

File

Directors' Report and
Financial Statements for the Year Ended 30 September 2020
for
NORTH EDINBURGH AND CASTLE CREDIT UNION
LIMITED
TRADING AS CASTLE COMMUNITY BANK

shares

NORTH EDINBURGH AND CASTLE CREDIT UNION
LIMITED
TRADING AS CASTLE COMMUNITY BANK

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for the Year Ended 30 September 2020

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NORTH EDINBURGH AND CASTLE CREDIT UNION
LIMITED
TRADING AS CASTLE COMMUNITY BANK

Company Information
for the Year Ended 30 September 2020

DIRECTORS:

Ms M Child
D Reid
K McDonald
I Irvin
A Mathieson
A Flynn
E McNeill

SECRETARY:

A Mathieson

REGISTERED OFFICE:

49 Great Junction Street
Edinburgh
EH6 5HX

REGISTERED NUMBER:

213877

**SENIOR STATUTORY
AUDITOR:**

Robert Pollock BA CA

AUDITORS:

Sharles Audit Limited
Statutory Auditor
29 Brandon Street
Hamilton
ML3 6DA

sharles

NORTH EDINBURGH AND CASTLE CREDIT UNION
LIMITED
TRADING AS CASTLE COMMUNITY BANK

Directors' Report
for the Year Ended 30 September 2020

The directors present their report with the financial statements of the Credit Union for the year ended 30 September 2020.

PRINCIPAL ACTIVITY

The principal activity of the Credit Union in the year under review was that of providing community loans and savings.

REVIEW OF BUSINESS

The directors are satisfied with the results for the year under review. Some financial KPI's are set out in the table below to show the performance of the Credit Union over the trading year.

	Year to 30 September 2020	Year to 30 September 2019
Turnover	£145,698	£125,954
Deficit after taxation	£(90,542)	£(84,809)
Capital Asset Ratio	6.79%	5.09%
Liquidity	38%	24%

Reserves amount to £85,626 (2019 - £66,893). The directors are confident that the Credit Union has sufficient reserves to finance the anticipated levels of activity in the future.

DIVIDENDS

No dividends will be distributed for the year ended 30 September 2020.

FUTURE DEVELOPMENTS

The directors have considered the impact that the Covid-19 pandemic could have on the ongoing trade of the company.

This includes the potential impact of reduced levels of turnover for a period of time and the effect of a short-term shut-down to businesses during this difficult period. The directors expect the company to incur additional losses while the impact of the virus persists. With the support of deferred shareholders they are confident that the company can continue operating as a going concern.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2019 to the date of this report.

Ms M Child
D Reid
K McDonald
I Irvin
A Mathieson

Other changes in directors holding office are as follows:

W McEwan - resigned 5 August 2020
Ms J Myerthal - resigned 9 September 2020
A Flynn - appointed 9 September 2020
E McNeill - appointed 11 February 2020

NORTH EDINBURGH AND CASTLE CREDIT UNION
LIMITED
TRADING AS CASTLE COMMUNITY BANK

Directors' Report
for the Year Ended 30 September 2020

COMPLIANCE STATEMENT

The Credit Union is required to maintain and test a single customer view (SCV) file for submission to the FSCS in the event that the Credit Union is wound up. The directors are aware of their responsibilities in respect of single customer view.

The directors also confirm the following as required by Section 10.1 of the PRA Credit Union Rulebook:

- the Credit Union carried out lending activity within the PRA Credit union rulebook and we can confirm that we meet the requirements for carrying out this activity.
- the Credit Union had sufficient fidelity bond insurance throughout the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors and committee of management are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Credit Union at the end of the financial year, and of the income and expenditure of the Credit Union for that year.

In preparing these financial statements they are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; state whether accounting standards have been followed, and give details of any departures; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Credit Union will continue in business.

