



**Alexander Sloan**  
Accountants and Business Advisers

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# Scottish Police Credit Union Ltd Annual Report and Financial Statements Year Ended 30 September 2018

Registration number: 37CU

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# Scottish Police Credit Union Ltd

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# Scottish Police Credit Union Ltd

## Credit Union Information

<b>FCA Number</b>	213597
<b>Society Number</b>	37CU
<b>Secretary</b>	Chris Mooney
<b>Registered office</b>	165 Baillieston Road Glasgow G32 0TN
<b>Auditors</b>	Alexander Sloan 180 St Vincent Street Glasgow G2 5SG

Scottish Police Credit Union Ltd is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

## **Scottish Police 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**

The principal activity of the Credit Union continues to be that defined in the Credit Unions Act 1979.

#### **Directors of the Credit Union**

The directors who held office during the year were as follows:

Austin Dorrian

Chris Mooney

Duncan Sloan

Alexis Cran

Heather Hyslop

Robert Kennedy

Ricky Mason

Allan Macleod

Craig Rankine

Derek Robertson

Scott Ross

Graham Vance

Vicky Watson

## **Scottish Police Credit Union Ltd**

### **Directors' Report for the Year Ended 30 September 2018**

#### **Principal risks and uncertainties**

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and interest rate risk.

**Credit Risk** - The Credit Union is exposed to the risk of default on loans and bank balances. All loans are required by the Credit Union to be assessed against the Credit Union's lending policy.

**Liquidity Risk** - The Credit Union's policy is to maintain sufficient funds in liquid forms at all times to be able to meet its liabilities as they fall due and to meet the regulator's liquidity requirements.

**Interest Rate Risk** - The main interest rate risk arises from differences between interest rate exposures on assets and liabilities that form an integral part of the Credit Union's activities. The Credit Union considers interest rates when setting the level of proposed dividends each period.

#### **Disclosure of information to the auditors**

Each Director has taken steps that they ought to have taken as a Director 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. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

# Scottish Police Credit Union Ltd

## Directors' Report for the Year Ended 30 September 2018

### 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 (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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 Credit Unions Act 1979 and 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 prevention and detection of fraud and other irregularities.

### Governance Statement

The Directors are responsible for ensuring compliance with the requirements of the above scheme. The Credit Union is required to maintain and test a Single Customer View (SCV) file for submission to the FSCS in the event, the Credit Union is wound down. The Board of Directors can confirm that SCV records have been tested and are in order. The Directors therefore confirm that the Credit Union complies with Depositor Protection Rules 11, 12, 14 and the requirements of rule 15 that relate to rule 11

In addition, as required by section 10.1 of the PRA Credit Union Rulebook, the Directors confirm that:

- the Credit Union has maintained fidelity bond insurance throughout the year
- the Credit Union is carrying out the additional lending activity within the PRA Credit Union Rulebook and we can confirm that we meet the requirements for carrying out this activity.

**Scottish Police Credit Union Ltd**

**Directors' Report for the Year Ended 30 September 2018**

**Reappointment of auditors**

A resolution for the re-appointment of Alexander Sloan as auditors of the Credit Union is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 12 November 2018 and signed on its behalf by:

.....  
Chris Mooney  
Secretary

## **Scottish Police Credit Union Ltd**

### **Independent Auditor's Report to the Members of Scottish Police Credit Union Ltd**

#### **Opinion**

We have audited the financial statements of Scottish Police Credit Union Ltd (the 'Credit Union') for the year ended 30 September 2018, which comprise the Revenue Account, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Credit Union's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in an 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 the Credit Union's affairs as at 30 September 2018 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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.



