Alexander Sloan
Accountants and Business Advisers

SCOTTISH POLICE CREDIT UNION LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2023

Registration No. 213597

SCOTTISH POLICE CREDIT UNION LTD

CREDIT UNION INFORMATION

FCA number	213597	
Registered Society number	37CU	
Directors	Robert Kennedy	
	Allan Macleod	
	Chris Mooney	
	Alison Kennedy	
	George Nedley	
	Graeme Gallie	
	Lyndsay Garbutt	
	Theresa Collie	
	Angela Wood	
	Paul Rooney	(Appointed 6 December 2022)
	Garry O'Neill	(Appointed 6 December 2022)
	Austin Dorrian	
Secretary	Paul Rooney	
Registered office	165 Baillieston Road Glasgow G32 0TN	
Auditor	Alexander Sloan Accounts and Business Advisers 180 St Vincent Street Glasgow G2 5SG	

SCOTTISH POLICE CREDIT UNION LTD

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SCOTTISH POLICE CREDIT UNION LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2023

The Directors present their annual report and financial statements for the year ended 30 September 2023.

Principal activity
The principal activity of the credit union continued to be that defined in the Credit Union Act 1979.

The credit union is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Results and dividends
The results for the year are set out on page 6.

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

Robert Kennedy	
Duncan Sloan	(Resigned 6 December 2022)
Allan Macleod	
Chris Mooney	
Ricky Mason	(Resigned 6 December 2022)
William Newlands	(Resigned 24 July 2023)
Alison Kennedy	
Kevin Pollock	(Resigned 6 December 2022)
George Nedley	
Graeme Gallie	
Lyndsay Garbutt	
Theresa Collie	
Angela Wood	
Paul Rooney	(Appointed 6 December 2022)
Garry O'Neill	(Appointed 6 December 2022)
Austin Dorrian	

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

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

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

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

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

Statement of Directors responsibilities

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

Legislation requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under the Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014 the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the credit union and of the surplus or deficit of the credit union for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the credit union will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the credit union's transactions and disclose with reasonable accuracy at any time the financial position of the credit union and enable them to ensure that the financial statements comply with the Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014. Directors are also responsible for safeguarding the assets of the credit union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

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

Auditor

A resolution for the re-appointment of Alexander Sloan as auditors of the credit union is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Paul Rooney
....
Paul Rooney
Secretary
Date: 17/11/2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SCOTTISH POLICE CREDIT UNION LTD

Opinion

We have audited the financial statements of Scottish Police Credit Union Ltd (the 'credit union') for the year ended 30 September 2023 which comprise the revenue account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2023 and of its surplus or deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the credit union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 twelve 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.

Opinions on other matters prescribed by the Co-operative and Community Benefit Societies Act 2014

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- proper books of account have not been kept by the credit union in accordance with the requirements of the legislation; or
- a satisfactory system of control over transactions has not been kept by the credit union in accordance with the requirements of the legislation; or
- the Revenue Account and Balance Sheet are not in agreement with the books of account of the credit union; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the credit union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the credit union or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the credit union through discussions with directors and other management, and from our wider knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the credit union, including Corporate and Community Benefit Society legislation and taxation legislation.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the credit union’s financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

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

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 2 were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with PRA, FCA and HMRC.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Use of our report

This report is made solely to the credit union’s members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the credit union’s members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the credit union and the credit union’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Alexander Sloan

Alexander Sloan

21/11/2023
....

