

Directors' Report and
Financial Statements for the Year Ended 30 September 2023
for
CAPITAL CREDIT UNION LTD

CAPITAL CREDIT UNION LTD

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for the Year Ended 30 September 2023

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CAPITAL CREDIT UNION LTD

Credit Union Information
for the Year Ended 30 September 2023

DIRECTORS:

S Johnston
J Gregory
A Forrest
Y Guven
T Harrison
A McKeever
M J Langa
M McAlpine
T Matembe

SECRETARY:

A Forrest

REGISTERED OFFICE:

Credit Union House
31 Dunedin Street
Edinburgh
EH7 4JG

REGISTERED NUMBER:

213575

AUDITORS:

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

CAPITAL CREDIT UNION LTD

Directors' Report
for the Year Ended 30 September 2023

The directors present their report with the financial statements of the Credit Union for the year ended 30 September 2023.

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 2023	Year to 30 September 2022
Turnover	£1,565,029	£1,468,528
Surplus after taxation	£128,133	£76,555
Capital asset Ratio	11.9%	11.4%
Liquidity	34.6%	44.2%

Reserves amount to £5,055,894 (2022 - £4,960,631). The directors are confident that the Credit Union has sufficient reserves to finance the anticipated levels of activity in the future.

DIVIDENDS

At the AGM the Credit Union is expected to propose a dividend of 0.50% on members shares. If agreed, this would result in a total dividend being paid of approximately £162,159. In accordance with general accounting practice, this has not been adjusted in the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2022 to the date of this report.

S Johnston
J Gregory
A Forrest
Y Guven
T Harrison
A McKeever

Other changes in directors holding office are as follows:

D Urquhart - resigned 20 December 2022
M J Langa - appointed 20 December 2022
M McAlpine - appointed 20 December 2022
T Matembe - appointed 20 December 2022

CAPITAL CREDIT UNION LTD

Directors' Report
for the Year Ended 30 September 2023

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 Regulation 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 company'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:


Andy Forrest (Dec 13, 2023 13:58 GMT)

.....
A Forrest - Secretary

Date: **Dec 13, 2023**
.....

Report of the Independent Auditors to the Members of
Capital Credit Union Ltd

Opinion

We have audited the financial statements of Capital Credit Union Limited (the 'Credit Union') for the year ended 30 September 2023 which comprise the Revenue Account, Balance Sheet, Cash Flow Statement, Statement of Changes in Reserves 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 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 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

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.

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

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

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 in relation to which the Co-operative and Community Benefit 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 Regulation 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.

Report of the Independent Auditors to the Members of
Capital Credit Union Ltd

Responsibilities of directors

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

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 Benefit Society Act 2014, the Prudential Regulation Authority Credit Union Rulebook, UK corporate tax laws, Health & Safety at Work Act, GDPR and Anti Money Laundering legislation.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - knowledge of the industry in which the client operates
 - understanding of and practical enactments of a similar nature, and complexity through appropriate training and participation
 - understanding of the legal and regulatory requirements specific to the entity
 - communication in respect of potential non-compliance with laws and regulations
- 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.

Report of the Independent Auditors to the Members of
Capital Credit Union Ltd

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 Benefit 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 13, 2023 16:39 GMT)

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

Date: Dec 13, 2023

CAPITAL CREDIT UNION LTD

Revenue Account
for the Year Ended 30 September 2023

	Notes	2023 £	2022 £
LOAN INTEREST RECEIVABLE		1,565,029	1,468,528
Administrative expenses		<u>2,246,520</u>	<u>2,132,645</u>
		(681,491)	(664,117)
Other operating income		<u>468,952</u>	<u>522,140</u>
OPERATING DEFICIT	4	(212,539)	(141,977)
Interest receivable and similar income		<u>456,379</u>	<u>254,964</u>
SURPLUS BEFORE TAXATION		243,840	112,987
Tax	5	<u>115,707</u>	<u>36,432</u>
SURPLUS FOR THE FINANCIAL YEAR		128,133	76,555
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>128,133</u>	<u>76,555</u>

The notes form part of these financial statements

CAPITAL CREDIT UNION LTD (REGISTERED NUMBER: 213575)


