

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

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

# KENT SAVERS CREDIT UNION LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF KENT SAVERS CREDIT UNION LIMITED

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#### Use of our report

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

*Alexander Sloan*

**Alexander Sloan**

3/3/2022

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**Accountants & Business Advisers  
Statutory Auditor**

180 St Vincent Street  
Glasgow  
G2 5SG

# KENT SAVERS CREDIT UNION LIMITED

## REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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		2021	2020
	Notes	£	£
Loan interest receivable and similar income	3	160,278	167,269
Interest payable and similar charges		-	(455)
Net interest receivable		<u>160,278</u>	<u>166,814</u>
Fees and commissions receivable	4	12,068	12,136
Fees and commissions payable	5	(21,465)	(14,066)
Net fees and commissions		<u>(9,397)</u>	<u>(1,930)</u>
Other operating income	6	126,943	104,638
Administrative expenses	7	(149,254)	(143,891)
Depreciation and amortisation		(4,829)	(4,821)
Other operating expenses	8	(14,981)	(14,594)
Impairment on loans for bad and doubtful debts	14	(87,935)	(168,018)
<b>Surplus before taxation</b>		<u>20,825</u>	<u>(61,802)</u>
Corporation tax	11	(675)	(697)
<b>Surplus/(deficit) for the year</b>		<u><u>20,150</u></u>	<u><u>(62,499)</u></u>

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

The notes on pages 12 to 28 form an integral part of these financial statements.

# KENT SAVERS CREDIT UNION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2021

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	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Surplus/(deficit) for the year</b>	20,150	(62,499)
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income for the year</b>	<u>20,150</u>	<u>(62,499)</u>

The notes on pages 12 to 28 form an integral part of these financial statements.

# KENT SAVERS CREDIT UNION LIMITED

## BALANCE SHEET

AS AT 30 SEPTEMBER 2021

	Notes	2021 £	2020 £
<b>Assets</b>			
Loans and advances to banks	12	1,273,780	1,101,388
Loans and advances to customers	13	888,247	892,207
Tangible assets	15	12,622	17,451
Other receivables	16	3,836	3,959
<b>Total assets</b>		<b>2,178,485</b>	<b>2,015,005</b>
<b>Liabilities and reserves</b>			
Customer accounts	17	1,862,667	1,901,634
Other liabilities	18	14,516	9,500
Subordinated loans	19	651,770	475,620
Deferred income	21	16,871	17,681
Provisions for liabilities	22	10,194	8,253
		2,556,018	2,412,688
General reserve	27	(549,816)	(569,966)
Other reserves	27	172,283	172,283
Total reserves		(377,533)	(397,683)
<b>Total liabilities and reserves</b>		<b>2,178,485</b>	<b>2,015,005</b>

3/3/2022

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



.....  
Stephen Sidebottom - Chairperson  
**Director**



.....  
Lucy Swannell  
**Secretary**

The notes on pages 12 to 28 form an integral part of these financial statements.

# KENT SAVERS CREDIT UNION LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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	Other Reserve £	General Reserve £	Total £
<b>Balance at 1 October 2019</b>	172,283	(507,467)	(335,184)
Year ended 30 September 2020:			
Deficit and total comprehensive income for the year	-	(62,499)	(62,499)
Other movements	-	-	-
	<u>172,283</u>	<u>(569,966)</u>	<u>(397,683)</u>
<b>Balance at 30 September 2020</b>			
Year ended 30 September 2021:			
Surplus and total comprehensive income for the year	-	20,150	20,150
	<u>172,283</u>	<u>(549,816)</u>	<u>(377,533)</u>
<b>Balance at 30 September 2021</b>			

The notes on pages 12 to 28 form an integral part of these financial statements.

