

SCOTWEST CREDIT UNION LIMITED

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2024

FIRM REFERENCE NUMBER: 213616

SCOTWEST CREDIT UNION LIMITED

CREDIT UNION INFORMATION

Directors

Mrs C Jamieson	Chair
Mr I Turner	Vice Chair
Mr J Begg	
Ms S Watters	
Mr S Wood	Secretary
Ms J Carter	
Mr M Gilligan	
Ms S Hamill	(Elected to the board December 2023)
Mr S Wallace	(Elected to the board December 2023)

Chief Executive Officer

Frances McCann

Registered office

13 Elmbank Street
Glasgow
G2 4PB

Auditor

Johnston Carmichael LLP
7 – 11 Melville Street
Edinburgh
EH3 7PE

Solicitors

Worknest
Kintyre House
205 West George Street
Glasgow
G2 2LW

Miller Samuel Hill Brown
The Forsyth Building
5 Renfield House
Glasgow
G2 5EZ

SCOTWEST CREDIT UNION LIMITED

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SCOTWEST CREDIT UNION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2024

The directors present their annual report and financial statements for the year ended 30 September 2024.

Principal activity

The principal activity of the Credit Union continued to be that as defined in the Credit Unions 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 authorities: Argyll & Bute, East Ayrshire, East Dunbartonshire, East Renfrewshire, Glasgow City, Inverclyde, North Ayrshire, North Lanarkshire, Renfrewshire, South Ayrshire, South Lanarkshire and West Dunbartonshire) and the local authority areas of Dumfries & Galloway, Highlands, Perth & Kinross or Stirling.

Directors

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

Mrs C Jamieson (Chair)
Mr I Turner (Vice Chair)
Mr A Ibe (Secretary) (resigned 1 February 2024)
Mr J Begg
Ms S Watters (resigned 17 June 2024)
Mr S Wood (appointed Secretary 1 February 2024)
Mr M Gilligan
Ms J Carter
Ms S Hamill (elected to the board December 2023)
Mr S Wallace (elected to the board December 2023)

Review of business and future developments

Throughout the 2023/2024 financial year, Scotwest Credit Union Limited has demonstrated resilience and strategic growth amid ongoing economic pressures. The Credit Union has maintained its unwavering commitment to cooperative financial principles while focusing on enhancing the financial well-being of its members during these challenging economic times.

A significant development this year has been the Credit Union's successful mergers with both Stirling Credit Union Limited and Perth and Kinross Credit Union Limited, expanding its geographical presence and strengthening its position within the Scottish credit union sector. These strategic mergers have enhanced our membership base and broadened service capabilities across Scotland.

Looking ahead, the Board remains focused on balancing prudent financial management with member service enhancements while navigating the evolving economic landscape. The Credit Union will continue to leverage the opportunities presented by the expanded geographic footprint following the successful mergers, focusing on sustainable growth, technological innovation, and maintaining core cooperative values.

Results and dividends

The year has therefore been marked by a notable expansion, with the Credit Union's membership growing by 14% and loan book increasing substantially to £68.9 million, representing a £6.0 million (9.5%) increase from the previous year. This growth has generated over £4.4 million in income from members' loans, a 21% increase compared to last year. Additionally, member savings including juvenile deposits have increased by £5.1 million (6.1%), reflecting continued member confidence in our services.

Operational expenditure has increased by £888k (23.8%), primarily due to inflationary pressures, new interest on savings product launched in the current year and necessary provisions for bad debts. Despite these challenges, we've achieved a pre-dividend surplus of £863,872 (2023: £670,669) and a post-dividend retained surplus of £58,221 (2023: £441,398).

The Board has taken a measured approach to dividends, which has resulted in doubling the amount of surplus distributed to members compared to the previous year. This reflects continued commitment to delivering value to the Credit Union's membership while maintaining the financial stability of the Credit Union.

SCOTWEST CREDIT UNION LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

Financial risk management objectives and policies

Throughout 2023/2024, the key financial risks remained – the Credit Union's ability to lend to members at appropriate levels and rates that deliver sustainable dividend returns and maintaining prudent liquidity levels and capital reserves. Therefore, despite a changing economic landscape, the Credit Union's core objective has remained focused on providing loans at competitive rates that enable the Credit Union to pay dividends and balance member returns with the Credit Union's long-term financial stability.

The Credit Union utilises financial instruments, comprising cash, bonds, loans and various other items such as receivables and payables that arise directly from its operations. The main risks arising from the Credit Union's financial instruments relate to credit risk, liquidity risk and market risk. The directors review and agree policies for managing each of these risks, which are described and evaluated in more detail in notes 19 to 23.