Balance Sheet
30 September 2023

	Notes	2023		2022	
		£	£	£	£
FIXED ASSETS					
Intangible assets	7		220,779		183,630
Tangible assets	8		369,864		421,663
Investments	9		8,605,691		9,594,867
Investment property	10		<u>1,182,264</u>		<u>1,188,322</u>
			10,378,598		11,388,482
CURRENT ASSETS					
Members' loans and other assets	11	24,266,960		18,184,932	
Cash at bank and in hand		<u>7,046,596</u>		<u>14,120,619</u>	
			31,313,556		32,305,551
CREDITORS					
Members' shares and other liabilities	12	<u>35,981,303</u>		<u>37,868,119</u>	
NET CURRENT LIABILITIES			<u>(4,667,747)</u>		<u>(5,562,568)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			5,710,851		5,825,914
ACCRUALS AND DEFERRED INCOME 14			<u>654,957</u>		<u>865,283</u>
NET ASSETS			<u>5,055,894</u>		<u>4,960,631</u>
RESERVES					
Growth & Efficiency Reserve	15		68,584		68,584
Retained earnings	15		<u>4,987,310</u>		<u>4,892,047</u>
			<u>5,055,894</u>		<u>4,960,631</u>

The financial statements were approved by the Board of Directors and authorised for issue on Dec 12, 2023..... and were signed on its behalf by:


Andrew McKeever (Dec 8, 2023 13:37 GMT)

 A McKeever - Director


Julie Gregory (Dec 12, 2023 13:06 GMT)

 J Gregory - Director


Sonia B Johnston (Dec 11, 2023 16:58 GMT)

 S Johnston - Director

The notes form part of these financial statements

CAPITAL CREDIT UNION LTD

Statement of Changes in Reserves
for the Year Ended 30 September 2023

	Retained earnings £	Growth & Efficiency Reserve £	Total reserves £
Balance at 1 October 2021	4,889,606	150,000	5,039,606
Released to revenue account	-	(81,416)	(81,416)
Total comprehensive income	76,555	-	76,555
Dividend paid	(74,114)	-	(74,114)
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2022	4,892,047	68,584	4,960,631
Total comprehensive income	128,133	-	128,133
Dividend paid	(32,870)	-	(32,870)
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2023	<u>4,987,310</u>	<u>68,584</u>	<u>5,055,894</u>

The notes form part of these financial statements

CAPITAL CREDIT UNION LTD

Cash Flow Statement
for the Year Ended 30 September 2023

	Notes	2023 £	2022 £
Cash flows from operating activities			
Cash generated from operations	1	(6,179,607)	1,126,281
Tax paid		<u>(50,697)</u>	<u>(33,024)</u>
Net cash from operating activities		<u>(6,230,304)</u>	<u>1,093,257</u>
 Cash flows from investing activities			
Purchase of intangible fixed assets		(49,752)	(7,200)
Purchase of tangible fixed assets		(62,479)	(490,660)
Purchase of fixed asset investments		-	(1,112,323)
Sale of fixed asset investments		989,176	-
Interest received		<u>456,379</u>	<u>254,964</u>
Net cash from investing activities		<u>1,333,324</u>	<u>(1,355,219)</u>
 Cash flows from financing activities			
Amount introduced by members		30,419,357	51,688,917
Amount withdrawn by members		(32,563,530)	(50,859,078)
Equity dividends paid		<u>(32,870)</u>	<u>(74,114)</u>
Net cash from financing activities		<u>(2,177,043)</u>	<u>755,725</u>
 (Decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	(7,074,023)	493,763
		<u>14,120,619</u>	<u>13,626,856</u>
Cash and cash equivalents at end of year	2	<u>7,046,596</u>	<u>14,120,619</u>

The notes form part of these financial statements

CAPITAL CREDIT UNION LTD

Notes to the Cash Flow Statement
for the Year Ended 30 September 2023

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

	2023	2022
	£	£
Surplus before taxation	243,840	112,987
Depreciation charges	132,939	104,574
Impairment provision	18,752	(919)
Growth & efficiency	-	(81,416)
Finance income	<u>(456,379)</u>	<u>(254,964)</u>
	(60,848)	(119,738)
(Increase)/decrease in members' loans and other assets	(6,000,780)	1,636,457
Decrease in members' shares and other liabilities	<u>(117,979)</u>	<u>(390,438)</u>
Cash generated from operations	<u>(6,179,607)</u>	<u>1,126,281</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 2023

	30.9.23	1.10.22
	£	£
Cash and cash equivalents	<u>7,046,596</u>	<u>14,120,619</u>

Year ended 30 September 2022

	30.9.22	1.10.21
	£	£
Cash and cash equivalents	<u>14,120,619</u>	<u>13,626,856</u>

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

	At 1.10.22	Cash flow	At 30.9.23
	£	£	£
Net cash			
Cash at bank and in hand	<u>14,120,619</u>	<u>(7,074,023)</u>	<u>7,046,596</u>
	<u>14,120,619</u>	<u>(7,074,023)</u>	<u>7,046,596</u>
Total	<u>14,120,619</u>	<u>(7,074,023)</u>	<u>7,046,596</u>

The notes form part of these financial statements

CAPITAL CREDIT UNION LTD

Notes to the Financial Statements for the Year Ended 30 September 2023

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 Regulation 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 redeemable shares and interest-bearing shares.

