

**STROUD VALLEYS CREDIT UNION LTD**

**Firm Reference No 213950**

**Registered No IP00542C**

**DIRECTORS REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 SEPTEMBER 2018**

**STROUD VALLEYS CREDIT UNION LTD**

**ADMINISTRATIVE INFORMATION**

<b>Directors</b>	John Appleton Des Fforde Lena Homer Philip Davenport Jane Bethel David Winch Graeme Watt Andy Moy James Vandenberg-Harwood Paul Severs
<b>Secretary</b>	Judith Silverwood (from October 2018)
<b>Society Registration Number</b>	IP00542C
<b>Financial Conduct Authority Registration Number</b>	213950
<b>Registered Office</b>	Thanet House 58 London Road Stroud Gloucestershire GL5 2AA
<b>Auditors</b>	Lindley Adams Limited Chartered Accountants and Statutory Auditors 28, Prescott Street Halifax HX1 2LG
<b>Bankers</b>	The Co-operative Bank Plc P.O. Box 101 1 Balloon Street Manchester M60 4EP  Cambridge & Counties Bank Limited Charnwood Court, New Walk Leicester LE1 6TE  Darlington Building Society Sentinel House Morton Road Darlington DL1 4P  Lloyds Bank Plc 25 Gresham Street London EC2 7HN

**STROUD VALLEYS CREDIT UNION LTD**

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**STROUD VALLEYS CREDIT UNION LTD**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

The Directors present their report and the financial statements for the year ended 30 September 2018.

**Principal activity and Business Review**

The principal activities of the credit union are the promotion and encouragement of regular saving and prudent borrowing by its members, as defined in the Credit Unions Act 1979.

**Results and Dividends**

The deficit for the year, after taxation, amounted to £3,349 (2017 - surplus of £2,693). In addition, there were 732 (2017 - 658) adult members with 86 (2017 - 90) members holding loans with the Credit Union.

The Directors do not recommend the payment of a dividend.

**Directors**

The directors who served during the year are as stated below:

John Appleton		
Colin Keegan	-	resigned June 2018
Kim Richardson	-	resigned January 2018
Paul Fegan	-	resigned June 2018
Des Fforde		
Lena Homer		
Philip Davenport		
Ash Robertson	-	resigned November 2017
Chas Townley	-	resigned March 2018
Jane Bethel		
David Winch		
Chris Farthing	-	appointed November 2017, resigned August 2018
Paul Severs	-	appointed December 2017
Graeme Watt	-	appointed January 2018
Mike Stephens	-	appointed March 2018, resigned April 2018
Andy Moy	-	appointed June 2018
James Vandenberg-Harwood	-	appointed August 2018

**Financial risk management objectives and policies**

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

- Credit Risk: All loan applications are assessed with reference to the Credit Union's lending policy. Changes to policy are approved by the Board.
- Interest Rate Risk: The main interest rate risk arises from differences between interest rate exposures on assets and on liabilities that form an integral part of the credit union's operations. The Credit Union considers interest rates when deciding on the dividend rates to propose on share accounts.
- Liquidity Risk: The Credit Union's policy is to maintain sufficient funds in a liquid form at all times to ensure that the Credit Union can meet its liabilities as they fall due. The objective of liquidity is to help smooth mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

These areas are outlined in greater detail in section 15 of the Notes to the Financial Statements.

**Statement of Directors' Responsibilities**

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

Credit Union 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, including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland" (United Kingdom Accounting Standards and applicable law). Under Credit Union legislation 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 year. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and 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 Co-operative and Community Benefit Societies Act 2014 and with 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.

In so far as the directors are aware:

- There is no relevant audit information (information needed by the Credit Union's auditors in connection with preparing their report) of which the Credit Union's auditors are unaware, and
- The directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Credit Union's auditors are aware of that information.

This report was approved by the Board on 13/12/2019 and signed on its behalf by:

Name of Director 1: LENA HOMER

Signature 

Name of Director 2: ANDY MOY

Signature 

**REPORT OF THE INDEPENDENT AUDITOR****TO THE MEMBERS OF STROUD VALLEYS CREDIT UNION LTD****OPINION**

We have audited the financial statements of Stroud Valleys Credit Union Ltd for the year ended 30 September 2018 as which comprise of revenue account, balance sheet, statement of changes to retained earnings, cash flow statement 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 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 for the Credit Union's members, as a body, in accordance with section 87 of 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.

