PENNY POST CREDIT UNION LTD

Firm Reference No 213680

Registered No IP00453C

DIRECTORS REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2024

PENNY POST CREDIT UNION LTD

ADMINISTRATIVE INFORMATION

Directors	Ken Beardmore Graham Jones Dave Jones Mark Ward Andy Morris Martin Green Deepak Sharma Rhian Johnson Mohamed Ali
Secretary	Martin Green
Society Registration Number	IP00453C
Financial Conduct Authority Registration Number	213680
Registered Office	North West Midlands Mail Centre Sun Street Wolverhampton WV1 1AA
Auditors	Lindley Adams Limited Chartered Accountants and Statutory Auditors 28, Prescott Street Halifax, HX1 2LG
Bankers	The Co-operative Bank Plc P.O. Box 101 1 Balloon Street Manchester M60 4EP

Bank of Scotland Plc
The Mound
Edinburgh
EH1 1YZ

National Westminster Bank Plc
135 Bishopsgate
London
EC2M 3UR

Unity Trust Bank Plc
Nine Brindleyplace
4 Oozells Square
Birmingham
B1 2HB

Santander UK plc
2 Triton Square
Regent's Place
London
NW1 3AN

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PENNY POST CREDIT UNION LTD

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2024

The Directors present their report and the financial statements for the year ended 30 September 2024.

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 deficit for the year, after taxation, amounted to £43,221 (2023 - £1,690 surplus). In addition, there were 21,973 (2023 – 20,672) adult members with 6,410 (2023 - 5,917) 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, Prize Saver, Young Saver Accounts	1.75%
Plus (+0.5%) - 0.5% above regular dividend rate	2.25%
Christmas - 1% above regular dividend rate	2.75%

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
Andy Morris
Martin Green
Deepak Sharma
Rhian Johnson – Appointed February 2024
Mohamed Ali – Appointed February 2024
Gary Robertson – Resigned December 2023

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 16 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 30/March/2023 and signed on its behalf by:

Name of Director 1: DEEPAK SHARMA

Signature

Name of Director 2: ANDREW MORRIS

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 2024 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 2024 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the credit union's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

OTHER INFORMATION

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The 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 company 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 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.

Irregularities, including fraud, and instances of non-compliance with laws and regulations. We design procedures based on assessed risk and 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:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the credit union and determined that the following were most relevant: FRS 102, Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979. Our approach to identifying and assessing the risks of material misstatement in respect of irregularities. Including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations irrespective of the size of amounts involved;
- we enquired of management the systems and controls the credit union has in place, the areas of the financial statements that are mostly susceptible to the risks of irregularities and fraud (which we outline below) and whether there was any known, suspected or alleged fraud;
- we identified the laws and regulations applicable to the credit union through discussions with senior management;
- identified laws and regulations were communicated within the audit team who remained alert to instances of non-compliance throughout the audit.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including override of controls) and addressed the risk through:

- making enquiries of those charged with governance as to their knowledge of actual, suspected and alleged instances of fraud;
- considering the internal controls in place to mitigate the risks of fraud.

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

- reviewing the financial statements disclosures and determining whether accounting policies have been appropriately applied;
- obtaining third party confirmation of bank balances, members shares and members loans;
- reviewing the minutes of meetings of those charged with governance;
- reviewing relating party transactions of those charged with governance and determining whether the information provided is complete and appropriately disclosed in the financial statements;
- reviewing correspondence from professional advisors;
- reviewing and testing the internal controls in place for loans and savings and determining whether controls have been appropriately applied;
- reviewing and testing of deferred share balances;
- reviewing and testing of revenue recognition processes and determining completeness of income;
- checking expenses are bona fide transactions of the credit union, and;
- reviewing post balance sheet and subsequent events, both financial and non-financial, that have occurred in the period between the financial year end and the signing of the audit report.

There is a risk that we will not detect all irregularities, including fraud, because of the inherent limitations of an audit, including those leading to a material misstatement in the financial statements of non-compliance with regulations. The areas in the financial statements that are most susceptible to fraud are Loans and Advances to Members and Subscribed Capital. We have investigated in particular where there is:

- Separate computer systems in operation during the year;
- Impairment allowances above the minimum requirements;
- A lack of evidence to support outgoing payments from the bank;
- Inadequate responses to third party confirmations of bank, share and loan 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 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.