Accountants & Business Advisers
Statutory Auditor

180 St Vincent Street
Glasgow
G2 5SG

REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Notes	2023 £	2022 £
Loan interest receivable and similar income	**3**	2,373,195	1,991,764
Interest payable and similar charges	**4**	(717,780)	(519,761)
Net interest receivable		1,655,415	1,472,003
Fees and commissions receivable	**5**	3,453	3,931
Fees and commissions payable	**6**	(27,524)	(26,346)
Net fees and commissions		(24,071)	(22,415)
Other operating income	**7**	50	4
Administrative expenses	**8**	(891,512)	(728,504)
Depreciation and amortisation		(44,865)	(45,293)
Other operating expenses	**9**	(59,839)	(46,758)
Impairment on loans for bad and doubtful debts	**15**	(267,022)	(144,714)
Surplus before taxation		368,156	484,323
Corporation tax	**12**	(99,681)	(17,861)
Surplus for the year		**268,475**	**466,462**

The Revenue Account has been prepared on the basis that all operations are continuing operations.
The notes on pages 11 to 25 form an integral part of these financial statements.

SCOTTISH POLICE CREDIT UNION LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Notes	2023 £	2022 £
Surplus for the year		268,475	466,462
Other comprehensive income		-	-
Total comprehensive income for the year		268,475	466,462

The notes on pages 11 to 25 form an integral part of these financial statements.

SCOTTISH POLICE CREDIT UNION LTD

BALANCE SHEET

AS AT 30 SEPTEMBER 2023

	Notes	2023 £	2022 £
Assets			
Cash and balances at central banks	**13**	299	166
Loans and advances to banks	**13**	18,619,510	20,112,771
Loans and advances to customers	**14**	26,360,830	24,656,969
Intangible assets	**16**	36,310	51,383
Tangible assets	**17**	85,536	78,643
Other receivables	**18**	64,995	96,959
Total assets		**45,167,480**	**44,996,891**
Liabilities and reserves			
Customer accounts	**19**	39,187,908	39,414,675
Other liabilities	**20**	197,474	68,593
		39,385,382	39,483,268
General reserve	**26**	4,808,958	4,808,958
Other reserves	**26**	973,140	704,665
Total reserves		5,782,098	5,513,623
Total liabilities and reserves		**45,167,480**	**44,996,891**

The financial statements were approved by the Board of Directors and authorised for issue on 17/11/2023 .... and are signed on its behalf by:

....
Robert Kennedy
Director

Allan Macleod
....
Allan Macleod
Director

Paul Rooney
....
Paul Rooney
Secretary

The notes on pages 11 to 25 form an integral part of these financial statements.

SCOTTISH POLICE CREDIT UNION LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Other Reserve £	IT Reserve £	General Reserve £	Total £
Balance at 1 October 2021	695,000	-	4,352,161	5,047,161
Year ended 30 September 2022:				
Surplus and total comprehensive income for the year	(29,600)	-	496,062	466,462
Other movements	39,265	-	(39,265)	-
Balance at 30 September 2022	**704,665**	**-**	**4,808,958**	**5,513,623**
Year ended 30 September 2023:				
Surplus and total comprehensive income for the year	148,475	120,000	-	268,475
Balance at 30 September 2023	**853,140**	**120,000**	**4,808,958**	**5,782,098**

The notes on pages 11 to 25 form an integral part of these financial statements.

SCOTTISH POLICE CREDIT UNION LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Notes		2023		2022
		£	£	£	£
Cash flows from operating activities					
Surplus for the period			268,475		466,462
Depreciation and amortisation	**10**	44,865		45,293	
Corporation tax expenses	**12**	99,681		17,861	
Provision movement	**15**	282,537		157,432	
Interest income on loans	**3**	(1,895,689)		(1,897,759)	
Distribution on members shares	**4**	717,780		519,761	
			(750,826)		(1,157,412)
Working capital adjustments					
Change in other receivables and prepayments		31,964		(10,718)	
Change in other liabilities		42,204		(15,039)	
			74,168		(25,757)
Cash flows from changes in operating assets and liabilities					
Loan repayments less loans advanced	**14**	(90,709)		2,638,519	
Customer balance cash movement		(944,547)		1,963,040	
Movement on funds on deposit	**13**	(1,188,669)		(5,019,111)	
			(2,223,925)		(417,552)
Corporation tax paid			(13,004)		(10,077)
Net cash flow from operating activities			(2,645,112)		(1,144,336)
Investing activities					
Purchase of intangible assets	**16**	-		(22,083)	
Purchase of tangible fixed assets	**17**	(36,685)		(45,087)	
Net cash used in investing activities			(36,685)		(67,170)
Proceeds from borrowings		-		-	
Net cash used in financing activities			-		-
Net decrease in cash and cash equivalents			(2,681,797)		(1,211,506)
Cash and cash equivalents at beginning of year			9,057,330		10,268,836
Cash and cash equivalents at end of year	**28**		**6,375,533**		**9,057,330**

The notes on pages 11 to 25 form an integral part of these financial statements.

