ANNUAL REPORT & ACCOUNTS

Castle Community Bank 2025

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ABOUT US

CASTLE COMMUNITY BANK IS A CREDIT UNION - A MEMBER DRIVEN FINANCIAL CO-OPERATIVE.

We offer fair interest rates to all our members, both savers and borrowers, and we do social good by supporting those who are often unable to access mainstream banking.

We were established in 2015 following the merger of two long established credit unions – being Castle Credit Union and North Edinburgh Credit Union, along with members of the Water of Leith Credit Union Study Group. Today Castle Community Bank serves around 80,000 members across United Kingdom. We are dedicated to bringing people an ethical alternative for their savings and for sourcing loans.

We are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Our depositors also benefit from their deposits being protected up to £85,000 under the Financial Services Compensation Scheme (FSCS). This will increase to £120,000 with effect from 1 December 2025.

OUR VISION

To grow the credit union movement by giving greater access to fair savings and loans products to people struggling to access mainstream finance

OUR PURPOSE

Offering fair priced loans and savings products, encouraging a strong savings culture for our members

"We are committed to making a difference for our members through the provision of responsible and fair, savings and loans"

ADRIAN SARGENT
Chief Executive

COMPANY INFORMATION

LEGAL ENTITY NAME	**NORTH EDINBURGH AND CASTLE CREDIT UNION LTD**
Trading Name	Castle Community Bank
Directors	W S Pearson D Reid M J Brouwers K Mountford A Sargent S Gush
Company Secretary	M J Brouwers
Registered Office	49 Great Junction Street Edinburgh EH6 5HX
FCA & FRN	213877
FCA Mutuals Registration Number	19CUS
Independent Auditors	Sharles Audit Limited Statutory Auditor 29 Brandon Street Hamilton ML3 6DA
Solicitors	Morton Fraser MacRoberts 9 Haymarket Square Edinburgh EH3 8RY

CHAIR'S REPORT

Dear Members

Many people, and many of our members, continue to face financial hardship and money worries. As I said a year ago, some think that the "cost of living crisis" is over. It is not. Earlier this year, the FCA's latest Financial Lives Survey showed that one in four people have 'low financial resilience' with around one in ten people having no cash savings at all. A further fifth of UK adults were understood to have less than £1,000 to draw on in an emergency. The need for a fair savings and loans provider like Castle Community Bank is stronger than ever.

With that in mind, and as we reported last year, more borrowers than initially expected have been unable to meet their loan repayments. We initially identified this in early 2024 and took remedial action. As a result, we stepped back from some market segments at times this year and unfortunately could not help as many people in need of a loan as we would have liked. That said, we believe that the actions we have taken and early indicators of more recent lending provide reassurance that the worst is now behind us. We are confident that we are now trading out of this difficult period.

Yet there is no hiding from the fact that the financial year to September 2025 has been a difficult one for Castle Community Bank. The accounts show a loss of £4.4m for the year to September 2025. The latest business plan shows a return to profitability over the coming years.

We have been able to reward our deposit members by paying them £15.7m in interest. As with all other deposit taking institutions in the UK, all our deposits are covered by the Financial Services Compensation Scheme up to the maximum limit of £85,000 (increasing to £120,000 with effect from 1 December 2025).

The Board and I remain very proud of the way the team at Castle Community Bank has navigated these challenging times. We continue to provide a first-class service to members who have been helped by our fair loans and excellent savings products.

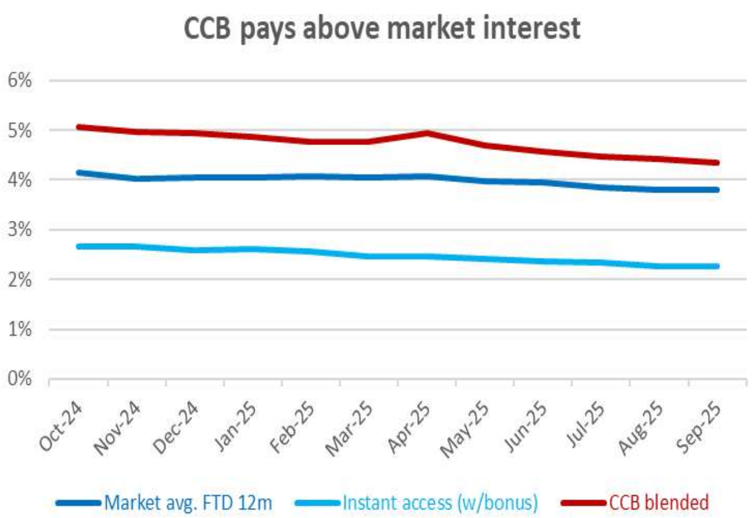
I would like to thank everyone at Castle Community Bank for their continued hard work and dedication to the business and to the broader Credit Union movement.

