



**Scott-Moncrieff**  
business advisers and accountants

**SCOTWEST CREDIT UNION**

**Financial Statements  
For the year ended 30 September 2017**

**Firm reference number: 213616**

**SCOTWEST CREDIT UNION**

**Contents**

	<b>Page</b>
Credit Union Information	1
Directors' report	2
Report of the Independent Auditor	4
Statement of Comprehensive Income	7
Other Comprehensive Income Statement	7
Balance Sheet	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the financial statements	11

## **SCOTWEST CREDIT UNION**

### **Credit Union Information**

#### **Directors**

Mr D McRiner	Chair and Secretary
Mr S Wood	Vice Chair
Mr G A Ramsay	Treasurer (Resigned 28 November 2016)
Mrs C Jamieson	(Appointed 1 February 2017)
Mrs C McMichael	(Appointed 1 February 2017)
Mr I Turner	(Appointed 1 February 2017)
Mr S Frame	(Appointed 1 February 2017)
Mr A Ibe	
Mr P McGowan	
Mr D Dickson	(Resigned 31 January 2017)
Ms C McDowall	(Resigned 5 March 2017)

#### **Chief Executive Officer**

Mr K MacLeod

#### **Auditor**

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

#### **Solicitor**

Kilpatrick Walker  
4 Wellington Square  
Ayr  
KA7 1EN

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 2017**

### **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 judgements 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 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 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.

### **Results and dividends**

Reflecting members' continued desire to save, deposits have again risen significantly (5%), however, continuing the trend from last year, the introduction of new loan products at highly competitive rates has resulted in an 11% increase in our loan book which flows through to a 10% annual increase in income from members' loans.

The results for the prior year benefited from a £488,000 release of the bad debt provision arising from new regulatory requirements. Excluding that adjustment, operational expenditure is up 7% year on year. That £136,000 increase in like for like operational costs is primarily down to an increase of £110,000 in bad debt costs. The 103% increase in bad debt costs does not arise from any changes to our lending risk appetite; nor in the increased size of the loan book, but is instead driven primarily by the requirement to fully provide for a mortgage in arrears. Given the economic environment we unfortunately expect the increased levels of bad debt costs to continue.

The above has resulted in a pre-dividend surplus of £575,346 (2016: £927,264) and a post dividend retained surplus of £428,085 (2016: £673,544).

### **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 and maintains appropriate capital reserves. Our objective is therefore to provide competitive loan products and to encourage any member who wishes to borrow to do so from the Credit Union rather than an alternative provider.

**SCOTWEST CREDIT UNION**

**Directors' report (continued)  
For the year ended 30 September 2017**

**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.

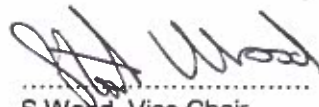
**Auditor**

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 6 November 2017 and signed on its behalf by:



.....  
D McRiner, Chairperson



.....  
S Wood, Vice Chair

## **SCOTWEST CREDIT UNION**

### **Report of the Independent Auditor to the Members and Directors of Scotwest Credit Union For the year ended 30 September 2017**

#### **Opinion**

We have audited the financial statements of Scotwest Credit Union for the year ended 30 September 2017 which comprise the Statement of Comprehensive Income, Other Comprehensive Income Statement, the Balance Sheet, the Statement of Changes in Equity, the 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as at 30 September 2017 and of its surplus 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 Co-operative and Community Benefit Societies Act 2014 and the Credit Union Act 1979.

This report is made solely to the Credit Union's members and 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 members and 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.

#### **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 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 audit opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in 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.

## **SCOTWEST CREDIT UNION**

### **Report of the Independent Auditor to the Members and Directors of Scotwest Credit Union For the year ended 30 September 2017**

#### **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.

#### **Opinions on other matters**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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

In the light of the 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.

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:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

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, 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.

