

**PENNY POST CREDIT UNION LTD**

**Firm Reference No 213680**

**Registered No IP00453C**

**DIRECTORS REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 SEPTEMBER 2020**

**PENNY POST CREDIT UNION LTD**

**ADMINISTRATIVE INFORMATION**

<b>Directors</b>	Ken Beardmore Graham Jones Dave Jones Mark Ward Ian Brookfield Andy Morris Martin Green Deepak Sharma
<b>Secretary</b>	Martin Green
<b>Society Registration Number</b>	IP00453C
<b>Financial Conduct Authority Registration Number</b>	213680
<b>Registered Office</b>	North West Midlands Mail Centre Sun Street Wolverhampton WV1 1AA
<b>Auditors</b>	Lindley Adams Limited Chartered Accountants and Statutory Auditors 28, Prescott Street Halifax, HX1 2LG
<b>Bankers</b>	The Co-operative Bank Plc P.O. Box 101 1 Balloon Street Manchester M60 4EP  Bank of Scotland Plc The Mound Edinburgh EH1 1YZ  Unity Trust Bank Plc Nine Brindleyplace 4 Oozells Square Birmingham B1 2HB  Santander UK plc 2 Triton Square Regent's Place London NW1 3AN

**PENNY POST CREDIT UNION LTD**

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**PENNY POST CREDIT UNION LTD**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

The Directors present their report and the financial statements for the year ended 30 September 2020.

**Principal activity and Business Review**

The principal activities of the credit union are the promotion and encouragement of regular saving and prudent borrowing by its members, as defined in the Credit Unions Act 1979.

**Results and Dividends**

The surplus for the year, after taxation, amounted to £822,949 (2019 - £902,697). In addition, there were 10,679 (2019 – 10,038) adult members with 3,655 (2019 - 3,605) members holding loans with the Credit Union.

The Directors recommend the payment of the following dividends at the year-end:

Regular Shares, Jam Jar Accounts, Young Saver Accounts	2.15%
Plus (+0.5%) - 0.5% above regular dividend rate	2.65%
Christmas - 1% above regular dividend rate	3.15%

These will be voted upon at the Annual General Meeting.

**Directors**

The directors who served during the year are as stated below:

Ken Beardmore  
Graham Jones  
Dave Jones  
Mark Ward  
Ian Brookfield  
Andy Morris  
Martin Green  
Deepak Sharma – Appointed June 2020

**Financial risk management objectives and policies**

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 and these are summarised below:

- Credit Risk: All loan applications are assessed with reference to the Credit Union's lending policy. Changes to policy are approved by the Board.
- Interest Rate Risk: The main interest rate risk arises from differences between interest rate exposures on assets and on liabilities that form an integral part of the credit union's operations. The Credit Union considers interest rates when deciding on the dividend rates to propose on share accounts.
- Liquidity Risk: The Credit Union's policy is to maintain sufficient funds in a liquid form at all times to ensure that the Credit Union can meet its liabilities as they fall due. The objective of liquidity is to help smooth mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

These areas are outlined in greater detail in section 15 of the Notes to the Financial Statements.

**Statement of Directors' Responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Credit Union legislation requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland" (United Kingdom Accounting Standards and applicable law). Under Credit Union legislation the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the credit union and of the surplus or deficit of the Credit Union for that year. In preparing these financial statements, the directors are required to:

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

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

In so far as the directors are aware:

- There is no relevant audit information (information needed by the Credit Union's auditors in connection with preparing their report) of which the Credit Union's auditors are unaware, and
- The directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Credit Union's auditors are aware of that information.

This report was approved by the Board on 22/2/2021 and signed on its behalf by:

Name of Director 1:



Signature

DAVE JONES

Name of Director 2:

MARK WARD

Signature



**REPORT OF THE INDEPENDENT AUDITOR  
TO PENNY POST CREDIT UNION LTD**

**OPINION**

We have audited the financial statements of Penny Post Credit Union Ltd (the 'credit union') for the year ended 30 September 2020 which comprise revenue account, balance sheet, statement of changes to retained earnings, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

**BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the credit union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and the provisions available for small entities, in the circumstances as set out in note 22 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**CONCLUSIONS RELATING TO GOING CONCERN**

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

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

**OTHER INFORMATION**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report 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 Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

**RESPONSIBILITIES OF THE BOARD**

As explained more fully in the Statement of Directors' responsibilities set out on page 2, 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 they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**USE OF OUR REPORT**

This report is made solely to the credit union, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the credit union those matters we are required to state to it in a Report of the auditor's 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, for our audit work, for this report, or for the opinions we have formed.