1 Accounting policies

Background information

Scottish Police Credit Union Ltd is registered in the UK as a society under the Co-operative and Community Benefit Societies Act 2014, whose principal activity is to operate as a credit union, within the meaning of the Credit Union Act 1979. The credit union is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

1.1 Accounting convention

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

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

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

1.2 Going concern

The Credit Union has prepared financial projections taking into account the expected impact of the current economic conditions on the Credit Union's financial reserves. While it is unknown how long the pandemic will last or the extent of the impact on the economy, at the time of approving the financial statements , the Directors have a reasonable expectation that the credit union has adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Income

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

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

1.4 Intangible fixed assets

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

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

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

Software	20%-33.33% straight line

1.5 Tangible fixed assets

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

1 Accounting policies **(Continued)**

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

Freehold land and buildings	Straight line over 10 to 25 years
Fixtures and fittings	20%-33% straight line

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

1.6 Impairment of fixed assets

At each reporting period end date, the credit union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the credit union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the revenue account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Cash at bank and in hand

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

1.8 Financial instruments

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

Basic financial assets

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

1 Accounting policies **(Continued)**

Other financial assets

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

Impairment of financial assets

The credit union assesses, at each balance sheet date, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised. Any impairment losses are recognised in the revenue account, as the difference between the carrying value of the expected cash flows.

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

Other financial liabilities

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

Derecognition of financial liabilities

Financial liabilities are derecognised when the credit union’s contractual obligations expire or are discharged or cancelled.

1.9 Taxation

The tax expense for the period comprises current tax. Tax is recognised in the revenue account, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

1 Accounting policies **(Continued)**

Current tax

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

1.10 Employee benefits

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

1.11 Retirement benefits

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

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Loan Impairment

The credit union assesses, at each reporting date, if there is objective evidence that any of its loans to customers are impaired. The loans are assessed collectively in groups that share similar credit-risk characteristics. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised. Any impairment losses are recognised in the Revenue Account, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

3 Interest receivable and similar income

	2023	**2022**
	£	**£**
Interest income on loans	1,895,689	1,897,759
Interest income on bank deposits	477,506	94,005
	2,373,195	1,991,764

4 Interest payable and similar charges

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

	2023	2022
Interest and similar charges paid during the period	**£**	**£**
Dividend on dividend bearing shares	709,280	513,761
Distributions to juvenile members	8,500	6,000
	717,780	519,761

The distributions on member's shares represents distributions paid in the year which were approved at the last Annual General Meeting. The dividend rates approved at the previous AGM were:

	2023	2022
Dividend rates paid during year	**%**	**%**
Ordinary share dividend	1.90	1.50

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

	2023	2022
Dividend rates to be proposed at the Annual General Meeting	**%**	**%**
Ordinary share dividend	2.20	1.90

5 Fees and commissions receivable

	2023	2022
	£	**£**
Entrance fees	2,515	2,525
Service charges	380	340
Insurance commission	558	1,066
	3,453	3,931

6 Fees and commissions payable

	2023	2022
	£	**£**
Bank charges	27,524	26,346

7 Other operating income

	2023	2022
	£	£
Other income	50	4

8 Administrative expenses

	Notes	2023	2022
		£	£
Staff costs	11	541,982	468,890
Death benefit insurance		70,217	53,228
External auditor's remuneration		8,339	4,984
Member communication and advertising		22,984	11,872
Legal, professional and credit control costs		97,908	72,194
Computer and software expenses		110,826	69,967
Donations		13,354	28,408
General administration costs		25,902	18,961
		891,512	728,504

