



Scott-Moncrieff
business advisers and accountants

SCOTWEST CREDIT UNION

**Financial Statements
For the year ended 30 September 2016**

Firm reference number: 213616

SCOTWEST CREDIT UNION

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SCOTWEST CREDIT UNION

Credit Union Information

Directors

Mr D McRiner	Chair and Secretary from 14 December 2015. (vice-chair until 14 December 2015)
Ms D C Forsyth	Chair (Resigned 30 November 2015)
Mr C Sim	Secretary (Resigned 30 November 2015)
Mr G A Ramsay	Treasurer
Mr A Hynd	(Resigned 30 November 2015)
Mr S Wood	Vice Chair (from 14 December 2015)
Mr D Dickson	
Ms P McVey	(Resigned 15 August 2016)
Mr A Ibe	(Appointed 30 November 2015)
Ms C McDowall	(Appointed 30 November 2015)
Mr P McGowan	(Appointed 30 November 2015)
Mr J McCarthy	(Appointed 30 November 2015, resigned 6 June 2016)

Chief Executive Officer

Mr K MacLeod

Auditor

Scott-Moncrieff
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Solicitor

McGinn Solicitors
4 Woodside Place
Glasgow
G3 7QF

Miller Samuel
RWF House
5 Renfield House
Glasgow
G2 5EZ

Bankers

Bank of Scotland
110 St Vincent Street
Glasgow
G2 5ER

Registered Office

13 Elmbank Street
Glasgow
G2 4PB

SCOTWEST CREDIT UNION

Directors' report

For the year ended 30 September 2016

Principal activity

The Credit Union's activity during the year continued to be that as defined in the Credit Union Act 1979, with membership being open to anyone who lives or works in the West of Scotland (an area defined by the boundaries of the twelve unitary council authorities: Argyll & Bute, East Ayrshire, East Dunbartonshire, East Renfrewshire, Glasgow City, Inverclyde, North Ayrshire, North Lanarkshire, Renfrewshire, South Ayrshire, South Lanarkshire and West Dunbartonshire).

Review of business and future developments

The environment of low interest rates and consumer caution, which has prevailed since the financial crisis of 2007/08, continues to pose the challenge of balancing incoming savings with the increased lending required in order to generate a return on those savings. Our strategy is to continue to increase the loan book through the provision of attractive products at market leading rates and increasing the convenience of access to those products.

Statement of directors' responsibilities

Credit Union law requires 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 income and expenditure of the Credit Union for the year ended on that date. In preparing those financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and 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 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 and the Credit Union Act 1979. They are also responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that the financial statements comply with the above requirements.

Results and dividends

Reflecting members' continued desire to save, deposits have again risen significantly (7%), however, reversing the trend from previous years, the introduction of new loan products has resulted in a 13% increase in our loan book which flows through to a 7% annual increase in income.

Excluding the release of the bad debt provision arising from new regulatory requirements, Operational expenditure is up 11% a significant element of which is due to the increased costs of the closed Strathclyde Pension Fund. The final costs for the scheme will be incurred in the forthcoming financial year, provision for which has been made in this year's accounts.

Reflecting the low interest rates and members borrowing more, income has increased 7% from the prior year. Operational expenditure is down 17% resulting in a surplus before tax of £738,982 (2015: deficit of £211,022).

Financial risk management objectives and policies

Our key financial risk remains our ability to lend members' money at levels and rates which provide an appropriate dividend return. Our objective is therefore to encourage any member who wishes to borrow to do so from the Credit Union rather than an external provider.

SCOTWEST CREDIT UNION

Directors' report (continued) For the year ended 30 September 2016

Disclosure of information to the auditor


To the knowledge and belief of each of the persons who are directors at the time the report is approved:


- So far as the directors are aware, there is no relevant information of which the Credit Union's auditor is unaware; and
- The directors have taken all the steps that they ought to have taken to make themselves aware of any relevant information, and to establish that the Credit Union's auditor is aware of the information.

Auditor

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants, as auditor will be put to the directors at the forthcoming Annual General Meeting.

This report was approved by the board on 7 November 2016 and signed on its behalf by:


D McRiner, Chairperson


G A Ramsay - Treasurer

SCOTWEST CREDIT UNION

Report of the Independent Auditor to the Members and Directors of Scotwest Credit Union For the year ended 30 September 2016

We have audited the financial statements of Scotwest Credit Union for the year ended 30 September 2016 which comprise the Statement of Comprehensive Income, Other Comprehensive Income Statement, the Balance Sheet, the Statement of Cashflows and the related notes. 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'.

