

FCA registration number 213888
Register number 135CUS(Scotland)

SCVO CREDIT UNION LIMITED
DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

SCVO CREDIT UNION LIMITED

Administrative Information

Directors	Paul White (Chair) John MacDonald (Vice-Chair) Bobby Gill (Treasurer) Ilse Mackinnon Ese Osaghae Margaret Wilson (Secretary) Susan Rae Phil Walsh Andrew Stewart
Secretary	Margaret Wilson
Registered Office	Mansfield Traquair Centre, 15 Mansfield Place, Edinburgh EH3 6BB
Financial Conduct Authority Registration Number	213888
Society Number	135CUS
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 is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

SCVO CREDIT UNION LIMITED
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for the Year Ended 30 September 2019

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SCVO CREDIT UNION LIMITED
Directors' Report
for the Year Ended 30 September 2019

The directors present their report with the financial statements of the company for the year ended 30 September 2019.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2018 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

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 £13,042 (2018 - £17,820). A dividend of 0.5%, based on members' average daily share balances during the year to 30 September 2018, was approved and paid during the year at a cost of £7,689 leaving a surplus of £5,353.

The directors propose a dividend of 0.5%, calculated on members' daily share balances during the year to 30 September 2019, at an estimated total cost of £7,980. This amount has been set aside in a dividend reserve. A £5,000 transfer from general reserve to a marketing has been set up leaving a balance in general reserve of £127,081 and an overall reserve of £140,061.

Membership has increased from 1,312 to 1,425 over the year with an increase of 10.6% in members' share capital to £1,681,606. The value of loans to members have increased by 10.2% to £1,103,248 after making a total provision for bad debts of £31,896, 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 569 from 588.

Bad debts written off have decreased to £25,687 from £26,584. This is as a result of a review of out write-off arrangements.

SCVO CREDIT UNION LIMITED
Directors' Report
for the Year Ended 30 September 2019

PRINCIPAL RISKS AND UNCERTAINTIES

The financial risks of the Credit Union are set out in Note 19a to the financial statements.

STATEMENT OF COMPLIANCE

Under the PRA rulebook the Board Directors must report to the Members at the Annual General Meeting on certain areas of Compliance within the Credit Union.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Credit Union legislation requires the Board Directors to prepare financial statements for each financial year. Under the law the Board Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under credit union legislation the Board 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 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 Co-operative and Community Benefit Societies Act 2014, 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.

REAPPOINTMENT OF AUDITORS

A resolution for the re-appointment of The Kelvin Partnership Limited as auditors of the credit union at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

.....
Bobby Gill - Director

29 January 2020

SCVO CREDIT UNION LIMITED
Report of the Independent Auditors
for the Year Ended 30 September 2019

Opinion

We have audited the financial statements of SCVO Credit Union Limited (the 'credit union') for the year ended 30 September 2019, which comprises the Revenue Account, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom (UK) Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the credit union's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the credit union's members those matters we are required to state to them in an 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.

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-Operative and Community 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 Auditors' 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 Board Directors use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board 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 authorized for issue.

Other information

The Board Directors are responsible for the other information. The other information comprises the information in the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and 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 other information.

We have nothing to report in this regard.

SCVO CREDIT UNION LIMITED
Report of the Independent Auditors
for the Year Ended 30 September 2019

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have no identified material misstatements in the Board of Directors' Report

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

Responsibilities of Directors

As explained more fully in the Statement of Director's Responsibilities (set out on pages 1-2), the Board 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 Board Directors determine 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 Board 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 Board Directors either intend to liquidate the credit union or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with that Act and relevant regulations made or having effect thereunder. 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 a Report of the Auditors 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.

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.

