



Registered Number: 264C

COMMSAVE CREDIT UNION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020



Burgis & Bullock
Chartered Accountants
the natural choice



COMPANY INFORMATION

Directors

Mr M Braimah
Mr D G Keith
Mr H Mansuri
Mr R Munro
Mr K Kafamba
Mrs R Owusu
Mr S Jacob
Ms L Walkden

Registered number

264C

Business & Registered office address

6 Duncan Close
Moulton Park
Northampton
Northamptonshire
NN3 6WL

Auditors

Burgis & Bullock
23-25 Waterloo Place
Warwick Street
Leamington Spa
Warwickshire
CV32 5LA



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STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The principal activity of the credit union continues to be that of the provision of savings and lending facilities for the benefit of its members as defined in the Credit Union Act 1979.

The directors are required under Credit Union legislation to prepare financial statements, for each financial year, which give a true and fair view of the state of affairs of the Credit Union at the end of the financial year, and of the income and expenditure of the Credit Union for the year.

Directors

The directors who held office during the year were as follows:

Mr M Braimah
Mr D G Keith
Mr H Mansuri
Mr R Munro
Mr D W Jackson - deceased 14th August 2020
Mr K Kafamba
Mrs R Owusu
Mr S Jacob
Ms L Walkden

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 also responsible for:

- keeping proper accounting records;
- maintaining a satisfactory system of control over the accounting records and transactions;
- safeguarding the credit union's assets; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the credit union's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the credit union's auditors are aware of that information.

On behalf of the Board of directors

K Kafamba

Mr K Kafamba (Dec 8, 2020, 4:06pm)

Chairman

8th December 2020



TREASURERS' REPORT

Despite the challenges of Covid-19, I am pleased to report another successful year for Commsave.

As the first lockdown kicked in, in March, we found members were able to increase savings but the demand for loans dropped off. This is not surprising as the majority of our members are key / essential workers who continued to receive full pay but had limited opportunities to spend it! Loans for 'big ticket' purchases like holidays, cars, weddings, home improvements etc dropped off.

We appreciate that for some members Covid-19 did have an impact on their household income and our staff worked quickly to put in place a range of measures to support those who were affected.

The impact of this has been felt with year-end savings increasing by 33% (£18.7m) but loans declining by 2% (£1.0m). In the short-term this is not a problem, and part of our mission is to provide a safe and easy way for members to save. However, we do need interest from loans to pay our bills, build our regulatory reserve, and pay our dividend. Also, we have to hold reserves against savings and so we need to keep the balance between savings and loans in kilter.

During the year we have continued to invest in improving the service and security of our IT systems, recruiting and developing new staff, and promoting Commsave across the whole of our common bond.

Write-offs have continued to increase and this is an area where constant vigilance is needed. Our staff are always ready to discuss alternative repayment plans should a member's circumstances change, but we will pursue all debts as far as we can to ensure loans are repaid.

We have continued to build our reserves (capital) which now sit at 15.9%, significantly above the regulatory minimum. Your Board takes a prudent view on capital and wishes to continue building for the future so that we can meet members expectations and provide a buffer against any unforeseen events in future.

Your board is delighted to propose a very competitive return on your savings of 2.25% and again we are proposing a loan interest rebate of 2.25% to members who have made their loan repayments in line with their agreement. We believe it is important to make sure that all members who have played a role in the success of Commsave receive their share of the surplus. This is the credit union difference!

Looking ahead, we believe it will be necessary to reduce the level of dividend proposed at next year's AGM. We are planning on 1.5%, but of course this will depend on our financial performance through the current year. Our objective is to pay a competitive return on your savings.

Our accounts have been audited by Burgis & Bullock of Leamington Spa and the board has received their unqualified report

A handwritten signature in black ink that reads 'M. Braimah'.

Mr Mohammed Braimah (Dec 8, 2020, 9:59pm)

Mr M Braimah

Treasurer

8th December 2020



CHAIRMANS' REPORT

Dear Member - Owner

Well, what a strange year!