## **Scottish Police Credit Union Ltd**

### **Independent Auditor's Report to the Members of Scottish Police Credit Union Ltd**

#### **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, 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**

In the light of our knowledge and understanding of the Credit Union and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

## **Scottish Police Credit Union Ltd**

### **Independent Auditor's Report to the Members of Scottish Police Credit Union Ltd**

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

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

#### **Responsibilities of Directors**

As explained more fully in the [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 the Directors 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

## **Scottish Police Credit Union Ltd**

### **Independent Auditor's Report to the Members of Scottish Police Credit Union Ltd**

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Credit Union audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Scottish Police Credit Union Ltd**

**Independent Auditor's Report to the Members of Scottish Police Credit Union  
Ltd**

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Alexander Sloan  
180 St Vincent Street  
Glasgow  
G2 5SG

12 November 2018

**Scottish Police Credit Union Ltd**

**Revenue Account for the Year Ended 30 September 2018**

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
Loan interest receivable and similar income	3	1,350,565	1,253,965
Interest payable and similar charges	4	(267,662)	(328,104)
Net interest income		<u>1,082,903</u>	<u>925,861</u>
Fees and commissions receivable	5	3,390	3,748
Fees and commissions payable	6	(26,165)	(27,539)
Net fees and commissions		<u>(22,775)</u>	<u>(23,791)</u>
Other operating income	7	3,039	221
Administrative expenses	8	(551,020)	(605,579)
Depreciation and amortisation		(85,185)	(88,810)
Other operating expenses	9	(38,498)	(40,615)
Impairment on loans for bad and doubtful debts		<u>(87,728)</u>	<u>(81,988)</u>
Surplus before tax		300,736	85,299
Corporation Tax	13	(11,142)	(16,117)
Surplus for the financial year		<u>289,594</u>	<u>69,182</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>289,594</u></u>	<u><u>69,182</u></u>

The notes on pages 15 to 34 form an integral part of these financial statements.

**Scottish Police Credit Union Ltd**

**Balance Sheet as at 30 September 2018**

	Note	2018 £	2017 £
<b>Assets</b>			
Cash and balances at central banks	14	553	558
Loans and advances to banks	14	7,207,181	8,028,120
Loans and advances to customers	15	20,333,938	18,013,373
Intangible assets	17	54,215	79,335
Tangible fixed assets	18	111,949	127,743
Other receivables	19	31,300	33,842
Total assets		27,739,136	26,282,971
<b>Liabilities</b>			
Customer accounts	20	24,412,881	23,248,874
Other liabilities	21	63,334	60,770
		24,476,215	23,309,644
General reserve	22	3,262,921	2,973,327
Total liabilities		27,739,136	26,282,971

Approved and authorised by the Board on 12 November 2018 and signed on its behalf by:

.....

Austin Dorrian

Director

.....

Chris Mooney

Secretary

.....

Duncan Sloan

Director

The notes on pages 15 to 34 form an integral part of these financial statements.

## Scottish Police Credit Union Ltd

### Statement of Changes in Equity for the Year Ended 30 September 2018

	<b>General reserve £</b>	<b>Total £</b>
At 1 October 2017	2,973,327	2,973,327
Surplus for the year	289,594	289,594
At 30 September 2018	3,262,921	3,262,921
	<b>General reserve £</b>	<b>Total £</b>
At 1 October 2016	2,904,145	2,904,145
Surplus for the year	69,182	69,182
At 30 September 2017	2,973,327	2,973,327

The notes on pages 15 to 34 form an integral part of these financial statements.

## Scottish Police Credit Union Ltd

### Statement of Cash Flows for the Year Ended 30 September 2018

	Note	2018 £	2017 £
<b>Cash flows from operating activities</b>			
Surplus for the year		289,594	69,182
Depreciation and amortisation	10	85,185	88,810
Deficit on fixed asset disposals		-	(276)
Corporation tax expense	13	11,142	16,117
Provision movement		103,696	94,865
Interest income on loans		(1,291,922)	(1,197,364)
Distribution on member shares		267,662	328,104
		(534,643)	(600,562)
Decrease/(increase) in other receivables and prepayments	19	2,542	(5,401)
Increase in trade and other payables	21	2,458	26,223
		5,000	20,822
<b>Cash flows from changes in operating assets &amp; liabilities</b>			
Loan repayments less loans advanced		(1,132,339)	(371,750)
Customer balance cash movement		896,345	512,698
Movement on funds on deposit		3,027	1,823,001
		(232,967)	1,963,949
Income taxes paid	13	(11,036)	(14,667)
<b>Net cash flow from operating activities</b>		(773,646)	1,369,542
<b>Cash flows from investing activities</b>			
Acquisitions of property plant and equipment		(23,433)	(12,468)
Proceeds from sale of property plant and equipment		362	540
Acquisition of intangible assets	17	(21,200)	(66,238)
Net cash flows from investing activities		(44,271)	(78,166)
Net (decrease)/increase in cash and cash equivalents		(817,917)	1,291,376
Cash and cash equivalents at 1 October		4,000,802	2,709,426
Cash and cash equivalents at 30 September		3,182,885	4,000,802

The notes on pages 15 to 34 form an integral part of these financial statements.



