

FCA registration number 213888
Register number 135CU(S)

SCVO CREDIT UNION LIMITED
DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

SCVO CREDIT UNION LIMITED

Administrative Information

Directors

Paul White (Chair)
John MacDonald (Vice-Chair)
Bobby Gill (Treasurer)
Ilse Mackinnon (Secretary)
Ese Osaghae
Margaret Wilson
Susan Rae
Phil Walsh
Andrew Stewart

Secretary

Ilse Mackinnon

**Financial Conduct Authority
Registration Number**

213888

Auditors

The Kelvin Partnership Ltd
Chartered Accountants
Statutory Auditors
The Cooper Building
505 Great Western Road
GLASGOW
G12 8HN

Bankers

Clydesdale Bank plc
PO Box 1472
30 St Vincent Place
Glasgow
G1 2HL

SCVO CREDIT UNION LIMITED
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for the Year Ended 30 September 2017

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SCVO CREDIT UNION LIMITED
Directors' Report
for the Year Ended 30 September 2017

The directors present their report with the financial statements of the company for the year ended 30 September 2017.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2016 to the date of this report.

Paul White
John MacDonald
Bobby Gill
Ilse Mackinnon
Ese Osaghae
Margaret Wilson
Susan Rae
Peter Rae
Phil Walsh
Andrew Stewart

PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The Credit Union's principal activity during the year continued to be that defined in the Credit Union Act 1979. The Credit Union is authorised as a version 1 Credit Union under the Financial Conduct Authority (FCA).

FAIR REVIEW OF THE BUSINESS

In November 2012 the new ABACUS Software was purchased from Fern and installed on the Servers to replace CUBIS 8 Software, which had been in use for a number of years to control savings and loans records. ABACUS systems incorporate a full Accounting Package. In previous years the accounts were prepared manually, and finalised on Excel spreadsheets. This Software has now been fully depreciated.

Monthly bank reconciliations are completed monthly against all ABACUS Balance Sheet values.

There was a profit for the year after tax and before dividend payments of £16,739 (2016 - £17,673). A dividend of 0.5%, based on members' average daily share balances during the year to 30 Sept 2016, was approved and paid during the year at a cost of £6,274 leaving a surplus of £10,465.

The directors propose a dividend of 0.5%, calculated on members' daily share balances during the year to 30 September 2017, at an estimated total cost of £6,819. This amount has been set aside in a dividend reserve. The general reserve has increased by £9,984 to £116,861. Total reserves carried forward amount to £123,680.

Membership has reduced from 1,302 to 1,290 over the year with an increase of 7.7% in members' share capital to £1,448,717. The value of loans to members have increased by 2.8% to £984,433 after making a total provision for bad debts of £27,176, which is in excess of FCA minimum requirements, and is considered prudent in the present financial climate. However the number of loans has decreased to 596 from 621. This is mainly due to more existing loans being refinanced.

Bad debts written off have increased to £23,291 from £21,067. This is as a result of a review of our write-off arrangements and also to take advantage of a good trading position.

The Board also introduced a new interest rate of 0.5% per month for higher loans issued of £10,000 and above. A number of members have taken up this new offer, which was introduced to compete against high street banks who offered lower rates for higher loans.

In addition the Board also agreed the introduction of a new Budget Loan Account for new members and due to the potential higher risk, agreed a rate of 2.0% per month.

The Unity bank accounts were closed during the year as they were introducing standard monthly charges.

SCVO CREDIT UNION LIMITED
Directors' Report
for the Year Ended 30 September 2017

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Credit Union law requires the Directors to prepare financial statements for each financial year which 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 those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Credit Union and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, and the Credit Union Act 1979. They are also responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information of which the Credit Union's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and the establish that the Credit Union's auditors are aware of that information.

ON BEHALF OF THE BOARD:


.....
Bobby Gill - Director

16 January 2018

SCVO CREDIT UNION LIMITED
Report of the Independent Auditors
for the Year Ended 30 September 2017

We have audited the financial statements of SCVO Credit Union Limited for the year ended 30 September 2017 on pages 4 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the credit union's members, as a body, in accordance with Section 9 of the Industrial and Provident Societies Acts 1965 to 2002 and the Credit Union Act 1979. 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 auditors' 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.