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

Date: 10/March/2025

PENNY POST CREDIT UNION LTD

Revenue Account for the year ended 30 September 2024

	Note	2024 £	2023 £
Loan Interest receivable and similar income	4	3,390,286	3,586,641
Interest payable	5	(636,314)	(673,394)
Net interest income		**2,753,972**	**2,913,247**
Fees and commissions receivable	6	3,037	17,685
Fees and commissions payable		(92,220)	(87,482)
Net fees and commissions payable		**(89,183)**	**(69,797)**
Other income	7	105,608	1,090
Administrative expenses	8a	(1,782,462)	(1,733,828)
Depreciation and amortisation	11	(78,146)	(215,705)
Other operating expenses	8b	(284,519)	(256,985)
Impairment losses on loans to members	12e	(412,576)	(437,439)
Loss on disposal of fixed assets	11	(1,650)	0
Subordinated loan interest		(986)	(5,245)
Surplus Before Taxation		**210,058**	**195,338**
Taxation		(253,279)	(193,648)
(Deficit) Surplus for the Financial Year		**(43,221)**	**1,690**
Total comprehensive income (expenditure)		**(43,221)**	**1,690**

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 2024

	Note	2024	2023
		£	£
ASSETS			
Loans and advances to banks	17	25,779,339	30,527,983
Loans and advances to members	12a	18,863,110	18,163,754
Tangible fixed assets	11	715,190	317,706
Prepayments and accrued income		536,686	464,333
Total assets		**45,894,325**	**49,473,776**
LIABILITIES			
Subscribed capital - repayable on demand	13	39,217,243	42,586,821
Other payables	14	737,540	857,917
		39,954,783	43,444,738
Subordinated loan	15	0	6,275
Deferred shares		548,750	588,750
Retained earnings		5,390,792	5,434,013
Total liabilities		**45,894,325**	**49,473,776**

The financial statements were approved, and authorised for issue by the board on 20/March/2025 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 2024

	Note	2024	2023
		£	£
As at 1 October 2023		5,434,013	5,432,323
(Deficit) Surplus for the Financial Year		(43,221)	1,690
As at 30 September 2024		**5,390,792**	**5,434,013**

Movement in reserves

	Retained earnings				
	General reserve	Revenue reserve	Development reserve	Bereavement fund	**Total**
As at 1 October 2023	2,158,292	558,541	2,667,180	50,000	**5,434,013**
(Deficit) Surplus for the Financial Year	(43,221)	0	0	0	**(43,221)**
Other movements	50,000	86,564	(86,564)	(50,000)	**0**
As at 30 September 2024	**2,165,071**	**645,105**	**2,580,616**	**0**	**5,390,792**

PENNY POST CREDIT UNION LTD

Cash flow statement for the year ended 30 September 2024

	Note	2024	2023
Cash Flows from operating activities		£	£
Surplus before taxation		210,058	195,338
Adjustments for non-cash items			
Depreciation	11	78,146	215,705
Loss on disposal of fixed assets	11	1,650	0
Impairment losses	12e	580,199	596,707
		659,995	**812,412**
Movements in:			
Deferred shares		(40,000)	0
Subordinated loans		(150,000)	0
Prepayments and accrued income		(72,353)	(357,225)
Other payables		23,348	161,095
		(239,005)	**(196,130)**
Cash flows from changes in operative assets and liabilities			
Cash inflow from subscribed capital	13	64,356,558	70,440,564
Cash outflow from repaid capital	13	(67,726,136)	(76,210,178)
New loans to members	12a	(11,190,431)	(10,267,265)
Repayment of loans by members	12a	9,910,876	10,237,792
		(4,649,133)	**(5,799,087)**
Taxation paid		(253,279)	(193,648)
Net Cash flows from operating activities		**(4,271,364)**	**(5,181,115)**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(477,280)	(242,264)
Net cash flow from managing liquid deposits	17	4,742,507	(13,991,795)
		4,265,227	**(14,234,059)**
Net decrease in cash and cash equivalents		**(6,137)**	**(19,415,174)**
Cash and cash equivalents at beginning of year		5,444,958	24,860,132
Cash and cash equivalents at end of year	17	**5,438,821**	**5,444,958**

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2024

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, deferred 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, the credit union that has total assets of more than £5 million must have:

	The relevant capital amounts:	
Based upon total assets on the balance sheet:	**2024**	**2023**
(1) capital of at least **5%** of total assets up to and including £10 million, &	500,000	500,000
(2) capital of at least **8%** of total assets above £10 million up to and including £50 million	2,871,546	3,157,902
Minimum regulatory capital	**3,371,546**	**3,657,902**
	The relevant ratios are:	
Minimum average capital to total assets	7.35%	7.39%
Actual capital to total assets (as calculated on note 15)	12.94%	12.19%

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.

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2024 (continued)

2 Accounting policies (cont.)

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	Motor Vehicles	3 years
Computer Hardware	3 years	Computer Software	4 years

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.