Economic conditions

The Credit Union has continued to navigate a complex economic environment characterised by evolving challenges. Throughout the 2023/2024 financial year, several key factors have influenced the economic landscape:

- Ongoing geopolitical tensions, including the continuing war in Ukraine and emerging conflicts in the Middle East;
- Persistent inflationary pressures affecting household budgets and financial planning;
- The stabilisation of interest rates at elevated levels following previous significant increases;
- Continued adaptation to post-Brexit trading relationships and regulatory frameworks;
- Growing government focus on fiscal responsibility and public sector spending constraints; and
- Increasing awareness of climate change impacts on economic stability and future planning.

After peaking in 2023, inflation has moderated somewhat during the 2023/2024 period, though it remains above the Bank of England's 2% target. The Bank of England maintained the base rate at 5.25% for most of the financial year before beginning a modest reduction in August 2024, reflecting a cautious approach to balancing inflation control with economic growth concerns.

The financial services sector, including credit unions, has adapted to this higher interest rate environment. Mortgage markets have stabilised somewhat after the volatility of the previous year, though affordability challenges persist for many households. Interest rates for both savings and loans have adjusted to the new norm, with our Credit Union carefully balancing competitive rates for borrowers while providing fair returns for savers.

The cost of living pressure remains significant for many of our members, with food, energy and housing costs continuing to strain household budgets despite some easing of inflation rates. These conditions have increased the importance of accessible and affordable financial services for our communities. The Credit Union remains committed to supporting members through these challenging times by providing financial education, responsible lending options and personalised service that recognises the diverse needs of the Credit Union's expanded membership following the recent mergers.

Auditor

A resolution to re-appoint Johnston Carmichael LLP as auditor will be put to the members at the forthcoming Annual General Meeting.

SCOTWEST CREDIT UNION LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

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.

.....

Ms C Jamieson

Director and Chair

Date:

.....

Mr S Wood

Director and Secretary

Date:

SCOTWEST CREDIT UNION LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2024

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Credit Union law 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. Under Credit Union law the directors must not approve 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 Co-operative and Community Benefit Societies Act 2014 and the Credit Unions 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.

SCOTWEST CREDIT UNION LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SCOTWEST CREDIT UNION LIMITED

Opinion

We have audited the financial statements of Scotwest Credit Union Limited (the 'Credit Union') for the year ended 30 September 2024 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Capital and Reserves, the Statement of Cash Flows and notes to the financial statements, including 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 2024 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 requirements of the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Credit Union's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

SCOTWEST CREDIT UNION LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SCOTWEST CREDIT UNION LIMITED (CONTINUED)

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
- 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 on page 3, 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 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 is available on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Credit Union, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- the Prudential Regulation Authority (PRA) Credit Union Rulebook;
- the Financial Conduct Authority (FCA) Credit Union Sourcebook;
- Co-operative and Community Benefit Societies Act 2014;
- Credit Unions Act 1979;
- The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2010;
- UK Generally Accepted Accounting Practice; and
- UK Corporation taxes legislation.

SCOTWEST CREDIT UNION LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SCOTWEST CREDIT UNION LIMITED (CONTINUED)

Auditor responsibilities for the audit of the financial statements (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We gained an understanding of how the Credit Union is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of submitted returns, relevant correspondence with regulatory bodies, the Credit Union's breaches register and board meeting minutes.

We assessed the susceptibility of the Credit Union's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- Management override of controls;
- Interest receivable on loans to members; and
- Loan provisioning.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to breaches of laws and regulations or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the Credit Union's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Performing data analytics testing to perform a full recalculation of interest on loans to members and to identify any potential anomalies;
- Forming an expectation of the total specific loan provisioning based on the PRA and FCA guidance and comparing this to the Credit Union's actual specific provision balance;
- Completion of appropriate checklists and use of our experience to assess the Credit Union's compliance with the Co-operative and Community Benefit Societies Act 2014; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Use of our report

This report is made solely to the Credit Union's members, as a body, in accordance with Section 87 of 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.

Johnston Carmichael LLP, Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

SCOTWEST CREDIT UNION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2024

	Notes	2024 £	2023 £
Income			
Loan interest receivable and similar income	3	5,457,639	4,471,258
Dividends	5	(805,651)	(229,271)
Interest payable	5	(244,325)	-
Net interest income		4,407,663	4,241,987
Fees and commissions receivable	3	20,430	21,593
Fees and commission payable		(11,200)	(11,200)
Net fees and commissions receivable		9,230	10,393
Other income	3	112,978	99,225
Bargain purchase gain (negative goodwill)	13	160,569	-
Administrative expenses		(3,081,497)	(2,772,279)
Depreciation	12	(22,519)	(11,875)
Bad debts and provision movement		(1,266,263)	(941,968)
Surplus before taxation	4	320,161	625,483
Taxation	7	(261,940)	(184,085)
Total comprehensive income for the year		58,221	441,398

Continued operations

The above results are derived from continuing operations. The notes on pages 12 to 27 form part of these financial statements.

