

**SWAN CREDIT UNION LIMITED**

**FINANCIAL STATEMENTS**

**for the**

**YEAR ENDED 30TH SEPTEMBER 2017**

**FCA registration number 417717**

**SWAN CREDIT UNION LIMITED**

**YEAR ENDED 30TH SEPTEMBER 2017**

**Administrative information**

<b>Status</b>	Swan Credit Union Ltd was incorporated under the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979 on the 16th November 2005.	
<b>Directors</b>	Steve Eyre - Chair Philip Turnbull - Company Secretary Gary Brant - Treasurer Philip Stratton Mark Richardson - resigned September 2017 Christine Mitchell Ian Pickering Charlie Robertson Philip Bruce	
<b>Other Officers</b>	Supervisory Committee	Credit Committee
	Cholpon Djanuzakova Alex Foreman-Pack Louise Eldred	Philip Bruce
<b>Bankers Registered Office</b>	The Co-Operative bank PO Box 250 Skelmersdale WN8 6WT	
<b>Credit Union Registered Office</b>	Foundation House, The Square Aylesbury Street, Wolverton Milton Keynes MK12 5HX	
<b>Prudential Regulation Authority No.</b>	417717	
<b>Auditors</b>	Appleby & Wood Registered Auditors 40 The Lock Building 72 High Street Stratford London E15 2QB	

Swan Credit Union Ltd is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

**SWAN CREDIT UNION LIMITED**  
**YEAR ENDED 30TH SEPTEMBER 2017**

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## Directors Report

The Directors are pleased to present their annual report, the auditors' report and financial statements of the Credit Union for the year ending 30<sup>th</sup> September 2017

### Principal Activities

The principal activities of the Credit Union are those of a Credit Union: to promote and encourage regular savings and prudent borrowing as part of supporting members in developing a culture of thrift and sound financial management, whilst providing credit for their members' benefit at a fair and reasonable rate of interest.

### Results of Operations and Dividends

At the end of the financial year to September 2017 the active membership of Swan CU had increased by 10% during the year to 1264 members across our four Community Banks. All four Community Banks continue to perform well and contribute to the overall growth of the Credit Union.

Swan CU members' shares or savings were £891,276 - an increase of 20% during the year. The amount of money being lent to members increased by 30% to £509,968. In terms of our growth in membership and core activities we are extremely pleased with this outcome in the last financial year, and the continuing growth trend in recent years.

The continuing growth and development achieved reflects the hard work and efforts by all our volunteers in the communities we serve, and in particular the excellent work by Diane Butler, our Business Development Officer for the Milton Keynes and Aylesbury Vale catchment areas. Our efforts to recruit a second Development Officer to cover the Didcot and South Oxfordshire region are ongoing. We have however recruited additional volunteers at Community Bank and Board level who will assist us in our continuing efforts to provide support to those in need in the communities we serve.

We continue to receive generous grant funding which enables us to fund our development worker and marketing initiatives to raise the awareness of Credit Union in all the communities we serve and provide further help to those in financial need. During the year new grants were received from Aylesbury, Winslow and Buckingham Town Councils; Milton Keynes Community Foundation and the Hilden Charitable Fund. We also had some grant funds carried forward from the previous year from Aylesbury Vale Community Chest, Buckinghamshire Community Foundation, Milton Keynes Council, and various Town and Parish Councils in Milton Keynes. In addition, we continue to benefit from an injection of capital from Buckinghamshire County Council in the form of an interest-free subordinated loan. However, the Board recognises that we are operating in a financial climate where grant funding is increasingly difficult to secure, and a key element of our Business Plan is to ensure that we are on a trajectory to being financially self-sufficient and underpinned by an increased level of reserves. The Directors are extremely grateful to all our supporters and to those who give so generously to help us continue this work.

The increase in business activity this year has generated a strong increase in our revenues, which has been sufficient to cover the increased costs of doing business, and with the excellent support of our back office provider Credit Union Solutions Ltd in all aspects of our daily operations, we have been able to generate a surplus of £30,254 during the financial year. The total surplus was boosted by an extraordinary revenue item of £11,500. However, the underlying operating surplus still represents a 47% increase over the previous financial year.

