

**SCOTWEST CREDIT UNION LIMITED**

**ANNUAL REPORT AND FINANCIAL  
STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2025**

**FIRM REFERENCE NUMBER: 213616**

# SCOTWEST CREDIT UNION LIMITED

## CREDIT UNION INFORMATION

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### Directors

Mr S Wood	Chair
Mr I Turner	Vice Chair
Ms J Carter	
Mr M Gilligan	
Mr S Young	Secretary (Appointed 1 February 2025)
Mr T Lynch	(Co-opted to the Board August 2025)
Mr A Burns	(Co-opted to the Board October 2025)
Ms L McAndie	(Co-opted to the Board October 2025)

### Chief Executive Officer

Frances McCann

### Registered office

13 Elmbank Street  
Glasgow  
G2 4PB

### Auditor

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

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# SCOTWEST CREDIT UNION LIMITED

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# SCOTWEST CREDIT UNION LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 SEPTEMBER 2025

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The directors present their annual report and financial statements for the year ended 30 September 2025.

#### Principal activity

The principal activity of Scotwest Credit Union Limited (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 (former Chair) (retired October 2025)  
Mr S Wood (former Secretary, appointed Chair August 2025)  
Mr I Turner (Vice Chair)  
Mr J Begg (retired August 2025)  
Mr M Gilligan  
Ms J Carter  
Ms S Hamill (resigned April 2025)  
Mr S Wallace (resigned August 2025)  
Mr S Young (appointed to the Board 1 February 2025, appointed Secretary October 2025)  
Mr T Lynch (co-opted to the Board August 2025)  
Mr A Burns (co-opted to the Board October 2025)  
Ms L McAndie (co-opted to the Board October 2025)

#### Review of business and future developments

Throughout the 2024/2025 financial year, the Credit Union has focused on consolidating its position following the mergers completed in the previous year. The Credit Union has maintained its commitment to cooperative financial principles while navigating the prevailing challenge of the economic environment characterised by gradually declining interest rates and volatile inflation conditions.

The year has been one of consolidation and strategic positioning. Having successfully integrated Stirling Credit Union and Perth and Kinross Credit Union during the prior year, the Credit Union has dedicated substantial effort to harmonising systems, processes and service delivery across its diverse geographical footprint. This integration work has positioned the Credit Union well for sustainable growth while ensuring consistent member experience across all locations.

Looking ahead, the Board remains focused on both internal development and sector-wide opportunities. The UK government has committed to doubling the size of mutual organisations, including credit unions, and is currently reviewing common bond requirements through HM Treasury while the Prudential Regulation Authority is updating rules around Credit Union Service Organisations (CUSOs). The Credit Union has engaged actively with both government and regulators and is collaborating with other sectoral stakeholders to develop a comprehensive Growth Plan for the credit union sector. The Credit Union's strategic direction will be closely aligned with this sector growth agenda, positioning the Credit Union to capitalise on emerging opportunities while maintaining its core cooperative values and commitment to member service.

#### Results and dividends

The year has presented a more challenging trading environment as the Credit Union focused on consolidating the gains from previous mergers. The loan book decreased to £60.5 million, representing a reduction of £8.5 million (12.4%) from the previous year, reflecting a more cautious lending approach and higher interest rates in response to economic uncertainty and a strategic emphasis on loan quality. Despite this reduction, loan interest income increased to £4.6 million, a 4.6% rise compared to the prior year, demonstrating improved portfolio yields. Member savings remained relatively stable at £88.8 million, reflecting continued member confidence despite the slight decrease of £0.7 million (0.8%).

# SCOTWEST CREDIT UNION LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2025

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#### Results and dividends (continued)

Operational expenditure continued to face upward pressure, with administrative expenses increasing to £3.7 million alongside higher interest costs on member savings of £370k as the Credit Union maintained competitive rates in a declining interest rate environment. Bad debt provisions totalled £1.1 million, reflecting the difficult economic conditions for members. These factors resulted in a surplus before taxation of £131k and a post-tax deficit for the year of £204k, compared to a post-tax surplus of £58k in the prior year.