On behalf of your board of directors I am pleased to report that despite many challenges, your Credit Union has continued to serve you, its members, and deliver our services effectively.

During the year we all had to adapt to different ways of working due to the effect of Covid-19 on our lives. I would like to thank our staff who very quickly moved to working from home, with an almost seamless affect on our members. The economic effect of the pandemic has been felt and there are further details in our Treasurer's Report.

In April, we completed the merger of Harvest Money in to Commsave and we warmly welcome those new members to the Commsave family.

Commsave was selected to take part in a pilot savings scheme, Prizesaver. This pilot was launched by HM Treasury to encourage people to save with a credit union. As I write this report, another Commsave member has been announced as a £5,000 headline prize winner! So far, Commsave members have won £48,160 from this scheme.

During the year, as part of our governance process the board commissioned an independent review of board effectiveness. The recommendations from the review will be considered and implemented over the coming months.

In August we saw the passing of Derek Jackson. Derek was instrumental in launching the Credit Union in 1991 and was our very first chairman. He was a long serving director, and we will miss Derek's experience, common sense, and good humour. As a memorial to Derek, Commsave will fund two scholarships to an annual credit union development programme. Our condolences and thoughts are with Derek's wife and family.

Our Audit & Risk sub-committee have continued to meet remotely, and we thank them for their work in the important areas of risk, governance, and audit.

We thank our network of Workplace Reps for their sterling efforts in continuing to promote Commsave to their workmates.

Our Annual General Meeting will be held online at 11am on Sunday 24th January and I hope to see as many members as possible joining us to hear about the year past and vote on key issues.

Finally, a BIG thank you to the staff team led by Amanda for their fantastic response to the challenges during this year, your efforts are very much appreciated.

A handwritten signature in blue ink that reads "K. Kafamba".

Mr Kundaj Kafamba (Dec 8, 2020, 4:06pm)

Mr K Kafamba

Chairman

8th December 2020



Opinion

We have audited the financial statements of Commsave Credit Union for the year ended 30 September 2020 set out on pages 7 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as at 30 September 2020 and of its income & 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 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 we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinions on other matters

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Treasurers' Report, Chairman's Report and the Directors' Responsibilities Statement for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Treasurers' Report, Chairman's Report and the Directors' Responsibilities Statement have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Credit Union and its environment obtained in the course of the audit, we have not identified material misstatements in the Chairman's Report, Treasurers' Report and the Directors' Responsibilities Statement.

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- the credit union has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation; or
- the revenue account, any other accounts to which our report relates, and the balance sheet are not in agreement with the credit union's books of account; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 directors are responsible for assessing the Credit Unions' 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 directors either intend to liquidate the Credit Union or to cease operations, or have no realistic alternative but to do so.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the credit union's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979. Our audit work has been undertaken so that we might state to the Credit Unions' members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members as a body, for our audit work, for this report, or for the opinions we have formed.

W A Hubbard

Wende Hubbard (Dec 9, 2020, 12:01am)

Wende Hubbard FCCA (Senior Statutory Auditor)
for and on behalf of Burgis & Bullock

08 Dec 2020

Chartered Accountants
Statutory Auditor

23-25 Waterloo Place
Warwick Street
Leamington Spa
Warwickshire
CV32 5LA



REVENUE ACCOUNT

		2020	2019
	Notes	£	£
Loan interest receivable and similar income	3	7,751,416	7,005,384
Administrative expenses		(4,829,898)	(3,330,456)
Other operating income		31,623	4,712
Surplus on ordinary activities before tax		2,953,141	3,679,640
Tax on surplus on ordinary activities	8	(64,335)	(37,747)
Surplus for year		2,888,806	3,641,893
Dividends & loan interest rebates	4	(1,615,876)	(1,335,887)
Retained surplus for the year		1,272,930	2,306,006

The revenue account has been prepared on the basis that all operations are continuing operations.

Approved by the Board and authorised for issue on 8th December 2020.