In our opinion, the financial statements:

- give a true and fair view of the state of Credit Union's affairs as at 30 September 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

**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 the provisions Available for small entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**CONCLUSIONS RELATING TO GOING CONCERN**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Credit Union's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**OTHER INFORMATION**

The 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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

- the Credit Union has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation;
- the revenue account, any other accounts to which our report relates, and the balance sheet are not in agreement with the Credit Union's books of account; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

**RESPONSIBILITIES OF THE DIRECTORS**

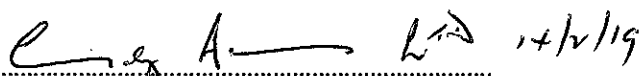
As explained more fully in the Statement of Directors' responsibilities set out on page 2, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm). This description forms part of our auditor's report.



.....  
 Lindley Adams Limited  
 Chartered Accountants and Statutory Auditors  
 28 Prescott Street,  
 Halifax, HX1 2LG

## STROUD VALLEYS CREDIT UNION LTD

Revenue Account for the year ended 30 September 2018

	Note	2018 £	2017 £
Loan Interest receivable and similar income	4	19,687	13,806
Interest payable	5	<u>(1,014)</u>	<u>(1,186)</u>
<b>Net interest income</b>		<b>18,673</b>	<b>12,620</b>
Fees and commissions receivable	6	845	711
Fees and commissions payable		<u>(100)</u>	<u>(69)</u>
<b>Net fees and commissions receivable</b>		<b>745</b>	<b>642</b>
Other income	7	14,066	21,261
Administrative expenses	8a	(17,580)	(13,687)
Depreciation and amortisation	11	(832)	0
Other operating expenses	8b	(16,822)	(15,467)
Impairment losses on loans to members	12e	(711)	(1,935)
<b>Surplus (Deficit) Before Taxation</b>		<u><b>(2,461)</b></u>	<u><b>3,434</b></u>
Taxation		(888)	(741)
<b>Surplus (Deficit) for the Financial Year</b>		<u><b>(3,349)</b></u>	<u><b>2,693</b></u>
<b>Total comprehensive income (expenditure)</b>		<u><b>(3,349)</b></u>	<u><b>2,693</b></u>

Note: There is no comprehensive income other than those included on the Revenue Account.



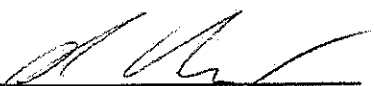
## STROUD VALLEYS CREDIT UNION LTD

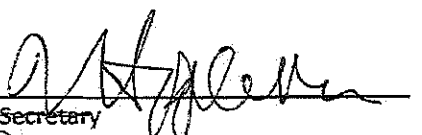
Balance Sheet as at 30 September 2018

	Note	2018 £	2017 £
<b>ASSETS</b>			
Loans and advances to banks	16	<u>461,239</u>	<u>449,805</u>
Loans and advances to members	12	110,597	80,888
Tangible fixed assets	11	1,560	0
Other receivables		0	2,802
Prepayments and accrued income		3,647	924
<b>Total assets</b>		<u><b>577,143</b></u>	<u><b>534,419</b></u>
<b>LIABILITIES</b>			
Subscribed capital - repayable on demand	13	529,031	479,640
Other payables	14	<u>6,329</u>	<u>9,647</u>
		535,360	489,287
Retained earnings		41,783	45,132
<b>Total liabilities</b>		<u><b>577,143</b></u>	<u><b>534,419</b></u>

The financial statements were approved, and authorised for issue by the board on 13/02/2019 and signed on its behalf by:

  
Director

  
Director

  
Secretary  
Director

## STROUD VALLEYS CREDIT UNION LTD

## Statement of Changes in Retained Earnings for the year ended 30 September 2018

	2018	2017
	£	£
As at 1 October 2017	45,132	42,439
Total comprehensive income (expenditure) for the year	(3,349)	2,693
<b>As at 30 September 2018</b>	<b>41,783</b>	<b>45,132</b>