Respective Responsibilities of Directors and Auditors

As described on page 2 the credit union's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the credit union's circumstances and have been consistently applied and adequately disclosed; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion:

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the credit union's affairs as at 30 September 2017 and of its surplus for the year then ended; the financial statements have been properly prepared in accordance with the Friendly and Industrial and Provident Societies Acts 1965 to 2002 and the Credit Union Act 1979.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Friendly and Industrial and Provident Societies Acts 1965 to 2002 require 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;
- a satisfactory system of control over transactions has not been maintained by the credit union in accordance with the requirements of the legislation;
- the income and expenditure account or other accounts to which our report relates, and the balance sheet are not in agreement with the books of account of the credit union;
- we have not obtained all the information and explanations necessary for the purposes of our audit.



Raymond Henry (Senior Statutory Auditor)
for and on behalf of The Kelvin Partnership Ltd.
Chartered Accountants
Statutory Auditors
The Cooper Building
505 Great Western Road
Glasgow G12 8HN

16 January 2018

SCVO CREDIT UNION LIMITED
Revenue Account
for the Year Ended 30 September 2017

	Notes	2017 £	2016 £
Loan interest receivable and similar income	4	142,989	133,399
Interest payable	5	<u>(6,274)</u>	<u>(5,770)</u>
Net interest income		136,715	127,629
Fees and commissions receivable	6	486	647
Fees and commissions payable	7	<u>(2,286)</u>	<u>(2,044)</u>
Net fees and commissions receivable		(1,800)	(1,397)
Other income	8	206	779
Administrative expenses	9a	(84,195)	(72,057)
Depreciation	14	-	(3,450)
Other operating expenses	9b	(16,824)	(15,920)
Impairment losses on loans to members		<u>(23,233)</u>	<u>(23,079)</u>
Surplus/(loss) before taxation		10,869	12,505
Taxation	11a	<u>(404)</u>	<u>(602)</u>
Surplus/(loss) for the financial year		10,465	11,903
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>10,465</u>	<u>11,903</u>


SCVO CREDIT UNION LIMITED
Balance Sheet
as at 30 September 2017

	Notes	2017 £	2016 £
Assets			
Cash, cash equivalents and liquid deposits			
Cash and balances	12	<u>583,535</u>	<u>496,342</u>
Loans and advances to members	13	984,433	957,459
Tangible fixed assets	14	-	-
Other debtors	15	<u>8,948</u>	<u>8,823</u>
Total assets		<u><u>1,576,916</u></u>	<u><u>1,462,624</u></u>
Liabilities			
Members shares	16	1,448,717	1,345,573
Other payables	17	<u>4,519</u>	<u>3,836</u>
		<u>1,453,236</u>	<u>1,349,409</u>
Reserves			
Dividend reserve	18	6,819	6,338
General reserves	18	<u>116,861</u>	<u>106,877</u>
		<u>123,680</u>	<u>113,215</u>
Total liabilities		<u><u>1,576,916</u></u>	<u><u>1,462,624</u></u>

The financial statements were approved, and authorised for issue, by the Board on 16 January 2018 and signed on its behalf by :



 Ilse Mackinnon - Director



 Ese Osaghae - Director

SCVO CREDIT UNION LIMITED
Statement of changes in Retained Earnings
for the Year Ended 30 September 2017

	2017	2016
	£	£
As at 1 October 2016	113,215	101,312
Total comprehensive income for the year	<u>10,465</u>	<u>11,903</u>
As at 30 September 2017	<u>123,680</u>	<u>113,215</u>

SCVO CREDIT UNION LIMITED
Cash flow statement
for the Year Ended 30 September 2017

	Notes	30.9.17 £	30.9.16 £
Net cash inflow from operating activities	1	91,799	33,498
Returns on investments and servicing of finance	2	2,072	3,008
Taxation		(404)	(602)
Capital expenditure	2	-	-
Equity dividends paid		<u>(6,274)</u>	<u>(5,770)</u>
Increase in cash in the period		<u>87,193</u>	<u>30,134</u>
<hr/>			
Reconciliation of net cash flow to movement in net funds	3		
Increase in cash in the period		<u>87,193</u>	<u>30,134</u>
Change in net funds resulting from cash flows		<u>87,193</u>	<u>30,134</u>
Net increases in cash and cash equivalents		87,193	30,134
Cash and cash equivalents at 1 October 2016		<u>496,342</u>	<u>466,208</u>
Cash and cash equivalents at 30 September 2017		<u>583,535</u>	<u>496,342</u>