M. Braimah

Mr Mohammed Braimah (Dec 8, 2020,
9:06 AM)
Mr M Braimah
Director

Richard Munro

Mr Richard Munro (Dec 8, 2020, 11:59am)
Mr R Munro
Director



BALANCE SHEET

		2020		2019	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		505,624		496,813
Current assets					
Debtors: amounts falling due within one year	11	3,852,167		4,441,936	
Debtors: amounts falling due after more than one year	11	42,022,677		42,282,716	
Cash at bank and liquid deposits	12	<u>45,538,269</u>		<u>23,942,267</u>	
			<u>91,413,113</u>		<u>70,666,919</u>
Total assets			<u><u>91,918,737</u></u>		<u><u>71,163,732</u></u>
Liabilities					
Member savings		74,257,747		55,730,567	
Junior stamper savings		488,182		310,856	
Creditors: amounts falling due within one year	13	2,022,047		1,374,325	
Other provisions	15	<u>526,412</u>		<u>396,565</u>	
			77,294,388		57,812,313
Reserves					
General reserve			<u>14,624,349</u>		<u>13,351,419</u>
Total liabilities			<u><u>91,918,737</u></u>		<u><u>71,163,732</u></u>

Approved by the Board and authorised for issue on 8th December 2020

M. Braimah

Mr Mohammed Braimah (Dec 8, 2020, 9:11am)
Mr M Braimah
Director

Richard Munro

Mr Richard Munro (Dec 8, 2020, 11:59am)
Mr R Munro
Director



STATEMENT OF CHANGES IN EQUITY

	Notes	General reserve £	Total £
Balance at 1 October 2018		11,045,412	11,045,412
Year ended 30 September 2019:			
Profit and total comprehensive income for the year		3,641,894	3,641,894
Dividends		(1,335,887)	(1,335,887)
Balance at 30 September 2019		13,351,419	13,351,419
Year ended 30 September 2020:			
Profit and total comprehensive income for the year		2,888,806	2,888,806
Dividends	4	<u>(1,615,876)</u>	<u>(1,615,876)</u>
Balance at 30 September 2020		<u>14,624,349</u>	<u>14,624,349</u>



CASH FLOW STATEMENT

	2020		2019	
	£	£	£	£
Cash flows from operating activities				
Cash generated from/(used in) operations (note 19)		22,611,242		5,643,219
Interest and dividends paid		(1,287,364)		(1,083,516)
Income taxes refunded/(paid)		<u>(36,534)</u>		<u>(17,958)</u>
Net cash inflow from/(used in) operating activities		21,287,344		4,541,745
Investing activities				
Purchase of tangible fixed assets	(31,917)		(9,058)	
Net cash flow from managing liquid deposits	(12,823,907)		(961,443)	
Interest received	<u>340,575</u>		<u>187,571</u>	
Net cash used in investing activities		(12,515,249)		(782,930)
Financing activities				
Net cash generated from/(used in) financing activities		-		-
Net increase/(decrease) in cash and cash equivalents		8,772,095		3,758,815
Cash and cash equivalents at the beginning of the year (note 12)		11,867,088		8,108,273
Cash and cash equivalents at the end of the year (note 12)		<u>20,639,183</u>		<u>11,867,088</u>



NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

1.1 General information

Commsave Credit Union Limited is registered under the Co-operative and Community Benefit Societies Act 2014, with the principal activity of operating as a credit union, within the meaning of the Credit Unions Act 1979. Commsave Credit Union is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The registered office is 6 Duncan Close, Moulton Park, Northampton, Northamptonshire, NN3 6WL.

1.2 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Co-operative and Community Benefit Communities Act 2014. The disclosure requirements of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the credit union. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties as deemed cost and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the credit union has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The directors have considered the impact of the ongoing COVID-19 pandemic on the financial position of the Credit union, and although the effects have been felt by increases in bad debt expense and a steep increase in members shares since March 2020, the credit union continues to have adequate resources to continue in operational existence for the foreseeable future. Thus no change to the going concern basis of accounting is applicable.

