PENNY POST CREDIT UNION LTD

Firm Reference No 213680

Registered No IP00453C

DIRECTORS REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2022

PENNY POST CREDIT UNION LTD

ADMINISTRATIVE INFORMATION

Directors	Ken Beardmore Graham Jones Dave Jones Mark Ward Ian Brookfield Andy Morris Martin Green Deepak Sharma Gary Robertson
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

PENNY POST CREDIT UNION LTD

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PENNY POST CREDIT UNION LTD

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2022

The Directors present their report and the financial statements for the year ended 30 September 2022.

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, before loss on acquisition amounted to £383,864 (2021 - £676,254). In addition, there were 20,184 (2021 – 11,055) adult members with 6,027 (2021 - 3,687) 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	1.55%
Plus (+0.5%) - 0.5% above regular dividend rate	2.05%
Christmas - 1% above regular dividend rate	2.55%

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
Gary Robertson – Appointed February 2022

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 23/3/2023 and signed on its behalf by:

Name of Director 1: A. Morris

Signature

Name of Director 2: D. SHARMA

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 2022 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 2022 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 23 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 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:

- Inadequate record keeping, resulting from: lack of complete and timely reconciliations of bank;
- A lack of internal audit monitoring during the year;
- Separate computer systems in operation during the year;
- 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.

Lindley Adams Ltd

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

Date 23/March/2023

PENNY POST CREDIT UNION LTD

Revenue Account for the year ended 30 September 2022

	Note	Penny Post Group 2022 £	Penny Post only 2021 £
Loan Interest receivable and similar income	4	3,040,578	2,506,008
Interest payable	5	(482,939)	(481,930)
Net interest income		**2,557,639**	**2,024,078**
Fees and commissions receivable	6	35,856	988
Fees and commissions payable		(62,315)	(28,334)
Net fees and commissions payable		**(26,459)**	**(27,346)**
Other income	7	50,000	1,123
Administrative expenses	8a	(1,357,181)	(835,979)
Depreciation and amortisation	11	(150,224)	(6,933)
Other operating expenses	8b	(168,891)	(100,153)
Impairment losses on loans to members	12e	(485,929)	(361,699)
Subordinated loan interest		(2,348)	0
Surplus Before Taxation		**416,607**	**693,091**
Taxation		(32,743)	(16,837)
Surplus for the Financial Year		**383,864**	**676,254**
Loss on acquisition	19	(694,472)	0
Total comprehensive income (expenditure)		**(310,608)**	**676,254**

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 2022

	Note	Penny Post Group 2022 £	Penny Post only 2021 £
ASSETS			
Loans and advances to banks	17	35,951,362	23,113,175
Loans and advances to members	12	18,730,988	13,074,895
Tangible fixed assets	11	291,147	7,745
Prepayments and accrued income		107,108	53,998
Total assets		**55,080,605**	**36,249,813**
LIABILITIES			
Subscribed capital - repayable on demand	13	48,356,435	30,367,131
Other payables	14	584,986	65,934
		48,941,421	30,433,065
Subordinated loan	15	44,294	0
Deferred shares	19	588,750	0
Retained earnings		5,506,140	5,816,748
Total liabilities		**55,080,605**	**36,249,813**

The financial statements were approved, and authorised for issue by the board on 23/March/2023 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 2022

	Note	Penny Post Group 2022 £	Penny Post only 2021 £
As at 1 October 2021		5,816,748	5,140,494
Surplus for the Financial Year		383,864	676,254
Loss on acquisition	19	(694,472)	0
As at 30 September 2022		**5,506,140**	**5,816,748**

Movement in reserves

	Retained earnings General reserve	Revenue reserve	Development reserve	Bereavement fund	**Total**
As at 1 October 2021	2,600,000	388,560	2,667,180	161,008	**5,816,748**
Surplus for the Financial Year	317,482	177,390	0	(111,008)	**383,864**
Loss on acquisition	(694,472)	0	0	0	**(694,472)**
As at 30 September 2022	**2,223,010**	**565,950**	**2,667,180**	**50,000**	**5,506,140**