# Scottish Police Credit Union Ltd

## Notes to the Financial Statements for the Year Ended 30 September 2018

### 1 General information

Scottish Police Credit Union Ltd is registered in the UK as a society 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 Union Act 1979. The Credit Union is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. As a financial institution the Credit Union is governed by The Financial Services and Markets Act 2000.

The address of its registered office is:

165 Baillieston Road  
Glasgow  
G32 0TN

These financial statements were authorised for issue by the Board on 12 November 2018.

### 2 Accounting policies

#### Summary of significant accounting policies and key accounting estimates

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

#### Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

#### Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

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

# Scottish Police Credit Union Ltd

## Notes to the Financial Statements for the Year Ended 30 September 2018

### 2 Accounting policies (continued)

#### **Key sources of estimation uncertainty**

Impairment of Financial Assets:

The Credit Union assess at each reporting date, if there is objective evidence that any of its loans to customers are impaired. The loans are assessed collectively in groups that share similar credit-risk characteristics. 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.

#### **Grants**

Grants are credited to deferred income. Grants for capital expenditure are released to the Revenue Account over the expected useful life of the asset. Grants for revenue expenditure are released to the Revenue Account as the expenditure is incurred.

#### **Finance income and costs policy**

Interest receivable on loans to members and bank interest is recognised using the effective interest rate basis and is calculated and accrued on a daily basis.

#### **Tax**

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

#### **Tangible fixed assets**

Tangible fixed assets is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible fixed assets includes directly attributable incremental costs incurred in their acquisition and installation.

#### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

## Scottish Police Credit Union Ltd

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 2 Accounting policies (continued)

<b>Asset class</b>	<b>Depreciation method and rate</b>
Land and buildings	Straight line over 10 to 25 years
Office equipment	20%-33.33% straight line
Fixtures and Fittings	20% straight line

#### **Intangible assets**

Computer software is measured at historical cost less accumulated amortisation.

#### **Amortisation**

Amortisation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Amortisation method and rate</b>
Computer software	20%-33.33% straight line

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Credit Union has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

# Scottish Police Credit Union Ltd

## Notes to the Financial Statements for the Year Ended 30 September 2018

### 2 Accounting policies (continued)

#### Financial instruments

##### Classification

Loans to members are a debt instrument measured at amortised cost using the effective interest rate.

Shares are redeemable and therefore are classed as financial liabilities. They are initially recognised at the amount of cash deposited and subsequently at amortised cost.

##### Recognition and measurement

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 rate method. Loans are derecognised when the rights to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

##### Impairment

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 discounted expected cash flows.

### 3 Interest receivable and similar income

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Interest income on loans	1,291,922	1,197,364
Interest income on bank deposits	58,643	56,601
	<u>1,350,565</u>	<u>1,253,965</u>

## Scottish Police Credit Union Ltd

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 4 Interest payable and similar charges

As non-deferred shares are classed as a liability the dividend on these shares is classed as interest for accounting purposes under FRS 102:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Ordinary share dividend	266,410	321,310
Juvenile share distribution	1,252	6,794
	<u>267,662</u>	<u>328,104</u>
Total distributions to customers	<u>267,662</u>	<u>328,104</u>

The distributions on member's shares represents distributions paid in the year which were approved at the last Annual General Meeting. The dividend rates approved at the previous AGM were:

	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
<b>Dividends paid during the period</b>		
Distribution to Juvenile members	1.80	3.00
Ordinary member dividend	<u>1.20</u>	<u>1.50</u>

At the forthcoming Annual General Meeting the Directors will propose the following dividends based on the results for the current year. If approved this dividend will be included in next year's financial accounts once it has been paid.