Stephen Pearson, Chair

CEO'S UPDATE

Our results reflect the on-going challenges so many of our members face in the current economic environment. Throughout this past year, a key focus has been to ensure we maintain all of our regulatory ratios as we navigate the challenges that come from loan arrears across the member base that we predominantly provided loans to pre-2024.

Our member base continues to grow. We ended the year with just under 80,000 members. We achieved this by providing much-needed credit to more than 2,000 people (on average) each month of the year. Many of these borrowers would not have been able to access a loan through the mainstream banking sector.



Our savings products continue to be popular with members and we have retained around two-thirds of maturing fixed term deposits in the last year. Our deposit members have, on average, earned more than 4.7% interest over the past year. That means in total they received c.£15.7m between them. This compares favourably to the wider market.

The loss for the year is £4.4m. This is disappointing but was expected. Close and continual monitoring of the lending portfolio is always a key focus. Our investors continue to believe in our strategic direction and have provided on-going regulatory capital support to ensure Castle Community Bank has what it needs to trade through this challenging period.

CEO’S UPDATE (cont’d)

We are committed to helping as many people as possible gain access to credit at fair and reasonable rates, growing the wider credit union movement and supporting financial inclusion.

Adrian Sargent

Chief Executive Officer

DIRECTORS' REPORT

The directors present their report with the financial statements of the credit union for the year ended 30 September 2025. These accounts have been prepared on a going concern basis as our latest business plan shows a return to profitability in the coming years, with the benefit of our new credit scorecard.

Principal Activity

The principal activity of the credit union in the year under review was that of providing community loans and savings to members in various parts of the United Kingdom.

Review of Business

The directors are satisfied with the results for the year under review. Some financial key performance indicators are set out in the table below to show the performance of the credit union over the trading year.

	Year to 30 September 2025	Year to 30 September 2024
Net interest income	**£55,047,785**	£47,192,845
Deficit after taxation	**£(4,396,944)**	£(724,474)*
Capital Asset Ratio	**10.9%**	10.1%
Liquidity Ratio	**12.6%**	14%.0

** Including a one off donation of £200k*

Dividends

No dividend will be proposed (at the forthcoming AGM for dividend bearing member deposits (2024 Nil).

Principal Risks and Uncertainties

The principal risks which create uncertainty for Castle Community Bank (CCB) are considered in turn.

Capital risk

Description: Capital risk is the risk that CCB does not hold sufficient capital to meet its regulatory requirements and support the business on an on-going basis.

Mitigating actions: CCB monitors its capital position at least once a week. On an annual basis, as part of its 5-year planning process CCB carries out a number of tests in order to ensure its capital resources are sufficient to meet its requirements under a range of potential stressed economic conditions. The assumptions and results of these stress tests are approved by the Board.

Commentary: CCB capital ratio remains above regulatory minimum at 10.9% in 2025 (10.1% 2024). Ratios are forecast to remain above regulatory minimum over the five-year planning cycle.

Credit risk

Description: Credit risk is the risk of loss of principal or interest stemming from a borrower's failure to meet their contracted obligations to CCB.

Mitigating actions: The Board has approved Underwriting and Lending policies against which all applications are assessed. These policies are subject to annual review by Board and any changes are recommended by the Audit and Risk Committee prior to Board review and approval.

Commentary: CCB constantly monitor credit performance against our stated Risk Appetite limits including our commitment to provide loans to customers who are unable to obtain finance from mainstream lenders.

Liquidity risk

Description: This is the risk that CCB is unable to meet its financial obligations as they fall due or cannot obtain funds at a reasonable price in a reasonable time frame. These obligations include, for example, repayment of member deposits.