# KENT SAVERS CREDIT UNION LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	£	2021 £	£	2020 £
<b>Cash flows from operating activities</b>					
Surplus for the period			20,150		(62,499)
Depreciation and amortisation	9	4,829		4,821	
Corporation tax expenses	11	675		697	
Provision movement	14	87,935		168,018	
Interest income on loans	3	(156,728)		(163,599)	
			(63,289)		9,937
<b>Working capital adjustments</b>					
Change in other receivables and prepayments	16	123		4,954	
Change in other liabilities	18	5,039		304	
Change in provisions	22	1,941		3,710	
Change in deferred income		(810)		9,200	
			6,293		18,168
<b>Cash flows from changes in operating assets and liabilities</b>					
Loan repayments less loans advanced	13	72,753		328,305	
Customer balance cash movement		(38,967)		253,675	
Movement on funds on deposit	12	(81,217)		(70,578)	
			(47,431)		511,402
Corporation tax paid			(698)		(559)
<b>Net cash flow from operating activities</b>			(84,975)		476,449
<b>Investing activities</b>					
Purchase of tangible fixed assets	15	-		(2,452)	
<b>Net cash used in investing activities</b>			-		(2,452)
<b>Financing activities</b>					
Movement on subordinated loans		176,150		46,782	
<b>Net cash generated from financing activities</b>			176,150		46,782
<b>Net increase in cash and cash equivalents</b>			91,175		520,779
Cash and cash equivalents at beginning of year			728,127		207,348
<b>Cash and cash equivalents at end of year</b>			<b>819,302</b>		<b>728,127</b>

The notes on pages 12 to 28 form an integral part of these financial statements.

# KENT SAVERS CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 SEPTEMBER 2021**

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### 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 2021

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### 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 2021

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### 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 2021

### 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

	2021	2020
	£	£
Interest income on loans	156,728	163,599
Interest income on bank deposits	3,550	3,670
	<u>160,278</u>	<u>167,269</u>

# KENT SAVERS CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

### 4 Fees and commissions receivable

	2021 £	2020 £
Entrance fees	1,078	1,322
Commissioned services income	10,990	10,814
	<u>12,068</u>	<u>12,136</u>

### 5 Fees and commissions payable

	2021 £	2020 £
Bank and other charges	21,465	14,066
	<u>21,465</u>	<u>14,066</u>

### 6 Other operating income

	2021 £	2020 £
Other income	4,321	3,116
Grant income	115,576	98,504
Donations received	7,046	3,018
	<u>126,943</u>	<u>104,638</u>

### 7 Administrative expenses

	Notes	2021 £	2020 £
Staff costs	10	111,796	108,133
External auditor's remuneration		6,959	9,042
Member communication and advertising		11,183	7,503
Legal, professional and credit control costs		6,483	2,714
Computer and software expenses		11,365	13,260
Travel costs		-	372
General administration costs		1,468	2,867
		<u>149,254</u>	<u>143,891</u>

# KENT SAVERS CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

### 8 Other operating expenses

	<b>2021</b>	<b>2020</b>
	£	£
Regulatory costs	5,616	5,523
Costs of occupying offices	9,365	9,071
	<u>14,981</u>	<u>14,594</u>

### 9 Operating surplus/(deficit)

	<b>2021</b>	<b>2020</b>
	£	£
Operating surplus/(deficit) for the year is stated after charging:		
Fees payable to the credit union's external auditor for the audit of the financial statements	6,668	8,613
Depreciation of owned tangible fixed assets	4,829	4,821
Operating lease charges	8,730	8,522
	<u>19,227</u>	<u>21,956</u>

### 10 Employees

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

	<b>2021</b>	<b>2020</b>
	Number	Number
Administration and support	<u>6</u>	<u>5</u>

Their aggregate remuneration comprised:

	<b>2021</b>	<b>2020</b>
	£	£
Wages and salaries	104,809	101,228
Social security costs	3,992	3,864
Pension costs	2,995	3,041
	<u>111,796</u>	<u>108,133</u>

### 11 Corporation tax

	<b>2021</b>	<b>2020</b>
	£	£
<b>Current tax</b>		
UK corporation tax on taxable surplus for the current period	<u>675</u>	<u>697</u>

# KENT SAVERS CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Surplus before taxation	20,825	(61,802)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	3,957	(11,742)
Tax effect of income/expenditure not taxable in determining taxable surplus	(3,282)	12,439
Taxation charge for the year	675	697

#### 12 Loans and advances to banks

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Cash held at banks	819,302	728,127
Bank deposits	454,478	373,261
Loans and advances to banks	1,273,780	1,101,388
Total cash and bank balances	1,273,780	1,101,388
<b>Loans split by repayment period</b>		
Cash and cash equivalents	819,302	728,127
Amounts maturing in over 8 days	454,478	373,261
	1,273,780	1,101,388