The Board maintained dividend payments at £806k, consistent with the previous year, demonstrating continued commitment to delivering value to members despite the challenging year. This decision reflects the Board's confidence in the Credit Union's underlying financial strength and its ability to continue supporting members through competitive dividend returns while maintaining appropriate capital reserves for future growth and resilience.

#### Financial risk management objectives and policies

Throughout 2024/2025, 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 20 to 23.

#### Economic conditions

The Credit Union has continued to operate within a complex economic environment. Throughout this year, several key factors have influenced the economic landscape:

- Sustained geopolitical tensions, including the ongoing war in Ukraine and continued instability in the Middle East;
- Inflation that persists above the Bank of England's 2% target;
- A series of Bank of England base rate reductions from 5.25% to 4.5% during the financial year, reflecting increased confidence in inflation control;
- Ongoing adjustments to post-Brexit trading relationships and evolving regulatory frameworks;
- A new UK government focusing on economic growth, infrastructure investment, and public service reform; and
- Growing integration of climate change considerations into financial planning and risk management frameworks.

Inflation has remained volatile and despite forecasts of the rate moving closer to the Bank of England's 2% target by mid-2025, the rate increased during the year, peaking in the summer around 3.8% before easing off and showing signs of a decrease towards the end of the year. The Bank's base rate reduced from 5.25% in August 2024 to 4.5% by September 2025, marking a significant shift in monetary policy after an extended period of elevated rates. The gradual easing reflects improving economic conditions while maintaining vigilance against potential inflation risks.

The financial services sector, including credit unions, has adapted to this transitional interest rate environment. Mortgage markets have shown greater stability with improved affordability as rates have declined, though challenges remain for many first-time buyers. Interest rates for both savings and loans have begun to adjust downward, with our Credit Union carefully balancing competitive lending rates to support borrowers while maintaining fair returns for savers in line with the changing rate environment.

While cost of living pressures have eased somewhat for many of our members compared to the previous year, household budgets remain constrained by the cumulative impact of several years of elevated inflation. Food, energy and housing costs, though more stable, remain significantly higher than pre-pandemic levels. These conditions continue to underscore the importance of accessible and affordable financial services for our communities. The Credit Union remains committed to supporting members through these evolving circumstances by providing financial education, responsible lending options and personalised service that recognises the diverse needs of our membership base.

# SCOTWEST CREDIT UNION LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2025**

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### **Auditor**

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

### **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.

*Mr S Wood*

.....  
**Mr S Wood**

Director and Chair

19-Feb-2026

Date: .....

*Mr S Young*

.....  
**Mr S Young**

Director and Secretary

19-Feb-2026

Date: .....

# **SCOTWEST CREDIT UNION LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 30 SEPTEMBER 2025***

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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

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#### Opinion

We have audited the financial statements of Scotwest Credit Union Limited (the 'Credit Union') for the year ended 30 September 2025 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 2025 and of its 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 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 and Financial Statements, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report and Financial Statements. 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)

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#### **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 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Credit Union or to cease operations, or have no realistic alternative but to do so.

#### **Auditor 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)

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#### **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 and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance 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
- Bad debt provisioning.

In addition to the above, 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 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 assessing judgements made by management in their calculation of accounting estimates for potential management bias;
- Performing a full recalculation through data analytics of interest on loans to members to identify any potential anomalies;
- For a sample of members recalculating the loan interest income for the year based on the terms of the relevant loan agreement and comparing this with the loan interest income calculated by the Credit Union;
- 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*