## Movement in reserves

	Retained earnings			Total
	General reserve	Other Reserve	Revenue reserve	
As at 1 October 2017	16,037	1,058	28,037	45,132
Deficit for year	(3,349)	0	0	(3,349)
Other Movements	1,058	(1,058)	0	0
<b>As at 30 September 2018</b>	<b>13,746</b>	<b>0</b>	<b>28,037</b>	<b>41,783</b>

## STROUD VALLEYS CREDIT UNION LTD

Cash flow statement for the year ended 30 September 2018

	Note	2018	2017
		£	£
<b>Cash Flows from operating activities</b>			
Surplus (Deficit) Before Taxation		(2,461)	3,434
Adjustments for non-cash items			
Depreciation	11	832	0
Impairment losses	12e	1,000	2,221
		<u>1,832</u>	<u>2,221</u>
Movements in:			
Other receivables		2,802	491
Prepayments and accrued income		(2,723)	(32)
Other payables		(3,318)	386
		<u>(3,239)</u>	<u>845</u>
<b>Cash flows from changes in operative assets and liabilities</b>			
Cash inflow from subscribed capital	13	218,564	234,881
Cash outflow from repaid capital	13	(169,173)	(142,849)
New loans to members	12a	(131,299)	(91,747)
Repayment of loans by members	12a	100,590	72,344
		<u>18,682</u>	<u>72,629</u>
Taxation paid		<u>(888)</u>	<u>(741)</u>
<b>Net Cash flows from operating activities</b>		<b>13,926</b>	<b>78,388</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(2,492)	0
Net cash flow from managing liquid deposits		17,681	(270,606)
		<u>15,189</u>	<u>(270,606)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>29,115</b>	<b>(192,218)</b>
Cash and cash equivalents at beginning of year		137,709	329,927
Cash and cash equivalents at end of year	16	<u>166,824</u>	<u>137,709</u>

## STROUD VALLEYS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018

**1 Legal and regulatory framework**

The Credit Union is a society established 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. The Credit Union has registered with the Financial Conduct Authority and is regulated by the Prudential Regulation Authority under the provisions of the Financial Services and Markets Act 2000.

In accordance with the regulatory environment for credit unions, deposits from members can be made by subscription for redeemable shares, deferred shares and interest - bearing shares. At present the Credit Union has only issued redeemable shares.

**2 Accounting policies****Basis of preparation**

These financial statements have been prepared in accordance with FRS 102 - the Financial Reporting Standard applicable in the UK and Ireland.

The financial statements are prepared on the historical cost basis.

**Going concern**

The directors of the Credit Union believe that it is appropriate to prepare the financial statements on the going concern basis. In accordance with PRA Rulebook Guidelines outlined in Section 8.5 (1), the credit union must maintain a minimum Capital-To-Total assets ratio of 3%.

	<b>2018</b>	<b>2017</b>
The relevant ratios are:-	7.24%	8.45%

**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. Exempt interest on members loans is not recognised.

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.

Other income: Other income is recognised either evenly over the period to which it relates or when the transaction is complete.

**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. The Credit Union 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 the Credit Union from which profits are chargeable to corporation tax, it is unlikely that deferred tax will arise.

## STROUD VALLEYS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

**2 Accounting policies (cont.)****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. Cost includes 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:

Equipment and Computers	3 years
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**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and with the Bank of England and loans and advances to banks (i.e. cash deposited with banks) with maturity of less than or equal to three months.

**Financial assets – loans and advances to members**

Loans to members are financial assets with fixed or determinable payments. Loans are made to members for provident or productive purposes on such security (or without security) and terms as the rules of the Credit Union provide. 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.

**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 loan and the net present value of the expected cash flows.

**Financial liabilities – subscribed capital**

Members' shareholdings in the Credit Union are redeemable and therefore are classified as financial liabilities, and described as subscribed capital. 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 the Credit Union 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.

**Operating lease commitments**

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

## STROUD VALLEYS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

**3 Use of estimates and judgements**

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying the Credit Union'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, are disclosed below:

**Impairment losses on loans to members**

Impaired losses are stated after specifically reviewing all loans in arrears. The criteria used is whether the loan will be repaid within the term of the loan based upon the current regular pattern of repayments.