**SCOTWEST CREDIT UNION**

**Report of the Independent Auditor to the Members and Directors of Scotwest Credit Union  
For the year ended 30 September 2017**

**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 Councils website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**Jennifer Alexander, Senior Statutory Auditor**  
For and on behalf of Scott Moncrieff, Statutory Auditor  
Chartered Accountants  
Allan House  
25 Bothwell Street  
Glasgow  
G2 6NL

Date: 6 November 2017



## SCOTWEST CREDIT UNION

### Statement of Comprehensive Income For the year ended 30 September 2017

	Notes	2017 £	2016 £
<b>Income</b>			
Loan interest received and similar income			
• Members loans		2,252,213	2,047,117
• Bank interest received		388,804	327,863
Interest payable	4	(147,261)	(253,720)
<b>Net Interest income</b>		<u>2,493,756</u>	<u>2,121,260</u>
Fees and commissions receivable		10,945	12,417
Fees and commissions payable		(6,095)	(4,560)
<b>Net fees and commissions receivable</b>		<u>4,850</u>	<u>7,857</u>
Other income		83,054	63,501
Administrative expenses		(2,027,276)	(1,405,358)
Depreciation		(48,483)	(48,278)
Surplus before taxation		<u>505,901</u>	<u>738,982</u>
Taxation	6	(77,816)	(65,438)
<b>Surplus for the financial year</b>		<u><u>428,085</u></u>	<u><u>673,544</u></u>
<b>Other Comprehensive Income Statement For the year ended 30 September 2017</b>			
Actuarial (loss) in respect of retirement benefit scheme	20	-	(53,000)
<b>Total comprehensive income for the year</b>		<u><u>428,085</u></u>	<u><u>620,544</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 11 to 20 form part of these financial statements.

**SCOTWEST CREDIT UNION**

**Balance Sheet  
As at 30 September 2017**

	Notes	2017 £	2016 £
<b>ASSETS</b>			
Cash, cash equivalents and liquid deposits			
Cash on hand	7	238	410
Cash in bank and liquid deposits	7	34,427,477	34,530,443
		<u>34,427,715</u>	<u>34,530,853</u>
Loans to members	8	32,536,572	29,355,399
Bad debt reserve	9	(686,617)	(624,802)
Tangible fixed assets	10	519,747	568,230
Other debtors		573,001	318,010
Loans to other Credit Unions	11	30,000	30,000
		<u>67,400,418</u>	<u>64,177,690</u>
<b>LIABILITIES</b>			
Members' shares	12	59,291,030	56,434,699
Juvenile deposits		50,278	39,450
Other payables	13	448,200	320,716
Pension liability		-	200,000
		<u>59,789,508</u>	<u>56,994,865</u>
General reserve	14	7,510,910	7,282,825
Pension reserve		-	(200,000)
Non-distributable reserves	15	100,000	100,000
		<u>67,400,418</u>	<u>64,177,690</u>

These financial statements were approved by the Board of Directors on 6 November 2017 and were signed on its behalf by:

  
D McRiner – Chairperson & Secretary

  
S Wood – Vice Chair

  
C McMichael – Director

The notes on pages 11 to 20 form part of these financial statements.

**SCOTWEST CREDIT UNION****Statement of Changes in Equity  
As at 30 September 2017**

	<b>General Reserve £</b>	<b>Pension Reserve £</b>	<b>Non- distributable Reserve £</b>	<b>Total £</b>
At 1 October 2016	7,282,825	(200,000)	100,000	7,182,825
Surplus for the year	428,085	-	-	428,085
Transfer	(200,000)	200,000	-	-
At 30 September 2017	<u>7,510,910</u>	<u>-</u>	<u>100,000</u>	<u>7,610,910</u>

**Statement of Changes in Equity  
As at 30 September 2016**

	<b>General Reserve £</b>	<b>Pension Reserve £</b>	<b>Non- distributable Reserve £</b>	<b>Total £</b>
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>

The notes on pages 11 to 20 form part of these financial statements.