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 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.

Turnover

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 at fair value 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 seek 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.

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.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software is being amortised evenly over its estimated useful life of twenty five years.

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 possible that the expected future economic benefits that are attributable to the asset flow to the entity and the fair value of the asset can be measured reliably.

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 basis:

Software	20 - 33.33% straight line
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CAPITAL CREDIT UNION LTD

Notes to the Financial Statements - continued
for the Year Ended 30 September 2023

2. **ACCOUNTING POLICIES - continued**

Tangible fixed assets

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

Improvements to property	- 20% on cost
Office Equipment	- 20% 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 £2,500 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.

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.

The accounting treatment of grants with no conditions attached are reviewed by the directors to determine if the financial statements would be misleading, and therefore not provide a true and fair view, by releasing the grant received directly to Revenue and whether it would be more appropriate to treat the grant as capital in nature. Where this happens, the treatment of the grant does not meet the requirements of FRS102. The effect that this departure from FRS102 had in the current financial year was to increase the net surplus for the year by £54,543 and decrease the net assets of the credit union at 30 September 2023 by £649,033.

CAPITAL CREDIT UNION LTD

Notes to the Financial Statements - continued
for the Year Ended 30 September 2023

2. **ACCOUNTING POLICIES – continued**

Investment property

Investment property is shown at most recent valuation. Any aggregate surplus or deficit arising from changes in fair value is recognised in profit or loss.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Revenue Account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Pension costs and other post-retirement benefits

The credit union operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

CAPITAL CREDIT UNION LTD

Notes to the Financial Statements - continued for the Year Ended 30 September 2023

2. **ACCOUNTING POLICIES - continued**

Impairment losses and provision

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

Deferred Costs

Costs relating to the development of a credit union App are deferred until the App has been completed and is in use by the credit union.

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.

CAPITAL CREDIT UNION LTD

Notes to the Financial Statements - continued
for the Year Ended 30 September 2023

2. **ACCOUNTING POLICIES - continued**

Juvenile deposits

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

3. **SENIOR MANAGEMENT**

The average number of employees during the year was 29 (2022 - 24).

Salaries of £257,213 were paid to senior management during the year for 3 posts (2022 £232,349 for 3 posts).

4. **OPERATING DEFICIT**

The operating deficit is stated after charging:

	2023	2022
	£	£
Depreciation - owned assets	120,336	94,162
Computer software amortisation	12,603	10,410
Auditors' remuneration	<u>11,088</u>	<u>9,785</u>

5. **TAXATION**

Analysis of the tax charge

Tax payable for the year was as follows:

	2023	2022
	£	£
Current tax:		
Tax	101,443	36,432
(Over)/under provision in prior year	<u>14,264</u>	<u>-</u>
	<u>115,707</u>	<u>36,432</u>

UK corporation tax has been charged at 21.97% (2022 – 19.00%).

CAPITAL CREDIT UNION LTD

Notes to the Financial Statements - continued
for the Year Ended 30 September 2023

6. **JOINT VENTURES**

Details of the credit unions joint ventures as at 30th September 2022 are as follows:

Name	Registered Office	Business Nature	Form of Control	%age held Voting Rights
CUSSCO Limited	Scotland	Developing bespoke Credit Union IT platform	Voting Rights	50%

The credit unions share of the joint ventures unaudited financial results are shown below:

	2022	2021
	£	£
Total assets	116,504	57,638
Total liabilities	47,033	9,155
Net assets	69,470	72,998
Revenues	168,100	166,908
Surplus/(Deficit)	(3,467)	(2,141)

The software capitalised within CUSSCO Limited is licensed to Capital Credit Union Limited. The credit union share of the capitalised software in CUSSCO Limited is £15,583. The credit union has included the cost of software from CUSSCO in its intangible fixed assets.