	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
<b>Proposed distribution to members</b>		
Proposed distribution on juvenile shares	1.80	1.80
Proposed dividend on ordinary shares	<u>1.55</u>	<u>1.20</u>

## Scottish Police Credit Union Ltd

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 5 Fees and commissions receivable

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Insurance commission	-	733
Annual service charges	585	635
Entrance fees	2,805	2,380
	<u>3,390</u>	<u>2,380</u>
Fees and commissions receivable	<u>3,390</u>	<u>3,748</u>

#### 6 Fees and commissions payable

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Bank charges	26,165	27,539
	<u>26,165</u>	<u>27,539</u>

#### 7 Other operating income

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Other income	3,039	221
	<u>3,039</u>	<u>221</u>

**Scottish Police Credit Union Ltd**

**Notes to the Financial Statements for the Year Ended 30 September 2018**

**8 Administrative expenses**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Employee benefits expense	336,078	382,115
(Profit)/loss on disposal of property, plant and equipment	-	(276)
Auditors remuneration	7,002	11,883
Death benefit costs	61,200	39,908
Member communication and advertising	25,462	26,717
Legal, professional and credit costs	65,888	83,895
Computer costs	31,890	28,931
Other admin costs	23,500	32,406
Administrative expenses	<u>551,020</u>	<u>605,579</u>

**9 Other operating expenses**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Regulatory costs	12,373	12,120
Office costs	26,125	28,495
Other operating expenses	<u>38,498</u>	<u>40,615</u>

**10 Operating surplus**

Arrived at after charging/(crediting)

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Depreciation expense	38,865	38,397
Amortisation expense	46,320	50,413
Surplus on disposal of property, plant and equipment	-	(276)
	<u>                    </u>	<u>                    </u>

## Scottish Police Credit Union Ltd

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 11 Staff costs

The aggregate remuneration (including key management remuneration) was as follows:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Wages and salaries	264,383	302,459
Social security costs	23,470	27,015
Pension costs, defined contribution scheme	48,225	52,641
	<u>336,078</u>	<u>382,115</u>

Directors of the Credit Union are reimbursed for expenses incurred on the Credit Union's behalf but are not remunerated by the Credit Union.

The average number of persons employed by the Credit Union (including key management) during the year and the number of Directors, analysed by category was as follows:

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Directors	12	12
Administration and support	11	11
	<u>23</u>	<u>23</u>

#### 12 Auditor's remuneration

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Audit of the financial statements	<u>7,002</u>	<u>11,883</u>



## Scottish Police Credit Union Ltd

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 13 Corporation tax

Tax charged/(credited) in the revenue account

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Current taxation</b>		
UK corporation tax	11,142	11,036
UK corporation tax adjustment to prior periods	-	5,081
	<u>11,142</u>	<u>16,117</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2017 - 19% (2017 - 19.5%).

The differences are reconciled below:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Surplus before tax	<u>300,736</u>	<u>85,299</u>
Corporation tax at standard rate	57,140	16,633
Effect of transactions exempt from taxation	<u>(46,455)</u>	<u>(516)</u>
Total tax charge	<u>10,685</u>	<u>16,117</u>

## Scottish Police Credit Union Ltd

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 14 Loans and advances to banks

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Cash at bank	3,182,332	4,000,244
Short-term deposits	4,024,849	4,027,876
	<hr/>	<hr/>
Loans and advances to banks	7,207,181	8,028,120
Cash balances	553	558
	<hr/>	<hr/>
Total cash and bank balances and deposits	7,207,734	8,028,678
Less amounts maturing more than 8 days	(4,024,849)	(4,027,876)
	<hr/>	<hr/>
Cash and cash equivalents in statement of cash flows	<u>3,182,885</u>	<u>4,000,802</u>