They are also responsible for:

- ensuring that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and the Credit Union Act 1979; keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the credit union; and
- comply with the rules set out within the Prudential Regulatory Authority Credit Union Rulebook; safeguarding the Credit Union's assets; and maintaining a satisfactory system of control over the accounting records and transactions;
- taking reasonable steps for the prevention and detection of fraud and other irregularities.


STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Charles Audit Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


.....
I Irvin - Director

Date: 24th February 2021

Report of the Independent Auditors to the Members of
North Edinburgh and Castle Credit Union
Limited

Opinion

We have audited the financial statements of North Edinburgh & Castle Credit Union Limited (the 'Credit Union') for the year ended 30 September 2020 which comprise the Revenue Account, Balance Sheet, Statement of Changes in Retained Earnings and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2020;
- 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 Benefits Society 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Credit Union's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' Report, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters

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

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

Report of the Independent Auditors to the Members of
North Edinburgh and Castle Credit Union
Limited

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 Benefits Society Act 2014 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- comply with the rules set out within the Prudential Regulatory Authority Credit Union Rulebook;
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages two and three, 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 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.

Auditors 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the Credit Union's members, as a body, in accordance with Co-operative and Community Benefits Society 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 a Report of the Auditors 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.



Robert Pollock BA CA (Senior Statutory Auditor)
for and on behalf of Charles Audit Limited
Statutory Auditor
29 Brandon Street
Hamilton
ML3 6DA

Date: 24th February 2021

NORTH EDINBURGH AND CASTLE CREDIT UNION
LIMITED
TRADING AS CASTLE COMMUNITY BANK

Revenue Account
for the Year Ended 30 September 2020

	Notes	2020 £	2019 £
LOAN INTEREST RECEIVABLE		145,698	125,954
Administrative expenses		<u>238,636</u>	<u>238,766</u>
		(92,938)	(112,812)
Other operating income		<u>21,626</u>	<u>28,050</u>
OPERATING DEFICIT	5	(71,312)	(84,762)
Interest receivable and similar income		<u>334</u>	<u>775</u>
		(70,978)	(83,987)
Interest payable and similar expenses	6	<u>19,500</u>	<u>675</u>
DEFICIT BEFORE TAXATION		(90,478)	(84,662)
Tax on deficit	7	<u>64</u>	<u>147</u>
DEFICIT FOR THE FINANCIAL YEAR		(90,542)	(84,809)
OTHER COMPREHENSIVE INCOME			
Subordinated loan		-	(65,000)
Deferred Shares		<u>109,275</u>	<u>135,000</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>109,275</u>	<u>70,000</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>18,733</u>	<u>(14,809)</u>

NORTH EDINBURGH AND CASTLE CREDIT UNION
LIMITED (REGISTERED NUMBER: 213877)
TRADING AS CASTLE COMMUNITY BANK

Balance Sheet
30 September 2020

	Notes	2020 £	£	2019 £	£
FIXED ASSETS					
Tangible assets	8		28,554		40,975
CURRENT ASSETS					
Members loans and other assets	9	661,106		919,374	
Cash at bank and in hand	10	<u>570,569</u>		<u>355,025</u>	
		1,231,675		1,274,399	
CREDITORS					
Members shares and other liabilities	11	<u>1,174,603</u>		<u>1,248,481</u>	
NET CURRENT ASSETS			<u>57,072</u>		<u>25,918</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>85,626</u>		<u>66,893</u>
RESERVES					
Deferred shares	14		429,275		320,000
Retained earnings	14		<u>(343,649)</u>		<u>(253,107)</u>
			<u>85,626</u>		<u>66,893</u>

shares

The financial statements were approved by the Board of Directors and authorised for issue on 24th February 2021 and were signed on its behalf by:

X I. Irvin 7
I Irvin - Director

X D. Reid
D Reid - Director

X A. Mathieson X
A Mathieson - Director

NORTH EDINBURGH AND CASTLE CREDIT UNION
LIMITED
TRADING AS CASTLE COMMUNITY BANK

Statement of Changes in Earnings
for the Year Ended 30 September 2020

	Retained earnings £	Revaluation reserve £	Subordinated Loan £	Deferred shares £	Total earnings £
Balance at 1 October 2018	(249,476)	81,178	65,000	185,000	81,702
Changes in earnings					
Total comprehensive income	(3,631)	(81,178)	(65,000)	135,000	(14,809)
Balance at 30 September 2019	(253,107)	-	-	320,000	66,893
Changes in earnings					
Total comprehensive income	(90,542)	-	-	109,275	18,733
Balance at 30 September 2020	(343,649)	-	-	429,275	85,626

NORTH EDINBURGH AND CASTLE CREDIT UNION
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Cash Flow Statement
for the Year Ended 30 September 2020

	Notes	2020 £	2019 £
Cash flows from operating activities			
Cash generated from operations	1	321,870	(243,482)
Finance costs paid		(19,500)	(675)
Tax paid		<u>(151)</u>	<u>1</u>
Net cash from operating activities		<u>302,219</u>	<u>(244,156)</u>
 Cash flows from investing activities			
Purchase of tangible fixed assets		(307)	(499)
Sale of tangible fixed assets		-	83,520
Interest received		<u>334</u>	<u>775</u>
Net cash from investing activities		<u>27</u>	<u>83,796</u>
 Cash flows from financing activities			
Amount introduced by members		570,008	682,967
Amount withdrawn by members		<u>(656,710)</u>	<u>(652,730)</u>
Net cash from financing activities		<u>(86,702)</u>	<u>30,237</u>
 Increase/(decrease) in cash and cash equivalents		 <u>215,544</u>	 <u>(130,123)</u>
Cash and cash equivalents at beginning of year	2	<u>355,025</u>	<u>485,148</u>
 Cash and cash equivalents at end of year	2	 <u><u>570,569</u></u>	 <u><u>355,025</u></u>

NORTH EDINBURGH AND CASTLE CREDIT UNION
LIMITED
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Notes to the Cash Flow Statement
for the Year Ended 30 September 2020

1. **RECONCILIATION OF DEFICIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2020	2019
	£	£
Deficit before taxation	(90,478)	(84,662)
Depreciation charges	12,728	17,190
Loss on disposal of fixed assets	-	5,958
Impairment provision	20,176	(37,917)
Subordinated loan repaid	-	(65,000)
Deferred shares	109,275	135,000
Finance costs	19,500	675
Finance income	(334)	(775)
	<u>70,867</u>	<u>(29,531)</u>
Decrease/(increase) in members loans and other assets	238,092	(197,548)
Increase/(decrease) in members shares and other liabilities	<u>12,911</u>	<u>(16,403)</u>
Cash generated from operations	<u><u>321,870</u></u>	<u><u>(243,482)</u></u>

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 30 September 2020

	30.9.20	1.10.19
	£	£
Cash and cash equivalents	<u>570,569</u>	<u>355,025</u>

Year ended 30 September 2019

	30.9.19	1.10.18
	£	£
Cash and cash equivalents	<u>355,025</u>	<u>485,148</u>

3. **ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.10.19	Cash flow	At 30.9.20
	£	£	£
Net cash			
Cash at bank and in hand	<u>355,025</u>	<u>215,544</u>	<u>570,569</u>
	<u>355,025</u>	<u>215,544</u>	<u>570,569</u>
Total	<u><u>355,025</u></u>	<u><u>215,544</u></u>	<u><u>570,569</u></u>

NORTH EDINBURGH AND CASTLE CREDIT UNION
LIMITED
TRADING AS CASTLE COMMUNITY BANK

Notes to the Financial Statements
for the Year Ended 30 September 2020

1. **STATUTORY INFORMATION**

The Credit Union is registered under the Co-operative and Community Benefit Societies Act 2014 and operates as a Credit Union within the meaning of the Credit Union Act 1979. The Credit Union has registered with the Financial Conduct Authority and Prudential Regulatory Authority under the provisions of the Financial Services and Markets Act 2000.