**SCOTWEST CREDIT UNION**

**Statement of Cash Flows  
For the year ended 30 September 2017**

	Notes	2017 £	2016 £
<b>Cash flows from operating activities</b>			
Surplus for the financial year		428,085	673,544
<b>Adjustments for:</b>			
Depreciation charge		48,483	48,278
Tax charge for the year		77,816	65,438
Finance cost		37,183	33,984
Interest received		(388,804)	(327,863)
Pension (loss)		-	(53,000)
Increase in debtors		(3,374,349)	(3,941,014)
(Decrease)/increase in pension provision		(200,000)	132,000
Increase/(decrease) in creditors		126,055	(62,706)
Corporation tax paid		(65,559)	(68,696)
<b>Net cash used from operating activities</b>		<u>(3,311,090)</u>	<u>(3,500,035)</u>
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		-	(7,450)
<b>Net cash used in investing activities</b>		<u>-</u>	<u>(7,450)</u>
<b>Cash flow from financing activities</b>			
Finance cost		(37,183)	(33,984)
Interest received		388,804	327,863
Increase in members shares		2,856,331	3,758,817
<b>Net cash used in financing activities</b>		<u>3,207,932</u>	<u>4,052,696</u>
<b>Net increase in cash and cash equivalents</b>		(103,138)	545,211
Cash and cash equivalents at beginning of year		34,530,853	33,985,642
Cash and cash equivalents at end of year		<u>34,427,715</u>	<u>34,530,853</u>
<b>Components of cash and cash equivalents</b>			
Cash equivalents and liquid deposits	7	<u>34,427,715</u>	<u>34,530,853</u>

The notes on pages 11 to 20 form part of these financial statements.

## SCOTWEST CREDIT UNION

### Notes to the financial statements For the year ended 30 September 2017

#### 1. ACCOUNTING POLICIES

##### **General information**

The Credit Union 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).

##### **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 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.

##### **Going concern**

The Credit Union has a healthy cash and net assets position and thus the Directors are 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.

##### **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.

## SCOTWEST CREDIT UNION

### Notes to the financial statements For the year ended 30 September 2017

#### 1. ACCOUNTING POLICIES (continued)

##### 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 estimated 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.

##### 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.

## SCOTWEST CREDIT UNION

### Notes to the financial statements For the year ended 30 September 2017

#### 1. ACCOUNTING POLICIES (continued)

##### **Financial instruments (continued)**

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 Statement of Financial Position 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**

###### ***Defined benefit scheme***

The entity made contributions into a defined benefit pension scheme. Contributions were 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) was recognised as other comprehensive income in the Statement of Other Comprehensive Income.

The final member of the scheme retired in the year and the Credit Union withdrew from the scheme completely in March 2017.

###### ***Defined benefit scheme***

The Credit Union operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Credit Union pays fixed contributions into a separate entity. Once the contributions have been paid the Credit Union has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Credit Union in independently administered funds

##### **Revenue commitments**

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

## SCOTWEST CREDIT UNION

### Notes to the financial statements For the year ended 30 September 2017

#### 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:

	2017 £	2016 £
Depreciation	48,483	48,278
Auditor's remuneration		
- external audit	8,560	9,600
- taxation services	350	350
	<u>          </u>	<u>          </u>

#### 4. DIVIDENDS

	2017 £	2016 £
Dividend paid on members' shares in the year	147,261	253,720
	<u>          </u>	<u>          </u>

#### 5. STAFF COSTS

	2017 £	2016 £
Wages and salaries	824,295	761,121
Social security costs	73,583	71,536
Pension costs	54,851	191,902
FRS102 adjustment	-	(55,000)
	<u>          </u>	<u>          </u>
	952,729	969,559
	<u>          </u>	<u>          </u>

Average staff numbers during the year were 35 (2016: 35).

No remuneration was paid to any of the directors in the year (2016: £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 £217,017 (2016: £210,020).

At the year-end pension contributions outstanding were £5,320 (2016: £5,431).

#### 6. TAXATION

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

	2017 £	2016 £
Corporation tax	77,816	65,438
	<u>          </u>	<u>          </u>



**SCOTWEST CREDIT UNION**

**Notes to the financial statements  
For the year ended 30 September 2017**

<b>7. CASH AND CASH EQUIVALENTS</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Cash in hand	238	410
Current accounts	9,683,029	5,489,530
Deposit accounts	1,805,148	20,653,352
Investments in bonds	22,939,300	8,387,561
	<u>34,427,715</u>	<u>34,530,853</u>

The Credit Union has ring fenced an amount of £100,000 for fixed rate mortgages as shown in note 15. The £100,000 is included within the balance of cash at bank.