.....  
**Lindley Adams Limited**  
**Chartered Accountants and Statutory Auditors**  
**28 Prescott Street,**  
**Halifax, HX1 2LG**

Date..... 22/2/2021.....

## PENNY POST CREDIT UNION LTD

## Revenue Account for the year ended 30 September 2020

	Note	2020 £	As restated 2019 £
Loan Interest receivable and similar income	4	2,801,141	2,617,922
Interest payable	5	(419,202)	(307,683)
<b>Net interest income</b>		<b>2,381,939</b>	<b>2,310,239</b>
Fees and commissions receivable	6	950	1,789
Fees and commissions payable		(28,441)	(23,359)
<b>Net fees and commissions payable</b>		<b>(27,491)</b>	<b>(21,570)</b>
Other income	7	500	582
Administrative expenses	8a	(740,545)	(632,035)
Depreciation and amortisation	11	(6,161)	(14,444)
Other operating expenses	8b	(112,320)	(84,288)
Impairment losses on loans to members	12e	(654,241)	(639,287)
<b>Surplus Before Taxation</b>		<b>841,681</b>	<b>919,197</b>
Taxation		(18,732)	(16,500)
<b>Surplus for the Financial Year</b>		<b>822,949</b>	<b>902,697</b>
Other comprehensive income		0	0
<b>Total comprehensive income</b>		<b>822,949</b>	<b>902,697</b>

Note: There is no comprehensive income other than those included on the Revenue Account.




## PENNY POST CREDIT UNION LTD

Balance Sheet as at 30 September 2020

	Note	2020 £	As restated 2019 £
<b>ASSETS</b>			
Loans and advances to banks	16	17,232,987	10,957,482
Loans and advances to members	12	13,106,451	13,643,345
Tangible fixed assets	11	8,444	6,206
Prepayments and accrued income		49,636	36,204
<b>Total assets</b>		<b>30,397,518</b>	<b>24,643,237</b>
<b>LIABILITIES</b>			
Subscribed capital - repayable on demand	13	25,190,839	20,257,996
Other payables	14	66,185	67,696
		25,257,024	20,325,692
Retained earnings		5,140,494	4,317,545
<b>Total liabilities</b>		<b>30,397,518</b>	<b>24,643,237</b>

The financial statements were approved, and authorised for issue by the board on 22/2/2021 and signed on its behalf by:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Secretary

## PENNY POST CREDIT UNION LTD

## Statement of Changes in Retained Earnings for the year ended 30 September 2020

			<b>2020</b>	<b>2019</b>	
			£	£	
As at 1 October 2019			4,317,545	3,414,848	
Total comprehensive income for the year			822,949	902,697	
			<u>5,140,494</u>	<u>4,317,545</u>	
<b>As at 30 September 2020</b>					
<b>Movement in reserves</b>					
	<b>Retained earnings</b>			<b>Total</b>	
	General reserve	Revenue reserve	Development reserve	Bereavement fund	
As at 1 October 2019	1,997,534	368,866	1,951,145	0	<b>4,317,545</b>
Surplus for year	302,466	47,839	322,644	150,000	<b>822,949</b>
	<u>2,300,000</u>	<u>416,705</u>	<u>2,273,789</u>	<u>150,000</u>	<u>5,140,494</u>
<b>As at 30 September 2020</b>					