SCOTWEST CREDIT UNION LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2024

	Notes	2024 £	2023 £
ASSETS			
Cash, cash equivalents and liquid deposits			
Cash in bank and liquid deposits	8	15,032,025	11,497,473
Investments in bonds	9	21,610,776	23,760,771
		<hr/>	<hr/>
		36,642,801	35,258,244
Loans to members	10	68,984,362	62,983,681
Bad debt reserve	11	(4,215,787)	(3,050,065)
Tangible fixed assets	12	382,164	380,000
Other debtors	14	343,642	397,152
		<hr/>	<hr/>
Total assets		102,137,182	95,969,012
		<hr/>	<hr/>
LIABILITIES			
Members' shares	15	89,519,538	84,443,814
Juvenile deposits		97,224	29,669
Other payables	16	1,605,572	638,902
		<hr/>	<hr/>
		91,222,334	85,112,385
		<hr/>	<hr/>
RESERVES			
General reserves	17	10,353,848	10,376,627
Non-distributable reserves	18	561,000	480,000
		<hr/>	<hr/>
		10,914,848	10,856,627
		<hr/>	<hr/>
Total liabilities and reserves		102,137,182	95,969,012
		<hr/>	<hr/>

The financial statements were approved by the board of directors and authorised for issue on
and are signed on its behalf by:

.....
Ms C Jamieson
Director and Chair

.....
Mr S Wood
Director and Secretary

The notes on pages 12 to 27 form part of these financial statements.

SCOTWEST CREDIT UNION LIMITED

STATEMENT OF CHANGES IN CAPITAL AND RESERVES

AS AT 30 SEPTEMBER 2024

	General Reserve £	Appropriation Account £	Non- distributable Reserve £	Total £
At 1 October 2022	10,004,229	56,000	355,000	10,415,229
Surplus for the year	441,398	-	-	441,398
Transfer	(69,000)	(56,000)	125,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2023	10,376,627	-	480,000	10,856,627
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 October 2023	10,376,627	-	480,000	10,856,627
Surplus for the year	58,221	-	-	58,221
Transfer	(81,000)	-	81,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2024	10,353,848	-	561,000	10,914,848
	<hr/>	<hr/>	<hr/>	<hr/>

The appropriation account above of £56,000 was used to fund a further final dividend to members formally approved by the Board post year end in October 2022.

The notes on pages 12 to 27 form part of these financial statements.

SCOTWEST CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2024

	Notes	2024 £	2023 £
Cash flows from operating activities			
Surplus for the year		58,221	441,398
Adjustments for:			
Depreciation	12	22,519	11,875
Taxation	7	261,940	184,085
Dividends payable	5	805,651	229,271
Interest receivable		(1,047,758)	(836,490)
Interest payable	5	244,325	-
Amortisation on bonds	9	(240,688)	(70,317)
Impairment on loans to members	10, 11	1,266,263	941,969
Bargain purchase gain (negative goodwill)	13	(160,569)	-
		1,209,904	901,791
Changes in operating assets and liabilities:			
Decrease/(increase) in debtors		118,317	(53,787)
Increase in creditors		593,572	159,217
New loans to members		(44,410,821)	(49,556,023)
Repayment of loans by members	10	38,998,409	37,590,973
Cash inflow from subscribed shares	15	58,552,900	55,198,978
Cash outflow from repayment of shares		(55,558,579)	(60,453,950)
Dividends paid	5	(805,651)	(229,271)
Corporation tax paid		(178,991)	(65,699)
Net cash outflow from operating activities		(1,480,940)	(16,507,771)
Cash flows from investing activities			
Purchase of investments in corporate bonds	9	(4,405,194)	(12,493,081)
Sale and maturity of investments in corporate bonds	9	6,968,026	12,882,192
Interest received		819,972	672,827
Cash inflow from business combinations	13	1,632,688	-
Net cash inflow from investing activities		5,015,492	1,061,938
Net increase/(decrease) in cash and cash equivalents		3,534,552	(15,445,833)
Cash and cash equivalents at beginning of year		11,497,473	26,943,306
Cash and cash equivalents at end of year		15,032,025	11,497,473

The notes on pages 12 to 27 form part of these financial statements.

SCOTWEST CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2024

1 Accounting policies

General information

The Credit Union is incorporated in the UK and domiciled in Scotland. The address of its registered office is 13 Elmbank Street, Glasgow, G2 4PB.

The Credit Union's activity during the year continued to be that as defined in the Credit Unions 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) and the local authority areas of Dumfries & Galloway, Highlands, Perth & Kinross or Stirling

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 Credit Union's functional currency. Monetary amounts in the financial statements are rounded to the nearest £. The principal accounting policies are set out below.

