

STOCKPORT CREDIT UNION LIMITED

Annual Report & Financial Statements

For the year ended

30 September 2019

KM

Chartered Accountants & Statutory Auditors

Block C

Burnley Wharf

Manchester Road

Burnley

BB11 1JG

ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

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ADMINISTRATIVE INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2019

Credit Union Name	Stockport Credit Union Limited		
Directors	Philip Howcroft		Chair
	Joanne Griffiths		Vice Chair
	Elaine Preece		Secretary
	Ray Bown		Treasurer
	James Hull	Co-opted 17/09/2019	
	James McMillan	Co-opted 22/01/2019	
Other Directors who served during the year			
	Christopher Caulton	Resigned 19/02/2019	
	Melanie Cooke	Resigned 19/02/2019	
	Helen Humphrey-Taylor	Resigned 05/03/2019	
	Ryan McMurdo	Resigned 19/03/2019	
	Mike Pole	Resigned 16/04/2019	
	Andrew Townsley	Resigned 19/02/2019	
FCA Registration No	213305		
Registered Office	First House 367 Brinnington Road Stockport SK5 8EN		
Auditors:	KM Chartered Accountants & Statutory Auditors Block C Burnley Wharf Manchester Road Burnley BB11 1JG		

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The Directors present their report and the financial statements for the year ended 30 September 2019.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Credit union legislation requires the Directors to prepare financial statements for each financial year. Under that legislation, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under 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 period. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the credit union will continue in operation.

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 Credit Unions 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.

DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors have taken steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the credit union's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and which they know the auditor is unaware of.

APPROVAL

This report was approved by the Directors on 20 February 2020 and signed on their behalf by:



Director



Director



Secretary

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

Independent Auditor's Report to the Members of Stockport Credit Union Limited

We have audited the financial statements of Stockport Credit Union Limited (the 'credit union') for the year ended 30 September 2019, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Retained Earnings, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2019 and of its income and expenditure 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 and 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 we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 and Credit Unions Act 1979 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; or
- the statement of comprehensive income, any other accounts to which our report relates, and the statement of financial position 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 directors responsibilities statement set out on page 4, 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 it determines 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 has 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: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of our report

This report is made solely to 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.



KM

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20 February 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 £	2018 £
Loan interest receivable and similar income	5	227,037	127,150
Interest payable	6	(7,706)	-
Net interest income		219,331	127,150
Fees and commissions receivable	7	824	1,140
Fees and commissions payable		-	-
Net fees and commissions receivable		824	1,140
Grants		51,700	24,929
Sundry		12,362	8,330
Total other income		64,062	33,259
Administrative expenses	8.1	(177,356)	(117,727)
Depreciation and amortisation	11	(4,544)	(4,151)
Other operating expenses	8.2	(14,565)	(13,921)
Impairment losses on loans to members	12.5	(35,784)	(8,287)
Total expenses		(232,249)	(144,086)
Surplus before taxation		51,968	17,463
Taxation	10.1	(585)	(276)
Surplus for the financial year		51,383	17,187

The Notes on pages 11 to 19 form an integral part of these accounts

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Note	2019 £	2018 £
Assets			
Loans and advances to banks	17	724,096	790,181
Loans and advances to members	12	957,062	708,550
Tangible fixed assets	11	6,308	10,852
Debtors		16,809	55
Prepayments and accrued income		4,752	4,161
		1,709,027	1,513,799
Liabilities			
Subscribed capital - repayable on demand	13	1,422,214	1,270,136
Other creditors	14	71,167	70,161
Other loan capital	15	58,175	67,414
Deferred shares		25,000	25,000
		1,576,556	1,432,711
Retained earnings		132,471	81,088
		1,709,027	1,513,799

The Notes on pages 11 to 19 form an integral part of these accounts.

