Alexander Sloan
Accountants and Business Advisers

SCOTTISH POLICE CREDIT UNION LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Registration No. 213597

SCOTTISH POLICE CREDIT UNION LTD

CREDIT UNION INFORMATION

FCA number	213597	
Directors	Austin Dorrian	
	Duncan Sloan	
	Allan Macleod	
	Chris Mooney	
	Robert Kennedy	
	Ricky Mason	
	Craig Rankine	
	W Newlands	(Appointed 11 December 2018)
	A Kennedy	(Appointed 11 December 2018)
	K Pollock	(Appointed 11 December 2018)
	Mr George Nedley	(Appointed 12 February 2019)
Secretary	Robert Kennedy	
Registered office	165 Baillieston Road Glasgow G32 0TN	
Auditor	Alexander Sloan 180 St Vincent Street Glasgow G2 5SG	

SCOTTISH POLICE CREDIT UNION LTD

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SCOTTISH POLICE CREDIT UNION LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The Directors present their annual report and financial statements for the year ended 30 September 2019.

Principal activity
The principal activity of the credit union continued to be that defined in 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.

Results and dividends
The results for the year are set out on page 5.

Directors
The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

Austin Dorrian	
Duncan Sloan	
Allan Macleod	
Chris Mooney	
Robert Kennedy	
Ricky Mason	
Craig Rankine	
W Newlands	(Appointed 11 December 2018)
A Kennedy	(Appointed 11 December 2018)
K Pollock	(Appointed 11 December 2018)
Mr George Nedley	(Appointed 12 February 2019)

Compliance statement
Under the Prudential Regulation Authority rulebook the Board of Directors must report to the members at the Annual General Meeting on certain areas of compliance within the credit union. The credit union is therefore pleased to report that during the year the credit union has been in compliance with:

Depositor Protection Rules 11, 12, 14 and the requirements of rule 15 that relate to rule 11; and

PRA Credit Union Rule 2.10 (fidelity bond insurance requirements); and:

The requirements of compliance under the PRA “additional activities”.

Principal risks and uncertainties
The main financial risks of the credit union are set out in the notes to the financial statements.

Statement of Directors responsibilities
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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 the Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014 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 then 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;
- 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 Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014. Directors 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.

Statement of disclosure to auditor
So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the credit union’s auditor is unaware. Additionally, the Directors individually have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the credit union’s auditor is aware of that information.

Auditor
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.

By order of the board

Robert Kennedy
Secretary
12 November 2019

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 2019 which comprise the revenue account, the statement of comprehensive income, 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 2019 and of its surplus or deficit 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 Credit Union Act 1979 and 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.

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
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 kept 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 Directors' responsibilities statement, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

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.

Alexander Sloan
Accountants and Business Advisers
Statutory Auditor

180 St Vincent Street
Glasgow
G2 5SG

SCOTTISH POLICE CREDIT UNION LTD

REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 £	2018 £
Loan interest receivable and similar income	**3**	1,595,019	1,350,565
Interest payable and similar charges	**4**	(362,745)	(267,662)
Net interest receivable		1,232,274	1,082,903
Fees and commissions receivable	**5**	5,318	3,390
Fees and commissions payable	**6**	(26,390)	(26,165)
Net fees and commissions		(21,072)	(22,775)
Other operating income	**7**	12,733	3,039
Administrative expenses	**8**	(658,971)	(553,787)
Depreciation and amortisation		(92,174)	(85,185)
Other operating expenses	**9**	(38,627)	(35,731)
Impairment on loans for bad and doubtful debts	**15**	(48,953)	(87,728)
Surplus before taxation		385,210	300,736
Corporation tax	**12**	(7,495)	(11,142)
Surplus for the year		**377,715**	**289,594**

The Revenue Account has been prepared on the basis that all operations are continuing operations.
The notes on pages 10 to 24 form an integral part of these financial statements.

SCOTTISH POLICE CREDIT UNION LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 £	2018 £
Surplus for the year		377,715	289,594
Other comprehensive income		-	-
Total comprehensive income for the year		377,715	289,594

The notes on pages 10 to 24 form an integral part of these financial statements.