1.2 Going concern

The directors prepare a business plan which sets out the Credit Union's strategic and prudential objectives and its forecasted key performance indicators. The plan takes account of the evolving economic landscape, interest rate environment, and broader financial sector trends. It sets out in detail both short-term tactical approaches and longer-term strategic development initiatives for the Credit Union. The main objective of the directors is for the Credit Union to maintain a healthy balance between savings and loans, whilst meeting its regulatory capital and liquidity requirements and delivering the strategic objectives.

The directors have reviewed the Credit Union's current financial performance and position, analysing key trends and indicators to inform their assessment of future viability. Based on this analysis and considering the Credit Union's established financial track record, the directors have developed forecasting assumptions that reflect current economic conditions while recognising both opportunities and challenges in the market. These assessments indicate continued stability in income generation, maintenance of a healthy operating surplus, and ongoing compliance with regulatory requirements for capital and liquidity.

After making appropriate enquiries and reviewing detailed financial projections, the directors have a reasonable expectation that the Credit Union will have adequate resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of these financial statements. For these reasons, the directors continue to adopt the going concern basis of accounting in preparing the Credit Union's financial statements.

In assessing the Credit Union's ability to continue as a going concern, the directors have considered the broader economic environment, potential interest rate changes, and their impact on both the loan book performance and member savings behaviour. The directors are satisfied that the Credit Union's robust capital position, strong liquidity, and diversified income streams provide sufficient resilience against these factors.

1.3 Business combinations

On 17 May 2024 Stirling Credit Union Limited and on 26 July 2024 Perth and Kinross Credit Union Limited were authorised by the FCA to merge into Scotwest Credit Union Limited. The financial statements of Scotwest Credit Union Limited at 30 September 2024 reflect the combined position with these merging entities.

SCOTWEST CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

1 Accounting policies (continued)

1.3 Business combinations (continued)

The business combination has been accounted for under the acquisition method in accordance with FRS 102 Section 19. The acquisition of both Stirling Credit Union Limited and Perth and Kinross Credit Union Limited was for a nil consideration. As the fair value of the identifiable net assets acquired for both credit unions exceeds the purchase price this resulted in negative goodwill.

Negative goodwill

Negative goodwill is the excess over cost of Scotwest Credit Union Limited's interest in the net fair value of Stirling Credit Union Limited and Perth and Kinross Credit Union Limited's identifiable assets, liabilities and contingent liabilities. Negative goodwill is recognised at the acquisition date and initially included within the statement of financial position. Negative goodwill, up to the fair value of the non-monetary assets, is recognised in the statement of comprehensive income in the periods in which the non-monetary assets are recovered. If the negative goodwill exceeds the fair value of non-monetary assets acquired it is recognised in the statement of comprehensive income in the period expected to be benefited.

1.4 Income

Loan interest receivable and similar income: Interest on both loans to members and cash and cash equivalents held on deposit with banks and other financial institutions is recognised using the effective interest method and is calculated and accrued on a daily basis.

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

1.5 Dividends and interest on members' shares

Dividends on members' shares are paid to members based on the actual deposits held with the Credit Union and are recognised in the financial statements when formally approved at board meetings of the Credit Union. Any proposed dividends do not represent a liability at the balance sheet date. Where dividends are approved after the year-end but prior to the approval of the financial statements a transfer is made between the general reserve and appropriation account in respect of the proposed amount.

Interest on members' balances is recognised using the effective interest method and is calculated and accrued on a daily basis.

1.6 Bad and doubtful debts

Specific provisions are made for loans which are recognised to be bad or doubtful. Movements in bad debt provisions during the year are charged to the statement of comprehensive income.

Under 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. Under FRS 102, loans can be written off only when the Credit Union no longer has the legal right to enforce payment. Loans written off by the Credit Union which do not meet the criteria for derecognition under FRS 102 remain part of the gross loans to members balance in these financial statements and are fully provided for in the bad debt provision.

1.7 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.

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

SCOTWEST CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

1 Accounting policies (continued)

1.8 Cash and cash equivalents

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

1.9 Investment in corporate and government bonds

The Credit Union maintains a portfolio of listed corporate bonds and government bonds which are held to maturity and are therefore measured at amortised cost using the effective interest rate method, with maturities ranging from 0 – 60 months.

1.10 Tangible fixed assets

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on a straight-line basis as follows:

Freehold land and buildings	2.5% straight line
Fixtures and fittings	5% - 50% straight line
Computers	33.33% straight line

1.11 Debtors

Short term debtors are initially measured at their fair value, which is typically transaction price, and subsequently measured at amortised cost.

1.12 Creditors

Short term creditors are measured at the fair value, which is typically transaction price, then subsequently at effective interest amortised cost.

1.13 Impairment of fixed 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 decreased 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.

1.14 Loans to members

Loans to members are financial assets with fixed to determinable payments and are not quoted in active markets. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

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

SCOTWEST CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

1 Accounting policies (continued)

1.15 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.