DIRECTORS' REPORT (cont'd)

Liquidity risk (cont'd)

Mitigating actions: CCB has policies in place to help ensure that it always holds prudent levels of liquid assets such that it can meet its liquidity obligations. Liquidity is monitored on a weekly basis at a detailed level by Chief Financial Officer and Chief Operating Officer and on a monthly basis by the Board. CCB diversifies its liquidity holdings with a percentage of funds placed in short term UK Government Gilts and Treasury Bills. This mitigating action reduces the counterparty credit risk as less funds are held with UK financial institutions as well as ensuring investments mature frequently providing cash flow. CCB monitors the blend of member deposits between repayable on demand and at term to further ensure that liquidity will always be available whenever members request a repayment of their deposit.

Commentary: CCB liquidity ratio of 12.6% (2024 14%) remains comfortably above internal and regulatory minimum levels. Ratios are forecast to remain appropriate over the five-year planning cycle.

Market risk and interest rate risk in the banking book

Description: CCB's main market risk exposure arises from interest rate risk in the banking book (IRRBB). IRRBB is the exposure to movements in interest rates, reflecting the mismatch between the dates on which interest receivable on assets and interest payable on liabilities are next reset or, if earlier, the instruments' maturities. For example, if CCB was funded by variable rate member deposits but lent at fixed rates, it would expose itself to the risk that if rates rose, its cost of funding would rise without any corresponding increase in interest income on loans.

Mitigating actions: To keep its interest rate risk exposure within limits, CCB obtains the majority of its redeemable member deposits at fixed rates to better match the fixed rates it offers on its lending. Interest rate mismatches are reported on a monthly basis.

Commentary: There are limited mitigating actions available to CCB as the current regulatory rules do not permit credit unions to manage interest rate risk with the use of derivatives.

Operational risk

Description: Operational risk relates to the risk of loss arising from inadequate or failed internal processes or systems, human error or external events.

Mitigating actions: CCB maintains a comprehensive risk register covering all aspects of the credit union. It is the responsibility of each business area to understand how operational risk impacts them and to put in place appropriate controls or take other mitigating actions. The register contains the potential impacts and likelihood of adverse events that could affect CCB and members and is regularly reviewed by the Audit and Risk committee.

Commentary: Regular control testing has been conducted throughout the year with remedial action taken to address any identified areas of weakness. CCB has focused on strengthening its approach to operational risk and resilience and continues to work with key third party suppliers to ensure that they have robust resilience plans in place.

Conduct risk

Description: Conduct Risk is the risk of undertaking business in a way which is contrary to the interests of our members, resulting in the delivery of inappropriate member outcomes or experiences, member detriment, redress costs, regulatory censure and/or reputational damage.

Mitigating actions: The Board acknowledges the requirement to fully embrace the FCA's Statement of Principles to ensure that CCB pays due regard to good conduct governance at all times. These principles are firmly embedded within the organisation's culture.

DIRECTORS' REPORT (cont'd)

CCB have plans in place that are regularly reviewed by the Board and the Audit and Risk committee to demonstrate our compliance with existing and upcoming regulatory change.

Commentary: CCB puts our members at the heart of everything we do. Our member journeys ensure they are provided with the right information and support at the right time. Considerable work has been undertaken to help colleagues identify our vulnerable members and provide them with the additional support they need. Given the ongoing cost of living crisis, we continue to work with members who are experiencing financial difficulty and afford them suitable forbearance options.

Regulatory risk

Description: This is the risk that the volume, prescription and complexity of regulation, and changes thereto, may impair the credit union's ability to compete effectively and grow profitably.

Mitigating actions: The Board and management team closely monitor CCB's compliance with all regulatory requirements and keep up to date with relevant changes. The credit union employs compliance experts within the Risk team.

Commentary: The regulatory environment continues to change and we undertake ongoing horizon scanning to stay abreast of relevant developments. We are continuing to embed any relevant regulatory requirements in a timely manner.

Future Developments

The directors have considered the impact of the continued cost of living crisis, inflationary pressures and geopolitical risks have on the ongoing activities of the credit union.

This includes the potential impact of reduced levels of income for a period of time driven by larger credit losses as a more of our members struggle to repay their loans. As the directors expected, the credit union experienced a reduction in earnings in the current year. The directors remain confident the credit union can continue as a going concern given the improvement in the new scorecard and mitigating actions taken.