This report is made solely to the Credit Union's directors, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Credit Union Act 1979. Our audit work has been undertaken so that we might state to the Credit Union's directors 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 directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and the auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Credit Union's affairs as at 30 September 2016 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Credit Union Act 1979.

Opinion on other matters

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

SCOTWEST CREDIT UNION

Report of the Independent Auditor to the Members and Directors of Scotwest Credit Union For the year ended 30 September 2016

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 control over transactions has not been maintained; or
- the Credit Union 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.



Mark McRae (Senior Statutory Auditor)
for and on behalf of
Scott-Moncrieff, Statutory Auditor
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Date: 7 November 2016

SCOTWEST CREDIT UNION

Statement of Comprehensive Income For the year ended 30 September 2016

	Notes	2016 £	2015 £
Income			
Loan interest received and similar income			
• Members loans		2,047,117	1,880,140
• Bank interest received		327,863	342,195
Interest payable	6	(253,720)	(369,538)
Net interest income		<u>2,121,260</u>	<u>1,852,797</u>
Fees and commissions receivable		12,417	14,071
Fees and commissions payable		(4,560)	(6,915)
Net fees and commissions receivable		<u>7,857</u>	<u>7,156</u>
Other income		63,501	54,906
Administrative expenses		(1,405,358)	(1,709,254)
Depreciation		(48,278)	(42,978)
Other expenses		-	(373,649)
Surplus/(deficit) before taxation		<u>738,982</u>	<u>(211,022)</u>
Taxation	4	(65,438)	(68,730)
Surplus/(deficit) for the financial year		<u><u>673,544</u></u>	<u><u>(279,752)</u></u>

Other Comprehensive Income Statement For the year ended 30 September 2016

Actuarial (loss)/gain in respect of retirement benefit scheme	(53,000)	8,000
Total comprehensive income for the year	<u><u>620,544</u></u>	<u><u>(271,752)</u></u>

Continuing operations

None of the Credit Union's activities were acquired or discontinued during the current and previous years.


The notes on pages 10 to 20 form part of these financial statements.


SCOTWEST CREDIT UNION

Balance Sheet As at 30 September 2016

	Notes	2016 £	Restated 2015 £
ASSETS			
Cash, cash equivalents and liquid deposits			
Cash on hand	7	410	404
Cash in bank and liquid deposits	7	34,530,443	33,985,238
		<u>34,530,853</u>	<u>33,985,642</u>
Loans to members	8	29,355,399	26,009,745
Bad debt reserve	9	(624,802)	(1,109,698)
Tangible fixed assets	10	568,230	609,058
Other debtors		318,010	207,546
Loans to other Credit Unions	11	30,000	30,000
		<u>64,177,690</u>	<u>59,732,293</u>
LIABILITIES			
Members' shares	12	56,434,699	52,675,882
Juvenile deposits		39,450	54,096
Other payables	13	320,716	372,034
Pension liability	14	200,000	68,000
		<u>56,994,865</u>	<u>53,170,012</u>
General reserve	15	7,282,825	6,530,281
Pension reserve	14	(200,000)	(68,000)
Non-distributable reserves	16	100,000	100,000
		<u>64,177,690</u>	<u>59,732,293</u>

These financial statements were approved by the Board of Directors on 7 November 2016 and were signed on its behalf by:


D McRiner - Chairperson


G A Ramsay - Treasurer

The notes on pages 10 to 20 form part of these financial statements.

SCOTWEST CREDIT UNION

Statement of Changes in Equity As at 30 September 2016

	General Reserve £	Pension Reserve £	Non- distributable Reserves £	Total £
At 1 October 2015	6,530,281	(68,000)	100,000	6,562,281
Surplus for the year	673,544	-	-	673,544
Transfer	79,000	(79,000)	-	-
Other comprehensive income	-	(53,000)	-	(53,000)
At 30 September 2016	<u>7,282,825</u>	<u>(200,000)</u>	<u>100,000</u>	<u>7,182,825</u>

Statement of Changes in Equity As at 30 September 2015

	General Reserve £	Pension Reserve £	Non- distributable Reserves £	Total £
At 1 October 2014	6,894,033	(160,000)	100,000	6,834,033
Deficit for the year	(279,752)	-	-	(279,752)
Transfer	(84,000)	84,000	-	-
Other comprehensive income	-	8,000	-	8,000
At 30 September 2015	<u>6,530,281</u>	<u>(68,000)</u>	<u>100,000</u>	<u>6,562,281</u>

The notes on pages 10 to 20 form part of these financial statements.