Loans to members are a financial asset recognised when cash is advanced to members and measured at amortised cost using the effective interest rate. Loans to members are derecognised when all rights to receive cash flow have expired, usually on repayment of all outstanding balances. Loans are assessed each balance sheet date, for objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. In addition, if during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised. Any impairment losses are recognised in the revenue account, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

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

Other financial assets recognised when the Credit Union becomes entitled to funds from another party and are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest rate method. 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.

Other financial liabilities are recognised when the Credit Union becomes liable for amounts due to another party and are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest rate method.

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 cash flows from the asset expire, or when the Credit Union has transferred substantially all the risks and rewards of ownership, usually on the repayment of outstanding balances.

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

1.16 Pension scheme

Defined contribution 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.

1.17 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met, and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

SCOTWEST CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

1 Accounting policies (continued)

1.18 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. There are no finance leases in place as at the current year end.

2 Judgements and key sources of estimation uncertainty

- 2.1 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. The key source of accounting estimation is the bad debt provision on impairment of loans to members (see notes 10 and 11) and valuation of negative goodwill arising from the business combination (see note 13).

Bad debt provision

The Credit Union reviews its loans to members portfolio regularly to assess impairment. In determining whether an impairment loss should be recorded, the Credit Union is required to exercise a degree of judgement. Impairment provisions are calculated using arrears experience and applying specific percentages on the arrears amounts in accordance with the guidance issued by the PRA and FCA. The Credit Union further looks at credit risk characteristics and expected cashflows and if deemed reasonable will provide further impairment provisions.

Business combinations and negative goodwill

The carrying amounts of the acquired assets and liabilities during the merger of Stirling Credit Union Limited and Perth and Kinross Credit Union Limited to Scotwest Credit Union Limited approximate their fair values and therefore no fair value adjustments have been made.

There was nil consideration for both acquisitions resulting in negative goodwill. FRS 102 requires negative goodwill up to the fair value of the non-monetary assets to be systematically amortised over the period in which the acquired non-monetary assets are expected to be recovered with any excess over the fair value of the non-monetary assets to be recognised in the statement of comprehensive income in the periods expected to benefit. However, there are limited non-monetary assets acquired, and management has assessed that as the acquired entities are not profit-oriented and expected to provide significant future profits to the combined organisation, the entire amount of the negative goodwill of £161k was recognised in the statement of comprehensive income.

SCOTWEST CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

3 Income and other income

	2024 £	2023 £
Income:		
Interest receivable on members' loans	4,409,881	3,634,818
Bond income	662,325	424,749
Bank interest	385,433	411,691
	<hr/>	<hr/>
	5,457,639	4,471,258
Other income:		
Fees and commissions receivable	20,430	21,593
Distribution from Lottery	98,957	99,225
Other income	14,021	-
	<hr/>	<hr/>
	133,408	120,818
	<hr/>	<hr/>
	5,591,047	4,592,076
	<hr/>	<hr/>

Government grant income of £800,000 was received in the 2020/21 period and pertains to an amount received from Social Investment Scotland in relation to the Scottish Community Lenders Fund grant, provided to promote the availability of affordable credit and strengthen the balance sheet of affordable credit providers. During the year ended 30 September 2024 the Credit Union has utilised £226,629 (2023: £225,004) of the grant for specific projects to promote the availability of affordable credit.

4 Operating surplus

	2024 £	2023 £
Operating surplus for the year is stated after charging:		
Depreciation	22,519	11,875
Auditor's remuneration		
- Audit of the financial statements	36,500	28,000
- Corporation tax compliance	2,800	2,500
	<hr/>	<hr/>

SCOTWEST CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

5 Dividends and interest

	2024 £	2023 £
Dividends paid on members' shares in the year	805,651	229,271
Interest payable on members' shares in the year	244,325	-
	2024 %	2023 %
Average dividend rate		
Juvenile member dividend	1.0000	0.2000
Ordinary member dividend	1.0000	0.2000
Notice account dividend	1.2000	0.2375
Average interest rate		
Fixed interest savings	5.0000	-

6 Staff costs

	2024 £	2023 £
Wages and salaries	1,193,786	1,139,717
Social security costs	114,206	108,412
Pension costs	65,764	65,596
	1,373,756	1,313,725

Average staff numbers during the year were 40 (2023: 40).

No remuneration was paid to any of the directors during the year (2023: £nil).

The key management personnel are the Chief Executive Officer, the Chief Operating Officer, the Finance Manager, the Communications and Brand Manager and the Compliance and Risk Manager. Remuneration for key management personnel was £373,990 (2023: £319,589).

At the year-end pension contributions outstanding were £nil (2023: £nil).

SCOTWEST CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

7 Taxation

	2024 £	2023 £
Taxation charged through the statement of comprehensive income was as follows:		
UK corporation tax	261,940	184,085

Factors affecting tax charge for the year

The tax assessed for the year is more than (2023: less than) the standard rate of corporation tax in the UK of 25% (2023: 25%). The differences are explained below.