SCOTTISH POLICE CREDIT UNION LTD

BALANCE SHEET

AS AT 30 SEPTEMBER 2019

	Notes	2019 £	2018 £
Assets			
Cash and balances at central banks	**13**	1,074	553
Loans and advances to banks	**13**	7,628,492	7,207,181
Loans and advances to customers	**14**	23,053,891	20,333,938
Intangible assets	**16**	9,418	54,215
Tangible assets	**17**	136,886	111,949
Other receivables	**18**	71,675	31,300
Total assets		**30,901,436**	**27,739,136**
Liabilities and reserves			
Customer accounts	**19**	27,191,918	24,412,881
Other liabilities	**20**	68,882	63,334
		27,260,800	24,476,215
General reserve	**26**	3,640,636	3,262,921
Total reserves		3,640,636	3,262,921
Total liabilities and reserves		**30,901,436**	**27,739,136**

The financial statements were approved by the Board of Directors and authorised for issue on 12 November 2019 and are signed on its behalf by:

Austin Dorrian
Director

Allan Macleod
Director

Robert Kennedy
Secretary

The notes on pages 10 to 24 form an integral part of these financial statements.

SCOTTISH POLICE CREDIT UNION LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	General Reserve £
Balance at 1 October 2017	2,973,327
Year ended 30 September 2018:	
Surplus and total comprehensive income for the year	289,594
Other movements	-
Balance at 30 September 2018	**3,262,921**
Year ended 30 September 2019:	
Surplus and total comprehensive income for the year	377,715
Balance at 30 September 2019	**3,640,636**

The notes on pages 10 to 24 form an integral part of these financial statements.

SCOTTISH POLICE CREDIT UNION LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	£	2019 £	£	2018 £
Cash flows from operating activities					
Surplus for the period			377,715		289,594
Depreciation and amortisation	**10**	92,174		85,185	
Corporation tax expenses	**12**	7,495		11,142	
Provision movement	**15**	59,263		103,696	
Interest income on loans	**3**	(1,555,571)		(1,291,922)	
Distribution on members shares	**4**	362,745		267,662	
			(1,033,894)		(824,237)
Working capital adjustments					
Change in other receivables and prepayments		(40,375)		2,542	
Change in other liabilities		9,195		2,458	
			(31,180)		5,000
Cash flows from changes in operating assets and liabilities					
Loan repayments less loans advanced	**14**	(1,223,645)		(1,132,339)	
Customer balance cash movement		2,416,292		896,345	
Movement on funds on deposit	**13**	3,022,372		3,027	
			4,215,019		(232,967)
Corporation tax paid			(11,142)		(11,036)
Net cash flow from operating activities			3,516,518		(773,646)
Investing activities					
Purchase of intangible assets	**16**	-		(21,200)	
Purchase of tangible fixed assets	**17**	(72,314)		(23,433)	
Proceeds on disposal of tangible fixed assets		-		362	
Net cash used in investing activities			(72,314)		(44,271)
Net cash used in financing activities			-		-
Net increase/(decrease) in cash and cash equivalents			3,444,204		(817,917)
Cash and cash equivalents at beginning of year			3,182,885		4,000,802
Cash and cash equivalents at end of year			**6,627,089**		**3,182,885**

The notes on pages 10 to 24 form an integral part of these financial statements.

1 Accounting policies

Background 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.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the requirements of the Co-operative and Community Benefit Societies Act 2014.

The financial statements are prepared in sterling, which is the functional currency of the credit union. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Income

Fees and charges receivable either arise in connection with a specific transaction, or accrue evenly over the year. Income relating to individual transactions is recognised when the transaction is complete.

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

1.3 Intangible fixed assets

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	20%-33.33% straight line

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	Straight line over 10 to 25 years
Fixtures and fittings	20% straight line
Computers	

1 Accounting policies **(Continued)**

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the credit union reviews the carrying amounts of its tangible and intangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the credit union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the revenue account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the revenue account, 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.

1.6 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of less than 8 days.

1.7 Financial instruments

The credit union has elected to apply the provisions of Section 11 ‘Basic Financial Instruments’ and Section 12 ‘Other Financial Instruments Issues’ of FRS 102 to all of its financial instruments. Financial instruments are recognised in the credit union's balance sheet when the credit union becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include loans to members and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the revenue account, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Accounting policies **(Continued)**

Impairment of financial assets
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 expected cash flows.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the credit union transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Basic financial liabilities
Basic financial liabilities, including members deposits are classified as debt and are initially recognised at transaction price. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities
Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through the revenue account. Debt instruments may be designated as being measured at fair value though the revenue account to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities
Financial liabilities are derecognised when the credit union's contractual obligations expire or are discharged or cancelled.