<b>4 Loan interest receivable and similar income</b>	<b>2018</b>	<b>2017</b>
	£	£
Loan interest receivable from members	15,014	10,004
Bank interest receivable from cash and liquid deposits	4,673	3,802
<b>Total loan interest receivable and similar income</b>	<b><u>19,687</u></b>	<b><u>13,806</u></b>

**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.

	<b>2018</b>	<b>2017</b>
	£	£
Interest paid during the year	<u>1,014</u>	<u>1,186</u>
Dividend rate: Adults	0.25%	0.25%
Juniors	0.25%	2.00%
Interest proposed, but not recognised	<u>0</u>	<u>1,058</u>
Dividend rate: Adults	0.00%	0.25%
Juniors	0.00%	0.25%

<b>6 Fees and commissions receivable</b>	<b>2018</b>	<b>2017</b>
	£	£
Entrance fees	845	711
<b>Total fees and commissions receivable</b>	<b><u>845</u></b>	<b><u>711</u></b>

<b>7 Other Income</b>	<b>2018</b>	<b>2017</b>
	£	£
Grants	14,042	21,209
Donations	24	52
	<u>14,066</u>	<u>21,261</u>

<b>8 Expenses</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
		£	£
Administrative expenses	8a	17,580	13,687
Depreciation and amortisation	11	832	0
Other operating expenses	8b	16,822	15,467
		<u>35,234</u>	<u>29,154</u>

## STROUD VALLEYS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

8a Administrative Expenses	Note	2018 £	2017 £
Employment costs	9b	9,899	7,314
Advertising		937	520
Volunteers expenses		0	259
Auditors remuneration	8c	1,860	1,908
Telephone		636	560
Computer maintenance		1,950	1,333
General expenses		974	615
Printing, Postage and Stationery		1,324	1,178
<b>Total Administrative Expenses</b>		<b><u>17,580</u></b>	<b><u>13,687</u></b>
8b Other Operating Expenses		2018	2017
<b>Cost of occupying offices (excluding depreciation)</b>		£	£
Rent, Rates and Room Hire		12,943	12,751
Repairs and Maintenance		681	69
		<u>13,624</u>	<u>12,820</u>
<b>Regulatory and financial management costs</b>			
Financial Conduct Authority and Prudential Regulation Authority Fees		241	246
National Body Dues		696	505
Financial Services Compensation Scheme Levy		16	53
Fidelity Insurance		450	350
Other insurances		954	881
Loan insurance		344	344
Credit checks & Debt Recovery costs		497	268
		<u>3,198</u>	<u>2,647</u>
<b>Total Other operating Expenses</b>		<b><u>16,822</u></b>	<b><u>15,467</u></b>
8c Auditors remuneration		2018	2017
The Credit Union voluntarily presents an analysis of its auditors' remuneration in accordance with Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008.		£	£
Fees payable for the audit of the Credit Union's annual accounts		1,770	1,818
Fees payable to the Credit Union's Auditor for other services:			
Services relating to taxation		90	90
<b>Total Auditors remuneration</b>		<b><u>1,860</u></b>	<b><u>1,908</u></b>

## STROUD VALLEYS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

**9 Employees and employment costs**

<b>9a Number of employees</b>	<b>2018</b>	<b>2017</b>
The average monthly number of part time employees during the year were:	Number	Number
Office staff	<u>2</u>	<u>1</u>
<b>9b Employment costs</b>	<b>2018</b>	<b>2017</b>
	£	£
Wages, salaries and social security costs	9,899	7,314
Payments to defined contribution pension schemes	<u>0</u>	<u>0</u>
<b>Total employment costs</b>	<b><u>9,899</u></b>	<b><u>7,314</u></b>

**9c Key Management and Directors remuneration**

The Directors of the Credit Union are all unpaid volunteers and there is no salaried key management in 2017/18.

	<b>2018</b>	<b>2017</b>
	£	£
Short term employee benefits	0	2,773
Payments to defined contribution pension schemes	<u>0</u>	<u>0</u>
<b>Total key management personnel compensation</b>	<b><u>0</u></b>	<b><u>2,773</u></b>

Short-term employee benefits include wages, salaries, social security contributions and paid annual leave.