9 Other operating expenses

	2023	2022
	£	£
Regulatory costs	20,287	19,732
Costs of occupying offices	39,552	27,026
	59,839	46,758

10 Operating surplus

	2023	2022
Operating surplus for the year is stated after charging:	£	£
Fees payable to the credit union's external auditor for the audit of the financial statements	8,339	4,984
Depreciation of owned tangible fixed assets	29,792	31,266
Amortisation of intangible assets	15,073	14,027

11 Employees

The average monthly number of persons employed by the credit union and directors during the year was:

	2023 Number	2022 Number
Directors	12	14
Staff	13	12
	25	26

Directors, who are not employees of the credit union, do not receive remuneration from the credit union. The aggregate remuneration of employees comprised:

	2023 £	2022 £
Wages and salaries	438,786	368,126
Social security costs	29,321	36,760
Pension costs	73,875	64,004
	541,982	468,890

12 Corporation tax

	2023 £	2022 £
Current tax		
UK corporation tax on taxable surplus for the current period	104,538	17,861
Adjustments in respect of prior periods	(4,857)	-
Total current tax	99,681	17,861

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

	2023 £	2022 £
Surplus before taxation	368,156	484,323
Expected tax charge based on the standard rate of corporation tax in the UK of 22.00% (2022: 19.00%)	80,994	92,021
Tax effect of income/expenditure not taxable in determining taxable surplus	18,687	(74,160)
Taxation charge for the year	99,681	17,861

13 Loans and advances to banks

	2023 £	2022 £
Cash held at banks	6,375,234	9,057,164
Bank deposits	12,244,276	11,055,607
Loans and advances to banks	18,619,510	20,112,771
Cash in hand	299	166
Total cash and bank balances	18,619,809	20,112,937
Loans split by repayment period		
Cash and cash equivalents	6,375,533	9,057,330
Amounts maturing in over 8 days	12,244,276	11,055,607
	18,619,809	20,112,937

14 Loans and advances to customers

	Notes	2023 £	2022 £
Loan movement			
Opening balances		24,915,241	25,764,695
Interest on loans		1,895,689	1,897,759
Loans advanced during the period		11,787,492	10,957,014
Loans repaid during the period		(11,696,783)	(13,595,533)
Loans derecognised		(60,457)	(108,694)
		26,841,182	24,915,241
Loan impairment provisions	**15**	(480,352)	(258,272)
		26,360,830	24,656,969
Loans split by repayment period			
Capital repayments due within 1 year		7,130,160	6,433,447
Capital repayments due after 1 year		19,711,022	18,481,794
Loan impairment provisions	**15**	(480,352)	(258,272)
		26,360,830	24,656,969
Loans split by type			
Loans to members		26,841,182	24,915,241
Loan impairment provisions	**15**	(480,352)	(258,272)
		26,360,830	24,656,969

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

15 Loan impairment

	Write off Provision	Arrears Provision	Total Provisions
	£	£	£
Loan impairment provision			
Opening balances	3,469	254,803	258,272
Provision movement	-	222,080	222,080
Closing balances	3,469	476,883	480,352

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

	Notes	2023	2022
		£	£
Impairment revenue account charge			
Impairment provision movement		222,080	48,738
Bad debts derecognised	**14**	60,457	108,694
Bad debts recovered		(15,515)	(12,718)
		267,022	144,714

16 Intangible fixed assets

	Software
	£
Cost	
At 1 October 2022 and 30 September 2023	323,136
Amortisation and impairment	
At 1 October 2022	271,753
Amortisation charged for the year	15,073
At 30 September 2023	286,826
Carrying amount	
At 30 September 2023	36,310
At 30 September 2022	51,383