# KENT SAVERS CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

### 13 Loans and advances to customers

	Notes	2021 £	2020 £
<b>Loan movement</b>			
Opening balances		1,502,544	1,681,534
Interest on loans		156,728	163,599
Loans advanced during the period		557,980	453,803
Loans repaid during the period		(630,733)	(782,108)
Loans derecognised		(7,466)	(14,284)
		<u>1,579,053</u>	<u>1,502,544</u>
Loan impairment provisions	14	(690,806)	(610,337)
		<u>888,247</u>	<u>892,207</u>
<b>Loans split by repayment period</b>			
Capital repayments due within 1 year		225,290	230,630
Capital repayments due after 1 year		1,353,763	1,271,914
Loan impairment provisions	14	(690,806)	(610,337)
		<u>888,247</u>	<u>892,207</u>

# KENT SAVERS CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

### 14 Loan impairment

	Write off Provision £	Arrears Provision £	Total Provisions £
<b>Loan impairment provision</b>			
Opening balances	238,699	371,638	610,337
Provision movement	30,272	50,197	80,469
Closing balances	<u>268,971</u>	<u>421,835</u>	<u>690,806</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	2021 £	2020 £
<b>Impairment revenue account charge</b>			
Impairment provision movement - Other		23,435	103,691
Impairment provision - Bexley		61,930	57,577
Bad debts derecognised	13	7,466	14,284
Bad debts recovered		(4,896)	(7,534)
		<u>87,935</u>	<u>168,018</u>

Under the terms of the Loan Fund agreement with London Borough of Bexley Council, the impairment provision of £61,930 (2020: £57,577) 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 2021

### 15 Tangible fixed assets

Fixtures, fittings and equipment  
£

**Cost**

At 1 October 2020 and 30 September 2021

62,701

**Depreciation and impairment**

At 1 October 2020

45,250

Depreciation charged in the year

4,829

At 30 September 2021

50,079

**Carrying amount**

At 30 September 2021

12,622

At 30 September 2020

17,451

### 16 Other receivables

2021

2020

Amounts falling due within one year:

£

£

Other debtors

3,836

3,959

### 17 Customer accounts

2021

2020

£

£

**Deposit movement**

Opening balances

1,901,634

1,647,959

Deposited during the period

1,610,416

1,121,719

Withdrawn during the period

(1,649,383)

(868,044)

1,862,667

1,901,634

**Deposits split by type**

Standard dividend bearing member shares

1,792,452

1,828,295

Corporate dividend bearing shares

64,727

67,041

Juvenile member deposits

5,488

6,298

1,862,667

1,901,634

# KENT SAVERS CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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### 18 Other liabilities

	Notes	2021 £	2020 £
Subordinated loans	19	651,770	475,620
Corporation tax		674	697
Accruals		13,842	8,803
		<u>666,286</u>	<u>485,120</u>

### 19 Loans and overdrafts

	2021 £	2020 £
Subordinated loans	<u>651,770</u>	<u>475,620</u>
Payable after one year	<u>651,770</u>	<u>475,620</u>

# KENT SAVERS CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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### 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

	2021 £	2020 £
Grants received	17,681	8,481
Increase/(release) in period	(810)	9,200
	<u>16,871</u>	<u>17,681</u>

# KENT SAVERS CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

### 22 Provisions for liabilities

	2021 £	2020 £
Maidstone Borough Council	10,194	8,253
	<u>          </u>	<u>          </u>
Movements on provisions:		
		£
At 1 October 2020		8,253
Additional funds received in year		4,990
Provisions used		(3,049)
		<u>          </u>
At 30 September 2021		10,194
		<u>          </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

	2021 £	2020 £
<b>Defined contribution schemes</b>		
Charge to revenue account in respect of defined contribution schemes	2,995	3,041
	<u>          </u>	<u>          </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 2021

#### 24 Credit risk on lending

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

	£	£
<b>Security for loans</b>		
Attached shares	85,680	55,342

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.

	2021 £	2020 £
<b>Loans not individually impaired</b>		
Not past due	580,295	617,822
Up to 3 months past due	249,408	195,606
	<u>829,703</u>	<u>813,428</u>
<b>Loans individually impaired</b>		
Between 3 and 6 months past due	63,806	98,574
Between 6 months and 1 year past due	110,725	147,734
Over 1 year past due	305,848	204,109
Individually impaired and written off for internal purposes	268,971	238,699
	<u>749,350</u>	<u>689,116</u>
Total loans	1,579,053	1,502,544
Impairment allowance	(690,806)	(610,337)
	<u>888,247</u>	<u>892,207</u>

	Bexley Loans £	Other Loans £	Total £
<b>Impairment Allowance:</b>			
Between 3 and 6 months past due	39,096	21,631	60,727
Between 6 months and 1 year past due	128,517	88,411	216,927
Over 1 year past due	189,759	122,534	312,293
Individually impaired and written off for internal purposes	46,504	28,488	74,992
	<u>403,875</u>	<u>261,064</u>	<u>664,939</u>

# KENT SAVERS CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

### 25 Credit risk on bank and investments

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

	2021	2020
	£	£
Bank accounts	819,302	728,127
Bank term deposits	454,478	373,261
	<u>1,273,780</u>	<u>1,101,388</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.