**10 Taxation****10a Recognised in the Revenue Account**

The taxation charge for the year, based on the small profits rate of Corporation Tax of 19% (2017 19.5%) comprised:

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		£	£
Current tax		888	741
UK Corporation tax	10b	<u>888</u>	<u>741</u>
<b>Total current tax and total taxation expense recognised in the Revenue Account</b>		<b><u>888</u></b>	<b><u>741</u></b>

**10b Reconciliation of taxation expense**

The Credit Union 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 is payable on investment income. As a result, tax charge for the year differs from the standard rate of corporation tax. The differences are explained below:

	<b>2018</b>	<b>2017</b>
	£	£
Surplus (Deficit) Before Taxation	<u>(2,461)</u>	<u>3,434</u>
Surplus (Deficit) before taxation multiplied by small profits rate of corporation tax in the UK of 19% (2017 19.5%)	(468)	670
Effects of:		
Non-taxable deficit on transactions with members	<u>1,356</u>	<u>71</u>
<b>Total tax charge for the year</b>	<b><u>888</u></b>	<b><u>741</u></b>



## STROUD VALLEYS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

**11 Tangible Fixed Assets**

Tangible Fixed Assets comprise the following property, plant and equipment:

	Equipment and Computers	Total
<b>Cost</b>	£	
As at 1 October 2017	11,566	11,566
Additions	2,492	2,492
Disposals	0	0
<b>As at 30 September 2018</b>	<b>14,058</b>	<b>14,058</b>
<b>Depreciation</b>		
As at 1 October 2017	11,566	11,566
Charge for the year	832	832
Charge on disposal	0	0
<b>As at 30 September 2018</b>	<b>12,398</b>	<b>12,398</b>
<b>Net Book Value</b>		
<b>As at 30 September 2018</b>	<b>1,660</b>	<b>1,660</b>
As at 30 September 2017	0	0

**12 Loans and advances to members****12a Loans and advances to members**

Note	2018 £	2017 £
	87,100	67,983
	131,299	91,747
	15,014	10,004
	(115,604)	(82,348)
<b>Gross loans and advances to members</b>	<b>117,809</b>	<b>87,386</b>
Impairment losses:		
Individual financial assets	(1,752)	(286)
Groups of financial assets	(5,460)	(6,212)
	(7,212)	(6,498)
<b>As at 30 September 2018</b>	<b>110,597</b>	<b>80,888</b>

**12b Memorandum - Total loan assets regulatory purposes**

Note	2018 £	2017 £
Gross loans and advances to members	117,809	87,386
Impairment of individual financial assets	(1,752)	(286)
<b>Total loan assets for regulatory purposes</b>	<b>116,057</b>	<b>87,100</b>

## STROUD VALLEYS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

**12c Credit risk disclosures**

The credit union does not offer mortgages and as a result all loans to members are unsecured, except where there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding.

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.

	2018		2017	
	Amount	Proportion	Amount	Proportion
<b>Not impaired:</b>				
Neither past due nor impaired	109,612	93.05%	70,914	81.15%
Up to 3 months past due	2,500	2.12%	4,991	5.71%
Between 3 and 6 months past due	0	0.00%	0	0.00%
Between 6 and 9 months past due	0	0.00%	0	0.00%
Between 9 months and 1 year past due	0	0.00%	0	0.00%
Over 1 year past due	0	0.00%	0	0.00%
<b>Sub-total: loans not impaired</b>	<b>112,112</b>	<b>95.17%</b>	<b>75,905</b>	<b>86.86%</b>
<b>Individually impaired:</b>				
Not yet past due, but impaired	0	0.00%	0	0.00%
Up to 3 months past due	0	0.00%	8,152	9.33%
Between 3 and 6 months past due	913	0.77%	163	0.19%
Between 6 and 9 months past due	0	0.00%	379	0.43%
Between 9 months and 1 year past due	1,675	1.42%	756	0.87%
Over 1 year past due	3,109	2.64%	2,031	2.32%
<b>Total loans</b>	<b>117,809</b>	<b>4.83%</b>	<b>87,386</b>	<b>13.14%</b>
<b>Impairment allowance</b>	<b>(7,212)</b>		<b>(6,498)</b>	
<b>Total carrying value</b>	<b>110,597</b>		<b>80,888</b>	

Factors that are considered in deterring whether loans are impaired are discussed in note 3.