	2024 £	2023 £
Surplus on ordinary activities before tax	320,161	625,483
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2023: 25%)	80,040	156,371
Effects of:		
Net revenue exempt from taxation	181,900	53,318
Differences in tax rates	-	(25,604)
	261,940	184,085

8 Cash and cash equivalents

	2024 £	2023 £
Cash on hand	26,522	-
Current accounts	6,886,384	1,388,717
Deposit accounts	8,119,119	10,108,756
	15,032,025	11,497,473

The Credit Union has calculated an amount of £561,000 (2023: £480,000) to cover the interest rate risk attached to the Credit Union's fixed interest mortgage portfolio as shown in note 19. The £561,000 (2023: £480,000) is included within the balance of cash at bank.

SCOTWEST CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

9 Investments in bonds

	2024 £	2023 £
Balance forward	23,760,771	23,971,539
Additions	4,405,194	12,493,081
Disposals and maturities	(6,968,026)	(12,882,192)
Accrued interest	172,149	108,026
Amortisation	240,688	70,317
	<u>21,610,776</u>	<u>23,760,771</u>

Investment in corporate and government bonds have remaining maturities as follows:

Accrued interest	172,149	108,026
Within one year	9,473,556	12,495,655
In more than one year	11,965,071	11,157,090
	<u>21,610,776</u>	<u>23,760,771</u>

All of the above investments are in listed corporate bonds and government bonds.

10 Loans to members

	2024 £	2023 £
Balance forward	62,983,681	51,352,158
Advanced in year	45,099,631	49,456,023
Repaid in year	(38,998,409)	(37,590,973)
Written off in year	(100,541)	(233,527)
	<u>68,984,362</u>	<u>62,983,681</u>
Loans due within one year	22,056,605	19,226,986
Loans due after more than one year	46,927,757	43,756,695
	<u>68,984,362</u>	<u>62,983,681</u>

SCOTWEST CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

11 Bad debt reserve

	2024 £	2023 £
Opening provision	3,050,065	2,341,623
Charge to statement of comprehensive income	1,165,722	708,442
	<u>4,215,787</u>	<u>3,050,065</u>

12 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Computers £	Total £
Cost or deemed cost				
At 1 October 2023	475,000	257,042	139,113	871,155
Business combinations	-	55,794	37,969	93,763
	<u>475,000</u>	<u>312,836</u>	<u>177,082</u>	<u>964,918</u>
As at 30 September 2024	475,000	312,836	177,082	964,918
Depreciation				
At 1 October 2023	95,000	257,042	139,113	491,155
Accumulated depreciation on business transfer	-	31,111	37,969	69,080
Charge for the year	11,875	10,644	-	22,519
	<u>106,875</u>	<u>298,797</u>	<u>177,082</u>	<u>582,754</u>
As at 30 September 2024	106,875	298,797	177,082	582,754
Carrying amount				
At 30 September 2023	380,000	-	-	380,000
	<u>380,000</u>	<u>-</u>	<u>-</u>	<u>380,000</u>
At 30 September 2024	368,125	14,039	-	382,164
	<u>368,125</u>	<u>14,039</u>	<u>-</u>	<u>382,164</u>

The freehold land and buildings are held at deemed cost, which is their valuation when the Credit Union transitioned to FRS 102 in 2014.

SCOTWEST CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

13 Business combinations

Stirling Credit Union Limited and Perth and Kinross Credit Union Limited merged into Scotwest Credit Union Limited during the year. This is part of Scotwest Credit Union Limited's strategic plan to expand its membership, strengthen service capabilities and solidify its presence across Scotland and within the credit union sector.

Stirling Credit Union Limited (FCA register number 214247) is a credit union serving Forth Valley area which includes Stirling, Clackmannanshire and Falkirk areas and was registered in October 2002. A special resolution was passed by its members in September 2023 to approve transfer of all of its net assets to Scotwest Credit Union Limited and this was authorised by the FCA on 17 May 2024.

Perth and Kinross Credit Union Limited (FCA register number 597353) is a savings and loans cooperative in Scotland owned and controlled by its members and was officially opened in 2014. A special resolution was passed by its members in June 2023 to approve transfer of all of its net assets to Scotwest Credit Union Limited and this was authorised by the FCA on 26 July 2024.

Both credit unions transferred their identifiable net assets to Scotwest Credit Union Limited for nil consideration.