**Johnston Carmichael LLP, Statutory Auditor**

19-Feb-2026

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**7-11 Melville Street**

**Edinburgh**

**EH3 7PE**

# SCOTWEST CREDIT UNION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2025

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	Notes	2025 £	2024 £
Loan interest and similar income	3	5,949,606	5,457,639
Dividends	5	(806,303)	(805,651)
Interest	5	(369,503)	(244,325)
		<hr/>	<hr/>
<b>Net interest income</b>		4,773,800	4,407,663
Fees and commission income	3	25,966	20,430
Fees and commission expense		(10,640)	(11,200)
		<hr/>	<hr/>
<b>Net fees and commission</b>		15,326	9,230
Other income	3	102,755	112,978
Bargain purchase gain (negative goodwill)	13	-	160,569
Administrative expenses		(3,688,687)	(3,081,497)
Depreciation	12	(14,624)	(22,519)
Bad debts and provision movement		(1,057,934)	(1,266,263)
		<hr/>	<hr/>
<b>Surplus before taxation</b>	4	130,636	320,161
Taxation	7	(334,707)	(261,940)
		<hr/>	<hr/>
<b>(Deficit) / surplus for the year</b>		(204,071)	58,221
		<hr/> <hr/>	<hr/> <hr/>

### Continued operations

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

There are no items of other comprehensive income.

# SCOTWEST CREDIT UNION LIMITED

## BALANCE SHEET

AS AT 30 SEPTEMBER 2025

	Notes	2025 £	2024 £
<b>ASSETS</b>			
Cash, cash equivalents and liquid deposits			
Cash in hand	8	3,113	26,522
Cash in bank and liquid deposits	8	21,528,203	15,005,503
Investments in bonds	9	22,572,017	21,610,776
		<hr/>	<hr/>
		44,103,333	36,642,801
Loans to members			
Loans to members	10	60,457,607	68,984,362
Bad debt reserve	11	(4,832,450)	(4,215,787)
Tangible fixed assets	12	367,540	382,164
Other debtors	14	262,246	343,642
		<hr/>	<hr/>
<b>Total assets</b>		100,358,276	102,137,182
<b>LIABILITIES</b>			
Members' shares			
Members' shares	15	88,825,491	89,519,538
Junior account deposits		74,916	97,224
Other payables	16	747,092	1,605,572
		<hr/>	<hr/>
		89,647,499	91,222,334
<b>RESERVES</b>			
General reserves			
General reserves	17	10,149,777	10,353,848
Non-distributable reserves	18	561,000	561,000
		<hr/>	<hr/>
		10,710,777	10,914,848
Total liabilities and reserves			
		<hr/>	<hr/>
		100,358,276	102,137,182
		<hr/>	<hr/>

19-Feb-2026

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

*Mr S Wood*

.....  
**Mr S Wood**

Director and Chair

*Mr S Young*

.....  
**Mr S Young**

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 2025

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	General Reserve £	Non- distributable Reserve £	Total £
<b>At 1 October 2023</b>	10,376,627	480,000	10,856,627
Surplus for the year	58,221	-	58,221
Transfer	(81,000)	81,000	-
	<hr/>	<hr/>	<hr/>
<b>At 30 September 2024</b>	10,353,848	561,000	10,914,848
	<hr/>	<hr/>	<hr/>
<b>At 1 October 2024</b>	10,353,848	561,000	10,914,848
Deficit for the year	(204,071)	-	(204,071)
	<hr/>	<hr/>	<hr/>
<b>At 30 September 2025</b>	10,149,777	561,000	10,710,777
	<hr/>	<hr/>	<hr/>