PENNY POST CREDIT UNION LTD

Cash flow statement for the year ended 30 September 2022

		Note	Penny Post Group 2022	Penny Post only 2021
			£	£
Cash Flows from operating activities				
Surplus before taxation			416,607	693,091
Adjustments for non-cash items				
Depreciation		11	150,224	6,933
Impairment losses	At the year end	12d	600,078	393,242
	On acquisition	12d	1,525,465	0
			2,275,767	**400,175**
Movements in:				
Deferred shares		19	588,750	0
Subordinated loans		15	370,000	0
Prepayments and accrued income			(53,110)	(4,362)
Other payables			193,346	(251)
			1,098,986	**(4,613)**
Cash flows from changes in operative assets and liabilities				
Cash inflow from subscribed capital		13	71,057,870	24,025,690
Cash outflow from repaid capital		13	(53,068,566)	(18,849,398)
New loans to members		12a	(17,143,735)	(6,698,141)
Repayment of loans by members		12a	9,362,099	6,336,455
			10,207,668	**4,814,606**
Taxation paid			(32,743)	(16,837)
Net Cash flows from operating activities			**13,966,285**	**5,886,422**
Cash flows from investing activities				
Purchase of property, plant and equipment		11	(433,626)	(6,234)
Net cash flow from managing liquid deposits		17	(73,330)	(2,047,654)
Net cash flow from acquisition		19	(694,472)	0
			(1,201,428)	**(2,053,888)**
Net increase in cash and cash equivalents			**12,764,857**	**3,832,534**
Cash and cash equivalents at beginning of year			12,095,275	8,262,741
Cash and cash equivalents at end of year		17	**24,860,132**	**12,095,275**

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2022

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 ratios are:

	Penny Post Group 2022	Penny Post only 2021
Based upon total assets on the balance sheet:		
(1) capital of at least **5%** of total assets up to and including £10 million, &	5.00%	5.00%
(2) capital of at least **8%** of total assets above £10 million up to and including £50 million, &	8.00%	20.25%
(3) capital of at least **10%** of total assets above £50 million	36.42%	0.00%
Average capital to total assets	11.15%	16.05%

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

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2022 (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.

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 2022 (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	Penny Post Group 2022 £	Penny Post only 2021 £
Loan interest receivable from members	2,868,246	2,417,390
Bank interest receivable from cash and liquid deposits	172,332	88,618
Total loan interest receivable and similar income	**3,040,578**	**2,506,008**

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.

		Penny Post Group 2022 £	Penny Post only 2021 £
Total interest paid during the year		482,939	481,930
This is split into:			
Dividends paid during the year		408,262	413,632
Dividend rates	Regular Shares, Jam Jar Accounts, Young Saver Accounts	1.55%	2.15%
	Plus (+0.5%) - 0.5% above regular dividend rate	2.05%	2.65%
	Christmas - 1% above regular dividend rate	2.55%	3.15%
	Deferred shares	2.28%	0.00%
Interest payable to interest bearing share accounts		74,677	68,298
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	1.50%	1.50%
Interest proposed, but not recognised		565,950	360,415
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%

6 Fees and commissions receivable	Penny Post Group 2022 £	Penny Post only 2021 £
Cash cheque, Card and Dormant fees	35,856	988
Total fees and commissions receivable	**35,856**	**988**

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2022 (continued)

		Note	Penny Post Group 2022	Penny Post only 2021
7	**Other Income**		£	£
	Miscellaneous income		0	1,123
	Subordinated loans waived	15	50,000	0
			50,000	**1,123**

		Note	Penny Post Group 2022	Penny Post only 2021
8	**Expenses**		£	£
	Administrative expenses	8a	1,357,181	835,979
	Depreciation and amortisation	11	150,224	6,933
	Other operating expenses	8b	168,891	100,153
			1,676,296	**943,065**