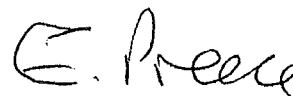
These accounts were approved and authorised for issue by the Directors on 20 February 2020 and signed on their behalf by:



Director



Director



Secretary

STATEMENT OF CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	General Reserve	Developm't Reserve	Total 2019	Total 2018
	£	£	£	£
As at 01 October 2018	64,312	16,776	81,088	63,901
Surplus for the year	-	51,383	51,383	17,187
Transfers	10,277	(10,277)	-	-
As at 30 September 2019	74,589	57,882	132,471	81,088

The Notes on pages 11 to 19 form an integral part of these accounts

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 £	2018 £
Cash flows from operating activities		51,968	17,463
Surplus/(Deficit) before taxation			
Adjustments for non-cash items:			
Depreciation	11	4,544	4,151
Impairment losses	12.4	37,068	(41,103)
		41,612	(36,952)
Movements in:			
Other debtors		(17,345)	16,426
Other creditors	14	686	(18,431)
		(16,659)	(2,005)
Cash flows from changes in operating assets and liabilities			
Cash inflow from subscribed capital	13	1,470,333	1,101,722
Cash outflow from repaid capital	13	(1,318,255)	(905,625)
New loans to members	12.1	(1,120,483)	(844,841)
Repayments of loans by members	12.1	834,903	624,220
		(133,502)	(24,524)
		(265)	(210)
Taxation paid		(133,767)	(24,734)
		(56,846)	(46,228)
Net cash flows from operating activities			
Cash flows from financing activities			
Receipt of other loan capital	15	-	10,000
Repayment of other loan capital	15	(9,239)	(9,306)
Net cash flows from financing activities		(9,239)	694
Cash flows from investing activities			
Purchase of property, plant and equipment	11	-	(1,006)
Net cash flows from investing activities		-	(1,006)
Net increase/(decrease) in cash and cash equivalents		(66,085)	(46,540)
Cash and cash equivalents at 01 October 2018		790,181	836,721
Cash and cash equivalents at 30 September 2019	17	724,096	790,181

The Notes on pages 11 to 19 form an integral part of these accounts

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. Legal and regulatory framework

Stockport Credit Union Limited ("SCUL") 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. SCUL 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. Other than £25,000 deferred shares issued to Stockport Metropolitan Borough Council, the Credit Union has only issued redeemable shares.

2. Basis of Preparation

The financial statements have been prepared on the historical cost basis in accordance with FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland.

2.1. Going Concern

The financial statements are prepared on the going concern basis. The directors of SCUL believe this is appropriate despite a mismatch in the maturity analysis of subscribed capital and loans to members.

3. Accounting Policies

3.1. Income

Loan interest receivable and similar income: Loan interest receivable on loans to members is calculated using the effective interest method and recognised when payment is received. Interest on cash and equivalents held on deposit with other financial institutions is recognised as it accrues.

Other income: Other income either arises in connection with a specific transaction, or accrues evenly over the year. Income relating to individual transactions is recognised when the transaction is completed.

3.2. 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. SCUL 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.

3.3. Tangible fixed assets

Tangible fixed assets comprises items of fixtures, fittings 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 are depreciated as follows:

Fixtures & Fittings	33.3% per annum	Straight line
Office Equipment	14.3% - 33.3% per annum	Straight line

3.4. 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.

Deposits over 3 months are held with the Nationwide Building Society on 95 days notice.

3.5. Deferred grants and funding

Deferred grants in respect of capital expenditure are credited to the statement of comprehensive income over the useful life of the relevant fixed assets. Deferred grants and funding in respect of revenue items are credited to the statement of comprehensive income over the period to which they

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

relate or to match the relevant expenditure. The grants/funding shown in the statement of financial position represent the grants/funding receivable to date, less the amounts so far credited to the statement of comprehensive income.

3.6. 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. SCUL does not transfer loans to third parties.

3.7. Impairment of financial assets

SCUL assesses, at each Statement of Financial Position 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 statement of comprehensive income, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

3.8. Financial liabilities – subscribed capital

Members' shareholdings in SCUL 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.

3.9. Employee Benefits

Defined contribution plans: The amounts charged as expenditure for the defined contribution plan are the contributions payable by SCUL 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.

3.10. Retained Earnings and Reserves

Retained earnings are the accumulated surpluses of the credit union, after payment of tax and dividends.

General reserve: Each year a credit union must transfer 20% of any after-tax profit to its general reserve until the general reserve stands at 10% of total assets. A credit union may not transfer from its general reserve where it stands at less than 10% of total assets.