17 Tangible fixed assets

	Freehold land and buildings	Fixtures and fittings	Total
	£	£	£
Cost			
At 1 October 2022	462,160	205,707	667,867
Additions	13,540	23,145	36,685
At 30 September 2023	475,700	228,852	704,552
Depreciation and impairment			
At 1 October 2022	398,932	190,292	589,224
Depreciation charged in the year	9,831	19,961	29,792
At 30 September 2023	408,763	210,253	619,016
Carrying amount			
At 30 September 2023	66,937	18,599	85,536
At 30 September 2022	63,228	15,415	78,643

18 Other receivables

	2023	2022
Amounts falling due within one year:	£	£
Other debtors	64,995	96,959

19 Customer accounts

	2023	2022
	£	£
Deposit movement		
Opening balances	39,414,675	36,931,874
Deposited during the period	23,589,384	24,498,579
Withdrawn during the period	(23,816,151)	(22,015,778)
	39,187,908	39,414,675
Deposits split by type		
Standard dividend bearing member shares	38,657,033	38,881,209
Corporate dividend bearing shares	276,003	270,870
Juvenile member deposits	254,872	262,596
	39,187,908	39,414,675

20 Other liabilities

	2023	2022
	£	£
Corporation tax	104,538	17,861
Other creditors	59,368	19,722
Accruals and deferred income	33,568	31,010
	197,474	68,593

21 Retirement benefit schemes

	2023	2022
Defined contribution schemes	£	£
Charge to revenue account in respect of defined contribution schemes	73,875	64,004

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

22 Financial risk management

The credit union manages its shares and loans so that it earns income from the margin between interest receivable and interest payable (including dividends paid).

The main financial risks arising from the activities of the credit union are credit risk, liquidity risk and market risk. The Board reviews and agrees policies for managing each of these risks which are summarised below:

Credit risk

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

Liquidity risk

The policy of the credit union is to maintain sufficient funds in liquid form at time to ensure that it can meet its liabilities as they fall due and meet the liquidity ratios set by the regulators. The objective of the policy is to provide a degree of protection against any unexpected developments that may arise

Market risk

Market risk generally comprises of interest rate risk, currency risk and other price risk. The main risks impacting the credit union are set out below:

Interest rate risk: The main interest rate risk for the credit union arises between the interest rate exposure on loans, bank deposits and shares that form an integral part of a credit union's operations. The credit union considers rates of interest receivable when deciding on proposed dividend rates. Dividend rates are based on the historical results of the credit union and the credit union's strategic plans. The credit union does not use interest rate options to hedge its own positions.

Foreign Currency Risk: All transactions are carried out in sterling and therefore the credit union is not exposed to any form of foreign currency risk.

23 Credit risk on lending

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

	2023	2022
	£	£
Security for loans		
Attached shares	4,510,220	3,971,933

The carrying amount of the loans to members represents the credit union's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full. The status 'past due' includes any loan where payments are in arrears. The amount included is the entire loan amount and not just the overdue amount.

	2023	2022
	£	£
Loans not individually impaired		
Not past due	26,498,178	24,676,256
Up to 3 months past due	120,188	123,464
	26,618,366	24,799,720
Loans individually impaired		
Between 3 and 6 months past due	49,623	61,954
Between 6 months and 1 year past due	29,800	26,841
Over 1 year past due	139,924	23,257
Individually impaired and written off for internal purposes	3,469	3,469
	222,816	115,521
Total loans	26,841,182	24,915,241
Impairment allowance	(480,352)	(258,272)
	26,360,830	24,656,969

24 Credit risk on bank and investments

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

	2023	2022
	£	£
Bank accounts	6,375,234	9,057,164
Bank term deposits	12,244,276	11,055,607
	18,619,510	20,112,771

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

25 Interest rates on financial instruments

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

	2023		2022	
	Amount	Rates received in year	Amount	Rates received in year
	£	%	£	%
Financial assets				
Loans to members	26,841,182	7.33%	24,915,241	7.49%
Loans and advances to banks	18,619,510	2.47%	20,112,771	0.52%
	45,460,692		45,028,012	
Financial liabilities				
Juvenile deposits	(254,872)	3.29%	(262,596)	2.29%
Dividend bearing shares	(38,933,036)	1.81%	(39,152,079)	1.35%
	(39,187,908)		(39,414,675)	

26 Reserves

General Reserve
The general reserve represents the base capital of the credit union and is the retained surpluses and deficits which have not been allocated to another specific reserve.