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 2025

	Notes	2025 £	2024 £
<b>Cash flows from operating activities</b>			
(Deficit) / surplus for the year		(204,071)	58,221
Adjustments for:			
Depreciation	12	14,624	22,519
Taxation	7	334,707	261,940
Dividends payable	5	806,303	805,651
Interest receivable		(1,471,619)	(1,182,147)
Interest payable	5	369,503	244,325
Amortisation on bonds	9	(390,231)	(240,688)
Impairment on loans to members	10, 11	1,057,934	1,266,263
Bargain purchase gain (negative goodwill)	13	-	(160,569)
		<u>517,150</u>	<u>1,075,515</u>
<b>Changes in operating assets and liabilities:</b>			
Decrease in debtors		99,783	118,317
(Decrease) / increase in creditors		(692,561)	593,572
New loans to members	10	(39,444,088)	(44,276,432)
Repayment of loans by members	10	47,663,557	38,998,409
Cash inflow from subscribed shares	15	65,798,058	58,552,900
Cash outflow from repayment of shares	15	(66,492,105)	(55,558,579)
Dividends paid	5	(789,700)	(805,651)
Interest paid		(494,334)	-
Corporation tax paid		(414,706)	(178,991)
<b>Net cash inflow / (outflow) from operating activities</b>		<u>5,751,054</u>	<u>(1,480,940)</u>
<b>Cash flows from investing activities</b>			
Purchase of investments in corporate bonds	9	(10,123,630)	(4,405,194)
Sale and maturity of investments in corporate bonds	9	9,829,143	6,968,026
Interest received		1,042,724	819,972
Cash inflow from business combinations	13	-	1,632,688
<b>Net cash inflow from investing activities</b>		<u>748,237</u>	<u>5,015,492</u>
Net increase in cash and cash equivalents		6,499,291	3,534,552
<b>Cash and cash equivalents at beginning of year</b>		<u>15,032,025</u>	<u>11,497,473</u>
<b>Cash and cash equivalents at end of year</b>		<u><u>21,531,316</u></u>	<u><u>15,032,025</u></u>

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 2025

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### 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. Additionally, a comprehensive financial forecast and budget, including key performance indicators, has been prepared in support of the Credit Union's strategy. This has been developed using conservative forecasting assumptions which reflect the challenging economic environment, elevated operating costs, and the sustained impact of high inflation and interest rates. 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 carried out a detailed sensitivity analysis of key performance indicators to inform their assessment of future viability. The sensitivity analysis confirms that the Credit Union maintains a robust capital position across all modelled scenarios, indicating a minimum capital ratio which remains comfortably above the regulatory minimum. Liquidity ratios also remain exceptionally strong across the modelled scenarios. The directors will continue to monitor the credit union's financial position reviewing accounts, regulatory ratios and a comprehensive suite of key performance indicators monthly, enabling timely interventions where necessary.

In assessing the Credit Union's ability to continue as a going concern, the directors made appropriate enquiries and reviewed the detailed budgets, forecasts and sensitivity analysis, along with the economic outlook for 2025/26. The Directors are satisfied that the Credit Union's capital buffer, strong liquidity position, diversified membership base and product offering provide sufficient resilience to navigate the challenges of the prevailing economic environment. 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.

#### 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 2025

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### 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 with consideration of the mandatory provisioning requirement by the Prudential Regulatory Authority. 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

#### 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 2025

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#### 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 2025

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#### 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 2025

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### 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).

#### *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.

# SCOTWEST CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2025

### 3 Income and other income

	2025	2024
	£	£
Income:		
Interest receivable on members' loans	4,611,972	4,409,881
Bond income	969,575	662,325
Bank interest	368,059	385,433
	<u>5,949,606</u>	<u>5,457,639</u>
Other income:		
Fees and commissions receivable	25,966	20,430
Distribution from Lottery	94,598	98,957
Other income	8,157	14,021
	<u>128,721</u>	<u>133,408</u>
	<u>6,078,327</u>	<u>5,591,047</u>

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 2025 the Credit Union has utilised £297,768 (2024: £226,629) of the grant for specific projects to promote the availability of affordable credit.