## PENNY POST CREDIT UNION LTD

## Cash flow statement for the year ended 30 September 2020

	Note	2020 £	As restated 2019 £
<b>Cash Flows from operating activities</b>			
Surplus before taxation		841,681	919,197
Adjustments for non-cash items			
Depreciation	11	6,161	14,444
Impairment losses	12e	670,988	643,348
		<b>677,149</b>	<b>657,792</b>
 Movements in:			
Prepayments and accrued income		(13,432)	(5,943)
Other payables		(1,511)	5,805
		<b>(14,943)</b>	<b>(138)</b>
 <b>Cash flows from changes in operative assets and liabilities</b>			
Cash inflow from subscribed capital	13	21,039,156	18,708,927
Cash outflow from repaid capital	13	(16,106,313)	(18,212,774)
New loans to members	12a	(6,333,863)	(8,897,318)
Repayment of loans by members	12a	6,199,769	6,242,933
		<b>4,798,749</b>	<b>(2,158,232)</b>
 Taxation paid		(18,732)	(16,500)
<b>Net Cash flows from operating activities</b>		<b>6,283,904</b>	<b>(597,881)</b>
 <b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(8,399)	(7,196)
Net cash flow from managing liquid deposits	16	(4,866,847)	(3,051,116)
		<b>(4,875,246)</b>	<b>(3,058,312)</b>
 <b>Net increase (decrease) in cash and cash equivalents</b>		<b>1,408,658</b>	<b>(3,656,193)</b>
Cash and cash equivalents at beginning of year		6,854,083	10,510,276
 <b>Cash and cash equivalents at end of year</b>	16	<b>8,262,741</b>	<b>6,854,083</b>

## PENNY POST CREDIT UNION LTD

### Notes to the Financial Statements for the year ended 30 September 2020

#### 1 Legal and regulatory framework

The Credit Union is a society established under the Co-operative and Community Benefit Societies Act 2014, whose principal activity is to operate as a credit union, within the meaning of the Credit Unions Act 1979. The Credit Union has registered with the Financial Conduct Authority and is regulated by the Prudential Regulation Authority under the provisions of the Financial Services and Markets Act 2000.

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 issued redeemable shares and interest bearing shares.

#### 2 Accounting policies

##### Basis of preparation

These financial statements have been prepared in accordance with FRS 102 - the Financial Reporting Standard applicable in the UK and Ireland.

The financial statements are prepared on the historical cost basis.

##### Going concern

The directors of the Credit Union believe that it is appropriate to prepare the financial statements on the going concern basis. In accordance with PRA Rulebook Guidelines outlined in Section 8.5A (2), the credit union must maintain a minimum Capital-to-total assets ratio of 8%.

	2020	2019
The relevant ratios are:-	16.91%	17.52%

##### 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 method, and is calculated and accrued on a daily basis. Exempt interest on members loans is not recognised.

Fees and commissions receivable: Fees and charges 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.

Other income: Other income is recognised either evenly over the period to which it relates or when the transaction is complete.

##### Taxation

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

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

##### Tangible fixed assets

Tangible fixed assets comprises items of property, plant and equipment, which 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.

Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value, on a straight line basis over its estimated useful life. The categories of property, plant and equipment are depreciated as follows:

Office Furniture & Fittings	5 Years
Computers	3 years

**PENNY POST CREDIT UNION LTD**

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

**2 Accounting policies (cont.)****Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and with the Bank of England and loans and advances to banks (i.e. cash deposited with banks) with maturity of less than or equal to three months.

**Financial assets – loans and advances to members**

Loans to members are financial assets with fixed or determinable payments. Loans are made to members for provident or productive purposes on such security (or without security) and terms as the rules of the Credit Union provide. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

**Impairment of financial assets**

The Credit Union assesses, at each balance sheet date, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised.

Any impairment losses are recognised in the revenue account, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

**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 at the amount of cash deposited and subsequently measured at amortised cost.

**Interest-bearing shares**

In accordance with section 7(a) of the Credit Union Act 1979 the Credit Union has the power to issue Interest-bearing shares to members. Interest-bearing shares are redeemable and classified as financial liabilities. The interest payable for these shares is recognised using the effective interest method and is calculated and accrued on a daily basis.

**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.

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.

**Operating lease commitments**

Rentals paid under operating leases are charged to the Revenue Account on a straight line basis over the period of the lease.

## PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

**3 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 accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

**Impairment losses on loans to members**

Impaired losses are stated after specifically reviewing all loans in arrears. The criteria used is whether the loan will be repaid within the term of the loan based upon the current regular pattern of repayments.

**4 Loan interest receivable and similar income**

	2020	2019
	£	£
Loan interest receivable from members	2,702,551	2,531,078
Bank interest receivable from cash and liquid deposits	98,590	86,844
<b>Total loan interest receivable and similar income</b>	<b><u>2,801,141</u></b>	<b><u>2,617,922</u></b>

**5 Interest expense**

Interest expense the combination of:

- a The dividend 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.
- b The interest payable to Interest bearing share accounts.