<b>8. LOANS TO MEMBERS</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Balance forward	29,355,399	26,009,745
Advanced in year	23,886,338	22,552,428
Repaid in year	(20,489,475)	(19,109,868)
Written off in year	(215,690)	(96,906)
	<u>32,536,572</u>	<u>29,355,399</u>
Loans due within one year	3,568,191	3,610,515
Loans due after more than one year	28,968,381	25,744,884
	<u>32,536,572</u>	<u>29,355,399</u>

<b>9. BAD DEBT RESERVE</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
General provision	686,617	624,802
	<u>686,617</u>	<u>624,802</u>

<b>10. FIXED ASSETS</b>	<b>Property</b>	<b>Fixtures &amp; fittings</b>	<b>Computer software</b>	<b>Motor vehicles</b>	<b>Totals</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>					
As at 1 October 2016 and 30 September 2017	475,000	257,042	139,113	33,800	904,955
<b>Depreciation</b>					
As at 1 October 2016	11,875	195,779	112,271	16,800	336,725
Charge for the year	11,875	12,445	15,763	8,400	48,483
At 30 September 2017	23,750	208,224	128,034	25,200	385,208
<b>Net Book Value</b>					
30 September 2017	451,250	48,818	11,079	8,600	519,747
30 September 2016	463,125	61,263	26,842	17,000	568,230

## SCOTWEST CREDIT UNION

### Notes to the financial statements For the year ended 30 September 2017

11. LOANS TO OTHER CREDIT UNIONS	2017 £	2016 £
Balance 1 October 2016 and 30 September 2017	30,000	30,000

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

12. MEMBERS' SHARES	2017 £	2016 £
Balance forward	56,434,699	52,675,882
Received in year	37,840,411	35,237,197
Withdrawn in year	(34,984,080)	(31,478,380)
	<u>59,291,030</u>	<u>56,434,699</u>

13. OTHER PAYABLES	2017 £	2016 £
Trade creditors	23,227	8,123
Accruals	283,602	190,699
Other creditors	41,417	33,815
Other tax and social security	22,253	22,635
Corporation tax	77,701	65,444
	<u>448,200</u>	<u>320,716</u>

#### 14. GENERAL RESERVE

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

#### 15. 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.

#### 16. REVENUE COMMITMENTS

The Credit Union's annual commitments for rental and non-cancellable revenue commitment at 30 September 2017 were as set out below:

	2017 £	2016 £
Leases which expire:		
within one year	72,957	119,840
between two and five years	571,337	631,872
	<u>644,294</u>	<u>751,712</u>

**SCOTWEST CREDIT UNION**

**Notes to the financial statements  
For the year ended 30 September 2017**

**17. 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 2017:

	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 £	No specific repricing £	Non-interest bearing £	Total £
<b>Assets</b>								
Cash at bank	13,193,239	3,585,704	7,246,641	10,302,131	100,000	-	-	34,427,715
Loans to members	6,645,530	1,009,755	2,669,795	20,449,070	1,762,422	-	-	32,536,572
Other assets	-	-	-	-	-	-	1,122,748	1,122,748
	<u>19,838,769</u>	<u>4,595,459</u>	<u>9,916,436</u>	<u>30,751,201</u>	<u>1,862,422</u>	<u>-</u>	<u>1,122,748</u>	<u>68,087,035</u>
<b>Liabilities</b>								
Creditors	-	-	-	-	-	-	448,200	448,200
Bad debt reserve	-	-	-	-	-	-	686,617	686,617
Juvenile deposits	-	-	-	-	-	(50,278)	-	50,278
Share capital	-	-	-	-	-	(59,291,030)	-	59,291,030
Reserves	-	-	-	-	-	-	7,610,910	7,610,910
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(59,341,308)</u>	<u>8,745,727</u>	<u>68,087,035</u>
<b>Interest rate sensitivity gap</b>	<u>19,838,769</u>	<u>4,595,459</u>	<u>9,916,436</u>	<u>30,751,201</u>	<u>1,862,422</u>	<u>(59,341,308)</u>	<u>(7,622,979)</u>	<u>-</u>
<b>Cumulative interest rate sensitivity gap</b>	<u>19,838,769</u>	<u>24,434,228</u>	<u>34,350,664</u>	<u>65,101,865</u>	<u>66,964,287</u>	<u>7,622,979</u>	<u>-</u>	<u>-</u>