SCOTWEST CREDIT UNION

Statement of Cashflows

For the year ended 30 September 2016

	2016 £	2015 £
Cash flows from operating activities		
Surplus/(deficit) for the financial year	673,544	(279,752)
Adjustments for:		
Depreciation charge	48,278	42,978
Tax charge for the year	65,438	68,730
Finance cost	33,984	34,387
Interest received	(327,863)	(342,195)
Impairment of fixed assets	-	373,649
Pension (loss)/gain	(53,000)	8,000
Increase in debtors	(3,941,014)	(1,499,617)
Increase/(decrease) in pension provision	132,000	(92,000)
(Decrease) in creditors	(62,706)	(42,296)
Corporation tax paid	(68,696)	(65,578)
Net cash used from operating activities	<u>(3,500,035)</u>	<u>(1,793,694)</u>
Cash flow from investing activities		
Purchase of tangible fixed assets	(7,450)	(79,940)
Sale of tangible fixed assets	-	15,500
Net cash used in investing activities	<u>(7,450)</u>	<u>(64,440)</u>
Cash flow from financing activities		
Finance cost	(33,984)	(34,387)
Interest received	327,863	342,195
Increase in members shares	3,758,817	3,770,591
Net cash used in financing activities	<u>4,052,696</u>	<u>4,078,399</u>
Net increase in cash and cash equivalents	545,211	2,220,265
Cash and cash equivalents at beginning of year	33,985,642	31,765,377
Cash and cash equivalents at end of year	<u>34,530,853</u>	<u>33,985,642</u>
Components of cash and cash equivalents		
Cash equivalents and liquid deposits	<u>34,530,853</u>	<u>33,985,642</u>

The notes on pages 10 to 20 form part of these financial statements.

SCOTWEST CREDIT UNION

Notes to the financial statements For the year ended 30 September 2016

1. ACCOUNTING POLICIES

General Information

The company is a Credit Union. It is incorporated in the UK and domiciled in Scotland. The address of its registered office is noted on page 1. It is defined as a public benefit entity and thus complies with all disclosure requirements relating to public benefit entities. The Credit Union's functional and presentation currency is Pounds Sterling (GBP).

The Credit Union's activity during the year continued to be that as defined in the Credit Union Act 1979, with membership being open to anyone who lives or works in the West of Scotland (an area defined by the boundaries of the twelve unitary council authorities: Argyll & Bute, East Ayrshire, East Dunbartonshire, East Renfrewshire, Glasgow City, Inverclyde, North Ayrshire, North Lanarkshire, Renfrewshire, South Ayrshire, South Lanarkshire and West Dunbartonshire).

Statement of Compliance

The financial statements are the Credit Union's first financial statements prepared in compliance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" issued by the Financial Reporting Council. The Union's date of transition to FRS 102 is 1 October 2014.

Before 2016 the financial statements were prepared in accordance with UK GAAP applicable prior to the adoption of FRS 102, as issued by the Financial Reporting Council, and referred to below as 'previous UK GAAP'. Information on the impact of first-time adoption of FRS 102 is given in note 21 to these financial statements.

Summary of Significant Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" issued by the Financial Reporting Council.

Going concern

The Credit Union has a healthy cash and net assets position and thus the Board of Directors is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Interest receivable

Interest receivable is recognised as amounts fall due on loans to members and bank deposits.

Dividends

Dividends are paid to members based on the actual deposits held with the Credit Union.

Income

Income represents interest and fees received on the products provided by the Credit Union. Interest and fees are recognised as they fall due.

Bad and doubtful debts

Specific provisions are made for loans which are recognised to be bad or doubtful. A general provision to cover loans which are bad or doubtful but not yet identified as such is also maintained for use in appropriate circumstances. Movements in bad debt provisions during the year are charged to the Statement of Comprehensive Income.

SCOTWEST CREDIT UNION

Notes to the financial statements

For the year ended 30 September 2016

1. ACCOUNTING POLICIES (continued)

Taxation

Current taxation is the expected tax payable for the year, using tax rates in force during the year. The Credit Union is not liable for corporation tax payable on its activities of making loans to members. 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.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Bank overdrafts, where applicable, are shown within current liabilities.