	2020	2019
	£	£
Total interest paid during the year	<u>419,202</u>	<u>307,683</u>
This is split into:		
Dividends paid during the year	362,360	255,963
Dividend rates		
Regular Shares, Jam Jar Accounts, Young Saver Accounts	2.15%	1.55%
Plus (+0.5%) - 0.5% above regular dividend rate	2.65%	2.05%
Christmas - 1% above regular dividend rate	3.15%	2.55%
Interest payable to interest bearing share accounts	56,842	51,720
Interest rates		
Cash ISA - Issue 1	2.00%	2.00%
Cash ISA - Issue 2	2.00%	2.00%
Cash NISA - Issue 3	1.50%	1.50%
Prime Interest	2.25%	2.25%
Interest proposed, but not recognised	<u>416,705</u>	<u>368,866</u>
Dividend rates		
Regular Shares, Jam Jar Accounts, Young Saver Accounts	2.15%	2.15%
Plus (+0.5%) - 0.5% above regular dividend rate	2.65%	2.65%
Christmas - 1% above regular dividend rate	3.15%	3.15%
Interest rates	Same as above	

**6 Fees and commissions receivable**

	2020	2019
	£	£
Entrance fees	6	890
Cash cheque, Card and Dormant fees	944	899
<b>Total fees and commissions receivable</b>	<b><u>950</u></b>	<b><u>1,789</u></b>

## PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

7	<b>Other Income</b>		2020	2019
			£	£
	Miscellaneous income		500	582
			<u>500</u>	<u>582</u>
8	<b>Expenses</b>	Note	2020	2019
			£	£
	Administrative expenses	8a	740,545	632,035
	Depreciation and amortisation	11	6,161	14,444
	Other operating expenses	8b	112,320	84,288
			<u>859,026</u>	<u>730,767</u>
8a	<b>Administrative Expenses</b>	Note	2020	2019
			£	£
	Employment costs	9b	477,459	392,751
	Training, Conference and Advertising		72,170	70,258
	Equipment leasing		6,709	7,702
	Travelling expenses		1,508	4,344
	Auditors remuneration	8c	4,800	4,821
	Telephone		6,236	6,147
	Computer maintenance		37,574	39,642
	New membership reward		6,160	3,665
	Consultancy and Internal Audit		90,590	47,408
	General expenses		14,455	12,370
	Donations and Sponsorship		1,955	11,750
	Printing, Postage and Stationery		19,164	31,177
	Other insurances		1,765	0
	<b>Total Administrative Expenses</b>		<u>740,545</u>	<u>632,035</u>
8b	<b>Other Operating Expenses</b>		2020	2019
	<b>Cost of occupying offices (excluding depreciation)</b>		£	£
	Repairs and Maintenance		413	1,460
			413	1,460
	<b>Regulatory and financial management costs</b>			
	Financial Conduct Authority, Prudential Regulation Authority Fees and FSCS levies		950	2,654
	National Body Dues		12,662	11,790
	Fidelity Insurance		7,198	9,592
	Bereavement fund		62,596	26,945
	Credit checks & Debt recovery fees		28,501	31,847
			111,907	82,828
	<b>Total Other operating Expenses</b>		<u>112,320</u>	<u>84,288</u>
8c	<b>Auditors remuneration</b>		2020	2019
			£	£
	Fees payable for the audit of the Credit Union's annual accounts		4,710	4,731
	Fees payable to the Credit Union's Auditor for other services:			
	Services relating to taxation		90	90
	<b>Total Auditors remuneration</b>		<u>4,800</u>	<u>4,821</u>

## PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

**9 Employees and employment costs**

<b>9a Number of employees</b>	<b>2020</b>	<b>2019</b>
The average monthly number of employees during the year were:	Number	Number
Office staff	<u>16</u>	<u>14</u>
<b>9b Employment costs</b>	<b>2020</b>	<b>2019</b>
	£	£
Wages, salaries and social security costs	463,100	382,809
Payments to defined contribution pension schemes	<u>14,359</u>	<u>9,942</u>
<b>Total employment costs</b>	<b><u>477,459</u></b>	<b><u>392,751</u></b>

The Directors of the Credit Union are all unpaid volunteers. The key management team for the Credit Union includes the Chief Executive Officer, Chief Finance Officer and Chief Marketing Officer.

	<b>2020</b>	<b>2019</b>
	£	£
Short term employee benefits	152,351	104,075
Payments to defined contribution pension schemes	<u>3,800</u>	<u>2,126</u>
<b>Total key management personnel compensation</b>	<b><u>156,151</u></b>	<b><u>106,201</u></b>

Short-term employee benefits include wages, salaries, social security contributions and paid annual leave.