The UK Brexit transition period, during which EU law continues to apply, is due to end on 31 December 2020. The Directors have considered the impact of this on the credit union and given all investments are UK based they do not consider this to have a significant impact on the credit union.

1.4 Income

Income represents the fair value of interest receivable on loans to members and fees charged to members. Bank interest was earned on funds invested by the Credit Union.

The credit union recognises income when the amount of income can be measured reliably, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the credit union's activities described above.

1.5 Tangible assets

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following basis:

Freehold property	2% straight line
Fixtures, fittings & equipment	25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit and loss.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 Accounting policies

(Continued)

1.6 Impairment of fixed assets

At each reporting period end date, the credit union reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the credit union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

1.8 Financial instruments

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Loans to members are financial assets with fixed or determinable payments, and are not quoted in an active market. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

Loans are derecognised when the right to receive cash 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 cash flows.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the credit union after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Other financial liabilities

Members savings are redeemable and therefore are classified as financial liabilities. They are initially recognised as the amount of cash deposited and subsequently recognised at amortised cost.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 Accounting policies

(Continued)

Derecognition of financial liabilities

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

1.9 Taxation

The tax expense represents the sum of the tax currently payable on bank interest and rental income receivable by the Credit Union.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the credit union is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.12 General reserve

The Credit Union must establish and maintain a General Reserve in accordance with FCA and PRA Regulations. As follows:

- Capital of at least 5% of total assets up to and including £10 million; and
- Capital of at least 8% of total assets above £10 million up to and including £50 million; and
- Capital of at least 10% of total assets above £50 million

1.13 Bad and doubtful debt provisions

The Credit Union makes provisions in its accounts for bad and doubtful debts calculated as set out below. This provision is in line with the current minimum requirements as expressed within the PRA Credit Union Rulebook Part:

- 35% of the net liability of loans more than 3 months in arrears,
- 60% of the net liability of loans more than 6 months in arrears,
- 80% of the net liability of loans more than 9 months in arrears,
- 100% of the net liability of loans more than 12 months in arrears.

1.14 Dividends

The accounts include a proposed dividend relating to the current year which will be paid in the next financial year. Proposed dividends are only included if there is a present obligation at the balance sheet date.

1.15 Provisions

Provisions are recognised when the credit union has an obligation at the reporting date as a result of a past event, it is probable that the credit union will be required to settle that obligation and a reliable estimate can be made of that obligation.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 Accounting policies

(Continued)

1.16 Bereavement Fund

The credit union has set up a scheme which provides bereavement benefits on the death of its members. Initially the credit union provides 20p per £1,000 of total loans and total savings on the last day of each month and subsequently assesses the fund balance periodically to ensure that it is not under or over provided.

2 Judgements and key sources of estimation uncertainty

In the application of the credit union's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Income recognition and allowance for doubtful debts

The credit union recognises an annual allowance for bad debts in line with the PRA requirements as set on in the accounting policies in note 1.13. In addition to this provision, at each reporting date the credit union evaluates the recovery of loans issued and records allowances for bad debts based on history and experience.

Bereavement fund

The credit union has set up a scheme which provides bereavement benefits on the death of its members. The credit union uses estimations as set out in the accounting policies above to provide for this scheme.

3 Loan interest receivable and similar income

	2020	2019
	£	£
Loan interest receivable	7,349,010	6,770,027
Bank interest received	340,575	187,571
Other	61,830	47,786
	<u>7,751,416</u>	<u>7,005,384</u>

4 Interest expense

	2020	2019
	£	£
Dividend accrued	1,369,013	831,542
Savings Interest & loan interest rebates paid and accrued	246,863	504,345
	<u>1,615,876</u>	<u>1,335,887</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Auditors remuneration

	2020	2019
	£	£
Fees payable for the audit	12,000	12,000
	<u>12,000</u>	<u>12,000</u>

6 Employees

The average monthly number of persons (including directors) employed by the credit union during the year was:

	2020	2019
	Number	Number
	<u>25</u>	<u>21</u>

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	535,399	453,337
Social security costs	31,674	29,896
Other pension costs	20,234	14,500
Benefits & welfare	8,345	8,175
	<u>595,652</u>	<u>505,908</u>

7 Retirement benefit schemes

	2020	2019
	£	£
Charge to revenue account in respect of defined contribution schemes	<u>20,234</u>	<u>14,500</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Taxation	2020	2019
	£	£
Domestic current year tax		
U.K. corporation tax	64,335	37,747
Adjustment for prior years	-	-
	<u>64,335</u>	<u>37,747</u>
Total current tax	<u><u>64,335</u></u>	<u><u>37,747</u></u>

The actual charge can be reconciled to the expected charge for the year based on the revenue account surplus and the standard rate of tax as follows:

Profit before taxation	<u>1,272,930</u>	<u>2,306,007</u>
Expected tax charge based on corporation tax rate of 19% (2019:19%)	241,857	438,141
Non-taxable surplus/(deficit) on transactions with members	<u>(177,522)</u>	<u>(400,394)</u>
Total tax charge for year	<u><u>64,335</u></u>	<u><u>37,747</u></u>

9 Impairments

Impairment tests have been carried out where appropriate and the following losses have been recognised in the Revenue Account:

	2020	2019
	£	£
At 1 October	3,879,485	3,217,147
Allowance for losses made during the year	2,793,921	1,048,384
Allowances reversed in the year	<u>(234,369)</u>	<u>(386,046)</u>
At 30 September	<u><u>6,439,037</u></u>	<u><u>3,879,485</u></u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Tangible assets	Freehold property	Fixtures, fittings & equipment	Total
	£	£	£
Valuation			
At 1 October 2019	490,123	86,974	577,097
Additions	-	31,917	31,917
Disposals			
At 30 September 2020	<u>490,123</u>	<u>118,891</u>	<u>609,014</u>
Depreciation			
At 1 October 2019	30,735	49,549	80,284
Charge for the year	9,803	13,303	23,106
Eliminated on disposals			
At 30 September 2020	<u>40,538</u>	<u>62,852</u>	<u>103,390</u>
Net book value			
At 30 September 2020	<u>449,585</u>	<u>56,039</u>	<u>505,624</u>
At 30 September 2019	<u>459,388</u>	<u>37,425</u>	<u>496,813</u>

11 Debtors	2020	2019
	£	£
Gross loans	51,645,257	50,097,714
Bad debt provisions	(6,439,037)	(3,879,485)
Prepayments & accrued interest	593,624	431,423
Other debtors	75,000	75,000
	<u>45,874,844</u>	<u>46,724,652</u>

Amounts falling due after more than one year and included in the debtors above are:

	2020	2019
	£	£
Net loans	<u>42,022,677</u>	<u>42,282,716</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Cash at bank and liquid deposits	2020	2019
	£	£
Cash at bank and liquid deposits	45,538,269	23,942,267
Fixed term deposit accounts maturing in more than 3 months	<u>(24,899,086)</u>	<u>(12,075,179)</u>
Cash and cash equivalents	<u><u>20,639,183</u></u>	<u><u>11,867,088</u></u>

13 Creditors: amounts falling due within one year	2020	2019
	£	£
Corporation tax	66,918	39,117
Other creditors	404,348	137,500
Accruals and deferred income	36,561	12,000
Proposed dividend	<u>1,514,220</u>	<u>1,185,708</u>
	<u><u>2,022,047</u></u>	<u><u>1,374,325</u></u>

14 Operating lease commitments

Operating lease payments represent rentals payable by the credit union for office equipment.

At the reporting end date the credit union had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020	Other	2019
	£		£
Operating leases which expire:			
Within one year	23,768		5,166
Between two and five years	<u>83,188</u>		<u>23,247</u>
	<u><u>106,956</u></u>		<u><u>28,413</u></u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Provisions

The credit union provides a death benefit scheme for its members. The scheme has been established to offer financial assistance upon the death of any active member.