Directors

There were no changes in directors in the year.

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.
- As the credit union has more than 15,000 members it is fully compliant with the additional rules which apply to such firms.

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

DIRECTORS' REPORT (cont'd)

Statement of Directors Responsibilities (cont'd)

- 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
- complying 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 credit union'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 credit union's auditors are aware of that information.

Auditors

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

ON BEHALF OF THE BOARD:

Mary Jane Brouwers
Mary Jane Brouwers (Dec 3, 2025 14:21:39 GMT)
....

M J Brouwers
Director
Date: Dec 3, 2025

INDEPENDENT AUDITORS' REPORT

Report of the Auditors to the Members of Castle Community Bank

Opinion

We have audited the financial statements of North Edinburgh and Castle Credit Union Limited (the 'Credit Union') for the year ended 30 September 2025 which comprise the Revenue Account, Balance Sheet, Cashflow Statement, 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 2025 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 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.

Material uncertainty related to going concern

We draw your attention to the disclosures made in Note 2 to the financial statements regarding the credit union's ability to continue operating as a going concern.

In particular, the credit union has negative retained earnings. This and the disclosures made in Note 2 to the financial statements, indicate the existence of a material uncertainty which may cast doubt about the credit union's ability to continue as a going concern. The financial statements do not include any adjustments should the credit union be unable to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Boards' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included reviewing the credit unions 5 year plan to return the credit union to surplus along with positive reserves and the continued support of funding partners.

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

AUDITORS REPORT (cont'd)

Other information
The other information comprises the information in the Directors' report, other than the financial statements and our Report of the Auditors thereon. The Board is responsible for the other information.

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.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefits Society Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of controls over transactions has not been maintained; or
- the credit union has not kept proper accounting records; or
- the rules set out within the Prudential Regulatory Authority Credit Union Rulebook have not been complied with; 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 Statement of Directors' Responsibilities set out on pages ten and eleven, the Board is 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 Board determines 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 Board is 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 Board 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 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.

AUDITORS REPORT (cont'd)

Auditors responsibilities for the audit of the financial statements (cont'd)

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:

The aims of our audit are to identify and assess the risks of material misstatement of the financial statements as a result of fraud or error, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement as a result of fraud or error and to respond appropriately to those risks. As a result of the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures include the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Credit Union and the sector in which it operates. We determined that the following laws and regulations were most significant: the Co-operative and Community Benefits Society Act 2014 and the Prudential Regulatory Authority Credit Union Rulebook.
- We obtained an understanding of how the Credit Union complies with those legal and regulatory frameworks by making inquiries of management. We undertook a review of legal fees for any evidence of non-compliance.
- We assessed the susceptibility of the Credit Union's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the audit team included:
    - identifying and documenting the controls management has in place to prevent and detect fraud and error;
    - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
    - challenging assumptions and judgements made by management in its significant accounting estimates;
    - identifying and testing journal entries, in particular any journal entries posted for large or unusual amounts;
    - assessing the extent of compliance with relevant laws and regulations; and
    - sample testing of transactions and balances.

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.

AUDITORS REPORT (cont’d)

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.

Sharles Audit Ltd
Sharles Audit Ltd (Dec 3, 2025 15:35:46 GMT)

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

Date: Dec 3, 2025

REVENUE ACCOUNT

	Notes	**2025**	2024
		£	£
Loan interest receivable and similar income	3	70,737,570	62,935,174
Interest payable	4	(15,689,785)	(15,742,329)
Net interest income		55,047,785	47,192,845
Fees and commission payable	5	(12,217,532)	(14,863,739)
Other income		-	200,000
Administrative expenses	6	(3,498,732)	(3,165,540)
Depreciation and amortization		(3,658)	(3,658)
Other operating expenses	7	(7,757,215)	(6,090,319)
Impairment losses on loans to members	11e	(36,340,044)	(23,590,129)
Surplus/(Deficit) before taxation		(4,769,396)	(320,540)
Taxation	9	372,452	(403,934)
Surplus/(Deficit) for the financial year		(4,396,944)	(724,474)
Other comprehensive income		-	-
Total comprehensive income		(4,396,944)	(724,474)