7. **INTANGIBLE FIXED ASSETS**

	Computer software £
COST	
At 1 October 2022	319,119
Additions	<u>49,752</u>
At 30 September 2023	<u>368,871</u>
AMORTISATION	
At 1 October 2022	135,489
Amortisation for year	<u>12,603</u>
At 30 September 2023	<u>148,092</u>
NET BOOK VALUE	
At 30 September 2023	<u><u>220,779</u></u>
At 30 September 2022	<u><u>183,630</u></u>

CAPITAL CREDIT UNION LTD

Notes to the Financial Statements - continued
for the Year Ended 30 September 2023

8. **TANGIBLE FIXED ASSETS**

	Improvements to property £	Office Equipment £	Totals £
COST			
At 1 October 2022	654,373	185,585	839,958
Additions	<u>37,567</u>	<u>24,912</u>	<u>62,479</u>
At 30 September 2023	<u>691,940</u>	<u>210,497</u>	<u>902,437</u>
DEPRECIATION			
At 1 October 2022	271,000	147,295	418,295
Charge for year	<u>96,867</u>	<u>17,411</u>	<u>114,278</u>
At 30 September 2023	<u>367,867</u>	<u>164,706</u>	<u>532,573</u>
NET BOOK VALUE			
At 30 September 2023	<u>324,073</u>	<u>45,791</u>	<u>369,864</u>
At 30 September 2022	<u>383,373</u>	<u>38,290</u>	<u>421,663</u>

9. **FIXED ASSET INVESTMENTS**

Investments (neither listed nor unlisted) were as follows:

	2023 £	2022 £
Corporate Bonds	<u>8,605,691</u>	<u>9,594,867</u>

10. **INVESTMENT PROPERTY**

	Total £
FAIR VALUE	
At 1 October 2022 and 30 September 2023	<u>1,206,498</u>
DEPRECIATION	
At 1 October 2022	18,176
Charge for year	<u>6,058</u>
At 30 September 2023	<u>24,234</u>
NET BOOK VALUE	
At 30 September 2023	<u>1,182,264</u>
At 30 September 2022	<u>1,188,322</u>

CAPITAL CREDIT UNION LTD

Notes to the Financial Statements - continued
for the Year Ended 30 September 2023

11. **DEBTORS**

	2023	2022
	£	£
Amounts falling due within one year:		
Unsecured members loans	24,320,831	18,464,748
General impairment provision	(335,518)	(314,007)
Specific impairment provision	(82,887)	(85,646)
Other debtors	209,087	91,818
Prepayments	<u>55,447</u>	<u>28,019</u>
	<u>24,166,960</u>	<u>18,184,932</u>
Amounts falling due after more five years:		
Subordinated loan	<u>100,000</u>	<u>-</u>
Aggregate amounts	<u>24,266,960</u>	<u>18,184,932</u>

Loans to members

	2023	2022
	£	£
As at 30 September 2022	18,464,748	19,904,534
Advanced during the year	13,859,726	6,625,911
Interest on members loans	1,563,953	1,467,339
Repaid during the year	(9,387,227)	(9,270,385)
Impaired loans written off	<u>(180,369)</u>	<u>(262,651)</u>
As at 30 September 2023	<u>24,320,831</u>	<u>18,464,748</u>

Impairment provision on member's loans - Changes in the year

	General	Specific	Total
	£	£	£
As at 30 September 2022	314,007	85,646	399,653
(Decrease)/Increase in impairment provision	<u>21,511</u>	<u>(2,759)</u>	<u>18,752</u>
As at 30 September 2023	<u>335,518</u>	<u>82,887</u>	<u>418,405</u>

Credit risk disclosures

All loans to members apart from mortgages are unsecured. There are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding. The credit union's maximum loan limit is £35,000 plus the value of a members shares held in the credit union. This complies with the Credit Union's internal policy and those of the Prudential Regulation Authority.

12. **MEMBERS SHARES AND OTHER LIABILITIES**

	2023	2022
	£	£
Corporation tax	101,443	36,433
Other creditors	40,486	69,183
Juvenile deposits	344,573	381,275
Members share balances	35,266,420	37,310,593
Accrued expenses	<u>228,381</u>	<u>70,635</u>
	<u>35,981,303</u>	<u>37,868,119</u>

CAPITAL CREDIT UNION LTD

Notes to the Financial Statements - continued
for the Year Ended 30 September 2023

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 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.

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 3 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.