**10 Taxation****10a Recognised in the Revenue Account**

The taxation charge for the year, based on the small profits rate of Corporation Tax of 19% (2019 19%) comprised:

	<b>Note</b>	<b>2020</b>	<b>2019</b>
		£	£
Current tax			
UK Corporation tax	10b	18,732	16,500
<b>Total current tax and total taxation expense recognised in the Revenue Account</b>		<b><u>18,732</u></b>	<b><u>16,500</u></b>

**10b Reconciliation of taxation expense**

The Credit Union is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as a trade. However, corporation tax is payable on investment income. As a result, tax charge for the year differs from the standard rate of corporation tax. The differences are explained below:

	<b>2020</b>	<b>2019</b>
	£	£
Surplus Before Taxation	<u>841,681</u>	<u>919,197</u>
Surplus before taxation multiplied by small profits rate of corporation tax in the UK of 19% (2019 19%)	159,919	174,647
Effects of:		
Non-taxable surplus on transactions with members	<u>(141,187)</u>	<u>(158,147)</u>
<b>Total tax charge for the year</b>	<b><u>18,732</u></b>	<b><u>16,500</u></b>



## PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

**11 Tangible Fixed Assets**

Tangible Fixed Assets comprise the following property, plant and equipment:

	Computers	Office Furniture & Fittings	Total
Cost	£	£	
As at 1 October 2019	49,428	5,730	55,158
Additions	6,651	1,748	8,399
Disposals	(5,420)	0	(5,420)
<b>As at 30 September 2020</b>	<b>50,659</b>	<b>7,478</b>	<b>58,137</b>
<b>Depreciation</b>			
As at 1 October 2019	44,033	4,919	48,952
Charge for the year	5,490	671	6,161
Charge on disposal	(5,420)	0	(5,420)
<b>As at 30 September 2020</b>	<b>44,103</b>	<b>5,590</b>	<b>49,693</b>
<b>Net Book Value</b>			
<b>As at 30 September 2020</b>	<b>6,556</b>	<b>1,888</b>	<b>8,444</b>
As at 30 September 2019	5,395	811	6,206

**12 Loans and advances to members**

<b>12a Loans and advances to members</b>	Note	2020 £	As restated 2019 £
As at 1 October 2019		15,145,603	12,761,715
Advanced during the year		6,333,863	8,897,318
Interest receivable		2,702,551	2,531,078
Repaid during the year		(8,902,320)	(8,774,011)
<b>Gross loans and advances to members</b>	12b, 20	<b>15,279,697</b>	<b>15,416,100</b>
Impairment losses:			
Individual financial assets	12b, 12e, 20	(175,883)	(270,497)
Groups of financial assets	12d, 20	(1,997,363)	(1,502,258)
	12c	(2,173,246)	(1,772,755)
<b>As at 30 September 2020</b>		<b>13,106,451</b>	<b>13,643,345</b>
<b>12b Memorandum - Total loan assets regulatory purposes</b>	Note	2020 £	2019 £
Gross loans and advances to members		15,279,697	15,416,100
Impairment of individual financial assets		(175,883)	(270,497)
<b>Total loan assets for regulatory purposes</b>	15b	<b>15,103,814</b>	<b>15,145,603</b>

## PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

**12c Credit risk disclosures**

The credit union does not offer mortgages and as a result all loans to members are unsecured, except where there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding.

The carrying amount of the loans to members represents the credit union's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full.

	2020		As restated 2019	
	Amount	Proportion	Amount	Proportion
<b>Not impaired:</b>				
Neither past due nor impaired	11,076,748	72.50%	12,252,406	79.48%
Up to 3 months past due	1,783,850	11.67%	1,210,408	7.85%
Between 3 and 6 months past due	3,719	0.02%	11,801	0.08%
Between 6 and 9 months past due	0	0.00%	0	0.00%
Between 9 months and 1 year past due	0	0.00%	0	0.00%
Over 1 year past due	0	0.00%	0	0.00%
<b>Sub-total: loans not impaired</b>	<b>12,864,317</b>	<b>84.19%</b>	<b>13,474,615</b>	<b>87.41%</b>
<b>Individually impaired:</b>				
Not yet past due, but impaired	25,966	0.17%	56,761	0.37%
Up to 3 months past due	48,521	0.32%	66,949	0.43%
Between 3 and 6 months past due	260,594	1.71%	206,975	1.34%
Between 6 and 9 months past due	187,564	1.23%	94,717	0.61%
Between 9 months and 1 year past due	122,822	0.80%	61,300	0.40%
Over 1 year past due	1,769,913	11.58%	1,454,783	9.44%
<b>Total loans</b>	<b>15,279,697</b>	<b>15.81%</b>	<b>15,416,100</b>	<b>12.59%</b>
<b>Impairment allowance</b>	<b>(2,173,246)</b>		<b>(1,772,755)</b>	
<b>Total carrying value</b>	<b>13,106,451</b>		<b>13,643,345</b>	