The Directors are therefore pleased to report that we are once again recommending payment of a dividend to our savers for the fourth consecutive year. Subject to the approval of the members at the Annual General Meeting this will be 0.75% of the average balance of members' accounts over the financial year and will be credited to members' accounts. It is worthy of note that the retained earnings are £82,564, a 57% increase on the previous financial year, which contribute to a strong Capital Ratio of ~~8.59~~<sup>9.32</sup>%. The regulatory minimum we are required to hold is currently 3%.

During the year the Board, who work on a voluntary basis, ensured that Swan CU executed their plans effectively and achieved many of their aims and objectives to deliver a strong financial performance. The Directors would like to express their thanks and appreciation to those people who have, for a variety of reasons, had to step down from serving on the Board during the year. We have successfully recruited new members and we remain confident that we have an excellent mix of skills and experience to continue with our growth strategy in an efficient and controlled manner in the year ahead.

Our Business Plan and Strategy for growth has five key strands:

- **Increase our resources** – this refers to increasing our capital base with the aim of being self-sustaining in the medium term, and increasing the number of volunteers to undertake the work required to achieve our aims
- **Become better known** – we need to raise awareness of our Credit Union across all our communities
- **Create Communities** – this means working together with other stakeholders to achieve great things, aiming to become a vital element of our local communities.
- **Develop Profitable Products and Services** – this means ensuring that we offer products our members want and need, which are profitable in the sense that we generate revenue to cover our expenses
- **Operate Efficiently** – the Credit Union and all its members benefit from the excellent support we receive from our back office partner Credit Union Solutions Ltd. We will continually challenge the way we provide our services and the costs of doing so to retain as much value as possible for recycling back into our growth initiatives

We have a detailed three-year Business Plan which expands upon our five key strategies and which can be found on our website.

## Directors of Management

The Directors' during the year were:

Steve Eyre - Chair  
Phillip Turnbull - Secretary  
Gary Brant – Treasurer  
Phillip Stratton  
Christine Mitchell  
Ian Pickering  
Mark Richardson Resigned Sept 17  
Charlie Robertson  
Phillip Bruce

## Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Co-operative and Community Benefit Act law and Credit Union law require the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Credit Union and of the excess income over expenditure of the Credit Union for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and 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 a 'going concern' basis, unless it is inappropriate to presume that the Credit Union will continue in business

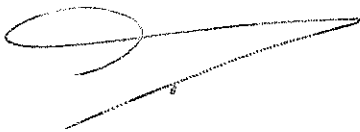
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Credit Union, and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the Credit Union, and hence for taking reasonable steps for the detection and prevention of fraud and other irregularities.

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Credit Union's auditors are unaware. They have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Credit Union's auditors are aware of that information.

## Auditors

The Auditors, Messrs. Appleby and Wood, have indicated their willingness to accept re-appointment under the provisions of the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979

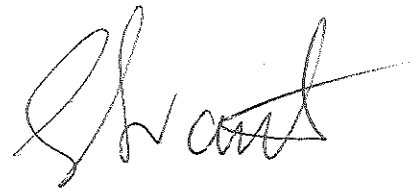
Signed on behalf of the Directors' of Management



Steve Eyre – Chair  
Date 26.02.18



Phillip Turnbull – Secretary  
Date 26.02.18



Gary Brant – Treasurer  
Date 26.02.18

**SWAN CREDIT UNION LIMITED**  
**YEAR ENDED 30TH SEPTEMBER 2017**

**Independent Auditors' Report to the members of Swan Credit Union Limited**

**Opinion**

We have audited the financial statements of Swan Credit Union Limited (the 'society') for the year ended 30th September 2017 which comprise the Revenue Account and Balance Sheet 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 to the society's members, as a body, in accordance with section 83 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society'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 society and the society'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 30th September 2017 and of its income and expenditure for the period then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Credit Union's 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 society 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's 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 society'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 Directors' 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, 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.