### 4 Operating (deficit) / surplus

	2025	2024
	£	£
Operating (deficit) / surplus for the year is stated after charging:		
Depreciation	14,624	22,519
Auditor's remuneration		
- Audit of the financial statements	36,000	36,500
- Assurance services	2,675	2,500
- Corporation tax compliance	3,000	2,800
	<u>52,300</u>	<u>64,319</u>

# SCOTWEST CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2025

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<b>5 Dividends and interest</b>		
	<b>2025</b>	<b>2024</b>
	<b>£</b>	<b>£</b>
Dividends paid on members' shares in the year	806,303	805,651
	<hr/>	<hr/>
Interest payable on members' shares in the year	369,503	244,325
	<hr/>	<hr/>
	<b>2025</b>	<b>2024</b>
	<b>%</b>	<b>%</b>
<b>Average dividend rate</b>		
Juvenile member dividend	1.00	1.00
Ordinary member dividend	1.00	1.00
Notice account dividend	1.20	1.20
	<hr/>	<hr/>
<b>Average interest rate</b>		
Fixed interest savings	4.36	5.00
	<hr/>	<hr/>
<b>6 Staff costs</b>		
	<b>2025</b>	<b>2024</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,449,875	1,193,786
National insurance	158,627	114,206
Pension	100,478	65,764
	<hr/>	<hr/>
	1,708,980	1,373,756
	<hr/>	<hr/>

Average staff numbers during the year were 46 (2024: 40).

No remuneration was paid to any of the directors during the year (2024: £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 £437,189 (2024: £373,990).

At the year-end pension contributions outstanding were £30,188 (2024: £nil).

# SCOTWEST CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2025

#### 7 Taxation

	<b>2025</b>	<b>2024</b>
	<b>£</b>	<b>£</b>
Taxation charged through the statement of comprehensive income was as follows:		
UK corporation tax	334,707	261,940

#### Factors affecting tax charge for the year

The tax assessed for the year is more than (2024: more than) the standard rate of corporation tax in the UK of 25% (2024: 25%). The differences are explained below.

	<b>2025</b>	<b>2024</b>
	<b>£</b>	<b>£</b>
Surplus on ordinary activities before tax	130,636	320,161
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2024: 25%)	32,659	80,040
Effects of:		
Net revenue not exempt from taxation	302,048	181,900
	334,707	261,940

#### 8 Cash and cash equivalents

	<b>2025</b>	<b>2024</b>
	<b>£</b>	<b>£</b>
Cash in hand	3,113	26,522
Current accounts	10,868,680	6,886,384
Deposit accounts	10,659,523	8,119,119
	21,531,316	15,032,025

The Credit Union has calculated an amount of £561,000 (2024: £561,000) to cover the interest rate risk attached to the Credit Union's fixed interest mortgage portfolio as shown in note 19. The £561,000 (2024: £561,000) 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 2025

### 9 Investments in bonds

	2025 £	2024 £
Balance forward	21,610,776	23,760,771
Additions	10,123,630	4,405,194
Disposals and maturities	(9,829,143)	(6,968,026)
Accrued interest	276,523	172,149
Amortisation	390,231	240,688
	<u>22,572,017</u>	<u>21,610,776</u>

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

Accrued interest	276,523	172,149
Within one year	11,153,568	9,473,556
In more than one year	11,141,926	11,965,071
	<u>22,572,017</u>	<u>21,610,776</u>

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

### 10 Loans to members

	2025 £	2024 £
Balance forward	68,984,362	62,983,681
Advanced in year	39,444,088	44,965,242
Repaid in year	(47,663,557)	(38,998,409)
Accrued interest	133,985	134,389
Written off in year	(441,271)	(100,541)
	<u>60,457,607</u>	<u>68,984,362</u>
Loans due within one year	24,517,989	22,056,605
Loans due after more than one year	35,939,618	46,927,757
	<u>60,457,607</u>	<u>68,984,362</u>

# SCOTWEST CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2025

### 11 Bad debt reserve

	2025 £	2024 £
Opening provision	4,215,787	3,050,065
Movement in the year	616,663	1,165,722
	<u>4,832,450</u>	<u>4,215,787</u>