	Stirling Credit Union Limited	Perth and Kinross Credit Union Limited	Total
Fair value of net assets acquired			
- Cash in bank and liquid deposits	1,180,398	452,290	1,632,688
- Loans to members	345,308	343,502	688,810
- Other debtors	9,170	-	9,170
- Tangible fixed assets	6,193	18,490	24,683
- Members' shares	(1,369,665)	(711,738)	(2,081,403)
- Other creditors	(99,014)	(14,365)	(113,379)
	<hr/>	<hr/>	<hr/>
	72,390	88,179	160,569
Consideration	-	-	-
	<hr/>	<hr/>	<hr/>
Bargain purchase gain (negative goodwill)	72,390	88,179	160,569
	<hr/>	<hr/>	<hr/>

The movement on the bargain purchase gain (negative goodwill) during the year is as follows:

	Bargain purchase gain (negative goodwill) £
At 1 October 2023	-
Additions – business combinations:	
- Stirling Credit Union Limited	72,390
- Perth and Kinross Credit Union Limited	88,179
	<hr/>
Bargain purchase gain recognised in the statement of comprehensive income	(160,569)
	<hr/>

SCOTWEST CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

13 Business combinations (continued)

Post acquisition to 30 September 2024 Stirling Credit Union Limited and Perth and Kinross Credit Union Limited contributed £31,240 and £21,749 of loan interest income. It is not possible to separately identify the profit and loss provided by the merged entities between date of merger and 30 September 2024.

14 Other debtors

	2024 £	2023 £
Prepayments and accrued income	243,642	297,152
Loan to another credit union	100,000	100,000
	<u>343,642</u>	<u>397,152</u>

15 Members' shares

	2024 £	2023 £
Balance forward	84,443,814	89,674,198
Received in year	60,634,303	55,198,978
Withdrawn in year	(55,558,579)	(60,429,362)
	<u>89,519,538</u>	<u>84,443,814</u>

16 Other payables

	2024 £	2023 £
Trade creditors	185,357	180,030
Accruals	233,409	164,362
Interest payable on fixed interest savings	244,325	-
Other creditors	647,165	85,455
Other tax and social security	28,537	25,225
Corporation tax	266,779	183,830
	<u>1,605,572</u>	<u>638,902</u>

17 General reserve

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

18 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.

SCOTWEST CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

18 Non-distributable reserves (continued)

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.

19 Commitments

The Credit Union's annual commitments for rental and non-cancellable IT costs commitment at 30 September 2024 were as set out below:

	2024 £	2023 £
Commitments which expire:		
Within one year	236,219	231,970
Between two and five years	719,750	1,080,153
	<hr/>	<hr/>
	955,969	1,312,123
	<hr/>	<hr/>

The significant increase above is due to the renewal of the Cussco contract to provide Scotwest with IT services. The amount above is subject to variation depending on future inflation.

20 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.

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and market risk. The directors review and agree policies for managing each of these risks, which are summarised below.

Credit risk: Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to the Credit Union, resulting in financial loss to the Credit Union. In order to manage the risk, the directors approve the Credit Union's lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy and the underlying procedures that support the policy in force at the time. Subsequently, defaults, write offs and arrears are reviewed for any factors that may indicate that the likelihood of repayment has changed and any learnings are used to adjust procedures or feed back into policy decisions. There is also the risk that the Credit Union's surplus cash held as deposits may be lost due to financial institution failure. The Credit Union mitigates this risk by holding deposits in a range of financial institutions and undertaking regular due diligence on the financial stability of these institutions. There is also the risk that the counterparties on the Credit Union's corporate bond investments will default on bond repayments. The Credit Union mitigates this risk by buying and holding corporate bond investments that are within a suitable risk profile monitored by the directors and carefully choosing counterparties making sure these are approved by the directors as acceptable counterparties..

Liquidity risk: The Credit Union's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due. The objective of the Credit Union's liquidity policy is to smooth the

Market risk: Market risk is generally comprised of interest rate risk, currency risk and other price risk. The Credit Union conducts all its transactions in Sterling and does not deal in derivatives or commodity markets. Therefore, the Credit Union is not exposed to any form of currency risk and the other price risk associated with rate risk arises from differences between the interest rate exposures on the receivables and payables that form an integral part of the Credit Union's operations. The Credit Union considers rates of interest receivable when deciding on the dividend rate payable on shares. The Credit Union does not use interest rate options to hedge its own positions. A ring-fenced amount is held in reserves to cover the interest rate risk attached to the Credit Union's fixed interest mortgage portfolio.

SCOTWEST CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

21 Credit risk disclosures

The Credit Union holds £15,032,025 (2023: £11,497,473) in bank account and deposits. In order to deal with the credit risk of banking institutions, the Credit Union spreads its bank accounts between a number of different UK financial institutions. At the year-end bank funds were held between 12 (2023: 6) different banks and building societies (including 6 more from both the Perth & Kinross and Sterling credit unions). The Credit Union believes the full amount is recoverable and no provision against the bank balance is required. The Credit Union holds £21,610,776 (2023: £23,760,771), which are listed bonds with composite ratings ranging between AAA and A.