BALANCE SHEET

	Notes	**2025**	2024
		£	£
ASSETS			
Cash at bank		5,946,597	13,079,381
Investment in UK Government Securities	10	35,755,037	38,179,124
Loans and advances to members	11	302,374,065	329,078,114
Tangible fixed assets	12	7,318	10,976
Debtors & prepayments	13	27,811,762	24,825,320
Total Assets		371,894,779	405,172,915
LIABILTIES			
Member Shares (Deposits) - repayable on demand	14a	96,355,817	122,527,719
Member Shares (Deposits) - repayable at term	14b	227,055,424	232,718,523
Other creditors and accruals	15	8,024,379	9,070,570
Total Current Liabilities		331,435,620	364,316,812
Subscribed capital – deferred shares		31,711,738	28,111,738
Subscribed capital - subordinated debt		13,525,000	13,125,000
Total Subscribed Capital		45,236,738	41,236,738
Retained earnings		(4,777,579)	(380,635)
Total liabilities		371,894,779	405,172,915

The financial statements were approved by the Board of Directors and authorised for issue on Dec 3, 2025 and were signed on its behalf by:

W S Pearson (Dec 3, 2025 14:57:07 GMT)

W S Pearson - Director

Mary Jane Brouwers

Mary Jane Brouwers (Dec 3, 2025 14:21:39 GMT)

M J Brouwers - Director

kevin Mountford (Dec 3, 2025 14:42:12 GMT)

K Mountford - Director

STATEMENT OF CHANGE IN RESERVES

	2025	2024
	£	£
As at 30 September 2024	**(380,635)**	**343,839**
Total comprehensive income for the year	(4,396,944)	(724,474)
As at 30 September 2025	(4,777,579)	(380,635)

CASH FLOW STATEMENT

	Notes	**2025**	2024
		£	£
Cash flows from operating activities			
Surplus/(deficit) before taxation		(4,769,396)	(320,541)
Adjustments for non-cash items:			
Depreciation		3,658	3,658
Impairment losses		34,790,398	22,396,694
		34,794,056	22,400,352
Movements in:			
Accrued interest		(1,823,906)	231,338
Other assets		(1,588,268)	(5,095,943)
Other liabilities		(221,808)	250,202
		(3,633,982)	(4,614,403)
Cash flows from changes in operating assets and liabilities			
Cash inflow from subscribed capital		3,600,000	3,000,000
New loans to members		(158,018,836)	(248,696,892)
Repayment of loans by members		149,932,487	114,230,206
		(4,486,349)	(131,666,007)
Taxation paid		(26,199)	(70,865)
Net cash flows from operating activities		21,878,130	(114,271,464)
Cash flows from investing activities			
Purchase of property, plant and equipment		-	-
Net cash flow from managing liquid deposits		(31,835,001)	108,043,308
Net cash flow from investment in treasury assets		2,424,087	(18,658,527)
Net cash flows from investment activities		(29,410,914)	89,384,781
Cash flows from financing activities			
Subordinated debt received in year		400,000	7,425,000
Net cash flows from financing activities		400,000	7,425,000
Net increase/(decrease) in cash and cash equivalents		**(7,132,784)**	**(17,461,683)**
Cash and cash equivalents at beginning of year		13,079,381	30,541,063
Cash and Cash equivalents at end of year		5,946,597	13,079,381

Notes to the Financial Statements

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 is 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 either redeemable shares or non-redeemable deferred shares. These can be either dividend or interest bearing.

2. 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. 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.

The financial statements are prepared on the historical cost basis.

Going concern
North Edinburgh and Castle Credit Union Ltd have reported a deficit for the year and negative retained earnings as at 30 September 2025.

The directors consider the going concern basis remains appropriate as the mitigating actions previously put in place, such as a number of credit policy changes and the implementation of a new scorecard, has had a positive impact. The latest 5 year plan as approved by Board October 2025 shows a return to profitability and positive reserves. The plan remains compliant with both capital and liquidity requirements throughout.

The directors therefore believe that the financial statements should be prepared on a going concern basis.

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.

Where the loan interest rate for members loans has been reduced to zero, the credit union does not account for any loan interest on these loans, as the credit union will not reasonably expect to recover this loan interest. This policy does not meet with the requirements of FRS102. However, as a result of this policy, there is no net effect on the surplus or deficit for the year nor net assets of the credit union as an equal and opposite impairment provision would be required should this loan interest be included.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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.