		Note	Penny Post Group 2022	Penny Post only 2021
8a	**Administrative Expenses**		£	£
	Employment costs	9b	829,510	545,257
	Training, Conference and Board Expenses		71,101	50,030
	Advertising		37,719	9,420
	Equipment leasing		6,593	6,233
	Travelling expenses		8,149	101
	Auditors remuneration	8c	28,524	4,800
	Telephone		22,096	5,500
	Computer maintenance		179,050	55,989
	New membership and loan cashback rewards		4,555	17,225
	Internal Audit		6,451	47,881
	Compliance, Consultancy and legal fees		87,674	51,077
	General expenses		30,195	14,797
	Donations and Sponsorship		12,775	10,495
	Printing, Postage and Stationery		21,583	13,362
	Other insurances		11,206	3,812
	Total Administrative Expenses		**1,357,181**	**835,979**

		Penny Post Group 2022	Penny Post only 2021
8b	**Other Operating Expenses**		
	Cost of occupying offices (excluding depreciation)	£	£
	Repairs and Maintenance	2,909	464
		2,909	464
	Regulatory and financial management costs		
	Financial Conduct Authority, Prudential Regulation Authority Fees and FSCS levies	1,803	1,440
	National Body Dues	18,929	12,971
	Fidelity Insurance	18,550	8,120
	Bereavement fund	67,790	51,492
	Credit checks & Debt recovery fees	58,910	25,666
		165,982	99,689
	Total Other operating Expenses	**168,891**	**100,153**

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2022 (continued)

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.

	Penny Post Group 2022	Penny Post only 2021
	£	£
Fees payable for the audit of the Credit Union's annual accounts	9,510	4,710
Fees payable to the Credit Union's Auditor for other services:		
Services relating to the take over of Voyager Alliance Credit Union	18,924	0
Services relating to taxation	90	90
Total Auditors remuneration	**28,524**	**4,800**

9 Employees and employment costs

9a Number of employees

The average monthly number of employees during the year were:

	Penny Post Group 2022	Penny Post only 2021
	Number	Number
Office staff	25	17

9b Employment costs

	Penny Post Group 2022	Penny Post only 2021
	£	£
Wages, salaries and social security costs	805,001	529,949
Payments to defined contribution pension schemes	24,509	15,308
Total employment costs	**829,510**	**545,257**

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, Chief Marketing Officer and Finance Manager.

	Penny Post Group 2022	Penny Post only 2021
	£	£
Short term employee benefits	205,633	154,199
Payments to defined contribution pension schemes	3,893	3,870
Total key management personnel compensation	**209,526**	**158,069**

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% (2021 19%) comprised:

	Note	Penny Post Group 2022	Penny Post only 2021
Current tax		£	£
UK Corporation tax	10b	32,743	16,837
Total current tax and total taxation expense recognised in the Revenue Account		**32,743**	**16,837**

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2022 (continued)

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:

	Penny Post Group 2022	Penny Post only 2021
	£	£
Surplus Before Taxation	416,607	693,091
Surplus before taxation multiplied by small profits rate of corporation tax in the UK of 19% (2021 19%)	79,155	131,687
Effects of:		
Non-taxable surplus on transactions with members	(46,412)	(114,850)
Total tax charge for the year	**32,743**	**16,837**

11 Tangible Fixed Assets

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

	Computer Hardware	Computer Software	Office Furniture & Fittings	Motor Vehicles	Total
Cost	£	£	£		
As at 1 October 2021	26,817	30,076	7,478	0	**64,371**
Additions	1,474	0	0	0	**1,474**
Additions on acquisition	207,914	837,500	144,671	15,246	**1,205,331**
As at 30 September 2022	**236,205**	**867,576**	**152,149**	**15,246**	**1,271,176**
Depreciation					
As at 1 October 2021	20,444	30,076	6,106	0	**56,626**
On acquisition	195,811	417,451	144,671	15,246	**773,179**
Charge for the year	14,170	135,539	515	0	**150,224**
As at 30 September 2022	**230,425**	**583,066**	**151,292**	**15,246**	**980,029**
Net Book Value					
As at 30 September 2022	**5,780**	**284,510**	**857**	**0**	**291,147**
As at 30 September 2021	6,373	0	1,372	0	**7,745**

11a Change in accounting estimate

To align with the equivilent policy of Voyager Alliance Credit Union, the board have decided the policy for **Computer software** be increased from from **3 years** to **4 years**. Separate disclosures for Computer hardware and Computer software are now presented in the accounting polices.