Deferred shares

Deferred members' shareholdings in the Credit Union are classified according to the substance of the contractural arrangements entered into. These are only redeemable in the event of liquidation and therefore is classified as equity in accordance with Section 22 of FRS 102. Subject to the derecognition of financial liabilities below, interest expenses made in dividends for any deferred members' shareholdings will be payable pro-rata, on the anniversary of each deposit, for amounts held for periods of less than one full year.

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, when voted, using the effective interest method and is calculated and accrued on a daily basis.

Derecognition of financial liabilities

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

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 2024 (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

	2024	2023
	£	£
Loan interest receivable from members	2,377,172	2,711,369
Bank interest receivable from cash and liquid deposits	1,013,114	875,272
Total loan interest receivable and similar income	**3,390,286**	**3,586,641**

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 dividends payable on deferred shares. These are applied in accordance with the accounting policy.

c The interest payable to interest bearing share accounts. These are applied in accordance with the accounting policy.

		2024	2023
		£	£
Total interest paid during the year		636,314	673,394
This is split into:			
Dividends paid during the year		603,105	613,720
Dividend rates	Regular Shares, Jam Jar Accounts, Young Saver Accounts	1.55%	1.55%
	Plus (+0.5%) - 0.5% above regular dividend rate	2.05%	2.05%
	Christmas - 1% above regular dividend rate	2.55%	2.55%
	Deferred shares	2.28%	2.28%
Interest payable to interest bearing share accounts		33,209	59,674
Interest rates	Cash ISA - Issue 1	2.00%	2.00%
	Cash ISA - Issue 2	1.50%	1.50%
	Cash NISA - Issue 3	1.50%	1.50%
	Prime Interest	1.50%	1.50%
Interest proposed, but not recognised		645,105	558,541
Dividend rates	Regular Shares, Jam Jar Accounts, Prize Saver, Young Saver Accounts	1.75%	1.55%
	Plus (+0.5%) - 0.5% above regular dividend rate	2.25%	2.05%
	Christmas - 1% above regular dividend rate	2.75%	2.55%

6 Fees and commissions receivable

	2024	2023
	£	£
Cash cheque, Card and Dormant fees	3,037	17,685
Total fees and commissions receivable	**3,037**	**17,685**

7 Other Income

	Note	2024	2023
		£	£
Miscellaneous income		1,695	1,090
Deferred shares gifted		40,000	0
Subordinated loans and interest waived	15	63,913	0
		105,608	**1,090**

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2024 (continued)

8 Expenses

	Note	2024	2023
		£	£
Administrative expenses	8a	1,782,462	1,733,828
Depreciation and amortisation	11	78,146	215,705
Other operating expenses	8b	284,519	256,985
		2,145,127	**2,206,518**

8a Administrative Expenses

	Note	2024	2023
		£	£
Employment costs	9b	1,195,426	1,133,509
Training, Conference and Board Expenses		64,862	66,131
Advertising		87,252	75,896
Equipment leasing		1,501	4,133
Travelling expenses		13,545	11,541
Auditors remuneration	8c	18,800	12,000
Telephone		32,641	35,235
Computer maintenance		247,431	208,668
New membership and loan cashback rewards		13,990	14,816
Internal Audit		4,900	2,131
Compliance, Consultancy and legal fees		29,066	115,248
General expenses		44,489	24,109
Donations and Sponsorship		3,810	3,100
Printing, Postage and Stationery		16,837	21,369
Other insurances		7,912	5,942
Total Administrative Expenses		**1,782,462**	**1,733,828**

8b Other Operating Expenses

	2024	2023
Cost of occupying offices (excluding depreciation)	£	£
Repairs and Maintenance	6,550	4,698
	6,550	4,698
Regulatory and financial management costs		
Financial Conduct Authority, Prudential Regulation Authority Fees and FSCS levies	812	1,079
National Body Dues	38,923	26,349
Fidelity Insurance	13,860	14,168
Death Claims and Bereavement fund	103,865	135,223
Credit checks & Debt recovery fees	120,509	75,468
	277,969	252,287
Total Other operating Expenses	**284,519**	**256,985**

8c Auditors remuneration

The Credit Union voluntarily presents an analysis of its auditors' remuneration in accordance with Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008.