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

Tangible fixed assets are stated at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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.

Government grants
The accounting treatment of grants received are determined by the grant conditions and the reasons why the grant was applied for to determine whether they are treated as capital or revenue in nature.

Grants of a capital nature are reflected as deferred income in the balance sheet and released to the Revenue account over the estimated useful life of the assets to which they relate. Grants which are considered to be revenue are credited to the Revenue account in the period to which they relate.

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. Corporation tax is payable on investment income, regardless of whether the Credit Union makes a profit or loss from other activity.

The credit union is not liable to corporation tax payable on its activities of making loans to members, as these are not classified as a trade.

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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Impairment of financial assets
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.

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. Under FRS102 loans can be written off only when the credit union doesn't have the legal right to enforcement payment. 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.

Capital placement fees
Fees related to obtaining additional capital are prepaid and amortised over the expected life of the related capital up to 15 years.

Fees and Commissions Payable

Brokerage fees payable on new loans are prepaid with fees being released in line with the reduction in the principal balance of members loans less impaired loans. Brokerage costs and fees are matched with the interest receivable on members loans through this movement in member loan balances. This is a change to the method of calculation following a review of loan performance in prior years and where forecast movements were used previously to release prepaid brokerage fees. The effect of this change is to reduce the loss and increase net assets by £4,199, 149.

On loans with an associated brokerage fee an enhancement fee related to the performance of the loan is also charged subject to the loan being unimpaired after 18 months. If payable, these are accrued on all relevant loans.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Cash at Bank
Cash at bank 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.

Investments in UK Government Securities
Investments in UK government securities comprise of holdings in UK Government Gilts and Treasury Bills with maturities currently of no more than one year and are readily convertible to cash. The investments are valued at cost plus accrued interest.

Financial liabilities - Members Shares (Deposits)
Members shareholdings in the credit union are classified as financial liabilities and described as Members Shares (Deposits). They are initially recognised as the amount of cash deposited and subsequently measured at amortised cost.

Employee pension 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 (or deficits) 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 are 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.

Juvenile deposits
The amount received by the credit union for juvenile depositors are held in trust for those depositors.

3. Loan interest receivable and similar income

	2025	2024
	£	£
Loan interest receivable from members	69,090,878	61,316,894
Interest receivable on cash at bank and investment securities	1,646,692	1,618,280
Total loan interest receivable and similar income	70,737,570	62,935,174

Notes to the Financial Statements (continued)

4. Interest expense

Interest expense is the dividends paid to members for the prior year. 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.

	2025	2024
	£	£
Interest payable during the year:		
Interest bearing share accounts	(15,689,785)	(15,725,895)
Dividend bearing share accounts	-	(16,435)
Interest proposed, but not recognised	**-**	**-**
Dividend Rate	**0%**	**0%**

5. Fees and commissions payable

Of the fees and commissions payable of £12,217,532 (2024 £14,863,739); £11,567,233 (2024 £14,422,236) is payable to the outsource provider, MCF (My Community Finance).

6. Administrative expenses

		2025	2024
		£	£
Employment costs	8b	(1,539,700)	(1,373,091)
Auditors' remuneration		(36,000)	(32,600)
Telephone and internet		(8,040)	(5,707)
Technology costs		(23,240)	(45)
Legal and professional		(1,357,582)	(1,318,323)
General expenses		(436,802)	(406,604)
Printing, postage and stationery		(50,432)	(2,669)
Other insurance		(46,936)	(26,501)
Total administrative expenses		(3,498,732)	(3,165,540)

7. Other operating expenses

	2025	2024
	£	£
Cost of occupying offices:		
Rent and rates	(12,896)	(13,215)
Heating and lighting	(1,594)	(3,407)
Insurance	(1,193)	(1,256)
	(15,683)	(17,878)
Regulatory and financial management costs		
Deferred shares/Sub debt costs	(7,669,142)	(5,990,948)
Regulatory fees	(39,086)	(11,054)
Association of British Credit Union fees and Insurance	(33,304)	(70,439)
	(7,741,532)	(6,072,441)
	(7,757,215)	(6,090,319)

Notes to the Financial Statements (continued)

8. Employees and employment costs

8a. Number of employees

The average monthly number of employees during the year was 23 (2024 - 23)

8b. Employment costs

	2025	2024
	£	£
Wages and salaries	(1,327,078)	(1,206,448)
Social security costs	(165,915)	(128,636)
Pension costs	(27,222)	(20,211)
Other staff costs	(19,485)	(17,796)
Total employment costs	(1,539,700)	(1,373,091)

8c. Directors and senior management

The directors and senior management were paid £867,677 covering 9 posts (2024 - £831,029 covering 9 posts).