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

29 January 2020

SCVO CREDIT UNION LIMITED
Revenue Account
for the Year Ended 30 September 2019

	Notes	2019 £	2018 £
Loan interest receivable and similar income	4	156,886	151,607
Interest payable and similar charges	5	<u>(7,689)</u>	<u>(6,792)</u>
Net interest income		149,197	144,815
Fees and commissions receivable	6	1,099	430
Fees and commissions payable	7	<u>(2,368)</u>	<u>(2,266)</u>
Net fees and commissions receivable		(1,269)	(1,836)
Other income	8	393	576
Administrative expenses	9a	(99,030)	(90,874)
Depreciation	14	-	-
Other operating expenses	9b	(17,756)	(17,733)
Impairment losses on loans to members		<u>(25,666)</u>	<u>(23,448)</u>
Profit/(loss) before taxation		5,869	11,500
Taxation	11a	<u>(516)</u>	<u>(472)</u>
Profit/(loss) for the financial year		5,353	11,028
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>5,353</u>	<u>11,028</u>

SCVO CREDIT UNION LIMITED
Balance Sheet
as at 30 September 2019

	Notes	2019 £	2018 £
Assets			
Cash, cash equivalents and liquid deposits			
Cash and balances	12	<u>711,341</u>	<u>633,326</u>
Loans and advances to members	13	1,103,248	1,076,588
Tangible fixed assets	14	-	-
Other debtors	15	<u>11,621</u>	<u>10,192</u>
Total assets		<u><u>1,826,210</u></u>	<u><u>1,720,106</u></u>
Liabilities			
Members shares	16	1,681,606	1,582,079
Other payables	17	<u>4,543</u>	<u>3,319</u>
		<u>1,686,149</u>	<u>1,585,398</u>
Reserves			
Dividend reserve	18	7,980	7,767
Marketing reserve	18	5,000	-
General reserves	18	<u>127,081</u>	<u>126,941</u>
		<u>140,061</u>	<u>134,708</u>
Total liabilities		<u><u>1,826,210</u></u>	<u><u>1,720,106</u></u>

The financial statements were approved, and authorised for issue, by the Board on 29 January 2020 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 2019

	2019	2018
	£	£
As at 1 October 2018	134,708	123,680
Total comprehensive income for the year	<u>5,353</u>	<u>11,028</u>
As at 30 September 2019	<u><u>140,061</u></u>	<u><u>134,708</u></u>

SCVO CREDIT UNION LIMITED
Cash flow statement
for the Year Ended 30 September 2019

	Notes	30.9.19 £	30.9.18 £
Net cash inflow from operating activities	1	83,503	54,573
Returns on investments and servicing of finance	2	2,717	2,482
Taxation		(516)	(472)
Capital expenditure	2	-	-
Equity dividends paid		<u>(7,689)</u>	<u>(6,792)</u>
Increase in cash in the period		<u>78,015</u>	<u>49,791</u>

Reconciliation of net cash flow to movement in net funds

	3		
Increase in cash in the period		<u>78,015</u>	<u>49,791</u>
Change in net funds resulting from cash flows		<u>78,015</u>	<u>49,791</u>
Net increases in cash and cash equivalents			49,791
Cash and cash equivalents at 1 October 2018		<u>633,326</u>	<u>583,535</u>
Cash and cash equivalents at 30 September 2019		<u>711,341</u>	<u>633,326</u>

SCVO CREDIT UNION LIMITED
Cash flow statement
for the Year Ended 30 September 2019

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

	30.9.19	30.9.18
	£	£
Surplus/(loss) for the year	5,869	11,500
Depreciation charges	-	-
Interest income on investments	(2,717)	(2,482)
Distribution on members share	7,689	6,792
Increase in debtors	(28,089)	(93,399)
Increase in creditors	<u>100,751</u>	<u>132,162</u>
Net cash inflow from operating activities	<u><u>83,503</u></u>	<u><u>54,573</u></u>

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

	30.9.19	30.9.18
	£	£
Returns on investments and servicing of finance		
Interest received	<u>2,717</u>	<u>2,482</u>
	<u><u>2,717</u></u>	<u><u>2,482</u></u>
Net cash inflow for returns on investments and servicing of finance	<u><u>2,717</u></u>	<u><u>2,482</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		At
	1.10.18	Cash flow	30.9.19
	£	£	£
Net cash:			
Cash at bank	<u>633,326</u>	<u>78,015</u>	<u>711,341</u>
	<u>633,326</u>	<u>78,015</u>	<u>711,341</u>
Total	<u><u>633,326</u></u>	<u><u>78,015</u></u>	<u><u>711,341</u></u>

SCVO CREDIT UNION LIMITED
Notes to the Financial Statements
for the Year Ended 30 September 2019

1. **Legal and regulatory framework**

SCVO Credit Union Limited is a society registered 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 Unions Act 1979. SCVO Credit Union is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

2. **Accounting policies**

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

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

Basis of operation

The financial statements are prepared using the historical cost convention.

