



Credit Unions Act 1979

1979 CHAPTER 34

Operation of credit union

14 Computation and application of profits

- (1) In ascertaining the profit or loss resulting from the operations of a credit union during any year of account all operating expenses in that year shall be taken into account (including payments of interest) and provision shall be made for depreciation of assets, for tax liabilities and for bad and doubtful debts, but no provision shall be made in respect of amounts to be paid by way of dividend.
- (2) A credit union shall out of its profits from year to year establish and maintain a general reserve, as follows—
 - (a) if at the end of any year of account the amount standing to general reserve before any transfer under this subsection is less than 10 per cent, of total assets, the credit union shall transfer to general reserve not less than 20 per cent, of its profits for that year or such lesser sum as is required to bring the general reserve up to 10 per cent, of total assets;
 - (b) if at the end of any year of account the amount standing to general reserve before any transfer under this subsection is more than 20 per cent, of total assets, the credit union shall transfer to the revenue account and treat as revenue for that year a sum not less than that required to reduce the general reserve to 20 per cent, of total assets ;
 - (c) subject to paragraphs (a) and (b) above, a credit union may at the end of any year of account—
 - (i) transfer to general reserve from the profits of that year, or
 - (ii) transfer from general reserve to the revenue account and treat as revenue for that year,such sum as the credit union may in general meeting determine, provided that the general reserve is not thereby reduced to less than 10 per cent, or increased to more than 20 per cent, of total assets.
- (3) Not less than 90 per cent, of the amount available for distribution in respect of any year of account, that is to say, the profit of that year reduced or increased by any transfer

Status: This is the original version (as it was originally enacted).

to or from general reserve in accordance with subsection (2) above, shall be applied in such one or more of the following ways as the credit union shall in general meeting determine—

- (a) subject to subsection (4) below, in the payment to members of dividends on the amount of their paid-up shares;
 - (b) as a rebate of interest paid by or due from members who have received loans from the credit union, such rebate being proportional to the interest paid by or due from such members during that year of account; and
 - (c) subject to subsection (5) below, for social, cultural or charitable purposes.
- (4) The dividend payable on any shares of a credit union shall not exceed a rate of 8 per cent, per annum or such other rate as may from time to time be specified by order made by the chief registrar with the consent of the Treasury.
- (5) No part of the amount available for distribution in respect of any year of account shall be applied by a credit union for the purposes mentioned in subsection (3)(c) above unless a dividend of not less than 3 per cent, per annum is paid for that year on all paid-up shares of the credit union; and the total sum applied for those purposes out of the amount available for distribution in respect of any year of account shall not exceed 10 per cent of that amount.
- (6) Where in accordance with subsection (3) above a credit union in general meeting determines that an amount shall be applied in any of the ways mentioned in paragraphs (a) to (c) of that subsection, that amount may, unless the determination is that it be distributed or expended forthwith, be so applied by being appropriated to a fund to be distributed or expended from time to time or at some future date; and where in accordance with that subsection a credit union in general meeting determines that an amount shall be applied for a purpose falling within paragraph (c) of that subsection, that amount may, unless the determination is that it be expended in some specific manner, be expended for that purpose at the discretion of the committee.
- (7) Nothing in this section applies to income arising from, or to expenses incurred by a credit union in operating, such a trust fund as is referred to in section 9(2) above.