Development reserve: Retained earnings not applied to general reserves are held for the purpose of developing the Credit Union.

4. 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 SCUL'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

SCUL's arrears are reviewed line by line at the end of every month to ensure that the impairment of such loans is appropriate. This ensures that on a monthly basis the provision is validated. We perform a spreadsheet check on the Curtains' provisioning to ensure it agrees with the policy and there is also an overall sensibility check to ensure the level of provision is in line with the level of over three months arrears.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

5. Loan interest receivable and similar income

	2019	2018
	£	£
Loan interest receivable from members	223,875	125,756
Bank interest receivable on cash and liquid deposits	3,162	1,394
	<u>227,037</u>	<u>127,150</u>

6. 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 statement of financial position date.

7. Fees and commissions receivable

	2019	2018
	£	£
Entrance Fees	824	1,140

8. Expenses

8.1. Administrative expenses

	Note	2019	2018
		£	£
Auditors' remuneration (External)	8.3	4,842	2,960
Auditors' remuneration (Internal)		9,600	-
Bank charges		5,324	3,338
Computer costs		3,967	3,899
Conferences and training		2,226	4,506
Directors and volunteers expenses		3,995	4,736
Insurance		444	428
Legal and professional fees		2,308	1,687
Printing, Postage, Stationery & Advertising		12,158	7,154
Telephone & Website		18,304	3,890
Employment costs	9.2	113,802	84,855
General expenses		386	274
		<u>177,356</u>	<u>117,727</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

8.2. Other operating expenses

	2019	2018
	£	£
Cost of occupying offices (excluding depreciation)	1,169	411
Rent	-	-
Regulatory & Financial Management Costs		
Financial Conduct Authority and Prudential Regulation Authority Fees	142	2,589
Fidelity insurance	2,135	2,107
Loan protection and life savings insurance	11,119	8,814
	13,396	13,510
	14,565	13,921

8.3. Auditors' Remuneration

	2019	2018
	£	£
Audit fees payable	4,842	2,960

9. Employee and employment costs

9.1. No of employees

	2019	2018
	Number	Number
Office Staff	6	4

9.2. Employment costs

	2019	2018
	£	£
Wages and salaries	108,953	84,556
Social security costs	3,378	(376)
Payments to defined contribution pension schemes	1,471	676
	113,802	84,856

10. Taxation

10.1. Recognised in the Statement of Comprehensive Income

Corporation tax is calculated on the bank interest receivable, at an effective rate of 19% (2018 – 19%)

	2019	2018
	£	£
Current Tax	585	276
UK Corporation Tax		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

11. Tangible Fixed assets

	Fixtures and fittings	Office equipment	Total
Cost	£	£	£
As at 01 October 2018	6,449	26,197	32,646
Additions	-	-	-
Disposals	-	-	-
As at 30 September 2019	6,449	26,197	32,646
Depreciation			
As at 01 October 2018	6,449	15,345	21,794
Charge for year	-	4,544	4,544
Eliminated on disposals	-	-	-
As at 30 September 2019	6,449	19,889	26,338
Net Book Value			
As at 01 October 2018	-	10,852	10,852
As at 30 September 2019	-	6,308	6,308

12. Loans and advances to members – financial assets

12.1. Loans and advances to members

	Note	2019	2018
		£	£
As at 01 October 2018		742,746	522,125
Advances during the year		1,120,483	970,596
Repaid during the year		(834,903)	(703,753)
Gross loans and advances to members	12.2	1,028,326	788,968
Impairment losses			
Individual financial assets	12.2	(18,062)	(46,222)
Groups of financial assets		-	-
		(18,062)	(46,222)
As at 30 September 2019		1,010,264	742,746

12.2. Memorandum – Total loan assets for regulatory purposes

	2019	2018
	£	£
Gross loans and advances to members	1,028,326	788,968
Impairment of individual financial assets	(18,062)	(46,222)
	1,010,264	742,746

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

12.3. Credit risk disclosures

SCUL does not offer mortgages and as a result, all loans to members are unsecured, except that 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 SCUL'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.