<b>12d Allowance account for impairment losses</b>	Note	2018	2017
		£	£
As at 1 October 2017		6,212	4,277
Allowance for losses made (reversed) during the year		(752)	1,935
<b>Increase (decrease) in allowance during the year</b>	12e	<b>(752)</b>	<b>1,935</b>
<b>As at 30 September 2018</b>		<b>5,460</b>	<b>6,212</b>
<b>12e Impairment losses recognised for the year</b>		<b>2018</b>	<b>2017</b>
		£	£
Impairment of individual financial assets		1,752	286
Increase (decrease) in impairment allowances during the year		(752)	1,935
		<b>1,000</b>	<b>2,221</b>
Reversal of impairment where debts recovered		(289)	(286)
<b>Total impairment losses recognised for the year</b>		<b>711</b>	<b>1,935</b>

## STROUD VALLEYS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

13 Subscribed capital - financial liabilities	2018	2017
	£	£
As at 1 October 2017	479,640	387,608
Received during the year	217,550	233,695
Dividends paid during the year	1,014	1,186
Repaid during the year	(169,173)	(142,849)
<b>As at 30 September 2018</b>	<b><u>529,031</u></b>	<b><u>479,640</u></b>

Deposits from members may only be made by way of subscription of shares. The balance includes shares made by juvenile depositors - £56,642 (2017 £52,277).

14 Other payables	2018	2017
	£	£
UK Corporation tax	888	741
Accruals and deferred income	5,441	8,906
	<b><u>6,329</u></b>	<b><u>9,647</u></b>

## 15 Additional financial instruments disclosures

## 15a Financial risk management

The Credit Union manages its subscribed capital and loans to members so that it earns income from the margin between interest receivable and interest payable.

The main financial risks arising from the Credit Union'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 the Credit Union, resulting in financial loss to the Credit Union. In order to manage the risk the Board approves the Credit Union'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 payment has changed. The Credit Union also monitors its banking arrangements closely in light of the current banking situation.

**Liquidity risk:** The Credit Union's policy is to maintain sufficient funds in liquid form at all times to ensure that it meets its liabilities as they fall due. The objective of the Credit Union'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. Note 2 provides further details about the impact of the maturity mismatch on the going concern status of the Credit Union.

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

**Interest rate risk:** The Credit Union'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. The Credit Union considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital. The Credit Union does not use interest rate options to hedge its own positions.

## STROUD VALLEYS CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2018 (continued)

**15b Interest rate risk disclosures**

The following table shows the average interest rates applicable to relevant financial assets and financial liabilities.

	2018		2017	
	Amount	Average Interest Rate	Amount	Average Interest Rate
Financial assets	£	%	£	%
Loans to members	116,057	14.78%	87,100	12.90%

The interest rates applicable to loans to members are fixed and range from 8% to 36% per annum.

**15c Liquidity risk disclosures**

Excluding short-term other payables, as noted on the balance sheet, the Credit Union's financial liabilities, the subscribed capital, are repayable on demand.

**15d Fair value of financial instruments**

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

**16 Cash and cash equivalents**

	2018	2017
	£	£
Loans and advances to banks	461,239	449,805
Less: amounts maturing after three months	(294,415)	(312,096)
<b>Total cash and cash equivalents</b>	<b>166,824</b>	<b>137,709</b>

**17 Post balance sheet events**

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

**18 Contingent liabilities**

The Credit Union 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) has 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 the Credit Union will have to pay.

**19 Related Party Transactions**

During the year 5 members of the board, staff, volunteers and their close family members had loans with the Credit Union (2017 8 Members). These loans were approved on the same basis as loans to other members of the Credit Union. None of the directors, staff, volunteers and close family members have any preferential terms on their loans.

**20 Leasing Agreements**

Minimum lease payments under non-cancellable operating leases fall due as follows:	2018	2017
	£	£
Within one year	1,750	6,000
Between one and five years	0	1,750
	<b>1,750</b>	<b>7,750</b>

**21 Financial Commitments**

	2018	2017
	£	£
Contracted but not provided for in the financial statements	1,750	7,750