Loans to members

Loans are recognised at their principal amount less any specific and general provisions.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write-off each asset over its estimated useful life

Property	-	2.5% straight line
Fixtures and fittings	-	5% - 50% straight line
Computer software	-	33.33% straight line
Motor vehicles	-	33.33% on cost less residual value

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

Short term creditors are measured at the transaction price.

Impairment of non-financial assets

At each reporting date, the Credit Union reviews the carrying amounts of its non-financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

SCOTWEST CREDIT UNION

Notes to the financial statements

For the year ended 30 September 2016

1. ACCOUNTING POLICIES (continued)

Financial instruments

The Credit Union has entered into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Credit Union would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cashflows from the asset expire, or when the Credit Union has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Pension scheme

The entity makes contributions into a defined benefit pension scheme. Contributions are charged to the Statement of Comprehensive Income so as to spread the cost of pensions over the employees' working lives with the Credit Union.

Any actuarial gain/(loss) is recognised as other comprehensive income in the Statement of Other Comprehensive Income.

The defined benefit scheme is now closed to new entrants with employees making contributions to a defined contribution scheme.

SCOTWEST CREDIT UNION

Notes to the financial statements For the year ended 30 September 2016

1. ACCOUNTING POLICIES (continued)

Revenue commitments

Revenue commitments are charged to the Statement of Comprehensive Income account on a straight line basis over the term of the lease.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Credit Union's accounting policies.

The directors are satisfied that accounting policies are appropriate and applied consistently. Key sources of accounting estimation have been applied to the depreciation rates and bad debt provisions which are deemed to be appropriate for the class of assets.

3. OPERATING SURPLUS

Operating surplus for the year is stated after:

	2016 £	2015 £
Depreciation	48,278	42,978
Auditor's remuneration		
- external audit	9,600	8,400
- taxation services	350	350
	<u>58,228</u>	<u>51,728</u>

4. TAXATION

Taxation charged through the Statement of Comprehensive Income was as follows:

	2016 £	2015 £
Corporation tax	65,438	68,702
Interest in respect of prior year balances	-	28
	<u>65,438</u>	<u>68,730</u>

5. STAFF COSTS

	2016 £	2015 £
Wages and salaries	761,121	802,440
Social security costs	71,536	61,661
Pension costs	191,902	159,890
FRS102 adjustment	(55,000)	(83,000)
	<u>969,559</u>	<u>940,991</u>

SCOTWEST CREDIT UNION

Notes to the financial statements For the year ended 30 September 2016

5. STAFF COSTS (CONTINUED)

Average staff numbers during the year were 35 (2015: 36).

No remuneration was paid to any of the directors in the year (2015: £nil). The key management personnel are the Chief Executive Officer, the Chief Operating Officer, the Financial Controller and the Officer Manager. Remuneration for key management personnel was £210,020 (2015: £204,699).

6. DIVIDENDS	2016 £	2015 £
Dividend paid on members' shares in the year	253,720	369,538

7. CASH AND CASH EQUIVALENTS	2016 £	2015 £
Cash in hand	410	404
Current accounts	5,489,530	178,922
Deposit accounts	20,653,352	33,806,316
Investments in bonds	8,387,561	-
	34,530,853	33,985,642

The Credit Union has ring fenced an amount of £100,000 for fixed rate mortgages as shown in note 16. The £100,000 is included within the balance of cash at bank.

8. LOANS TO MEMBERS	2016 £	Restated 2015 £
Balance forward	26,009,745	24,183,345
Advanced in year	22,552,428	20,238,382
Repaid in year	(19,109,868)	(18,344,655)
Written off in year	(96,906)	(67,327)
	29,355,399	26,009,745
Loans due within one year	3,610,515	3,310,517
Loans due after more than one year	25,744,884	22,699,228
	29,355,399	26,009,745

9. BAD DEBT RESERVE	2016 £	Restated 2015 £
General provision	624,802	1,109,698

SCOTWEST CREDIT UNION

Notes to the financial statements For the year ended 30 September 2016

10. FIXED ASSETS

	Property £	Fixtures & fittings £	Computer software £	Motor vehicles £	Totals £
Cost					
As at 1 October 2015	475,000	257,042	131,663	33,800	897,505
Additions	-	-	7,450	-	7,450
At 30 September 2016	475,000	257,042	139,113	33,800	904,955
Depreciation					
As at 1 October 2015	-	182,916	97,131	8,400	288,447
Charge for the year	11,875	12,863	15,140	8,400	48,278
At 30 September 2016	11,875	195,779	112,271	16,800	336,725
Net Book Value					
30 September 2016	463,125	61,263	26,842	17,000	568,230
30 September 2015	475,000	74,126	34,532	25,400	609,058

11. LOANS TO OTHER CREDIT UNIONS

	2016 £	2015 £
Balance 1 October 2015 and 30 September 2016	30,000	30,000

The above loan is sub-ordinated and due in more than one year.