	2019		2018	
	Amount	Proportion	Amount	Proportion
	£	%	£	%
Arrears analysis:				
Not past due	842,860	83.43%	554,614	74.67%
Up to 3 months past due	87,709	8.68%	135,813	18.29%
Between 3 and 6 months past due	18,690	1.85%	13,785	1.86%
Between 6 months and 1 year past due	24,219	2.40%	13,941	1.88%
Over 1 year past due	36,786	3.64%	24,593	3.31%
	<u>1,010,264</u>	<u>100.00%</u>	<u>742,746</u>	<u>100.00%</u>
Impairment Allowance	(53,202)		(34,196)	
Total carrying value	<u>957,062</u>		<u>708,550</u>	

12.4. Allowance account for impairment losses

	Note	2019	2018
		£	£
As at 01 October 2018		<u>34,196</u>	75,299
Allowance for losses made during the year		19,006	(41,103)
Allowances reversed during the year		-	-
		<u>19,006</u>	<u>(41,103)</u>
As at 30 September 2019	12.3	<u>53,202</u>	<u>34,196</u>

12.5. Impairment losses recognised for the year

	2019	2018
	£	£
Impairment of individual financial assets	17,633	50,326
Increase/(decrease) in impairment allowances during the year	19,006	(41,103)
	<u>36,639</u>	<u>9,223</u>
Reversal of impairment losses where debts recovered	(855)	(936)
Total impairment losses recognised for the year	<u>35,784</u>	<u>8,287</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

13. Subscribed capital – financial liabilities

	Note	Members' Sharehold's	Juniors' Deposits	Total 2019	Total 2018
				£	£
As at 01 October 2018		1,235,297	34,839	1,270,136	1,074,039
Received during the year		1,459,826	10,507	1,470,333	1,101,722
Repaid during the year		(1,304,145)	(14,110)	(1,318,255)	(905,625)
As at 30 September 2019	16.2	1,390,978	31,236	1,422,214	1,270,136

Deposits from members may only be made by way of subscription for shares.

14. Creditors

	2019	2018
	£	£
Corporation tax	601	281
Deferred grant	23,010	51,753
Other taxes and social security	3,380	1,076
Creditors and accruals	44,176	17,051
	71,167	70,161

15. Other loan capital

	2019	2018
	£	£
As at 01 October 2018	67,414	66,720
Received during the year	-	10,000
Repaid during the year	(9,239)	(9,306)
As at 30 September 2019	58,175	67,414

16. Additional financial instruments disclosures

16.1. Financial risk management

SCUL 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 SCUL'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 SCUL, resulting in financial loss to SCUL. In order to manage this risk the Board approves SCUL'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.

Liquidity risk: SCUL'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 SCUL'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 SCUL.

Interest rate risk: SCUL'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. SCUL considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

16.2. Interest rate risk disclosures

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

	2019		2018	
	Amount	Av Interest	Amount	Av Interest
	£	Rate	£	Rate
Financial Assets				
Loans to members	1,010,264	23.86%	742,746	16.93%
Financial Liabilities				
Subscribed capital	1,422,214	0.70%	1,270,136	0.00%

The interest rates applicable to loans to members are fixed and range from 9.9% to 42.6%. The interest payable on subscribed capital 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 no sensitivity analysis is presented

16.3. Liquidity risk disclosures

Excluding short-term other payables, as noted in the Statement of Financial Position, SCUL's financial liabilities, the subscribed capital, are repayable on demand.

16.4. Fair value of financial instruments

SCUL does not hold any financial instruments at fair value.

17. Cash and cash equivalents

	2019	2018
	£	£
Cash and balances with the Bank of England	-	-
Loans and advances to banks	724,096	790,181
	724,096	790,181
Less: amounts maturing after three months	(151,419)	(150,000)
	572,677	640,181

18. Post Statement of Financial Position events

There are no material events after the Statement of Financial Position date to disclose.

19. Contingent liabilities

SCUL 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 SCUL will have to pay.

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20. Related party transactions

During the year, 4 members of the Board, staff and their close family members (2018: 20 members) had loans with SCUL. These loans were approved on the same basis as loans to other members of SCUL. None of the directors, staff or their close family members, have any preferential terms on their loans.