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

Going concern

The financial statements are prepared on the going concern basis.

Income

Loan interest receivable and similar income: Interest on both loans to members and loans to banks (i.e. 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.

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.

SCVO CREDIT UNION LIMITED
Notes to the Financial Statements continued
for the Year Ended 30 September 2019

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 profits 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 2019

4. **Loan interest receivable and similar income**

	2019	2018
	£	£
Loan interest receivable from members	154,169	149,125
Bank interest receivable on cash and liquid deposits	<u>2,717</u>	<u>2,482</u>
Total loan interest receivable and similar income	<u><u>156,886</u></u>	<u><u>151,607</u></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.

	2019	2018
	£	£
Interest paid during the year	<u><u>7,689</u></u>	<u><u>6,792</u></u>
Dividend rate:		
Share accounts	0.5%	0.5%
Interest proposed, but not recognised	<u>7,980</u>	<u>7,767</u>
Dividend rate:		
Share accounts	0.5%	0.5%

6. **Fees and commissions receivable**

	2019	2018
	£	£
Entrance fees	985	365
Dormant fees	114	65
Total fees and commissions receivable	<u><u>1,099</u></u>	<u><u>430</u></u>

7. **Fees and commissions payable**

	2019	2018
	£	£
Bank charges	<u>2,368</u>	<u>2,266</u>
Total fees and commissions payable	<u><u>2,368</u></u>	<u><u>2,266</u></u>

8. **Other operating income**

	2019	2018
	£	£
Trust Deed income	393	206
Other income	<u>-</u>	<u>370</u>
	<u><u>393</u></u>	<u><u>576</u></u>

9. **Expenses**

	Note	2019	2018
		£	£
Administrative expenses	9a	99,030	90,874
Depreciation	14	-	-
Other operating expenses	9b	<u>17,756</u>	<u>17,733</u>
		<u><u>116,786</u></u>	<u><u>108,607</u></u>

SCVO CREDIT UNION LIMITED
Notes to the Financial Statements continued
for the Year Ended 30 September 2019

9a. **Administrative expenses**

	Note	2019 £	2018 £
Employment costs	10b	77,724	72,906
Staff training, travel and subsistence		2,653	2,338
Other staff expenses		1,929	210
Auditors' remuneration	9c	1,530	1,470
Telephone		352	529
Computer maintenance		9,195	7,852
Debt recovery fees		1,074	1,853
General expenses		2,019	1,618
Printing, postage and stationery		2,092	2,098
Marketing costs		462	-
Total administrative expenses		<u>99,030</u>	<u>90,874</u>

9b. **Other operation expenses**

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

	2019 £	2018 £
Cost of occupying offices (excluding depreciation)		
SCVO desk rental	5,520	5,409
SCVO IT support charge	1,956	2,164
	<u>7,476</u>	<u>7,573</u>
Regulatory and financial management costs		
Financial Conduct Authority fees	521	747
Association of British Credit Unions Limited dues	1,544	1,492
Fidelity insurance	2,107	2,107
Loan protection and life savings insurance	6,108	5,814
	<u>10,280</u>	<u>10,160</u>
	<u>17,756</u>	<u>17,733</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.