The Credit Union's loans to members where it holds security against are as follows:

	2024 £	2023 £
Attached shares	1,757,484	1,698,148
Property (at time loan was issued)	13,922,369	13,134,635
	<u>15,679,853</u>	<u>14,832,783</u>

The total amount of loans represents the Credit Union's maximum exposure to credit risk from lending to members. The following table provides information on the credit quality of loan repayments. 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. The amounts relating to individually impaired and written off for internal purposes are loans which the directors have written off but which under FRS 102 can only be provided for and are not derecognised.

Loans not impaired	2024 £	2023 £
Not past due	54,667,118	51,442,387
Up to 3 months past due	9,588,553	8,192,421
	<u>64,255,671</u>	<u>59,634,808</u>

Loans which are impaired

Between 3 months and 6 months due	726,564	386,857
Between 6 months and 1 year past due	362,168	128,792
Over 1 year past due	176,627	17,456
Individually provided and written off for internal purposes	3,463,332	2,678,062
	<u>4,728,691</u>	<u>3,211,167</u>
	<u>68,984,362</u>	<u>62,845,975</u>

22 Liquidity risk disclosures

Excluding short-term other payables, as noted in the balance sheet, the Credit Union's financial liabilities and the members' shares, are repayable on demand.

SCOTWEST CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

23 Interest rate risk disclosures

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

	2024 Amount	2024 Average Interest rate	2023 Amount	2023 Average Interest rate
	£	%	£	%
Financial assets				
Loans to members	68,984,362	7.68%	62,983,681	5.77%
Financial liabilities				
Members' shares (including juvenile deposits)	89,616,762	0.56%	84,473,483	0.21%

24 Related parties

All of the directors are members of the Credit Union and one director (2023: two) and no members of key management personnel (2023: no) have taken out a loan on normal business terms. During the year no close family members of directors took out loans on normal business terms with the Credit Union (2023: none). The directors are offered identical lending and savings terms to all other members at Scotwest.

The Scotwest Lottery is a related party of the Credit Union as the Credit Union is the ultimate beneficiary. During the year the Credit Union received £98,957 (2023: £99,225) from The Scotwest Lottery. At the year-end £2,544 of distribution from the Lottery was outstanding (2023: £3,538).

Cussco Limited is a related party of the Credit Union as the CEO and two directors of the Credit Union are directors of this company. Cussco Limited provides IT services and total charges to the Credit Union for the year were £220,158 (2023: £213,300). The outstanding balance as at the year-end is £25,614 (2023: £65,025).

CU Share Limited is a related party of the Credit Union as the CEO and one director of the Credit Union are directors of this company. There were no transactions with CU Share Limited during the year.

The remuneration of key management personnel is disclosed in note 6.

25 Contingent liabilities

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

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

SCOTWEST CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

26 Analysis of net debt

	1 October 2023 £	Cashflows £	30 September 2024 £
Current accounts	1,388,717	5,497,667	6,886,384
Deposit accounts	10,108,756	(1,989,637)	8,119,119
Cash on hand	-	26,522	26,522
	<hr/>	<hr/>	<hr/>
	11,497,473	3,534,552	15,032,025
Members' shares (including juvenile deposits)	(84,473,483)	(5,143,279)	(89,616,762)
	<hr/>	<hr/>	<hr/>
	(72,976,010)	(1,608,727)	(74,584,737)
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SCOTWEST CREDIT UNION

DETAILED INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2024

	2024	2023
	£	£
Income		
Interest received		
- Members' loans	4,409,881	3,634,818
- bond income	662,325	424,749
- bank interest received	385,433	411,691
Fee income	20,231	21,321
Insurance commission	199	272
Bargain purchase gain (negative goodwill)	160,569	-
Distribution from Lottery	98,957	99,225
Other income	14,021	-
Total income	5,751,616	4,592,076
Expenditure		
Governance costs	28,566	59,011
Staff wages and salaries	1,373,756	1,313,725
Other staff costs	18,969	22,787
Property costs	76,915	61,654
Insurance	363,125	306,687
Information technology	577,521	390,060
Communications	65,399	65,738
Marketing	118,306	110,396
Finance costs	204,663	164,400
Regulation	6,019	3,994
Depreciation	22,519	11,875
Professional fees	28,977	70,021
Audit fee	48,084	36,600
Management fees	91,499	95,099
Bad debts and provision movement	1,266,263	941,968
Sundry expenses	79,698	72,107
Total expenditure	(4,370,279)	(3,726,122)
Operating profit	1,381,337	865,954
Interest payable and similar expenses		
Dividend	(805,651)	(229,271)
Fees & commissions payable	(11,200)	(11,200)
Interest on deposits payable	(244,325)	-
Surplus before taxation	320,161	625,483
Taxation	(261,940)	(184,085)
Surplus after taxation	58,221	441,398

This page does not form part of the financial statements.