1.8 Taxation
The tax expense for the period comprises current tax. Tax is recognised in the revenue account, 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.

Current tax
The tax currently payable is based on taxable surplus for the year. Taxable surplus differs from the surplus as reported in the revenue account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The credit union's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. the cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. termination benefits are recognised immediately as an expense when the credit union is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.10 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2 Judgements and key sources of estimation uncertainty

In the application of the credit union's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Loan Impairment

The credit union assesses, 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.

3 Interest receivable and similar income

	2019	**2018**
	£	**£**
Interest income on loans	1,555,571	1,291,922
Interest income on bank deposits	39,448	58,643
	1,595,019	1,350,565

4 Interest payable and similar charges

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

	2019	2018
Interest and similar charges paid during the period	**£**	**£**
Dividend on dividend bearing shares	359,909	266,410
Distributions to juvenile members	2,836	1,252
	362,745	267,662

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:

	2019	2018
Dividend rates paid during year	**%**	**%**
Ordinary share dividend	1.55	1.20
Juvenile share dividend	1.80	1.80

At the forthcoming Annual General Meeting the Directors will propose the following dividends based on the results for the current year. If approved these dividends will be included as a cost in next year's financial accounts once they have been paid.

	2019	2018
Dividend rates to be proposed at the Annual General Meeting	**%**	**%**
Ordinary share dividend	1.60	1.55
Juvenile share dividend	1.80	1.80

5 Fees and commissions receivable

	2019	2018
	£	**£**
Entrance fees	3,945	2,805
Service charges	615	585
Insurance commission	758	-
	5,318	3,390

6 Fees and commissions payable

	2019	2018
	£	**£**
Bank charges	26,390	26,165

7 Other operating income

	2019	2018
	£	£
Other income	12,733	3,039

8 Administrative expenses

	Notes	2019	2018
		£	£
Staff costs	11	404,842	336,078
Death benefit insurance		96,888	61,200
External auditor's remuneration		7,898	7,002
Member communication and advertising		32,044	25,462
Legal, professional and credit control costs		57,876	65,888
Computer and software expenses		42,285	31,890
Donations		3,930	-
General administration costs		13,208	26,267
		658,971	553,787

9 Other operating expenses

	2019	2018
	£	£
Regulatory costs	16,231	12,373
Costs of occupying offices	22,396	23,358
	38,627	35,731

10 Operating surplus

	2019	2018
Operating surplus for the year is stated after charging:	£	£
Research and development costs	-	5,675
Fees payable to the credit union's external auditor for the audit of the financial statements	7,898	7,002
Depreciation of owned tangible fixed assets	47,377	38,865
Amortisation of intangible assets	44,797	46,320

11 Employees

The average monthly number of persons (including Directors) employed by the credit union during the year was:

	2019 Number	2018 Number
Directors	11	12
Staff	12	11
	23	23

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	323,564	264,383
Social security costs	27,544	23,470
Pension costs	53,734	48,225
	404,842	336,078

12 Corporation tax

	2019 £	2018 £
Current tax		
UK corporation tax on taxable surplus for the current period	7,495	11,142

The actual charge for the year can be reconciled to the expected charge for the year based on the surplus or deficit and the standard rate of tax as follows:

	2019 £	2018 £
Surplus before taxation	385,210	300,736
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	73,190	57,140
Tax effect of income/expenditure not taxable in determining taxable surplus	(65,695)	(45,998)
Taxation charge for the year	7,495	11,142

13 Loans and advances to banks

	2019 £	2018 £
Cash held at banks	6,626,015	3,182,332
Bank deposits	1,002,477	4,024,849
Loans and advances to banks	7,628,492	7,207,181
Cash in hand	1,074	553
Total cash and bank balances	7,629,566	7,207,734
Loans split by repayment period		
Cash and cash equivalents	6,627,089	3,182,885
Amounts maturing in over 8 days	1,002,477	4,024,849
	7,629,566	7,207,734