Factors that are considered in determining whether loans are impaired are discussed in note 3.

	Note	As restated	
		2020	2019
<b>12d Allowance account for impairment losses</b>		£	£
As at 1 October 2019		1,502,258	1,129,407
Allowance for losses made during the year		495,105	372,851
<b>Increase in allowance during the year</b>	12e	<b>495,105</b>	<b>372,851</b>
<b>As at 30 September 2020</b>	20	<b>1,997,363</b>	<b>1,502,258</b>
<b>12e Impairment losses recognised for the year</b>		<b>2020</b>	<b>As restated 2019</b>
		£	£
Impairment of individual financial assets		175,883	270,497
Increase in impairment allowances during the year		495,105	372,851
		<b>670,988</b>	<b>643,348</b>
Reversal of impairment where debts recovered		(16,747)	(4,061)
<b>Total impairment losses recognised for the year</b>		<b>654,241</b>	<b>639,287</b>

## PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

13 Subscribed capital - financial liabilities	2020	2019
	£	£
As at 1 October 2019	20,257,996	19,761,843
Received during the year	20,619,954	18,401,244
Dividends and Interest paid during the year	419,202	307,683
Repaid during the year	(16,106,313)	(18,212,774)
<b>As at 30 September 2020</b>	<b><u>25,190,839</u></b>	<b><u>20,257,996</u></b>

Deposits from members are made by way of subscription for shares. The balance includes deposits made by juvenile members - £101,678 (2019 - £38,129).

14 Other payables	2020	2019
	£	£
UK Corporation tax	18,732	16,500
Accruals and deferred income	47,453	51,196
	<b><u>66,185</u></b>	<b><u>67,696</u></b>

## 15 Additional financial instruments disclosures

## 15a 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 the risk the Board approves the Credit Union's 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 payment has changed. The Credit Union also monitors its banking arrangements closely in light of the current banking situation.

**Liquidity risk:** The Credit Union's policy is to maintain sufficient funds in liquid form at all times to ensure that it meets its liabilities as they fall due. The objective of the Credit Union's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise. Note 2 provides further details about the impact of the maturity mismatch on the going concern status of the Credit Union.

**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 differences between the interest rate exposures on the receivables and payables that form an integral part of a 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.

## PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

**15b Interest rate risk disclosures**

The following table shows the average interest rates applicable to relevant financial assets and financial liabilities.

	2020		2019	
	Amount	Average Interest Rate	Amount	Average Interest Rate
Financial assets	£	%	£	%
Loans to members	15,103,814	17.87%	15,145,603	19.28%

The interest rates applicable to loans to members are fixed and range from 3% to 36% per annum.

	2020		2019	
	Amount	Average Interest Rate	Amount	Average Interest Rate
Financial liabilities	£	%	£	%
Redeemable shares to members	21,259,863	2.65%	16,899,006	2.05%
Interest bearing shares to members	3,930,976	1.94%	3,358,990	1.94%

**15c Liquidity risk disclosures**

Excluding short-term other payables, as noted on the balance sheet, the Credit Union's financial liabilities, the subscribed capital, are repayable on demand.

**15d Fair value of financial instruments**

The Credit Union does not hold any financial instruments at fair value.