**SWAN CREDIT UNION LIMITED**

**YEAR ENDED 30TH SEPTEMBER 2017**

**Independent Auditors' Report to the members of Swan Credit Union Limited (continued)**

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

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

- a satisfactory system of internal control over transactions has not been maintained; or
- the society has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

**Responsibilities of the Directors'**

As explained more fully in the Directors' responsibilities statement 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 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 society'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 society 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Appleby & Wood, Statutory Auditor

40 The Lock Building  
72 High Street  
Stratford  
London E15 2QB

Date 26.02.18



**SWAN CREDIT UNION LIMITED**

**REVENUE ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER 2017**

		2017	2016
		£	£
Loan interest receivable and similar income	Note 4	95,740	75,801
Interest payable	5	<u>(4,448 )</u>	<u>(4,458 )</u>
<b>Net interest income</b>		91,292	71,343
Fees and commissions receivable	6	2,375	2,143
Fees and commissions payable		<u>(1,118 )</u>	<u>(1,359 )</u>
<b>Net fees, Interest and commissions receivable</b>		92,549	72,127
Other income	6a	34,135	17,038
Administrative expenses	7a	(82,756 )	(63,514 )
Other operating expenses	7b	(4,421 )	(3,996 )
Impairment losses on loans to members	11 c	<u>(8,900 )</u>	<u>(8,629 )</u>
<b>Surplus before taxation</b>		30,607	13,026
Taxation	9a	<u>(353 )</u>	<u>(310 )</u>
<b>Surplus for the financial year</b>		30,254	12,716
<b>Total comprehensive income</b>		<u>-</u> <u>30,254</u>	<u>-</u> <u>12,716</u>

**SWAN CREDIT UNION LIMITED**

**BALANCE SHEET AS AT 30TH SEPTEMBER 2017**

		2017	2016
		£	£
	Note		
<b>ASSETS</b>			
Cash, cash equivalents and liquid deposits		227,313	304,432
Deposits held at UK Financial Institutions		276,125	150,000
		<u>503,438</u>	<u>454,432</u>
Loans and advances to members	11a	486,462	377,569
Other receivables		-	-
Prepayments and accrued income		3,560	3,004
<b>Total assets</b>		<u>993,460</u>	<u>835,005</u>
<b>LIABILITIES</b>			
Share capital		891,276	743,618
Junior Savers		2,475	2,399
Other payables	12	7,145	26,678
		<u>900,896</u>	<u>772,695</u>
Subordinated loan	16	10,000	10,000
Retained earnings	15	82,564	52,310
<b>Total liabilities</b>		<u>993,460</u>	<u>835,005</u>

The financial statements were approved, and authorised for issue, by the Board on 26 Feb 18 and signed on its behalf by:

Steve Eyre - Chair



**SWAN CREDIT UNION LIMITED**

**STATEMENT OF CHANGES IN RETAINED EARNINGS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2017**

<b>RESERVES</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
As at 1 October 2016	52,310	39,594
Total comprehensive income for the year	<u>30,254</u>	<u>12,716</u>
As at 30 September 2017	<u>82,564</u>	<u>52,310</u>

**SWAN CREDIT UNION LIMITED**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2017**

	Note	2017 £	2016 £
<b>Cash flows from operating activities</b>			
Surplus/(deficit) before taxation		30,607	13,026
Adjustments for non-cash items:			
Impairment losses	11 c	9,546	9,590
		<u>40,153</u>	<u>22,616</u>
Movements in:			
Other receivables		(556)	(2,083)
Other payables		(19,545)	(1,736)
		<u>20,052</u>	<u>18,797</u>
<b>Cash flows from changes in operating assets and liabilities</b>			
Loan Guarantee Fund		-	-
Cash inflow from subscribed capital		637,546	1,032,557
Cash outflow from repaid capital		(489,843)	(841,206)
New loans to members		(560,985)	(447,120)
Repayment of loans by members		442,546	348,855
		49,316	111,883
Taxation paid		(310)	(298)
		<u>49,006</u>	<u>111,585</u>
<b>Net cash flows from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	-	-
Net cash flow from managing liquid deposits		<u>49,006</u>	<u>111,585</u>
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year		454,432	342,847
Cash and cash equivalents at end of year		<u>503,438</u>	<u>454,432</u>

**SWAN CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2017**

**1. Legal and regulatory framework**

The Credit Union is a society established under the Industrial and Provident Societies Act 1965, 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 Republic of Ireland*.