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Other provisions	<u>526,412</u>	<u>396,565</u>
	Other provisions £	Other provisions £
Movements in the year:		
At 1 October	396,565	264,313
Charge for the year	265,105	225,621
Provisions released	<u>(135,258)</u>	<u>(93,369)</u>
At 30 September	<u>526,412</u>	<u>396,565</u>

16 Contingent liabilities

The credit union participates in the Financial Services Compensation Scheme (FSCS) which provides protection for its members up to the level of protection offered by the FSCS and therefore has a contingent liability, which cannot be quantified, in respect of future contributions to the FSCS, as required by the Financial Services and Markets Act 2000.

17 Financial risk disclosures

17a Financial risk management

Commsave Credit Union manages its shares and loans so that it earns income from the margin between interest receivable and interest payable.

The main financial risks arising from the activities of Commsave Credit Union are credit risk, liquidity risk and market 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 Commsave Credit Union, resulting in financial loss to the credit union. In order to manage the risk the Board approves Commsave Credit Union's lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at that time. Subsequently loans are regularly reviewed for any fact that indicate that the likelihood of repayment has changed.

Liquidity risk: Commsave Credit Union's policy is to maintain sufficient funds in liquid forms at all times to ensure that it can meet its liabilities as they fall due and the liquidity ratios as set by the applicable regulators. The objective of Commsave Credit Union's liquidity policy is provide a degree of protection against any unexpected developments that may arise and to smooth the mismatches between maturing assets and liabilities.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17b Financial risk management

(Continued)

Market risk: Market risk is generally comprised of interest rate risk, currency risk and other price risk. Commsave Credit Union conducts all its transactions in Sterling and does not deal in derivatives or commodity markets therefore is not exposed to any form of currency risk or other price risk however it is exposed to interest rate risk as set out below:

Interest rate risk: The main interest rate risk for the credit union arises between the interest rate exposure on loans, bank deposits and shares that form an integral part of a credit unions operations. Commsave Credit Union considers rates of interest receivable when deciding on proposed dividend rates. Dividend rates are based on the historical results of the credit union and the credit unions strategic plans. The credit union does not use interest rate options to hedge its own positions.

17c Credit risk exposure

The credit union holds the following security against its loans to members:

Security for loans	2020 £	2019 £
Attached loans	<u>8,648,812</u>	<u>9,241,385</u>

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

	2020 £	2019 £
Not impaired:		
Neither past due nor impaired	41,542,738	42,731,607
Up to 3 months past due	<u>2,488,625</u>	<u>2,540,937</u>
Subtotal loans not impaired	<u>44,031,363</u>	<u>45,272,544</u>
Individually impaired:		
Not yet past due but impaired	-	-
Up to 3 months past due	-	-
Between 3 - 6 months past due	1,162,776	971,956
Between 6 months and 1 year past due	1,548,223	1,182,575
Over 1 year past due	<u>4,902,895</u>	<u>2,670,639</u>
Total loans	<u>51,645,257</u>	<u>50,097,714</u>
Impairment allowance	<u>(6,439,037)</u>	<u>(3,879,485)</u>
Total carrying value	<u>45,206,220</u>	<u>46,218,229</u>

17d Liquidity risk disclosures

Excluding short term other payables, as noted on the balance sheet, Commsave Credit Union's financial liabilities, the members savings, are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17e Interest rate risk disclosures

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

	2020		2019	
	Amount £	Average interest rate	Amount £	Average interest rate
Financial assets				
Loans to members	<u>45,206,220</u>	<u>16.14%</u>	<u>46,218,229</u>	<u>14.62%</u>
Financial liabilities				
Member savings	74,257,747	2.25%	55,730,567	2.25%
Junior stamper savings	<u>488,182</u>	<u>2.25%</u>	<u>310,856</u>	<u>2.25%</u>
	<u>74,745,929</u>	<u>2.25%</u>	<u>56,041,423</u>	<u>2.25%</u>

18 Related party relationships and transactions

All shares are held by members of the Credit Union. There is no controlling shareholder. Some of the directors of the Credit Union and their related parties hold shares and loans in accordance with provisions that apply to other members.