12. MEMBERS' SHARES

	2016 £	2015 £
Balance forward	52,675,882	48,905,291
Received in year	35,237,197	37,246,725
Withdrawn in year	(31,478,380)	(33,476,134)
	56,434,699	52,675,882

SCOTWEST CREDIT UNION

Notes to the financial statements For the year ended 30 September 2016

13. OTHER PAYABLES

	2016 £	2015 £
Trade creditors	8,123	29,306
Accruals	190,699	133,757
Other creditors	33,815	123,440
Other tax and social security	22,635	16,829
Corporation tax	65,444	68,702
	<u>320,716</u>	<u>372,034</u>

14. PENSION COMMITMENTS

The Credit Union participates in the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended. The scheme is now closed to new entrants with employees now making contributions to a defined contribution scheme.

The principal actuarial assumptions used by the actuary are as follows:

	2016 % p.a.	2015 % p.a.
Pension Increase Rate	2.3%	2.5%
Salary Increase Rate	4.3%	4.4%
Discount Rate	2.3%	3.7%

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2012 model assuming current rates of improvements have peaked and will converge to a long term rate of 1.5% p.a. for males and 1.25% p.a. for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	23.6 years
Future Pensioners	24.8 years	26.2 years

The assets in the scheme and the expected rates of return are: Changes in the fair value of scheme assets are as follows:

	2016 £'000	2015 £'000
Opening fair value of employer assets	461	342
Interest income on plan assets	17	13
Plan participant's contributions	2	3
Contributions by the employer	10	99
Return on assets excluding amounts included in net interest	92	5
Benefits paid	(18)	(1)
	<u>564</u>	<u>461</u>
Closing fair value of employer assets		

Changes in the present value of the defined benefit obligation are as follows:

SCOTWEST CREDIT UNION

Notes to the financial statements **For the year ended 30 September 2016**

14. PENSION COMMITMENTS (continued)

	2016	2015
	£'000	£'000
Opening defined benefit obligation	529	502
Current service cost	10	16
Interest cost	19	19
Plan participant's contributions	2	3
Changes in demographic assumptions	-	18
Changes in financial assumptions	151	(16)
Other experience	(6)	(12)
Benefits paid	(18)	(1)
	<u>687</u>	<u>529</u>
Closing defined benefit obligation		
	<u>687</u>	<u>529</u>
Fair value of employer assets	564	461
Present value of funded obligations	(687)	(529)
Additional accrual	(77)	-
	<u>(200)</u>	<u>(68)</u>
Net liability recognised in balance sheet		
	<u>(200)</u>	<u>(68)</u>

Amounts recognised in the Statement of Comprehensive Income includes:

	2016	2015
	£'000	£'000
Current service cost	(10)	(16)
Interest on obligation	(19)	(19)
Interest income on plan assets	17	20
Contributions made by the employer	10	99
	<u>(2)</u>	<u>84</u>
Total		
	<u>(2)</u>	<u>84</u>

Analysis of amount recognised in the other comprehensive income:

	2016	2015
	£'000	£'000
Actuarial (loss)/gain	(53)	8
	<u>(53)</u>	<u>8</u>
Net (loss)/gain recognised as other comprehensive income		
	<u>(53)</u>	<u>8</u>

SCOTWEST CREDIT UNION

Notes to the financial statements For the year ended 30 September 2016

15. GENERAL RESERVE

The general reserve includes the current and prior year retained surpluses and deficits.

16. NON-DISTRIBUTABLE RESERVES

The Credit Union has a portfolio of fixed rate mortgage loans in respect of which there exists an interest rate risk in the event of an increase in base rate or other rises in the cost of funding, which cannot be matched by an equivalent rise in interest income from this portfolio.

The Credit Union carried out a stress test to gauge the impact of a rise in the cost of funding and used this calculation to establish a part of the general reserve which is treated as non-distributable, and which reflects the resources set aside to mitigate the interest rate risk in the mortgage loan book.