	2019 £	2018 £
Fees payable for the audit of SCVO Credit Union Limited's annual accounts	1,430	1,370
Fees payable to SCVO Credit Union Limited's auditor for other services :		
Services relating to taxation	100	100
Total auditors' remuneration	<u>1,530</u>	<u>1,470</u>

10. **Employees and employment costs**

10a. **Number of employees**

The average monthly number of employees during the year were:

	2019 Number	2018 Number
Office staff	3	3

SCVO CREDIT UNION LIMITED
Notes to the Financial Statements continued
for the Year Ended 30 September 2019

10b.	Employment costs		
		2019	2018
		£	£
	Wages and salaries	63,976	60,742
	Social security costs	2,535	1,855
	Pension costs	11,213	10,309
	Total employment costs	<u>77,724</u>	<u>72,906</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% (2018: 19%) comprised:

	Note	2019	2018
		£	£
Current tax			
UK Corporation Tax	11b	<u>516</u>	<u>472</u>
Total current tax and total taxation expense recognised in the Revenue Account		<u>516</u>	<u>472</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**

	2019	2018
	£	£
Cash and balances	<u>711,341</u>	<u>633,326</u>
Total cash and cash equivalents	<u>711,341</u>	<u>633,326</u>

13. **Loans and advances to members - financial assets**

	Note	2019	2018
		£	£
As at 1 October 2018		1,105,299	1,011,609
Advanced during the year		960,924	998,388
Interest on loans		153,954	147,906
Repaid during the year		(1,059,376)	(1,026,020)
Loans derecognised		<u>(25,657)</u>	<u>(26,584)</u>
Gross loans and advances to members		<u>1,135,144</u>	<u>1,105,299</u>
Impairment losses			
Individual financial assets		<u>(31,896)</u>	<u>(28,711)</u>
As at 30 September 2019	19b	<u>1,103,248</u>	<u>1,076,588</u>

SCVO CREDIT UNION LIMITED
Notes to the Financial Statements continued
for the Year Ended 30 September 2019

14. **Tangible fixed assets**

Tangible fixed assets comprise the following:

	Computer equipment £	Total £
Cost		
At 1 October 2018	17,337	17,337
Additions	-	-
At 30 September 2019	<u>17,337</u>	<u>17,337</u>
Depreciation		
At 1 October 2018	17,337	17,337
Charge for the year	-	-
At 30 September 2019	<u>17,337</u>	<u>17,337</u>
Net book value		
At 30 September 2019	<u>-</u>	<u>-</u>
At 30 September 2018	-	-

15. **Other debtors**

	2019 £	2018 £
Loan interest accrued	11,236	10,007
Members fees recoverable	385	185
As at 30 September 2019	<u>11,621</u>	<u>10,192</u>

16. **Members shares - financial liabilities**

	Note	2019 £	2018 £
As at 1 October 2018		1,582,079	1,448,717
Received during the year		1,059,866	1,035,660
Repaid during the year		(960,339)	(902,298)
As at 30 September 2019	19b	<u>1,681,606</u>	<u>1,582,079</u>

17. **Other payables**

	2019 £	2018 £
UK Corporation Tax	516	462
Accruals	4,027	2,857
	<u>4,543</u>	<u>3,319</u>

18. **Reserves**

	General Reserve £	Dividend Reserve £	Marketing Reserve £	Total Reserves £
At 1 October 2018	126,941	7,767	-	134,708
Surplus for the year	5,353	-	-	5,353
Transfer to Marketing reserve	(5,000)	-	5,000	-
Dividend transfer to Income and Expenditure account	7,689	(7,689)	-	-
Previous year dividend adjustment	78	(78)	-	-
Transfer from General Reserve to Dividend reserve	(7,980)	7,980	-	-
	<u>127,081</u>	<u>7,980</u>	<u>5,000</u>	<u>140,061</u>

SCVO CREDIT UNION LIMITED
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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 do 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.

	2019		2018	
	Amount	Average interest rate	Amount	Average interest rate
	£	%	£	%
Financial assets				
Loans to members	1,103,248	13.97%	1,076,588	13.85%
Financial liabilities				
Members shares				
Saver accounts	1,681,606	0.46%	1,582,079	0.43%
	1,681,606	0.46%	1,582,079	0.43%

The interest rates applicable to loans to members are fixed and range from 6.1% to 26.2%. 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.

SCVO CREDIT UNION LIMITED
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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**

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.

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.