	2024	2023
	£	£
Fees payable for the audit of the Credit Union's annual accounts	18,710	11,910
Fees payable to the Credit Union's Auditor for other services:		
Services relating to taxation	90	90
Total Auditors remuneration	**18,800**	**12,000**

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2024 (continued)

9 Employees and employment costs

9a Number of employees

The average monthly number of employees during the year were:	2024 Number	2023 Number
Office staff	30	30

9b Employment costs

	2024 £	2023 £
Wages, salaries and social security costs	1,137,198	1,064,516
Payments to defined contribution pension schemes	58,228	68,993
Total employment costs	**1,195,426**	**1,133,509**

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 up to April 2024 the Chief Marketing Officer.

	2024 £	2023 £
Short term employee benefits	186,782	245,589
Payments to defined contribution pension schemes	13,175	10,922
Total key management personnel compensation	**199,957**	**256,511**

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 main rate of Corporation Tax of 25% (2023 25%) comprised:

	Note	2024 £	2023 £
Current tax			
UK Corporation tax	10b	253,279	193,648
Total current tax and total taxation expense recognised in the Revenue Account		**253,279**	**193,648**

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:

	2024 £	2023 £
Surplus Before Taxation	210,058	195,338
Surplus before taxation multiplied by the main rate of corporation tax in the UK of 25% and reduced by marginal relief (2023 25% and reduced by marginal relief)	51,915	42,990
Effects of:		
Non-taxable deficit on transactions with members	201,364	150,658
Total tax charge for the year	**253,279**	**193,648**

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2024 (continued)

11 Tangible Fixed Assets

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

	Computer Hardware	Computer Software	Office Furniture & Fittings	Total
Cost	£	£	£	£
As at 1 October 2023	239,259	1,106,786	152,149	**1,498,194**
Additions	22,876	454,404	0	**477,280**
Disposals	(229,253)	(867,576)	(7,477)	**(1,104,306)**
As at 30 September 2024	**32,882**	**693,614**	**144,672**	**871,168**
Depreciation				
As at 1 October 2023	236,239	792,441	151,808	**1,180,488**
Charge for the year	4,320	73,485	341	**78,146**
Depreciation of disposal	(229,253)	(865,926)	(7,477)	**(1,102,656)**
As at 30 September 2024	**11,306**	**0**	**144,672**	**155,978**
Net Book Value				
As at 30 September 2024	**21,576**	**693,614**	**0**	**715,190**
As at 30 September 2023	3,020	314,345	341	**317,706**

12 Loans and advances to members

12a Loans and advances to members

		Note	2024	2023
			£	£
As at 1 October 2023			22,513,645	22,805,121
Advanced during the year			11,190,431	10,267,265
Interest receivable			2,377,172	2,711,369
Repaid during the year			(12,288,048)	(12,949,161)
Gross loans and advances to members		12b	**23,793,200**	**22,834,594**
Impairment losses:	Individual financial assets	12b, 12e	(717,192)	(320,949)
	Groups of financial assets	12d	(4,212,898)	(4,349,891)
		12c	**(4,930,090)**	**(4,670,840)**
As at 30 September 2024			**18,863,110**	**18,163,754**

12b Memorandum - Total loan assets regulatory purposes

	Note	2024	2023
		£	£
Gross loans and advances to members		23,793,200	22,834,594
Impairment of individual financial assets		(717,192)	(320,949)
Total loan assets for regulatory purposes	16b	**23,076,008**	**22,513,645**

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2024 (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.

	2024		2023	
Not impaired:	**Amount**	**Proportion**	**Amount**	**Proportion**
Neither past due nor impaired	15,351,781	64.52%	16,085,469	70.44%
Up to 3 months past due	3,202,947	13.46%	1,615,695	7.08%
Between 3 and 6 months past due	0	0.00%	0	0.00%
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%
Sub-total: loans not impaired	**18,554,728**	**77.98%**	**17,701,164**	**77.52%**
Individually impaired:				
Not yet past due, but impaired	0	0.00%	0	0.00%
Up to 3 months past due	0	0.00%	0	0.00%
Between 3 and 6 months past due	309,255	1.30%	423,578	1.85%
Between 6 and 9 months past due	317,731	1.34%	310,968	1.36%
Between 9 months and 1 year past due	157,613	0.66%	257,306	1.13%
Over 1 year past due	4,453,873	18.72%	4,141,578	18.14%
Total loans	**23,793,200**	**22.02%**	**22,834,594**	**22.48%**
Impairment allowance	(4,930,090)		(4,670,840)	
Total carrying value	**18,863,110**		**18,163,754**	

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

12d Allowance account for impairment losses

	Note	2024	2023
		£	£
As at 1 October 2023		4,349,891	4,074,133
Allowance for losses made (reversed) during the year	12e	(136,993)	275,758
Increase (decrease) in allowance during the year		**(136,993)**	**275,758**
As at 30 September 2024		**4,212,898**	**4,349,891**