### 12 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Computers £	Total £
<b>Cost or deemed cost</b>				
At 1 October 2024	475,000	312,836	177,082	964,918
As at 30 September 2025	475,000	312,836	177,082	964,918
<b>Depreciation</b>				
At 1 October 2024	106,875	298,797	177,082	582,754
Charge for the year	11,875	2,749	-	14,624
As at 30 September 2025	118,750	301,546	177,082	597,378
<b>Carrying amount</b>				
At 30 September 2024	368,125	14,039	-	382,164
At 30 September 2025	<u>356,250</u>	<u>11,290</u>	<u>-</u>	<u>367,540</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 2025

#### 13 Business combinations

Stirling Credit Union Limited and Perth and Kinross Credit Union Limited merged into Scotwest Credit Union Limited during the year ended 30 September 2024. This was 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.

	<b>Stirling Credit Union Limited</b>	<b>Perth and Kinross Credit Union Limited</b>	<b>Total</b>
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/> <hr/>	<hr/> <hr/>

The movement on the bargain purchase gain (negative goodwill) during the year ended 30 September 2024 was as follows:

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

# SCOTWEST CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2025

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#### 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

	2025 £	2024 £
Prepayments and accrued income	162,246	243,642
Loan to another credit union	100,000	100,000
	<hr/>	<hr/>
	262,246	343,642
	<hr/> <hr/>	<hr/> <hr/>

#### 15 Members' shares

	2025 £	2024 £
Balance forward	89,519,538	84,443,814
Received in year	65,798,058	60,634,303
Withdrawn in year	(66,492,105)	(55,558,579)
	<hr/>	<hr/>
	88,825,491	89,519,538
	<hr/> <hr/>	<hr/> <hr/>

#### 16 Other payables

	2025 £	2024 £
Trade creditors	76,727	185,357
Accruals	240,479	233,409
Dividend payable	16,603	-
Interest payable on fixed interest savings	119,494	244,325
Other creditors	71,103	647,165
Other tax and national insurance	35,906	28,537
Corporation tax	186,780	266,779
	<hr/>	<hr/>
	747,092	1,605,572
	<hr/> <hr/>	<hr/> <hr/>

#### 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 2025

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### 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 the balance sheet date are as set out below:

	2025 £	2024 £
Commitments which expire:		
Within one year	249,603	236,219
Between two and five years	466,188	719,750
	<hr/>	<hr/>
	715,791	955,969
	<hr/> <hr/>	<hr/> <hr/>

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 mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

**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.

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# SCOTWEST CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2025

### 21 Credit risk disclosures

The Credit Union holds £21,528,203 (2024: £15,005,503) 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 7 (2024: 8) different banks and building societies. The Credit Union believes the full amount is recoverable and no provision against the bank balance is required. The Credit Union holds £22,572,017 (2024: £21,610,776), 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:

	2025 £	2024 £
Attached shares	1,705,527	1,757,484
Property (at time loan was issued)	9,388,023	13,922,369
	<u>11,093,550</u>	<u>15,679,853</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.

	2025 £	2024 £
<b>Loans not impaired</b>		
Not past due	50,838,739	54,667,118
Up to 3 months past due	4,539,331	9,588,553
	<u>55,378,070</u>	<u>64,255,671</u>

#### Loans which are impaired

Between 3 months and 6 months due	308,473	726,564
Between 6 months and 1 year past due	281,582	362,168
Over 1 year past due	69,374	176,627
Individually provided and written off for internal purposes	4,420,108	3,463,332
	<u>5,079,537</u>	<u>4,728,691</u>
	<u>60,457,607</u>	<u>68,984,362</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 2025

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#### 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.

	2025 Amount	2025 Average Interest rate	2024 Amount	2024 Average Interest Rate
	£	%	£	%
<b>Financial assets</b>				
Loans to members	60,457,607	8.20%	68,984,362	7.68%
<b>Financial liabilities</b>				
Members' shares (including junior account deposits)	88,900,407	0.28%	89,616,762	0.56%

#### 24 Related parties

All of the directors are members of the Credit Union and two directors (2024: one) and no members of key management personnel (2024: 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 (2024: 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 £94,598 (2024: £98,957) from The Scotwest Lottery. At the year-end £nil of distribution from the Lottery was outstanding (2024: ££2,544).