9. Taxation

Analysis of the tax charge

The tax payable on the surplus for the year was as follows:

	Notes	**2025**	2024
		£	£
Current tax			
UK corporation tax	9b	(372,452)	403,934

UK corporation tax has been charged at 25% (2024 – 25%).

Reconciliation of tax expense

Corporation tax is only payable on investment income. The credit union is not liable to corporation tax payable on its day to day activities of making loans to members. As a result, the tax charge for the year differs from the standard rate of Corporation Tax. The differences are explained below:

	2025	2024
	£	£
Deficit before taxation	(4,769,396)	(320,541)
Deficit/S before taxation multiplied by corporation tax rate in the UK of 25% (2024: 25%)	(1,192,349)	(80,135)
Effects of:		
Non-taxable (deficit)/surplus on transactions with members	(1,192,349)	(478,787)
Over /(Under) provision for prior year	372,452	(5,282)
Total tax (credit) / charge for the year	(372,452)	403,934

Notes to the Financial Statements (continued)

10. Investments in UK Government Bonds

	2025	2024
	£	£
As at 1 October 2024	**38,179,124**	**19,520,597**
Additions	341,372,354	159,164,369
Disposals and maturities	(343,863,546)	(140,594,042)
Accrued Interest	67,105	88,200
As at 30 September 2025	35,755,037	38,179,124

All of the above investments are in UK Government Gilts or Treasury Bills and have remaining maturities within one year.

11. Members loans

11a. Members loans

	2025	2024
	£	£
As at 1 October 2024	359,864,855	225,198,848
Advanced during the year	159,574,906	250,099,544
Loan repayments	(149,932,487)	(114,230,205)
Gross loans and advances to members	**369,507,274**	**361,068,187**
Impairment losses		
Bad debts written off	(1,556,070)	(1,203,332)
As at 30 September 2025	367,951,204	359,864,855

11b. Total loan assets for regulatory purposes

	2025	2024
	£	£
Unsecured members loans	367,951,204	359,864,855
Specific impairment provision	(63,377,139)	(29,673,741)
General provision	(2,200,000)	(1,113,000)
As at 30 September 2025	302,374,065	329,078,114

11c. Credit risk disclosures

The credit union does not offer mortgages and as a result all loans to members are unsecured, except that there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding. The credit union's lending policy states that the maximum loan to new borrowers is £25,000 during the year to 30 September 2025. This limit is also in accordance with Prudential Regulatory Authority Rules. The carrying amount of the loans to members represents the credit union's maximum exposure to credit risk.

Notes to the Financial Statements (continued)

11. Members loans (continued)

11d. Allowance account for impairment losses

	2025	2024
	£	£
As at 1 October 2024	30,786,741	8,390,047
Additions	34,790,398	22,396,694
As at 30 September 2025	65,577,139	30,786,741

11e. Impairment losses recognised for the year

	2024	2023
	£	£
Impairment of individual financial assets	(1,556,070)	(1,203,332)
Increase in impairment allowances during the year	(34,790,398)	(22,396,694)
	(36,346,468)	(23,600,026)
Reversal of impairment where debts recovered	6,424	9,897
Total impairment losses recognised for the year	(36,340,044)	(23,590,129)

12. Tangible Fixed Assets

	Leasehold Improvements	Fixtures and Fittings	Total
Cost	£	£	£
Opening and Closing Balance	36,581	16,050	52,631
Accumulated Depreciation			
As at 1 October 2024	25,605	16,050	41,655
Charge for year	3,658	-	3,658
On disposals	-	-	-
	29,263	16,050	45,313
Net book value 30 September 2025	**7,318**	**-**	**7,318**
Net book value 30 September 2024	10,976	-	10,976

13. Prepayments and accrued income

	2025	2024
	£	£
Accrued interest on members loans	7,652,064	6,253,890
Prepayments	20,159,698	18,571,430
	27,811,762	24,825,320