The presentational currency of the financial statements is the Pound Sterling (£).

In accordance with the regulatory environment for credit unions, deposits from members can be made by subscription for redeemable shares, deferred shares and interest-bearing shares. At present the Credit Union has only interest-bearing shares.

2. **STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Any departures from the standard are detailed in the accounting policies.

3. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

The financial statements have been prepared, in accordance with the Co-operative and Community Benefit Societies Act 2014, Credit Unions Act 1979 and prepared on the historical cost basis.

Going concern

The financial statements are prepared on the going concern basis. The directors of the credit union believe this is appropriate despite a mismatch in the maturity analysis of subscribed capital and loans to members.

In the opinion of the directors this is due to a significant amount of subscribed capital not being redeemable at short notice unless loans with the same member have been repaid.

Also, as explained in the directors report, the company's ongoing trade is facing a impact from the Covid-19 pandemic. At this stage it is not possible to say how significant this impact will be or for how long it will be experienced. As a result of the potential fall in turnover the directors have taken steps to reduce costs in the short term so that the company can continue trading as a going concern.

Income

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

Other operating income: fees, charges and other operating income 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 completed.

NORTH EDINBURGH AND CASTLE CREDIT UNION
LIMITED
TRADING AS CASTLE COMMUNITY BANK

Notes to the Financial Statements - continued
for the Year Ended 30 September 2020

3. **ACCOUNTING POLICIES - continued**

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Improvements to property	- 10% on cost
Office Equipment	- 50% on cost
Computer equipment	- 33% on cost

Land value within freehold property is not depreciated.

At each balance sheet date, the directors of the credit union review the carrying amounts of its tangible fixed assets to determine whether there is any indication that any item has suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of the asset, the credit union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Expenditure of £500 or more on individual tangible fixed assets is capitalised at cost. Expenditure on assets below this threshold is charged directly to the revenue account in the period it is incurred.

Taxation

The tax charge for the year reflects current tax payable. Current tax is the expected corporation tax payable for the year, using tax rates in force for the year. The Credit Union is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as a trade. However, corporation tax is payable on investment income.

As a result of the limited activities of the Credit Union, from which any surplus would be chargeable to corporation tax, it is unlikely that deferred tax will arise.

Impairment losses and provision

Impairment losses on loans to members are provided in accordance with the guidelines issued by the Prudential Regulatory Authority. 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.

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.

NORTH EDINBURGH AND CASTLE CREDIT UNION
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Notes to the Financial Statements - continued
for the Year Ended 30 September 2020

3. **ACCOUNTING POLICIES - continued**

Impaired loans written off and recovered

In accordance with FRS102, the policy of the Credit Union and the requirements of the standard for impaired losses written off differ. The credit union writes off impaired loans when all methods of recovery have been exhausted. Therefore, the impaired losses written off in the financial statements do not meet the requirements of FRS102. As a result of the above there is no net effect on the surplus or net assets of the Credit Union.

Financial Assets - Members loans

Loans to members are financial assets with fixed or determinable payments and are not quoted in an active market. 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 flow from the asset have expired, usually when all the amounts outstanding have been repaid by the member. The credit union does not transfer loans to third parties.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand along with bank and building society deposits. The credit union has access to these funds and they are readily convertible to cash.

Financial liabilities - Subscribed capital

Members shareholdings in the credit union are redeemable and therefore are classified as financial liabilities and described as subscribed capital. They are initially recognised as the amount of cash deposited and subsequently measured at amortised cost.

Employee benefits

Defined contribution plans: The amounts charged as expenditure for the defined contribution plan are the contributions payable by the credit union for the relevant period under review.

Other employee benefits: Other short and long term employee benefits, including holiday pay, are recognised as an expense over the period they are earned.

Reserves

Retained earnings are the accumulated surpluses to date that have not been declared as dividends returnable to members.