The financial statements are prepared on the historical cost basis.

**Going concern**

The financial statements are prepared on the going concern basis.

**SWAN CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2017**

**Income**

Loan interest receivable and similar income: Interest on loans to members is recognised using the effective interest method, and is calculated and accrued on a daily basis.

Fees and commissions receivable: Income relating to individual transactions is recognised when the transaction is completed.

Other income: Other income is recognised when receivable.

**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. 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.

**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. There are currently no fixed assets held.

**Cash and cash equivalents**

Cash, cash equivalents and liquid deposits comprise cash on hand and investments with a maturity of less than or equal to 8 days.

**SWAN CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2017**

**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. The Credit Union does not transfer loans to third parties.

**Impairment of financial assets**

The Credit Union assesses, on a monthly basis, 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 cashflows.

**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**

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

**Reserves**

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

**3. Use of 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.

**SWAN CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2017**

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

	Note	2017	2016
		£	£
Loan interest receivable from members		93,975	74,252
Bank interest receivable on cash and liquid deposits		1,765	1,549
<b>Total loan interest receivable and similar income</b>		<u>95,740</u>	<u>75,801</u>

**5. Interest expense**

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

	2017	2016
	£	£
<b>Interest paid during the year</b>	<u>4,448</u>	<u>4,458</u>
<b>Dividend rate:</b>		
Interest proposed, but not recognised	<u>-</u>	<u>-</u>
<b>Dividend rate:</b>	<u>0.75%</u>	<u>0.75%</u>

**6. Fees and commissions receivable**

	2017	2016
	£	£
LHA Income	1,635	1,500
CUNA commission	-	72
Dormant member fee income	740	571
<b>Total fees and commissions receivable</b>	<u>2,375</u>	<u>2,143</u>

**6a. Other Income**

	2017	2016
	£	£
Grants	22,391	16,709
VAT refund	11,504	-
Other income	240	329
	<u>34,135</u>	<u>17,038</u>

**7a. Administrative expenses**

	2017	2016
	£	£
Agency & Staff Costs	14,448	10,716
Staff training	228	635
Directors & Officers expenses	2,134	270
Meeting and travel expenses	1,610	3,229
Consultancy Fees	44,909	34,235
Auditors' remuneration	2,150	2,514
Telephone	-	-
Computer maintenance	2,572	4,835
Legal and professional	6,214	2,705
VAT refund fees	1,731	-
General expenses	178	-
Advertising & Marketing	6,235	3,372
Printing, postage and stationery	-	734
General insurance	347	269
<b>Total administrative expenses</b>	<u>82,756</u>	<u>63,514</u>



**SWAN CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2017**

	2017	2016
	£	£
<b>7b. Other operating expenses</b>		
<b>Regulatory and financial management costs</b>		
Financial Conduct Authority and Prudential Regulation Authority fees	395	537
Association of British Credit Unions Limited dues	1,308	1,183
Loan protection and life savings insurance	1,213	1,035
Fidelity insurance	1,505	1,241
	<u>4,421</u>	<u>3,996</u>
<b>7c. Auditors' remuneration</b>		
Fees payable for audit	2,150	2,094
Fees payable to the auditor for other services	-	420
<b>Total auditors' remuneration</b>	<u>2,150</u>	<u>2,514</u>
<b>8. Employees and employment costs</b>		
<b>8a. Number of employees</b>		

There were no staff members in the financial year.

**8b. Directors' Remuneration**

No remuneration is paid to the directors. At the year end, Directors held total shares of £5,689 (2016 £3,411) and total loans of £0 (2016 £Nil).

Included in administrative expenses is £44,909 (2016 £34,235) paid to Credit Union Solutions as part of a commercial agreement to provide accounting and back office support.

**SWAN CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2017**

**9. Taxation**

**a) Recognised in the Revenue Account**

The taxation charge for the year, based on the small profits rate of Corporation Tax of 20% 2016: 20% taking into account marginal relief) comprised:

Current tax		
UK Corporation tax	<u>353</u>	<u>310</u>
Total current tax recognised in the Revenue Account	<u>353</u>	<u>310</u>

b) The Credit Union is not liable to corporation tax payable on its activities of making loans to members. However, corporation tax is payable on investment income.