	2023		2022	
	Amount £	Avg Int rate %	Amount £	Avg Int rate %
Financial Assets				
Loans to members	<u>24,820,831</u>	<u>6.30</u>	<u>18,507,652</u>	<u>7.91</u>
Financial liabilities				
Subscribed capital				
Shares	<u>35,251,638</u>		<u>37,310,593</u>	
	<u>35,251,638</u>		<u>37,310,593</u>	

Fair value of financial instruments

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

CAPITAL CREDIT UNION LTD

Notes to the Financial Statements - continued
for the Year Ended 30 September 2023

14. **ACCRUALS AND DEFERRED INCOME**

	2023	2022
	£	£
Deferred grants	<u>654,957</u>	<u>865,283</u>

15. **RESERVES**

	Retained earnings £	Growth & Efficiency Reserve £	Totals £
At 1 October 2022	4,892,047	68,584	4,960,631
Surplus for the year	128,133		128,133
Dividend paid	<u>(32,870)</u>	<u>-</u>	<u>(32,870)</u>
At 30 September 2023	<u>4,987,310</u>	<u>68,584</u>	<u>5,055,894</u>

16. **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 where necessary 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.

17. **RELATED PARTY DISCLOSURES**

During the year, 2 members (2022 - 6) of the Board, key management and their close family members had loans with the credit union. These loans were approved on the same basis as loans to other members of the credit union.

CAPITAL CREDIT UNION LTD

Detailed Revenue Account
for the Year Ended 30 September 2023

	2023		2022	
	£	£	£	£
LOAN INTEREST RECEIVABLE				
Loan interest receivable	1,563,953		1,467,339	
Fees and commission receivable	<u>1,076</u>		<u>1,189</u>	
		1,565,029		1,468,528
Other income				
Sundry receipts	154,994		87,238	
Rent received	41,002		36,412	
Grants	210,326		351,614	
Impaired loans recovered	62,630		46,876	
Interest on bank account	433,566		164,354	
Members service fees	<u>22,813</u>		<u>90,610</u>	
		<u>925,331</u>		<u>777,104</u>
		2,490,360		2,245,632
Expenditure				
Costs of occupying offices	112,433		181,741	
Death benefit insurance	104,390		96,245	
Wages	819,548		729,478	
Social security	73,437		72,019	
Pensions	54,192		46,230	
Member communication and advertising	120,543		45,320	
Meeting & conferences	12,395		9,078	
Regulatory costs	17,163		17,688	
Computer software & expenses	343,673		367,385	
Financial inclusion centre	20,000		30,000	
General administration costs	55,407		62,702	
Legal, professional and credit control fees	114,385		90,407	
Auditors' remuneration	11,088		9,785	
Impaired loans written off	180,369		262,651	
Impaired loan provision	18,752		(917)	
Amortisation of intangible fixed assets				
Amortisation of computer software	<u>12,603</u>		<u>10,410</u>	
		<u>2,070,378</u>		<u>2,030,222</u>
		419,982		215,410
Finance costs				
Bank charges	28,020		4,276	
Investment interest	<u>27,786</u>		<u>3,983</u>	
		<u>55,806</u>		<u>8,259</u>
		364,176		207,151
Depreciation				
Depreciation		<u>120,336</u>		<u>94,164</u>
NET SURPLUS		<u><u>243,840</u></u>		<u><u>112,987</u></u>

This page does not form part of the statutory financial statements












CAPI100 - Audit Annual-Accounts 30.09.23

Final Audit Report

2023-12-13

Created:	2023-12-08
By:	Gary Copeland (Gary.Copeland@sharles-ca.co.uk)
Status:	Signed
Transaction ID:	CBJCHBCAABAA4V6H5jaGfBCI7r-VSpB-39ZZ3s7W6wSe

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-  Document created by Gary Copeland (Gary.Copeland@sharles-ca.co.uk)
2023-12-08 - 11:19:46 GMT- IP address: 213.105.30.154
-  Document emailed to andrew.mckeever@live.co.uk for signature
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-  Email viewed by andrew.mckeever@live.co.uk
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-  Signer andrew.mckeever@live.co.uk entered name at signing as Andrew McKeever
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-  Signer elsp@me.com entered name at signing as Sonia B Johnston
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Signature Date: 2023-12-11 - 16:58:12 GMT - Time Source: server- IP address: 81.106.153.67
-  Document emailed to juliegregory24@yahoo.co.uk for signature
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 Signer juliegregory24@yahoo.co.uk entered name at signing as Julie Gregory

2023-12-12 - 13:06:32 GMT- IP address: 31.94.20.2

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2023-12-12 - 15:02:05 GMT- IP address: 104.47.85.62

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Signature Date: 2023-12-13 - 13:58:57 GMT - Time Source: server- IP address: 85.115.52.204

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2023-12-13 - 13:58:59 GMT

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2023-12-13 - 16:39:03 GMT- IP address: 81.138.236.134

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 Agreement completed.

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