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2022 (continued)

12 Loans and advances to members

12a Loans and advances to members		Note	Penny Post Group 2022 £	Penny Post only 2021 £
As at 1 October 2021			15,354,781	15,103,814
Advanced during the year			9,429,945	6,698,141
Loans on Acquisition		19	7,713,790	0
Interest receivable			2,868,246	2,417,390
Repaid during the year			(12,230,345)	(8,753,845)
Gross loans and advances to members		12b	**23,136,417**	**15,465,500**
Impairment losses:	Individual financial assets	12b, 12e	(331,296)	(110,719)
	Groups of financial assets	12d	(4,074,133)	(2,279,886)
		12c	**(4,405,429)**	**(2,390,605)**
As at 30 September 2022			**18,730,988**	**13,074,895**

12b Memorandum - Total loan assets regulatory purposes	Note	Penny Post Group 2022 £	Penny Post only 2021 £
Gross loans and advances to members		23,136,417	15,465,500
Impairment of individual financial assets		(331,296)	(110,719)
Total loan assets for regulatory purposes	16b	**22,805,121**	**15,354,781**

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.

	Penny Post Group 2022		Penny Post only 2021	
Not impaired:	**Amount**	**Proportion**	**Amount**	**Proportion**
Neither past due nor impaired	16,538,502	71.49%	10,757,920	69.57%
Up to 3 months past due	1,627,370	7.03%	2,086,992	13.49%
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	**18,165,872**	**78.52%**	**12,844,912**	**83.06%**
Individually impaired:				
Not yet past due, but impaired	16,098	0.07%	16,650	0.11%
Up to 3 months past due	11,637	0.05%	37,472	0.24%
Between 3 and 6 months past due	415,922	1.80%	248,200	1.60%
Between 6 and 9 months past due	322,031	1.39%	163,416	1.06%
Between 9 months and 1 year past due	289,610	1.25%	84,866	0.55%
Over 1 year past due	3,915,247	16.92%	2,069,984	13.38%
Total loans	**23,136,417**	**21.48%**	**15,465,500**	**16.94%**
Impairment allowance	(4,405,429)		(2,390,605)	
Total carrying value	**18,730,988**		**13,074,895**	

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

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2022 (continued)

12d	Allowance account for impairment losses	Note	Penny Post Group 2022 £	Penny Post only 2021 £
	As at 1 October 2021		2,279,886	1,997,363
	Allowance for losses made during the year	12e	268,782	282,523
	Allowance on Acquisition	19	1,525,465	0
	Increase in allowance during the year		**1,794,247**	**282,523**
	As at 30 September 2022		**4,074,133**	**2,279,886**

12e	Impairment losses recognised for the year	Penny Post Group 2022 £	Penny Post only 2021 £
	Impairment of individual financial assets	331,296	110,719
	Increase in impairment allowances during the year	268,782	282,523
		600,078	**393,242**
	Reversal of impairment where debts recovered	(114,149)	(31,543)
	Total impairment losses recognised for the year	**485,929**	**361,699**

13	Subscribed capital - financial liabilities	Note	Penny Post Group 2022 £	Penny Post only 2021 £
	As at 1 October 2021		30,367,131	25,190,839
	Received during the year		54,130,376	23,543,760
	Received on acquisition	19	16,444,555	0
	Dividends and Interest paid during the year		482,939	481,930
	Repaid during the year		(53,068,566)	(18,849,398)
	As at 30 September 2022		**48,356,435**	**30,367,131**

Deposits from members are made by way of subscription for shares. The balance includes deposits made by juvenile members - £240,650 (2021 - £169,135).