**16 Cash and cash equivalents**

	2020	2019
	£	£
Loans and advances to banks	17,232,987	10,957,482
Less: amounts maturing after three months	(8,970,246)	(4,103,399)
<b>Total cash and cash equivalents</b>	<b>8,262,741</b>	<b>6,854,083</b>

**17 Leasing Agreements**

	2020	2019
	£	£
Minimum lease payments under non-cancellable operating leases fall due as follows:		
Within one year	6,148	6,148
Between one and five years	9,210	15,358
	<b>15,358</b>	<b>21,506</b>

**Financial Commitments**

	2020	2019
	£	£
Contracted but not provided for in the financial statements	15,358	21,506

**18 Post balance sheet events**

In 2020, the Covid-19 pandemic occurred. The measures taken by the UK government to contain the virus have impacted the economic activity of credit unions. The directors have assessed the impact on the credit union and the business continuity plans. Their view is, although the credit union will be affected and there may be a fall in income and increase in doubtful loans, the credit union will meet all regulatory requirements for the foreseeable future. It is appropriate to prepare the accounts on a going concern basis as set out in the Accounting Policies (going concern) Note to the Financial Statements. The full extent of the impact is dependent on the duration of Covid-19, the effect on the economy and the measures required to be taken by the UK government, the results of this cannot be predicted.

## PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

**19 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) has provided details of how the calculation of next year's contribution towards the FSCS will be calculated and full provision has been included for this liability. However this is subject to future changes in interest rates and levels of deposits held by UK deposit takers. Therefore there is inherent uncertainty regarding the totality of the levy that the Credit Union will have to pay.

**20 Previous year adjustments**

After a detailed assessment of historical impairment of individual and group assets made during the year:

- a £622,114 of individually impaired loans were brought back into Loans and Advances to members at 1 October 2018 and are now included in the balance of impairments of groups of financial assets.
- b A further £440,963 of individually impaired loans were brought back into Loans and Advances to members at 30 September 2019 and are now included in the balance of impairments of groups of financial assets.
- c £32,138 of individually impaired loans recovered were brought back into Loans and Advances to members at 30 September 2019 and are now included in the balance of Loans and Advances to members.

The following disclosures have been amended to the comparative figures for 30 September 2019 (n/b there are no changes to the Revenue account and Balance sheet disclosures):

<b>Loans and advances to members (Note 11a)</b>	£
Gross loans and advances to members	14,826,124
Balance at 1 October 2018 of loans brought back	622,114 a
Repayments made during the year that were previously debts recovered	<u>(32,138) c</u>
<b>Revised Gross loans and advances to members</b>	<b><u>15,416,100</u></b>
<b>Impairment losses (Note 11a, 11c &amp; 11e)</b>	£
Individual financial assets made during the year previously stated	711,460
Reversal impairment of individual financial assets brought back	<u>(440,963) b</u>
<b>Revised Individual financial assets</b>	<b><u>270,497</u></b>
<b>Groups of financial assets (Note 11a, 11c, 11d)</b>	£
Groups of financial assets previously stated	471,319
Balance at 1 October 2018 of loans brought back	622,114 a
Reversal impairment of individual financial assets brought back	440,963 b
Repayments made during the year that were previously debts recovered	<u>(32,138) c</u>
<b>Revised Groups of financial assets brought forward</b>	<b><u>1,502,258</u></b>
<b>Allowance account for impairment losses (Note 11d, 11e)</b>	£
As at 1 October 2018	507,293
Balance at 1 October 2018 of loans brought back	622,114 a
<b>Revised at 1 October 2018</b>	<b><u>1,129,407</u></b>
Allowance for losses reversed during the year	(35,974)
Increase losses made on previous impairments made on individual assets	440,963 b
Repayments made during the year that were previously debts recovered	<u>(32,138) c</u>
<b>Revised Increase in impairment allowances during the year</b>	<b><u>372,851</u></b>
<b>Revised allowance account for impairment losses</b>	<b><u>1,502,258</u></b>

**PENNY POST CREDIT UNION LTD**

Notes to the Financial Statements for the year ended 30 September 2020 (continued)

**21 Related Party Transactions**

During the year, 24 members of the board and staff and a further 35 relatives of the board and staff held shares with the credit union (2019 - 45 members). In addition, 9 members of the board, staff and relatives were granted or held loans with the Credit Union (2019 - 6 members). In one case the loans were approved on the same basis as loans to other members of the credit union. However in 7 other cases (2019 - 6 cases), a separate staff rate of 3% per annum was charged. These loans were granted and held in accordance with section 4.1.8 of the credit union policies and procedures and CREDS section 7.2.7 (1) (a). Subject to this none of the directors and staff and relatives have had any preferential terms on their loans and savings.

**22 Non-audit services**

In common with many other Credit Unions of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist us with the preparation of the financial statements.