**SCOTWEST CREDIT UNION**

Notes to the financial statements  
For the year ended 30 September 2017

**17. FINANCIAL INSTRUMENTS (continued)**

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 £	No specific repricing £	Non-interest bearing £	Total £
<b>Assets</b>								
Cash at bank	23,074,120	1,954,646	3,910,730	5,491,357	100,000	-	-	34,530,853
Loans to members	5,995,782	911,030	2,408,763	18,449,718	1,590,106	-	-	29,355,399
Other assets	-	-	-	-	-	-	916,240	916,240
	<u>29,069,902</u>	<u>2,865,676</u>	<u>6,319,493</u>	<u>23,941,075</u>	<u>1,690,106</u>	<u>-</u>	<u>916,649</u>	<u>64,802,492</u>
<b>Liabilities</b>								
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
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,474,149</u>	<u>8,328,343</u>	<u>64,802,492</u>
Interest rate sensitivity gap	<u>29,069,902</u>	<u>2,865,676</u>	<u>6,319,493</u>	<u>23,941,075</u>	<u>1,690,106</u>	<u>(56,474,149)</u>	<u>(7,412,103)</u>	<u>-</u>
Cumulative interest rate sensitivity gap	<u>29,069,902</u>	<u>31,935,578</u>	<u>38,255,071</u>	<u>62,196,146</u>	<u>63,886,252</u>	<u>7,412,103</u>	<u>-</u>	<u>-</u>

## SCOTWEST CREDIT UNION

### Notes to the financial statements For the year ended 30 September 2017

#### 18. RELATED PARTIES

All of the directors are members of the Credit Union and one director (2016: one) has taken out a loan on normal business terms. During the year one close family member of the directors took out a loan on normal business terms (2016: nil). The directors cannot use their positions to their advantage.

Scotwest Lottery is a related party of Scotwest Credit Union as the Credit Union is the ultimate beneficiary.

During the year Scotwest Credit Union received £73,044 (2016: £63,501) from Scotwest Lottery. At the year-end £nil (2016: £4,866) is outstanding and is included within other debtors.

Affordable Lending Limited is a related party of Scotwest Credit Union as the CEO is also a director of this company. Scotwest Credit Union's costs of being a part of Affordable Lending Limited were £10,465 (2016: £2,700). The Credit Union also received a grant of £10,000 during the year. No balances exist at the year-end (2016: £nil).

#### 19. 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.

#### 20. PENSION COMMITMENTS

The Credit Union participated in the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme up to March 2017. The scheme was administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

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

	2017	2016
	% p.a.	% p.a.
Pension Increase Rate	n/a	2.3%
Salary Increase Rate	n/a	4.3%
Discount Rate	n/a	2.3%

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

	2017	2016
	£'000	£'000
Opening fair value of employer assets	-	461
Interest income on plan assets	-	17
Plan participant's contributions	-	2
Contributions by the employer	-	10
Return on assets excluding amounts included in net interest	-	92
Benefits paid	-	(18)
Closing fair value of employer assets	-	564

**SCOTWEST CREDIT UNION**

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

**20. PENSION COMMITMENTS (continued)**

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

	2017 £'000	2016 £'000
Opening defined benefit obligation	-	529
Current service cost	-	10
Interest cost	-	19
Plan participant's contributions	-	2
Changes in demographic assumptions	-	-
Changes in financial assumptions	-	151
Other experience	-	(6)
Benefits paid	-	(18)
	<u>-</u>	<u>687</u>
Closing defined benefit obligation	-	687
	<u>2017 £'000</u>	<u>2016 £'000</u>
Fair value of employer assets	-	564
Present value of funded obligations	-	(687)
Additional accrual	-	(77)
	<u>-</u>	<u>(77)</u>
Net liability recognised in balance sheet	-	(200)
	<u>-</u>	<u>(200)</u>

Amounts recognised in the Statement of Comprehensive Income includes:

	2017 £'000	2016 £'000
Current service cost	-	(10)
Interest on obligation	-	(19)
Interest income on plan assets	-	17
Contributions made by the employer	-	10
	<u>-</u>	<u>10</u>
Total	-	(2)
	<u>-</u>	<u>(2)</u>

Analysis of amount recognised in the other comprehensive income:

	2017 £'000	2016 £'000
Actuarial (loss)/gain	-	(53)
	<u>-</u>	<u>(53)</u>
Net (loss)/gain recognised as other comprehensive income	-	(53)
	<u>-</u>	<u>(53)</u>