**Scottish Police Credit Union Ltd**

**Notes to the Financial Statements for the Year Ended 30 September 2018**

**15 Loans and advances to customers**

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
<b>Loan movement in the period</b>			
Opening balance		18,141,830	16,639,901
Interest accrued on loans during period		1,291,922	1,197,364
Loans advanced during the period		10,079,154	6,486,435
Repayments received during period		(8,946,815)	(6,114,685)
Loans derecognised		(74,003)	(67,185)
		<u>20,492,088</u>	<u>18,141,830</u>
Loan impairment		(158,150)	(128,457)
		<u>20,333,938</u>	<u>18,013,373</u>
<b>Loan repayments</b>			
Loans due within one year		4,727,303	4,579,729
Due after one year		15,764,785	13,562,101
Loan impairment		(158,150)	(128,457)
		<u>20,333,938</u>	<u>18,013,373</u>
<b>Classification of loans</b>			
Loans to individual members		20,492,088	18,141,830
Loan impairment		(158,150)	(128,457)
		<u>20,333,938</u>	<u>18,013,373</u>

## Scottish Police Credit Union Ltd

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 16 Loan Impairment

	Net Derecognised	Provision for written off debts	Doubtful debt provision	Total provision
Opening impairment	-	19,409	109,048	128,457
Charge to Revenue Account	58,035	-	29,693	87,728
Non-provision movement	(58,035)	-	-	(58,035)
Closing provision	-	19,409	138,741	158,150

Under Financial Reporting Standard 102 (FRS 102), the criteria for writing off a loan differs from that adopted by the Board of the Credit Union. As a result, certain loans written off by the Credit Union have been reallocated to the impairment account, "Provisions for written off debts" as stated above. There is no net effect on the surplus or net assets of the Credit Union from this reallocation.

#### 17 Intangible assets

	Computer software £	Total £
<b>Cost or valuation</b>		
At 1 October 2017	195,625	195,625
Additions acquired separately	21,200	21,200
At 30 September 2018	216,825	216,825
<b>Amortisation</b>		
At 1 October 2017	116,290	116,290
Amortisation charge	46,320	46,320
At 30 September 2018	162,610	162,610
<b>Carrying amount</b>		
At 30 September 2018	54,215	54,215
At 30 September 2017	79,335	79,335

**Scottish Police Credit Union Ltd**

**Notes to the Financial Statements for the Year Ended 30 September 2018**

**18 Tangible fixed assets**

	<b>Land and buildings £</b>	<b>Furniture, fittings and equipment £</b>	<b>Total £</b>
<b>Cost or valuation</b>			
At 1 October 2017	384,587	199,613	584,200
Additions	16,533	6,900	23,433
Disposals	-	(758)	(758)
	<hr/>	<hr/>	<hr/>
At 30 September 2018	401,120	205,755	606,875
<b>Depreciation</b>			
At 1 October 2017	298,713	157,744	456,457
Charge for the year	29,707	9,158	38,865
Eliminated on disposal	-	(396)	(396)
	<hr/>	<hr/>	<hr/>
At 30 September 2018	328,420	166,506	494,926
<b>Carrying amount</b>			
At 30 September 2018	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 September 2017	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**19 Other receivables**

	<b>2018 £</b>	<b>2017 £</b>
Other debtors	<hr/>	<hr/>
	31,300	33,842
Other receivables	<hr/> <hr/>	<hr/> <hr/>
	31,300	33,842

## Scottish Police Credit Union Ltd

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 20 Customer accounts

	2018 £	2017 £
<b>Customer balance movement in the period</b>		
Opening balance	23,248,874	22,408,072
Deposited during the period	18,021,788	12,908,851
Withdrawn during the period	(16,857,781)	(12,068,049)
	24,412,881	23,248,874
<b>Classification of Customer balances</b>		
Individual member shares	24,855,193	23,053,154
Corporate shares	(258,834)	58,687
Member balances	24,596,359	23,111,841
Juvenile deposits	(183,478)	137,033
	24,412,881	23,248,874

#### 21 Other liabilities

	Note	2018 £	2017 £
Other payables		26,549	28,880
Accrued expenses		25,643	20,854
Corporation tax liability	13	11,142	11,036
		63,334	60,770

#### 22 Reserves

##### General Reserve

The general reserve represents the base capital of the Credit Union and is the retained surpluses and deficits which have not been allocated to another specific reserve.