17. REVENUE COMMITMENTS

The Credit Union's annual commitments for rental and non-cancellable revenue commitment at 30 September 2016 were as set out below:

	2016 £	Restated 2015 £
Leases which expire:		
within one year	119,840	95,840
between two and five years	631,872	121,712
greater than 5 years	-	630,000
	<u>751,712</u>	<u>847,552</u>

18. FINANCIAL INSTRUMENTS

The Credit Union's primary source of net income arises from the management of the differences in the exposures arising from financial instruments and the margins earned on them. The Credit Union are not allowed to use interest rate options to hedge its own position. The Credit Union is not exposed to any form of hedge, market price or currency risks on its financial instruments.

The interest rate pricing table set out below is based on the earlier of the loan maturity date and the next interest rate repricing date.

Rate repricing table at 30 September 2016:

	Within 3 months £	After 3 months but within 6 months £	After 6 months but within 1 year £	After 1 year but within 5 years £	After 5 years £	Non interest bearing £	Total £
Assets							
Cash at bank	31,430,299	-	3,000,146	-	100,000	-	34,530,445
Loans to members	28,466,161	5,844	33,952	849,442	-	-	29,355,399
Other assets	-	-	-	-	-	916,649	916,649
Total assets	<u>59,896,459</u>	<u>5,844</u>	<u>3,034,098</u>	<u>849,442</u>	<u>100,000</u>	<u>916,649</u>	<u>64,802,492</u>

SCOTWEST CREDIT UNION

Notes to the financial statements For the year ended 30 September 2016

18. FINANCIAL INSTRUMENTS (continued)

	Within 3 months £	After 3 months but within 6 months £	After 6 months but within 1 year £	After 1 year but within 5 years £	After 5 years £	Non interest bearing £	Total £
Liabilities							
Creditors	-	-	-	-	-	520,716	520,716
Bad debt reserve	-	-	-	-	-	624,802	624,802
Juvenile deposits	39,450	-	-	-	-	-	39,450
Share capital	56,434,699	-	-	-	-	-	56,434,699
Reserves	-	-	-	-	-	7,182,825	7,182,825
Total liabilities	56,474,149	-	-	-	-	8,328,343	64,802,492
 Interest rate sensitivity gap	 3,422,310	 5,844	 3,034,098	 849,442	 100,000	 (7,411,694)	 -
 Cumulative interest rate sensitivity gap	 3,048,469	 3,428,154	 6,462,252	 7,311,694	 7,411,694	 -	 -

Rate repricing table at 30 September 2015 as restated:

Assets							
Cash at bank	15,867,228	12,001,000	6,117,010	-	-	-	33,985,238
Loans to members	25,511,898	87,350	226,962	183,535	-	-	26,009,745
Other assets	-	-	-	-	-	847,008	847,008
Total assets	41,379,126	12,088,350	6,343,972	183,535	-	847,008	60,841,991
Liabilities							
Creditors	-	-	-	-	-	440,034	440,034
Bad debt reserve	-	-	-	-	-	1,109,698	1,109,698
Juvenile deposits	54,096	-	-	-	-	-	54,096
Share capital	52,675,882	-	-	-	-	-	52,675,882
Reserves	-	-	-	-	-	6,562,281	6,562,281
Total liabilities	52,729,978	-	-	-	-	8,112,013	60,841,991
 Interest rate sensitivity gap	 (11,350,852)	 12,088,350	 6,343,972	 183,535	 -	 (7,265,005)	 -
 Cumulative interest rate sensitivity gap	 (11,350,852)	 737,498	 7,081,470	 7,265,005	 7,265,005	 -	 -

SCOTWEST CREDIT UNION

Notes to the Financial Statements For the year ended 30 September 2016

19. Related parties

Some of the directors are members of the Credit Union and have taken out loans on normal terms. The directors cannot use their positions to their advantage.

During the year Scotwest Credit Union received £63,501 (2015: £54,906) from Scotwest Lottery. At the year end £4,866 (2015: £4,866) is outstanding and is included within other debtors.

Scotwest Credit Union's costs of being part of the Affordable Lending Limited were £2,700 (2015: £nil). The CEO is also a director of Affordable Lending Limited.

20. Contingent liabilities

Following the outcome of the Judicial Review into FSA Policy Statement PS10/12: 'the assessment and redress of Payment Protection Insurance complaints', Scotwest Credit Union undertook a review of its processes for dealing with PPI. No significant issues were raised in this review and Scotwest Credit Union continues to review complaints in the normal way.

No provision has therefore been made in these accounts in respect of claims in relation to any previous sales of PPI.

21. Transition to FRS 102

These policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on reserves or surplus or deficit.