Notes to the Financial Statements (continued)

14a. Members Shares (Deposits) – financial liabilities repayable on demand

	2025	2024
	£	£
As at 1 October 2024	122,527,719	67,196,037
Movement in the year	(26,171,902)	55,331,682
As at 30 September 2025	96,355,817	122,527,719

14b.Members Shares (Deposits) – financial liabilities repayable at term

	2025	2024
	£	£
As at 1 October 2024	232,718,523	180,006,897
Movement in the year	(5,663,099)	52,711,626
As at 30 September 2025	227,055,424	232,718,523

	2025	2024
	£	£
Due within 1 year	153,952,199	186,554,527
Due within 2 to 5 years	73,103,225	46,163,996
As at 30 September 2025	227,055,424	232,718,523

15. Other creditors and accruals

	2025	2024
	£	£
Accrued interest on members shares	6,127,291	6,553,023
Accrued expenses	1,897,088	2,118,896
Corporation tax	-	398,651
	8,024,379	9,070,570

16.Financial instruments

Financial risk management

The credit union manages its members shares (deposits) and loans to members so that it earns income from the difference 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 and where appropriate changes are made to the credit unions lending policy.

Notes to the Financial Statements (continued)

16.Financial instruments (continued)

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, maintaining our levels above regulatory limits at all times. 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.

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 rate payable on members shares (deposits) and dividend bearing member shares (deposits). The credit union is not permitted under regulations to use interest rate derivatives or options to hedge its own positions. The interest rate risk is regularly monitored with interest rates on members loans and interest receivable on bank deposits being regularly reviewed to ensure risk exposure is minimised.

Fair value of financial instruments

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

17. Reserves

	Retained Earnings	Deferred Shares	Sub Debt	Total
	£	£	£	£
At 1 October 2024	(380,635)	28,111,738	13,125,000	40,856,103
(Deficit)/ Surplus for the year	(4,396,944)			(4,396,944)
Deferred shares/Sub debt received		3,600,000	1,000,000	4,600,000
Deferred shares/Sub debt repaid			(600,000)	(600,000)
At 30 September 2025	(4,777,579)	31,711,738	13,525,000	40,459,159

18. Contingent liabilities

The credit union participates in the Financial Services Compensation Scheme (FSCS) and therefore has a contingent liability, which cannot be quantified, in respect of contributions to the FSCS, as required by the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) had provided details of how the calculation of next year's contribution towards the FSCS will be calculated and provision has been included for this liability. However, this is subject to future changes in interest rates and levels of deposits held by deposit takers. Therefore, there is inherent uncertainty regarding the totality of the levy that the credit union will have to pay.

Notes to the Financial Statements (continued)

19. Post balance sheet events

There are no material events after the balance sheet date to disclose.

20. Related party disclosures

During the year no members (2024 - 0 members) of the Board, key management and their close family members had loans with the credit union. None of the directors, key management or their close family members, have any preferential terms on their loans. During the year under a service agreement, Amplifi Capital Limited continued to promote Castle Community Bank and service its members. The income statement includes charges of £12,671,765 (2024 £14,422,236) for these services.

The service agreement with Amplifi Capital Limited is scheduled to expire on 3 September 2026. We are engaged in active discussions and expect to conclude a renewed agreement well in advance of this date. The current timing reflects standard contractual processes and there is no impact expected on business operations.

21. Revenue account

No grants were received during the year (2024: nil).
A donation of Nil (2024: £200,000) was received during the year.

Castle Community Bank

Savings and loans
Fair and square

Castle Community Bank

Annual Report and Accounts 2025

Castle Community Bank is the trading name of North Edinburgh and Castle Credit Union Ltd. Registered office 49, Great Junction Street, Edinburgh, EH6 5HX. Registered under the 1979 Credit Unions Act. Reg No. 019CUS. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 213877. Castle Community Bank is covered by the Financial Services Compensation Scheme and the Financial Ombudsman Service.

NORT170 - ARA Final for Board and Signing 30.09.25

Final Audit Report 2025-12-03

Created:	2025-12-03
By:	Gary Copeland (Gary.Copeland@sharles-ca.co.uk)
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2025-12-03 - 14:57:05 GMT- IP address: 87.238.217.134

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