	2021		2020	
	Interest rates		Interest rates	
	Amount	in year	Amount	in year
	£	%	£	%
<b>Financial assets</b>				
Loans to members	1,579,053	10.17%	1,502,544	10.28%
Loans and advances to banks	1,273,780	0.30%	1,101,388	0.46%
	<u>2,852,833</u>		<u>2,603,932</u>	
<b>Financial liabilities</b>				
Juvenile deposits	(5,488)	-	(6,298)	-
Dividend bearing shares	(1,857,179)	-	(1,895,336)	-
Loans to the credit union	(651,770)	-	(475,620)	-
	<u>(2,514,437)</u>		<u>(2,377,254)</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 2021

### 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:

	2021 %	2020 %
Actual capital to asset ratio	12.59%	3.77%
<b>Regulatory requirement</b>		
Base capital requirement	3.00%	3.00%
Total capital requirement	3.00%	3.00%

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 £648,202 (2020: £606,787) with a total advanced by Bexley to the credit union to date against these amounts of £591,770 (2020: £395,620). 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 15.18% (2020: 14.25%).

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 Analysis of changes in net funds

	1 October 2020 £	Cash flows 30 September 2021 £	
Cash and cash equivalents	728,127	91,175	819,302
Bank deposits maturing in over 8 days	373,261	81,217	454,478
	1,101,388	172,392	1,273,780
Borrowings excluding overdrafts	(475,620)	(176,150)	(651,770)
	625,768	(3,758)	622,010

# KENT SAVERS CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

### 30 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.

### 31 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:

	2021 £	2020 £
Within one year	12,161	6,092
Between two and five years	22,151	3,023
	<u>          </u>	<u>          </u>
Total lessee operating lease commitment	34,312	9,115
	<u>          </u>	<u>          </u>

### 32 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.

	2021 £	2020 £
Wages and salaries	52,871	19,283
Pension expense	1,453	540
	<u>          </u>	<u>          </u>
Aggregate compensation	54,324	19,823
	<u>          </u>	<u>          </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.

	2021 £	2020 £
Loans to key management and their close family	10,535	12,562
Shares held by key management and their close family	5,681	7,303
	<u>          </u>	<u>          </u>

#### Other related party transactions

One member of the Credit Union's supervisory committee is an employee of Maidstone Borough Council. During the year Maidstone Borough Council provided funding to Kent Savers Credit Union of £5,000 (2020: £10,000)

**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 2021

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		2021	2020
	Notes	£	£
<b>Income</b>			
Interest income on loans	3	156,728	163,599
Interest income on bank deposits	3	3,550	3,670
Fees and commissions receivable	4	12,068	12,136
Other income	6	126,943	104,638
		<hr/>	<hr/>
		299,289	284,043
<b>Expenditure</b>			
Staff costs	10	111,796	108,133
Auditors remuneration		6,959	9,042
Member communication and advertising	7	11,183	7,503
Legal, professional and credit control costs	7	6,483	2,714
Computer and software expenses	7	11,365	13,260
Travel costs	7	-	372
Bank charges	5	21,465	14,066
General administration costs	7	1,468	2,867
Regulatory costs	8	5,616	5,523
Costs of occupying offices	8	9,365	9,071
Depreciation and amortisation	9	4,829	4,821
Impairment on loans for bad and doubtful debts (Bexley loans: £61,930)	14	87,935	168,018
Loan interest payable		-	455
		<hr/>	<hr/>
		278,464	345,845
		<hr/>	<hr/>
Surplus before taxation		20,825	(61,802)
Corporation tax	11	(675)	(697)
		<hr/>	<hr/>
		20,150	(62,499)
Distributions		-	-
		<hr/>	<hr/>
Surplus/(deficit) for the year		20,150	(62,499)
		<hr/> <hr/>	<hr/> <hr/>

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