Remuneration of key management personnel

The remuneration of key management personnel (including directors) is as follows.

	2020 £	2019 £
Aggregate compensation	<u>113,712</u>	<u>125,234</u>

19 Cash generated from operations

	2020 £	2019 £
Surplus for the year after tax	2,888,806	3,641,894
Adjustments for:		
Depreciation of tangible assets	23,106	20,294
Investment income	(340,575)	(187,571)
Tax paid	64,335	37,747
Movements in working capital:		
Decrease/(Increase) in members' loans	1,012,009	(6,827,319)
Increase in members' savings	18,704,506	8,846,425
Decrease/(Increase) in other debtors	(162,201)	41,754
Increase/(Decrease) in creditors within one year	291,409	(62,257)
Increase in provisions	<u>129,847</u>	<u>132,252</u>
Net cash inflow from operating activities	<u>22,611,242</u>	<u>5,643,219</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Analysis of changes in net debt		2020
		£
Opening net funds/(debt)		
Cash and cash equivalents		<u>11,867,088</u>
Changes in net debt arising from:		
Cash flows of the entity		8,772,095
Closing net debt as analysed below		<u>20,639,183</u>
Closing net debt		
Cash and cash equivalents	12	<u><u>20,639,183</u></u>



MANAGEMENT INFORMATION
DETAILED INCOME AND EXPENDITURE ACCOUNT
&
SCHEDULE OF ADMINISTRATIVE EXPENSES

The following 2 pages do not form part of the Audited financial statements



DETAILED INCOME AND EXPENDITURE ACCOUNT

	2020 £	2019 £
Income		
Interest on loans to members	7,344,361	6,757,994
Interest on Other CU Loans	4,650	12,033
Bank interest received	340,575	187,571
Dormant account charges	11,008	5,295
Funding from FOCCU	50,688	42,419
Engage card commission	134	72
	<u>7,751,416</u>	<u>7,005,384</u>
Administrative expenses	<u>(4,829,898)</u>	<u>(3,330,456)</u>
	2,921,518	3,674,928
Other operating income		
Grant income	20,000	-
Rent receivable	<u>11,623</u>	<u>4,712</u>
Operating surplus	<u><u>2,953,141</u></u>	<u><u>3,679,640</u></u>



SCHEDULE OF ADMINISTRATIVE EXPENSES

	2020 £	2019 £
Administrative expenses		
Wages and salaries and staff welfare	595,652	505,909
Training costs	36,430	22,445
Rates	2,649	3,006
Bereavement fund reserve	265,105	225,621
Fidelity bond insurance	23,110	31,185
Property insurance	2,565	2,686
Light and heat	4,448	3,721
Cleaning	7,739	8,766
Repairs and maintenance	17,709	24,357
Bad debts expense	3,002,918	1,712,304
Printing, postage and stationery	36,111	42,393
Advertising and marketing	125,099	109,632
Telephone	46,449	38,134
Computer maintenance	33,620	26,696
Equipment leasing	7,084	4,340
Meetings, seminars & conferences	41,762	110,522
Association fees	31,196	24,961
Legal and professional fees	100,539	61,661
Regulation fees	3,022	2,690
Merger costs	20,000	-
Excess of assets acquired on Harvest Money transfer	(10,529)	-
Business development	75,332	67,163
Audit & accountancy fees	23,082	19,265
Bank charges and credit agency fees	179,424	146,576
Sundry expenses	413	4,867
Depreciation on tangible fixed assets	23,106	20,294
Ring fenced projects - IT improvements	101,978	79,828
Ring fenced projects - Rowland Hill Fund donation	25,000	20,000
Ring fenced projects - Wellbeing hub	8,885	8,434
Ring fenced projects - Diversity Survey	-	3,000
	4,829,898	3,330,456