Use of estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying the credit union's existing accounting policies. The area requiring the highest degree of judgement or complexity and the area where significant assumptions required is impairment losses on loans to members. The directors regularly conduct impairment reviews by analysing arrears reports, credit control data and the reports from debt collecting companies.

Dividend

The dividend is formally proposed by the directors after the year end and is confirmed at the following AGM. As a result, it does not represent a liability at the balance sheet date.

NORTH EDINBURGH AND CASTLE CREDIT UNION
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Notes to the Financial Statements - continued
for the Year Ended 30 September 2020

3. **ACCOUNTING POLICIES - continued**

Juvenile deposits

The amount received by the Credit Union for juvenile depositors are held in trust for those depositors.

4. **SENIOR MANAGEMENT**

The average number of employees during the year was 0 (2019 - 0).

Salaries of £NIL were paid to senior management during the year (2019 - £NIL).

5. **OPERATING DEFICIT**

The operating deficit is stated after charging:

	2020	2019
	£	£
Depreciation - owned assets	12,728	17,190
Loss on disposal of fixed assets	-	5,958
Auditors' remuneration	3,480	3,450
Management fees	<u>39,280</u>	<u>53,095</u>

6. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2020	2019
	£	£
Interest on deferred shares	<u>19,500</u>	<u>675</u>

7. **TAXATION**

Analysis of the tax charge

The tax charge on the deficit for the year was as follows:

	2020	2019
	£	£
Current tax:		
UK corporation tax	<u>64</u>	<u>147</u>
Tax on deficit	<u>64</u>	<u>147</u>

Tax effects relating to effects of other comprehensive income

	Gross	2020	Net
	£	Tax	£
Subordinated loan			
Deferred Shares	<u>109,275</u>	<u>-</u>	<u>109,275</u>
	<u>109,275</u>	<u>-</u>	<u>109,275</u>

NORTH EDINBURGH AND CASTLE CREDIT UNION
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Notes to the Financial Statements - continued
for the Year Ended 30 September 2020

7. TAXATION - continued

	Gross £	2019 Tax £	Net £
Subordinated Loan	(65,000)	-	(65,000)
Deferred Shares	135,000	-	135,000
Revaluation Reserve	(81,178)	-	(81,178)
General Reserve	<u>81,178</u>	<u>-</u>	<u>81,178</u>
	<u>70,000</u>	<u>-</u>	<u>70,000</u>

8. TANGIBLE FIXED ASSETS

	Improvements to property £	Office Equipment £	Computer equipment £	Totals £
COST OR VALUATION				
At 1 October 2019	36,581	16,050	35,974	88,605
Additions	<u>-</u>	<u>-</u>	<u>307</u>	<u>307</u>
At 30 September 2020	<u>36,581</u>	<u>16,050</u>	<u>36,281</u>	<u>88,912</u>
DEPRECIATION				
At 1 October 2019	7,316	16,050	24,264	47,630
Charge for year	<u>3,657</u>	<u>-</u>	<u>9,071</u>	<u>12,728</u>
At 30 September 2020	<u>10,973</u>	<u>16,050</u>	<u>33,335</u>	<u>60,358</u>
NET BOOK VALUE				
At 30 September 2020	<u>25,608</u>	<u>-</u>	<u>2,946</u>	<u>28,554</u>
At 30 September 2019	<u>29,265</u>	<u>-</u>	<u>11,710</u>	<u>40,975</u>

Cost or valuation at 30 September 2020 is represented by:

	Improvements to property £	Office Equipment £	Computer equipment £	Totals £
Cost	<u>36,581</u>	<u>16,050</u>	<u>36,281</u>	<u>88,912</u>

9. MEMBERS LOANS AND OTHER ASSETS

	2020 £	2019 £
Unsecured members loans	713,587	957,708
Specific impairment provision	(82,871)	(62,695)
Other debtors	904	6,583
Prepayments	<u>29,486</u>	<u>17,778</u>
	<u>661,106</u>	<u>919,374</u>