14 Loans and advances to customers

	Notes	2019 £	2018 £
Loan movement			
Opening balances		20,492,088	18,141,830
Interest on loans		1,555,571	1,291,922
Loans advanced during the period		11,350,348	10,079,154
Loans repaid during the period		(10,126,703)	(8,946,815)
Loans derecognised		(67,471)	(74,003)
		23,203,833	20,492,088
Loan impairment provisions	**15**	(149,942)	(158,150)
		23,053,891	20,333,938
Loans split by repayment period			
Capital repayments due within 1 year		5,650,137	4,727,303
Capital repayments due after 1 year		17,553,696	15,764,785
Loan impairment provisions	**15**	(149,942)	(158,150)
		23,053,891	20,333,938
Loans split by type			
Loans to members		23,203,833	20,492,088
Loan impairment provisions	**15**	(149,942)	(158,150)
		23,053,891	20,333,938

14 Loans and advances to customers **(Continued)**

15 Loan impairment

	Write off Provision £	Arrears Provision £	Total Provisions £
Loan impairment provision			
Opening balances	19,409	138,741	158,150
Provision movement	296	(8,504)	(8,208)
Closing balances	19,705	130,237	149,942

Under Financial Reporting Standard 102 (FRS 102), the criteria for derecognising (writing off a loan) is different from when the credit union would write off the loan for internal purposes. Loans written off by the Board that do not meet the criteria in FRS 102 for being derecognised are not written off in these financial statements. The loans the credit union feel should be written off but which do not meet the criteria in FRS 102 for being derecognised are fully provided in the write off provision which is shown above. As a result there is no net effect on the surplus or net assets of the credit union from this requirement of FRS 102.

	Notes	2019 £	2018 £
Impairment revenue account charge			
Impairment provision movement		(8,208)	29,693
Bad debts derecognised	**14**	67,471	74,003
Bad debts recovered		(10,310)	(15,968)
		48,953	87,728

16 Intangible fixed assets

	Software £
Cost	
At 1 October 2018 and 30 September 2019	216,825
Amortisation and impairment	
At 1 October 2018	162,610
Amortisation charged for the year	44,797
At 30 September 2019	207,407
Carrying amount	
At 30 September 2019	9,418
At 30 September 2018	54,215

17 Tangible fixed assets

	Freehold land and buildings	Fixtures and fittings	Total
	£	£	£
Cost			
At 1 October 2018	401,120	205,755	606,875
Additions	72,314	-	72,314
At 30 September 2019	473,434	205,755	679,189
Depreciation and impairment			
At 1 October 2018	328,420	166,506	494,926
Depreciation charged in the year	30,835	16,542	47,377
At 30 September 2019	359,255	183,048	542,303
Carrying amount			
At 30 September 2019	114,179	22,707	136,886
At 30 September 2018	72,700	2,160	111,949

18 Other receivables

	2019	2018
Amounts falling due within one year:	£	£
Other debtors	71,675	31,300

19 Customer accounts

	2019	2018
	£	£
Deposit movement		
Opening balances	24,412,881	23,248,874
Deposited during the period	20,588,982	18,021,788
Withdrawn during the period	(17,809,945)	(16,857,781)
	27,191,918	24,412,881
Deposits split by type		
Standard dividend bearing member shares	26,730,315	23,970,569
Corporate dividend bearing shares	259,561	258,834
Juvenile member deposits	202,042	183,478
	27,191,918	24,412,881

20 Other liabilities

	2019	2018
	£	£
Corporation tax	7,495	11,142
Other creditors	45,760	39,505
Accruals and deferred income	15,627	12,687
	68,882	63,334

21 Financial risk management

The credit union 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 the credit union 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 repayment to the credit union, resulting in financial loss to the credit union. In order to manage this risk the Board approves the lending policy and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate the likelihood of repayment has changed. The credit union also monitors its banking arrangements for credit risk.

Liquidity risk

The policy of the credit union is to maintain sufficient funds in liquid form at time 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 the credit union arises between the interest rate exposure on loans, bank deposits and shares that form an integral part of a credit union's operations. The credit union 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.

22 Retirement benefit schemes

Defined contribution schemes	2019 £	2018 £
Charge to revenue account in respect of defined contribution schemes	53,734	48,225

The credit union operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the credit union in an independently administered fund.

23 Credit risk on lending

The credit union holds the following security against its loans to members:

	2019 £	2018 £
Security for loans		
Attached shares	3,948,321	3,956,914

The carrying amount of the loans to members represents the credit union's maximum exposure to credit 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.