The credit union has the following other reserves:

Other
The Other Reserve represents funds the Board have allocated towards investment in new technology and staff to improve the growth and efficiency of the credit union.

IT
The IT Reserve represents funds allocated by the Board to cover additional IT and development costs. These funds are expected to be spent in the next financial year.

27 Capital

The credit union classes all of its reserves as capital. The credit union manages its reserves through its financial and budgeting policies and procedures. The Prudential Regulation Authority sets out requirements for regulatory capital that the credit union must maintain. The credit union's compliance with the requirements at the year end is set out below:

	2023	2022
	%	%
Actual regulatory capital ratio	10.92	10.68
Regulatory requirement		
Regulatory minimum capital ratio requirement	7.34	7.33

The Credit Union has allocated funds to the IT Reserve for projected IT spend in 2023/24. After the projected IT spend the Credit Union's capital ratio would be 10.65%.

28 Analysis of changes in net funds

	1 October 2022	Cash flows	30 September 2023
	£	£	£
Cash and cash equivalents	9,057,330	(2,681,797)	6,375,533
Bank deposits maturing in over 8 days	11,055,607	1,188,669	12,244,276
	20,112,937	(1,493,128)	18,619,809

29 Financial commitments, guarantees and contingent liabilities

Contingent liabilities

The credit union participates in the Financial Services Compensation Scheme (FSCS) which provides protection for its members up to the level of protection offered by the FSCS. As a result of the credit union's participation it has a contingent liability, which cannot be quantified, in respect of future contributions to the FSCS, as required by the Financial Services and Markets Act 2000.

30 Related party transactions

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

Remuneration of key management personnel
The remuneration of key management personnel is as follows.

	2023	2022
	£	£
Wages and salaries	220,862	222,771
Pension expense	34,675	33,619
Aggregate compensation	255,537	256,390

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

	2023	2022
	£	£
Loans to key management and their close family	132,666	95,074
Shares held by key management and their close family	278,236	239,622

Other related party transactions
During the year the Credit Union paid £18,050 to the company of one of the Directors for IT services. This work was arranged before they became a Director and is on normal terms and conditions. Four of the Directors are Trustees of The Scottish Police Credit Union Foundation (SPCU Foundation). During the year the Credit Union donated £12,510 (2022: £28,408) to the SPCU Foundation. At the year end the Credit Union holds £40,635 of funds for the Foundation.

The following page does not form part of the statutory accounts

SCOTTISH POLICE CREDIT UNION LTD

DETAILED REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Notes	2023 £	2022 £
Income			
Interest income on loans	3	1,895,689	1,897,759
Interest income on bank deposits	3	477,506	94,005
Fees and commissions receivable	5	3,453	3,931
Other income	7	50	4
		2,376,698	1,995,699
Expenditure			
Staff costs	11	541,982	468,890
Death benefit insurance		70,217	53,228
Auditors remuneration		8,339	4,984
Member communication and advertising	8	22,984	11,872
Legal, professional and credit control costs	8	97,908	72,194
Computer and software expenses	8	110,826	69,967
Bank charges	6	27,524	26,346
Donations	8	13,354	28,408
General administration costs	8	25,902	18,961
Regulatory costs	9	20,287	19,732
Costs of occupying offices	9	39,552	27,026
Depreciation and amortisation	10	44,865	45,293
Impairment on loans for bad and doubtful debts	15	267,022	144,714
		1,290,762	991,615
Surplus before taxation		1,085,936	1,004,084
Corporation tax	12	(99,681)	(17,861)
		986,255	986,223
Distributions		(717,780)	(519,761)
Surplus for the year		268,475	466,462