NORTH EDINBURGH AND CASTLE CREDIT UNION
LIMITED
TRADING AS CASTLE COMMUNITY BANK

Notes to the Financial Statements - continued
for the Year Ended 30 September 2020

9. **MEMBERS LOANS AND OTHER ASSETS - continued**

Loans to members

	2020 £	2019 £
As at 30 September 2019	957,708	753,116
New loans	283,997	920,983
Interest on members loans	145,698	125,954
Loan repayments	(628,656)	(752,568)
Bad debts written off	(45,160)	(89,777)
	<u>713,587</u>	<u>957,708</u>
As at 30 September 2020		

Provision for members' doubtful debts - Changes in the year

	General £	Specific £	Total £
As at 30 September 2019	-	62,695	62,695
Decrease in provision	-	20,176	20,176
	<u>-</u>	<u>82,871</u>	<u>82,871</u>
As at 30 September 2020			

10. **CASH AT BANK AND IN HAND**

	2020 £	2019 £
Cash and bank balances	570,569	354,910
Cash in hand	-	115
	<u>570,569</u>	<u>355,025</u>

11. **MEMBERS SHARES AND OTHER CREDITORS**

	2020 £	2019 £
Corporation tax	64	151
Other creditors	21,917	6,243
Members share balances	1,132,710	1,219,412
Accrued expenses	19,912	22,675
	<u>1,174,603</u>	<u>1,248,481</u>

12. **LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2020 £	2019 £
In more than five years	<u>52,500</u>	<u>52,500</u>

**NORTH EDINBURGH AND CASTLE CREDIT UNION
LIMITED
TRADING AS CASTLE COMMUNITY BANK**

Notes to the Financial Statements - continued
for the Year Ended 30 September 2020

13. FINANCIAL INSTRUMENTS

Financial risk management

The credit union manages its subscribed capital and loans to members 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, market risk and interest rate 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 repayments to the credit union, resulting in financial loss to the credit union. In order to manage this risk the board approves the credit union 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 that the likelihood of repayment has changed. The credit union also monitors its banking arrangements closely in light of the current banking situation.

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. Note 2 provides further details about the impact of the maturity mismatch on the going concern status of the credit union. Excluding short term other payables, as noted in the balance sheet, the credit union's financial liabilities, the subscribed capital, are repayable on demand.

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 or other price risk.

Interest rate risk

The credit union's main interest rate risk arises from the 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 subscribed capital. The credit union does not use interest rate options to hedge its own positions. The interest rate risk is regularly monitored by the board with interest rates on members loans and interest receivable on bank deposits being regularly reviewed to ensure risk exposure is minimised.

Interest rate risk disclosures

The following table shows the average interest rates applicable to relevant financial assets and financial liabilities. This does not represent the typical rate of interest charged on a loan to a member.

	2020		2019	
	Amount £	Average Int %	Amount £	Average Int %
Financial Assets				
Loans to members	<u>713,584</u>	<u>20.42</u>	<u>957,708</u>	<u>13.15</u>
Financial liabilities				
Subscribed capital				
Share 1	<u>1,104,154</u>		<u>1,225,253</u>	
	<u>1,104,054</u>		<u>1,225,253</u>	

Fair value of financial instruments

The credit union does not hold any financial instruments at fair value.

NORTH EDINBURGH AND CASTLE CREDIT UNION
LIMITED
TRADING AS CASTLE COMMUNITY BANK

Detailed Revenue Account
for the Year Ended 30 September 2020

	2020		2019
Brought forward	£	£	£
		(77,750)	(61,514)
Depreciation			
Freehold property	-		4,538
Improvements to property	3,657		3,658
Computer equipment	<u>9,071</u>		<u>8,994</u>
		<u>12,728</u>	<u>17,190</u>
		(90,478)	(78,704)
Loss on disposal of fixed assets			
Freehold property	-		<u>5,958</u>
NET DEFICIT		<u>(90,478)</u>	<u>(84,662)</u>

sharles