12e Impairment losses recognised for the year

	2024	2023
	£	£
Impairment of individual financial assets	717,192	320,949
Increase (decrease) in impairment allowances during the year	(136,993)	275,758
	580,199	**596,707**
Reversal of impairment where debts recovered	(167,623)	(159,268)
Total impairment losses recognised for the year	**412,576**	**437,439**

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2024 (continued)

13 Subscribed capital - financial liabilities

	Note	2024	2023
		£	£
As at 1 October 2023		42,586,821	48,356,435
Received during the year		63,720,244	69,767,170
Dividends and interest paid during the year		636,314	673,394
Repaid during the year		(67,726,136)	(76,210,178)
As at 30 September 2024		**39,217,243**	**42,586,821**

Deposits from members are made by way of subscription for shares. The balance includes deposits made by juvenile members - £344,782 (2023 - £315,130).

14 Other payables

	Note	2024	2023
		£	£
UK Corporation tax		253,279	192,632
Accruals and deferred income		165,253	163,872
Subordinated loan	15	220,000	363,725
Other loan		0	25,000
Unpaid interest and dividends on Deferred shares		66,008	63,799
Unpaid subordinated and other loan interest		33,000	48,889
		737,540	**857,917**

15 Subordinated loan

At 31 January 2022 the credit union took over the Subordinated loans for Voyager Alliance Credit Union Ltd totalling £485,000. Where settlement is negotiated the loans are payable over a period of 6-10 years. If the settlement has been waived then this will be written off. If no settlement has been reached then outstanding loan and interest will be written off 6 years after maturity date, in accordance with the accounting policy for derecognition of financial liabilities. These have been presented in accordance with this and with capital guidelines outlined in the PRA rulebook, rule 8.2(5) as follows:

	Loans Taken over at 31/1/2022	Loans repaid and waived to 30/9/2023	Loans repaid and waived to 30/9/2024	Loan not qualifying as regulatory capital	**Loan qualifying as regulatory capital**
	£	£	£	£	£
Granted before 30/9/2016	205,000	65,000	50,000	90,000	**0**
Granted before 30/9/2017	180,000	100,000	50,000	30,000	**0**
Granted before 30/9/2018	100,000	0	0	100,000	**0**
Carried forward	**485,000**	**165,000**	**100,000**	**220,000**	**0**

The impact to regulatory capital is outlined below:

			2024	2023
			£	£
Regulatory capital is made up of:	Retained earnings		5,390,792	5,434,013
	Subordinated loan		0	6,275
	Deferred shares		548,750	588,750
	CAPITAL	A	**5,939,542**	**6,029,038**
This is divided by:	**TOTAL ASSETS**	B	**45,894,325**	**49,473,776**
CAPITAL TO TOTAL ASSETS RATIO (A / B x 100):			12.94%	12.19%

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2024 (continued)

16 Additional financial instruments disclosures

16a Financial risk management

The Credit Union manages it's 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.

16b Interest rate risk disclosures

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

	2024		2023	
	Amount	Average Interest Rate	Amount	Average Interest Rate
Financial assets	£	%	£	%
Loans to members	23,076,008	10.43%	22,513,645	11.97%

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

	2024		2023	
	Amount	Average Interest Rate	Amount	Average Interest Rate
Financial liabilities	£	%	£	%
Redeemable shares to members	38,088,263	2.05%	39,532,166	2.05%
Interest bearing shares to members	1,128,980	1.63%	3,054,655	1.63%
Deferred shares to members	548,750	2.28%	588,750	2.28%

16c 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.

16d Fair value of financial instruments

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

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2024 (continued)

17 Cash and cash equivalents

	2024	2023
	£	£
Loans and advances to banks	25,779,339	30,527,983
Less: amounts maturing after three months	(20,340,518)	(25,083,025)
Total cash and cash equivalents	**5,438,821**	**5,444,958**

18 Leasing Agreements

	2024	2023
Minimum lease payments under non-cancellable operating leases fall due as follows:	£	£
Within one year	4,364	4,628
Between one and five years	7,141	0
	11,505	**4,628**

Financial Commitments

	2024	2023
	£	£
Contracted above but not provided for in the financial statements	11,505	4,628

19 Post balance sheet events

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

20 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.

21 Related Party Transactions

During the year, 35 members of the board and staff and a further 37 relatives of the board and staff held shares with the credit union (2023 - 83 members). In addition, 15 members of the board, staff and relatives were granted or held loans with the Credit Union (2023 - 11 members). In 9 cases the loans were approved on the same basis as loans to other members of the credit union (2023 - 6 cases). However in 6 other cases (2023 - 5 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.