Cussco Limited is a related party of the Credit Union as the CEO and one director of the Credit Union are directors of this company and falls under the definition of a jointly controlled entity. Cussco Limited provides IT services and total charges to the Credit Union for the year were £346,239 (2024: £220,158 ). The outstanding balance as at the year-end is £80,327 (2024: £25,614). The Credit Union holds 50% interest in Cussco Limited. Cussco Limited has net assets of £132,552 as at 30 September 2025 and incurred a loss of £981 for the year ended 30 September 2025.

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 and falls under the definition of a jointly controlled entity. There were £71,138 of shared costs recharged to the Credit Union during the year (2024: none). The Credit Union holds 33% interest in CU Share Limited. CU Share Limited was in a net liability position as at 30 September 2025 of £5,997 and incurred a loss for the year ended 30 September 2025 of £6,000.

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

# SCOTWEST CREDIT UNION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2025

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### 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.

### 26 Analysis of net debt

	1 October 2024 £	Cashflows £	30 September 2025 £
Cash in hand	26,522	(23,409)	3,113
Current accounts	6,886,384	3,982,296	10,868,680
Deposit accounts	8,119,119	2,540,404	10,659,523
	<hr/>	<hr/>	<hr/>
	15,032,025	6,499,291	21,531,316
Members' shares (including junior account deposits)	(89,616,762)	716,355	(88,900,407)
	<hr/>	<hr/>	<hr/>
Net debt	(74,584,737)	7,215,646	(67,369,091)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# SCOTWEST CREDIT UNION

## DETAILED INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2025

	£	2025 £	£	2024 £
<b>Income</b>				
Interest received				
- Members' loans	4,611,972		4,409,881	
- bond income	969,575		662,325	
- bank interest receivable	368,059		385,433	
Fee income	25,754		17,378	
Insurance commission	212		3,052	
Bargain purchase gain (negative goodwill)	-		160,569	
Distribution from Lottery	94,598		98,957	
Other income	8,157		14,021	
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<b>Total income</b>		<b>6,078,327</b>		<b>5,751,616</b>
<b>Expenditure</b>				
Governance costs	(25,091)		(28,566)	
Staff wages and salaries	(1,708,980)		(1,373,756)	
Other staff costs	(36,361)		(18,969)	
Property costs	(112,687)		(76,915)	
Insurance	(377,222)		(363,125)	
Information technology	(618,450)		(577,521)	
Communications	(76,967)		(65,399)	
Marketing	(155,472)		(118,306)	
Finance costs	(235,151)		(204,663)	
Regulation	(8,615)		(6,019)	
Depreciation	(14,624)		(22,519)	
Professional fees	(94,350)		(28,977)	
Audit fee	(59,250)		(48,084)	
Management fees	(92,355)		(91,499)	
Bad debts and provision movement	(1,057,934)		(1,266,263)	
Sundry expenses	(87,736)		(79,698)	
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<b>Total expenditure</b>		<b>(4,761,245)</b>		<b>(4,370,279)</b>
		-----		-----
<b>Operating profit</b>		<b>1,317,082</b>		<b>1,381,337</b>
<b>Interest payable and similar expenses</b>				
Dividend		(806,303)		(805,651)
Fees & commissions payable		(10,640)		(11,200)
Interest on deposits payable		(369,503)		(244,325)
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<b>Surplus before taxation</b>		<b>130,636</b>		<b>320,161</b>
Taxation		(334,707)		(261,940)
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<b>(Deficit) / surplus after taxation</b>		<b>(204,071)</b>		<b>58,221</b>
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This page does not form part of the financial statements.