SCVO CREDIT UNION LIMITED
Cash flow statement
for the Year Ended 30 September 2017

1. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	30.9.17	30.9.16
	£	£
Surplus/(loss) for the year	10,869	12,505
Depreciation charges	-	3,450
Interest income on investments	(2,072)	(3,008)
Distribution on members share	6,274	5,770
Increase in debtors	(27,099)	(108,965)
Increase in creditors	<u>103,827</u>	<u>123,746</u>
Net cash inflow from operating activities	<u><u>91,799</u></u>	<u><u>33,498</u></u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	30.9.17	30.9.16
	£	£
Returns on investments and servicing of finance		
Interest received	<u>2,072</u>	<u>3,008</u>
Net cash inflow for returns on investments and servicing of finance	<u><u>2,072</u></u>	<u><u>3,008</u></u>
Capital expenditure		
Purchase of tangible fixed assets	<u>-</u>	<u>-</u>
Net cash outflow for capital expenditure	<u><u>-</u></u>	<u><u>-</u></u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.10.16	Cash flow	At 30.9.17
	£	£	£
Net cash:			
Cash at bank	<u>496,342</u>	<u>87,193</u>	<u>583,535</u>
	<u>496,342</u>	<u>87,193</u>	<u>583,535</u>
Total	<u><u>496,342</u></u>	<u><u>87,193</u></u>	<u><u>583,535</u></u>

SCVO CREDIT UNION LIMITED
Notes to the Financial Statements
for the Year Ended 30 September 2017

1. Legal and regulatory framework

SCVO Credit Union Limited is a society registered under the Friendly and Industrial and Provident Acts 1965 to 2002, whose principal activity is to operate as a credit union, within the meaning of the Credit Unions Act 1979. SCVO Credit Union has registered with the Financial Services Authority under the provisions of the Financial Services Act 2010.

2. Accounting policies

Basis of operation

These financial statements have been prepared in accordance with FRS102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'.

The financial statements are prepared on a historical cost basis.

Going concern

The financial statements are prepared on the going concern basis. The directors of SCVO Credit Union Limited believe this is appropriate despite a mismatch in the maturity analysis of member's capital and loans to members.

Income

Loan interest receivable and similar income: Interest on both loans to members and loans to banks (ie cash and cash equivalents held on deposit with other financial institutions) is recognised using the effective interest method, and is calculated and accrued on a daily basis.

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

Taxation

The tax charge for the year reflects current tax payable. Current tax is the expected corporation tax payable for the year, using tax rates in force for the year. SCVO Credit Union Limited is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as a trade. However, corporation tax is payable on investment income.

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

SCVO CREDIT UNION LIMITED
Notes to the Financial Statements continued
for the Year Ended 30 September 2017

Tangible fixed assets

Tangible fixed assets comprises items of property, plant and equipment, which are stated at cost, less accumulated depreciation and any accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset.

Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value, on a straight line basis over its estimated useful life. The categories of property, plant and equipment are depreciated as follows :

Computer equipment	25% reducing balance
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Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and with other banks.

Financial assets - loans and advances to members

Loans to members are financial assets with fixed or determinable payments, and are not quoted in an active market. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member. In accordance with relevant regulations, SCVO Credit Union Limited does not transfer loans to third parties.

Financial liabilities - members shares

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

Employee benefits

Defined contribution plans: The amounts charged as expenditure for the defined contribution plan are the contributions payable by SCVO Credit Union Limited for the relevant period.

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

Reserves

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

3. **Use of estimated and judgements**

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying SCVO Credit Union Limited's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

Impairment of financial assets

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

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

SCVO CREDIT UNION LIMITED
Notes to the Financial Statements continued
for the Year Ended 30 September 2017

4. Loan interest receivable and similar income

	2017	2016
	£	£
Loan interest receivable from members	140,917	130,391
Bank interest receivable on cash and liquid deposits	<u>2,072</u>	<u>3,008</u>
Total loan interest receivable and similar income	<u>142,989</u>	<u>133,399</u>

5. Interest expense

Interest expense is the dividend paid to members for the prior year. The dividend is formally proposed by the Directors after the year end and is confirmed at the following AGM. As a result, it does not represent a liability at the balance sheet date.