	2019 £	2018 £
Loans not individually impaired		
Not past due	23,024,648	20,278,628
Up to 3 months past due	76,579	6,449
	23,101,227	20,285,077
Loans individually impaired		
Up to 3 months past due	-	101,356
Between 3 and 6 months past due	13,430	48,164
Between 6 months and 1 year past due	14,394	6,476
Over 1 year past due	55,077	31,606
Individually impaired and written off for internal purposes	19,705	19,409
	102,606	207,011
Total loans	23,203,833	20,492,088
Impairment allowance	(149,942)	(158,150)
	23,053,891	20,333,938

24 Credit risk on bank and investments

The credit union invests funds not yet actively deployed in the following investments:

	2019	2018
	£	£
Bank accounts	6,626,015	3,182,332
Bank term deposits	1,002,477	4,024,849
	7,628,492	7,207,181

The credit union believes the full amount of these investments is recoverable.

25 Interest rates on financial instruments

The following table shows the interest earned during the year divided by the average loan balance and the dividend/interest paid during the year divided by the average share balance. The average balance is taken as the average of the opening and closing balances.

	2019		2018	
	Amount	Rates received in year	Amount	Rates received in year
	£	%	£	%
Financial assets				
Loans to members	23,203,833	7.12%	20,492,088	6.69%
Loans and advances to banks	7,628,492	0.53%	7,207,181	0.77%
	30,832,325		27,699,269	
Financial liabilities				
Juvenile deposits	(202,042)	1.47%	(183,478)	0.78%
Dividend bearing shares	(26,989,876)	1.40%	(24,229,403)	1.52%
	(27,191,918)		(24,412,881)	

26 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.

27 Capital

The credit union 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:

	2019	**2018**
	%	**%**
Actual capital to asset ratio	10.49%	10.44%
Regulatory requirement		
Base capital requirement	8.00%	8.00%
Capital buffer	2.00%	2.00%
Total capital requirement	10.00%	10.00%

28 Financial commitments, guarantees and contingent liabilities

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 union's 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.

Financial commitments

The credit union has financial commitments of £82,779 at the year end.

29 Related party transactions

The credit union classes the Directors and members of the senior management team as key management.

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019	**2018**
	£	**£**
Wages and salaries	174,687	167,104
Pension expense	26,611	25,617
Aggregate compensation	201,298	192,721

Transactions with key management

29 Related party transactions **(Continued)**

Balances held by members of key management and their close family members in the credit union are set out below. Loans to key management and their close family members are on standard terms and conditions.

	2019	2018
	£	£
Loans to key management and their close family	117,192	103,637
Shares held by key management and their close family	134,757	104,184

Other related party transactions

Five of the Directors are Trustees of The Scottish Police Credit Union Foundation (SPCU Foundation). During the year the Credit Union donated £3,930 (2018: £2,585) to the SPCU Foundation. The Credit Union also paid fees which were reimbursed by the SPCU Foundation amounting to £Nil (2018: £36).

The following page does not form part of the statutory accounts

SCOTTISH POLICE CREDIT UNION LTD

DETAILED REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 £	2018 £
Income			
Interest income on loans	3	1,555,571	1,291,922
Interest income on bank deposits	3	39,448	58,643
Fees and commissions receivable	5	5,318	3,390
Other income	7	12,733	3,039
		1,613,070	1,356,994
Expenditure			
Staff costs	11	404,842	336,078
Death benefit insurance		96,888	61,200
Auditors remuneration		7,898	7,002
Member communication and advertising	8	32,044	25,462
Legal, professional and credit control costs	8	57,876	65,888
Computer and software expenses	8	42,285	31,890
Bank charges	6	26,390	26,165
Donations	8	3,930	-
General administration costs	8	13,208	26,267
Regulatory costs	9	16,231	12,373
Costs of occupying offices	9	22,396	23,358
Depreciation and amortisation	10	92,174	85,185
Impairment on loans for bad and doubtful debts	15	48,953	87,728
		865,115	788,596
Surplus before taxation		747,955	568,398
Corporation tax	12	(7,495)	(11,142)
		740,460	557,256
Distributions		(362,745)	(267,662)
Surplus for the year		377,715	289,594