14	Other payables	Note	Penny Post Group 2022 £	Penny Post only 2021 £
	UK Corporation tax		32,743	16,837
	Accruals and deferred income		97,156	49,097
	Subordinated loan	15	325,706	0
	Other loan		25,000	0
	Unpaid interest and dividends on Deferred shares		56,737	0
	Unpaid subordinated and other loan interest		47,644	0
			584,986	**65,934**

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2022 (continued)

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 Take over at 31/1/2022	Loans repaid to 30/9/2022	Loans waived to 30/9/2022	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	0	0	161,981	**18,019**
Granted before 30/9/2018	100,000	0	0	73,725	**26,275**
Carried forward	**485,000**	**65,000**	**50,000**	**325,706**	**44,294**

The impact to regulatory capital is outlined below:

			Penny Post Group 2022	**Penny Post only 2021**
			£	£
Regulatory capital is made up of:	Retained earnings		5,506,140	5,816,748
	Subordinated loan		44,294	0
	Deferred shares		588,750	0
	CAPITAL	A	**6,139,184**	**5,816,748**
This is divided by:	**TOTAL ASSETS**	B	**55,080,605**	**36,249,813**
AVERAGE CAPITAL TO TOTAL ASSETS RATIO (A / B x 100):			11.15%	16.05%

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.

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2022 (continued)

16b Interest rate risk disclosures

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

	Penny Post Group 2022		Penny Post only 2021	
	Amount	Average Interest Rate	Amount	Average Interest Rate
Financial assets	£	%	£	%
Loans to members	22,805,121	15.03%	15,354,781	15.87%

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

	Penny Post Group 2022		Penny Post only 2021	
	Amount	Average Interest Rate	Amount	Average Interest Rate
Financial liabilities	£	%	£	%
Redeemable shares to members	43,633,759	2.05%	25,741,715	2.65%
Interest bearing shares to members	4,722,676	1.75%	4,625,416	1.75%
Deferred shares to members	588,750	2.28%	0	0.00%

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.

17 Cash and cash equivalents	Penny Post Group 2022	Penny Post only 2021
	£	£
Loans and advances to banks	35,951,362	23,113,175
Less: amounts maturing after three months	(11,091,230)	(11,017,900)
Total cash and cash equivalents	**24,860,132**	**12,095,275**

18 Leasing Agreements	Penny Post Group 2022	Penny Post only 2021
Minimum lease payments under non-cancellable operating leases fall due as follows:	£	£
Within one year	6,148	6,148
Between one and five years	2,128	8,276
	8,276	**14,424**

Financial Commitments	Penny Post Group 2022	Penny Post only 2021
	£	£
Contracted but not provided for in the financial statements	8,276	14,424

19 Merger with Voyager Alliance Credit Union Ltd

On 31 January 2022 the credit union completed the transfer of engagements with Voyager Alliance Credit Union Ltd. After incorporating the assets and liabilities, this resulted in a loss on acquisition of **£694,472** which is presented in Other Comprehensive income. Deferred shares of **£588,750** and Subordinated loan capital of **£189,386** was incorporated into the balance sheet at the point of take over. Accounting for these three items, there has been an adjusted addition to regulatory capital of **£83,664**. Subordinated loans capital has since been drawn down to **£44,294** as disclosed in note 15 to the financial statements.

PENNY POST CREDIT UNION LTD

Notes to the Financial Statements for the year ended 30 September 2022 (continued)

20 Post balance sheet events

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

21 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.

22 Related Party Transactions

During the year, 35 members of the board and staff and a further 44 relatives of the board and staff held shares with the credit union (2021 - 63 members). In addition, 12 members of the board, staff and relatives were granted or held loans with the Credit Union (2021 - 9 members). In 5 cases the loans were approved on the same basis as loans to other members of the credit union (2021 - 3 cases). However in 4 other cases (2021 - 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.

23 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.