	2017	2016
	£	£
Interest paid during the year	<u>6,274</u>	<u>5,770</u>
Dividend rate:		
Share accounts	0.5%	0.5%
Interest proposed, but not recognised	<u>6,819</u>	<u>6,338</u>
Dividend rate:		
Share accounts	0.5%	0.5%

6. Fees and commissions receivable

	2017	2016
	£	£
Entrance fees	410	565
Dormant fees	<u>76</u>	<u>82</u>
Total fees and commissions receivable	<u>486</u>	<u>647</u>

7. Fees and commissions payable

	2017	2016
	£	£
Bank charges	<u>2,286</u>	<u>2,044</u>
Total fees and commissions payable	<u>2,286</u>	<u>2,044</u>

8. Other operating income

	2017	2016
	£	£
Trust Deed income	<u>206</u>	<u>779</u>
	<u>206</u>	<u>779</u>

9. Expenses

	Note	2017	2016
		£	£
Administrative expenses	9a	84,195	72,057
Depreciation	14	-	3,450
Other operating expenses	9b	<u>16,824</u>	<u>15,920</u>
		<u>101,019</u>	<u>91,427</u>

SCVO CREDIT UNION LIMITED
Notes to the Financial Statements continued
for the Year Ended 30 September 2017

9a. Administrative expenses

	Note	2017 £	2016 £
Employment costs	10b	67,035	60,575
Staff training, travel and subsistence		2,010	581
Other staff expenses		210	121
Auditors' remuneration	9c	2,130	1,440
Telephone		595	578
Computer maintenance		7,174	3,276
Debt recovery fees		1,646	1,691
General expenses		1,615	1,248
Printing, postage and stationery		1,780	2,547
Total administrative expenses		<u>84,195</u>	<u>72,057</u>

9b. Other operation expenses

Other operating expenses comprise the costs of occupying offices and regulatory and financial management costs :

	2017 £	2016 £
Cost of occupying offices (excluding depreciation)		
SCVO desk rental	5,115	4,500
SCVO IT support charge	1,969	1,800
	<u>7,084</u>	<u>6,300</u>
Regulatory and financial management costs		
Financial Conduct Authority fees	987	1,107
Association of British Credit Unions Limited dues	1,425	1,499
Fidelity insurance	2,069	2,003
Loan protection and life savings insurance	5,259	5,011
	<u>9,740</u>	<u>9,620</u>
	<u>16,824</u>	<u>15,920</u>

9c. Auditors remuneration

SCVO Credit Union Limited voluntarily presents an analysis of its auditors' remuneration in accordance with the Companies (Disclosure) of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008.

	2017 £	2016 £
Fees payable for the audit of SCVO Credit Union Limited's annual accounts	2,030	1,340
Fees payable to SCVO Credit Union Limited's auditor for other services :		
Services relating to taxation	100	100
Total auditors' remuneration	<u>2,130</u>	<u>1,440</u>

10. Employees and employment costs

10a. Number of employees

The average monthly number of employees during the year were :

	2017 Number	2016 Number
Office staff	3	3

SCVO CREDIT UNION LIMITED
Notes to the Financial Statements continued
for the Year Ended 30 September 2017

10b.	Employment costs		2017	2016
			£	£
	Wages and salaries		56,475	50,179
	Social security costs		1,336	1,980
	Pension costs		9,224	8,416
	Total employment costs		<u>67,035</u>	<u>60,575</u>
11.	Taxation			
11a.	Recognised in the Revenue Account			
	The taxation charge for the year, based on the small profits rate of Corporation Tax of 19% (2016: 20%) comprised :			
		Note	2017	2016
			£	£
	Current tax			
	UK Corporation Tax	11b	<u>404</u>	<u>602</u>
	Total current tax and total taxation expense recognised in the Revenue Account		<u>404</u>	<u>602</u>
11b.	Reconciliation of taxation expense			
	SCVO Credit Union Limited is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as a trade. However, corporation tax is payable on investment income. As a result, the tax charge for the year differs from the standard rate of Corporation Tax.			
12.	Cash and cash equivalents		2017	2016
			£	£
	Cash and balances		<u>583,535</u>	<u>496,342</u>
	Total cash and cash equivalents		<u>583,535</u>	<u>496,342</u>
13.	Loans and advances to members - financial assets			
		Note	2017	2016
			£	£
	As at 1 October 2016		982,630	869,187
	Advanced during the year		935,370	1,023,067
	Interest on loans		140,782	130,391
	Repaid during the year		(1,023,882)	(1,019,098)
	Loans derecognised		<u>(23,291)</u>	<u>(20,917)</u>
	Gross loans and advances to members		<u>1,011,609</u>	<u>982,630</u>
	Impairment losses			
	Individual financial assets		<u>(27,176)</u>	<u>(25,171)</u>
	As at 30 September 2017	19b	<u>984,433</u>	<u>957,459</u>