## Scottish Police Credit Union Ltd

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 23 Capital

Scottish Police Credit Union Ltd classes all of its reserves as capital. The Credit Union manages its reserves through its financial and budgeting policies and procedures. The Prudential Regulation Authority sets out requirements for the capital ratio that the Credit Union must maintain. The ratio is calculated after proposed dividends. The Credit Union's compliance with the ratio at the year end is set out below:

	<b>2018</b>	<b>2017</b>
	%	%
<b>Regulatory Requirement</b>		
Minimum capital to asset ratio	8.00	8.00
Capital Buffer	2.00	-
	<hr/>	<hr/>
	10.00	8.00
	<hr/>	<hr/>
Actual Ratio	10.44	10.28
	<hr/>	<hr/>

#### 24 Financial Risk Management

Scottish Police Credit Union Ltd manages its shares and loans so that it earns income from the margin between interest receivable and interest payable (including dividends paid).

The main financial risks arising from the activities of Scottish Police Credit Union Ltd are credit risk, liquidity risk and market 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 Scottish Police Credit Union Ltd, resulting in financial loss to the Credit Union. In order to manage this risk the Board approves the lending policy of Scottish Police Credit Union Ltd 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 the likelihood of repayment has changed. The Credit Union also monitors its banking arrangements for Credit Risk.

## Scottish Police Credit Union Ltd

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 24 Financial Risk Management (continued)

##### Liquidity Risk

The policy of Scottish Police Credit Union Ltd is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due and meet the liquidity ratios set by the regulators. The objective of the policy is to provide a degree of protection against any unexpected developments that may arise.

##### Market Risk

Market risk generally comprises of interest rate risk, currency risk and other price risk. The main risks impacting the Credit Union are set out below:

**Interest rate risk:** The main interest rate risk for Scottish Police Credit Union Ltd arises between the interest rate exposure on loans, bank deposits and shares that form an integral part of a Credit Union's operations. Scottish Police Credit Union Ltd considers rates of interest receivable when deciding on proposed dividend rates. Dividend rates are based on the historical results of the Credit Union and the Credit Union's strategic plans. The Credit Union does not use interest rate options to hedge its own positions.

**Foreign Currency Risk:** All transactions are carried out in sterling and therefore the Credit Union is not exposed to any form of foreign currency risk.

**Other price risk:** The Credit Union does not hold any listed investments.

#### 25 Credit risk on loans to members

The Credit Union holds £8,034,667 in bank deposits and accounts. The Credit Union manages its credit risk with banks by spreading its funds between a number of banks and by staggered maturity dates. At the year end the Credit Union's funds are held between 3 different UK banks and 2 different UK building societies. The Credit Union believes the full amount is recoverable and no provision against the bank balance is required.

The Credit Union holds the following security against its loans to members:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Security for loans</b>		
Attached Shares	3,956,914	4,063,191



## Scottish Police Credit Union Ltd

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 25 Credit risk on loans to members (continued)

The carrying amount of the loans to members represents the Credit Union's maximum exposure to 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. The status 'past due' includes any loan where payments are in arrears. The amount included is the entire loan amount and not just the overdue amount.

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		£	£
<b>Loans not impaired</b>			
Not past due		20,278,628	17,862,775
Up to 3 months past due		6,449	42,831
		20,285,077	17,905,606
<b>Loans impaired</b>			
Up to 3 months past due		101,356	173,530
Between 3 months and 6 months due		48,164	5,536
Between 6 months and 1 year past due		6,476	8,304
Over 1 year past due		31,606	29,445
Individually impaired and written off for internal purposes		-	50
Individually impaired and written off for internal purposes in previous years		19,409	19,359
		207,011	236,224
		20,492,088	18,141,830
Impairment allowance		(158,150)	(128,457)
		20,333,938	18,013,373

## **Scottish Police Credit Union Ltd**

### **Notes to the Financial Statements for the Year Ended 30 September 2018**

#### **26 Credit risk on bank deposits**

The Credit Union holds £7,183,141 (2017: £8,034,667) in bank deposits and accounts. The Credit Union manages its credit risk with banks by spreading its funds between a number of banks and by staggered maturity dates. At the year end the Credit Union's funds are held between 3 different UK banks and 2 different UK building societies. The Credit Union believes the full amount is recoverable and no provision against the bank balance is required.