**10. Tangible fixed assets**

All tangible fixed assets are expensed in the year of purchase.

**11a. Credit risk disclosures**

The Credit Union 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 the Credit Union's maximum exposure to credit risk. Where loans are not impaired it is expected that the amounts repayable will be received in full.

**SWAN CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2017**

	Note	2017 £	2016 £
<b>Not impaired:</b>			
Total loans not impaired		486,462	377,569
<b>Sub-total: loans not impaired</b>		<u>486,462</u>	<u>377,569</u>
<b>Individually impaired:</b>			
Up to 3 months past due		947	3,445
Between 3 and 6 months past due		3,343	2,892
Between 6 months and 1 year past due		3,623	4,095
Over 1 year past due		15,593	3,528
<b>Total loans</b>		<u>509,968</u>	<u>391,529</u>
<b>Impairment allowance</b>		<u>(23,506)</u>	<u>(13,960)</u>
<b>Total carrying value</b>		<u>486,462</u>	<u>377,569</u>
<b>11b. Provision for impairment losses</b>			
As at 1 October 2016		13,960	4,370
Allowance for losses made during the year		9,546	9,590
Allowances reversed during the year		-	-
Increase in allowances during the year	11 c	<u>9,546</u>	<u>9,590</u>
<b>As at 30 September 2017</b>		<u>23,506</u>	<u>13,960</u>
<b>11c. Impairment losses recognised for the year</b>			
Impairment of individual financial assets		-	-
Increase in impairment allowances during the year		9,546	9,590
		<u>9,546</u>	<u>9,590</u>
Reversal of impairment where debts recovered		(646)	(961)
<b>Total impairment losses recognised for the year</b>		<u>8,900</u>	<u>8,629</u>
<b>12. Other payables</b>			
UK Corporation Tax		353	310
Deferred Grant		3,101	22,975
Accruals and deferred income		3,691	3,393
		<u>7,145</u>	<u>26,678</u>

**SWAN CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2017**

**13. Additional financial instruments disclosures**

**13a. 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 this risk the Board approves the Credit Union 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:** The Credit Union'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 the 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. The Credit Union conducts all its transactions in sterling and does not deal in derivatives or commodity markets. Therefore it 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 operation and 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. The risk is monitored on a regular basis by the Board.

**13b. Interest rate risk disclosures**

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

**SWAN CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2017**

	2017		2016	
	Amount	Average Interest rate	Amount	Average Interest rate
	£	£	£	£
<b>Financial assets</b>				
Loans to members	486,462	21.8%	377,569	21.6%
<b>Financial liabilities</b>				
Share capital	891,276	0.75%	743,618	0.75%

The interest rates applicable to loans to members are fixed and range from 4.79% to 36%. The interest payable on share capital is determined at the AGM. As a result, the surplus for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

**13c. Liquidity risk disclosures**

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

**13d. Fair value of financial instruments**

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

**14. Post balance sheet events**

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

**15. Reserves**

	Contingency Reserve	Voluntary Reserve	Statutory Reserve	Total
	£	£	£	£
At 1st October 2016	14,546	13,777	23,987	52,310
Comprehensive surplus for the year	-	30,254	-	30,254
Transfer between funds	-	(6,051)	6,051	-
Balance carried forward at 30th September 2017	14,546	37,980	30,038	82,564

**16. Subordinated Loans**

The subordinated loan is interest free and is due to be repaid on or before 1st April 2024.

**SWAN CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2017**

**17. 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) 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 the Credit Union will have to pay.

**18. Related party transactions**

During the year - members of the Board, staff and their close family members had loans with the Credit Union of £0 (2015 £0). These loans were approved on the same basis as loans to other members. None of the directors, staff or their close family members, have any preferential terms on their loans. They also had share values of £15,972 (2015 £11,575).

**19. Employee Benefits**

Under the UK accounting standards, the Credit Union did not make a provision for holiday pay, FRS 102 requires the cost of holiday pay to be recognised when employees render the service that increases their entitlement.

**20. Loan Interest**

The Credit Union is now required to ensure that all members loan Interest is on a receivable basis. Historically, the Credit Union accounted for its Interest on members loans on a receivable basis.