SCVO CREDIT UNION LIMITED
Notes to the Financial Statements continued
for the Year Ended 30 September 2017

14. Tangible fixed assets

Tangible fixed assets comprise the following :

	Computer equipment £	Total £
Cost		
At 1 October 2016	17,337	17,337
Additions	-	-
At 30 September 2017	<u>17,337</u>	<u>17,337</u>
Depreciation		
At 1 October 2016	17,337	17,337
Charge for the year	-	-
At 30 September 2017	<u>17,337</u>	<u>17,337</u>
Net book value		
At 30 September 2017	<u>-</u>	<u>-</u>
At 30 September 2016	<u>-</u>	<u>-</u>

15. Other debtors

	2017 £	2016 £
Loan interest accrued	8,788	8,653
Members fees recoverable	160	170
As at 30 September 2017	<u>8,948</u>	<u>8,823</u>

16. Members shares - financial liabilities

	2017 £	2016 £
As at 1 October 2016	1,345,573	1,222,576
Received during the year	939,689	872,280
Repaid during the year	(836,545)	(749,283)
As at 30 September 2017	<u>1,448,717</u>	<u>1,345,573</u>

Note

19b

17. Other payables

	2017 £	2016 £
UK Corporation Tax	404	602
Accruals	4,115	3,234
	<u>4,519</u>	<u>3,836</u>

18. Reserves

	General Reserve £	Dividend Reserve £	Total Reserves £
At 1 October 2016	106,877	6,338	113,215
Surplus for the year	10,465	-	10,465
Dividend transfer to Income and Expenditure account	6,274	(6,274)	-
Previous year dividend adjustment	64	(64)	-
Transfer from General Reserve to Dividend reserve	(6,819)	6,819	-
	<u>116,861</u>	<u>6,819</u>	<u>123,680</u>

SCVO CREDIT UNION LIMITED
Notes to the Financial Statements continued
for the Year Ended 30 September 2017

19. Additional financial instruments disclosures

19a. Financial risk management

SCVO Credit Union Limited manages its members shares and loans to members so that it earns income from the margin between interest receivable and interest payable.

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

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

Liquidity risk: SCVO Credit Union Limited's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due. The objective of SCVO Credit Union Limited's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

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

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

19b. Interest rate risk disclosures

The following table shows the interest received during the year divided by the closing loan balance and the dividend paid during the year divided by the closing share balance.

	2017		2016	
	Amount	Average interest rate	Amount	Average interest rate
	£	%	£	%
Financial assets				
Loans to members	984,433	14.31%	957,459	13.62%
Financial liabilities				
Members shares				
Saver accounts	1,448,717	0.43%	1,345,573	0.42%
	<u>1,448,717</u>	<u>0.43%</u>	<u>1,345,573</u>	<u>0.42%</u>

The interest rates applicable to loans to members are fixed and range from 9% to 18%. The interest payable on member's shares is determined on the basis of income less administrative expenses and, as can be seen above, a consistent margin is maintained between interest receivable and interest payable. As a result, the surplus for the year is not particularly sensitive to interest rate risk and non sensitivity analysis is presented.

19c. Liquidity risk disclosures

Excluding short-term other payables, as noted in the balance sheet, SCVO Credit Union Limited's financial liabilities, the members shares, are repayable on demand.

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19d. Fair value of financial instruments

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

20. Post balance sheet events

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

21. Contingent liabilities

SCVO Credit Union Limited participates in the Financial Services Compensation Scheme (FSCS) and therefore has a contingent liability, which cannot be quantified, in respect of contributions to the FSCS, as required by the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) had provided details of how the calculation of next year's contribution towards the FSCS will be calculated and full provision has been included for this liability. However this is subject to future changes in interest rates and levels of deposits held by UK deposit takers. Therefore there is inherent uncertainty regarding the totality of the levy that Credit Union will have to pay.

22. Related party transactions

During the year, some members of the Board, staff and their close family members had loans with SCVO Credit Union Limited. These loans were approved on the same basis as loans to other members of SCVO Credit Union Limited. None of the directors, staff or their close family members has any preferential terms on their loans.