## Scottish Police Credit Union Ltd

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 27 Interest Rate Disclosure

The following table shows the interest received during the year divided by the closing loan balance and the dividend paid during the year divided by the closing share balance:

	<b>2018 Amount £</b>	<b>2018 Rates received in year %</b>	<b>2017 Amount £</b>	<b>2017 Rates received in year %</b>
<b>Financial assets</b>				
Loans to members	20,333,938	6.35	18,013,373	6.65
	<u>2018</u>	<u>2018</u>	<u>2017</u>	<u>2017</u>
	<b>Amount</b>	<b>Rates paid</b>	<b>Amount</b>	<b>Rates paid</b>
	<b>£</b>	<b>in year</b>	<b>£</b>	<b>in year</b>
		<b>%</b>		<b>%</b>
<b>Financial liabilities</b>				
Juvenile deposits	(183,478)	(.68)	137,033	4.96
Member shares	24,596,359	1.08	23,111,841	1.39
	<u>24,412,881</u>	<u>1.10</u>	<u>23,248,874</u>	<u>1.41</u>

#### 28 Contingent liabilities

The Credit Union participates in the Financial Services Compensation Scheme (FSCS) which provides protection for its members up to the level of protection offered by the FSCS. As a result of the Credit Unions participation it has a contingent liability, which cannot be quantified in respect of future contributions to the FSCS, as required by the Financial Services and Markets Act 2000.

## Scottish Police Credit Union Ltd

### Notes to the Financial Statements for the Year Ended 30 September 2018

#### 29 Related party transactions

##### Key management personnel

The Credit Union classes Directors and members of the Senior Management team as Key Management.

##### Key management compensation

	2018	2017
	£	£
Salaries and other short term employee benefits	151,553	169,545
Post-employment benefits	25,617	25,681
	<u>177,170</u>	<u>195,226</u>

##### Summary of transactions with key management

Loans to key management are issued on standard terms and conditions. At the year end £103,637 (2017: £43,990) was owed by Key Management in loans to the Credit Union and Key Management held £104,184 (2017: £179,795) in shares in the Credit Union.

Five of the Directors are Trustees of The Scottish Police Credit Union Foundation (SPCU Foundation). During the year the Credit Union donated £275 (2017: £2,375) to the SPCU Foundation. The Credit Union also paid fees, which were reimbursed by the SPCU Foundation amounting to £36 (2017: £12,078).

## **Scottish Police Credit Union Ltd**

**The following pages do not form part of the statutory accounts**

This page does not form part of the statutory financial statements.

## Scottish Police Credit Union Ltd

### Detailed Revenue Account for the Year Ended 30 September 2018

	Note	2018 £	2017 £
<b>Income</b>			
Interest income on loans		1,291,922	1,197,364
Interest income on bank deposits		58,643	56,601
Interest Received		1,350,565	1,253,965
Fees and commissions receivable	5	3,390	3,748
Other operating income	7	3,039	221
		<u>1,356,994</u>	<u>1,257,934</u>
<b>Expenditure</b>			
Employee benefits expense		336,078	382,115
(Profit)/loss on disposal of property, plant and equipment		-	(276)
Auditors remuneration		7,002	11,883
Death benefit costs		61,200	39,908
Bank charges		26,165	27,539
Regulatory costs		12,373	12,120
Office costs		26,125	28,495
Member communication and advertising		25,462	26,717
Legal, professional and credit costs		65,888	83,895
Computer costs		31,890	28,931
Other admin costs		23,500	32,406
Depreciation and amortisation		85,185	88,810
Impairment on loans for bad and doubtful debts		87,728	81,988
		<u>788,596</u>	<u>844,531</u>
Operating Surplus/(Deficit)		<u>568,398</u>	<u>413,403</u>
Surplus before tax		568,398	413,403
Corporation Tax	13	(11,142)	(16,117)
Surplus for the financial year before dividend		557,256	397,286
Distributions		(267,662)	(328,104)
Surplus for the financial year after dividend		<u><u>289,594</u></u>	<u><u>69,182</u></u>

This page does not form part of the statutory financial statements.