

COMMSAVE CREDIT UNION
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

COMMSAVE CREDIT UNION

CREDIT UNION INFORMATION

Directors	Mr S Ayiehfor Mr M Braimah Mr S Jacob Mr K Kafamba Mr D G Keith Mr H Mansuri Mr R Munro Mrs R Owusu
CEO	Mr D Masterson
Registration number	IP00264C
FCA number	213407
Registered office	6 Duncan Close Moulton Park Northampton Northamptonshire NN3 6WL
Auditor	Burgis & Bullock 23-25 Waterloo Place Leamington Spa Warwickshire CV32 5LA

COMMSAVE CREDIT UNION

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COMMSAVE CREDIT UNION

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2023

The directors present their report and financial statements for the year ended 30 September 2023.

Principal activities

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.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

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

(Resigned 19 November 2022)

Mr R Munro took a sabbatical from the board from 1 December 2022 to 7 August 2023.

COMMSAVE CREDIT UNION

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and the Credit Union Act 1979 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 (United Kingdom Accounting Standards and applicable law). Under that law 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 period. 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;
- 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 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.

Statement of disclosure to auditor

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



K Kafamba (Dec 16, 2023, 7:39pm)

Mr K Kafamba
Chairman

16 December 2023

COMMSAVE CREDIT UNION

TREASURERS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2023

I am delighted to present this report on behalf of your board of directors. My report covers our financial year 1st October 2022 to 30th September 2023.

We are all well aware of the financial challenges during this year; increasing interest rates, high inflation, and the impact this has had on our household budgets including housing costs, energy, and food.

Against this background, Commsave has been resilient and continued to serve members and plan for the future.

To help support members, your board has made the decision to return all this year's surplus to members and in addition draw down some of the surplus made in previous years to propose a dividend on savings of 4% and a loan interest rebate of 4% to members who have made their loan repayments in line with their agreement. We have achieved this without having to increase our loan interest rates.

The proposed dividend is an increase on last year's 1.75% and competitive for this year.

During the year our membership grew from 33,786 to 35,217 (4.2%).

Members savings reduced during the year. This has been due to a combination of factors, including members seeking a higher guaranteed return on their savings, members withdrawing savings to pay higher household bills, and members reducing the level of their regular savings to cover their day to day living costs.

Overall, savings reduced from £109.8m to £89.6m (-18.4%). We need to hold capital (reserves) against savings and so the reduced level of savings has reduced the amount of capital we need to hold.

Our gross loan book grew from £60.0m to £71.6m (19.3%). The interest earned on loans enables us to pay our bills, build our reserves/capital, and pay a dividend/interest on savings.

While we have seen a higher level of defaults, we aim to recover all outstanding loans using every legal option available. We encourage any member experiencing financial difficulty to contact our Member Solutions team, where they will find a friendly, approachable, non-judgemental member of our team to talk to.

Your board takes a prudent approach to capital (reserves) and while we are proposing to return some previous years surplus to members in the form of a higher dividend and loan interest rebate, due to reduced savings our capital requirement is lower. In fact, our key measure of capital to assets ratio increased from 14% to 15.2%, which is significantly above the level required by our regulator. Reserves provide us with a buffer against unforeseen events in the future.

We have continued to invest in improvements to our IT for service and security, recruiting and developing our staff team, and developing new products.

During this year we made a significant capital purchase (£3.3m). We are in the process of selling our three old offices which will be reflected in next year's accounts.

COMMSAVE CREDIT UNION

TREASURERS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

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

During the year we undertook a re-tender exercise for our external auditor and a decision was made to move to a different audit firm. The decision in no way reflects dissatisfaction with Burgis & Bullock – rather a governance objective that prevents the risk of over familiarisation. On behalf of the board and staff I would like to thank Kate King and her team who have supported us over many years.

On behalf of the board



S. Ayiefor (Dec 16, 2023, 7:17pm)

Mr S Ayiefor

Treasurer

16 December 2023

COMMSAVE CREDIT UNION

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2023

The year under report has seen some significant changes at your credit union.

After Amanda Ivey stepped down as our CEO, Richard Munro, our Executive Director, stood in as Interim CEO for eight months, and in August 2023 Dominic Masterson took over the CEO role. Dominic brings a wealth of experience from working in the financial sector at senior management level. We wish Dominic every success in his time at Commsave.

After several years of seeking new office accommodation, in August 2023 we purchased offices at Moulton Park, Northampton. The board view this as our 'forever home', as it is large enough to accommodate our ambitious growth plans.

During the year, in response to members' feedback, we launched some new savings and loans products i.e. Green Loans and a fixed-term Individual Savings Account (ISA).

Financially, we had a good year. To support members with the current cost of living challenges, the board have decided to recommend a dividend and loan interest rebate, that returns all of this year's surplus to members, and also draws down some of the surplus from previous years. Our Treasurer will cover this in his report.

I want to thank our staff, volunteer directors, independent members of our Audit & Risk sub-committee, and our growing band of workplace/community representatives.

Finally, I want to thank you as a member of Commsave – living our values of 'People Helping People'.

We hope you will be able to join us at our Annual General Meeting on 21st January.



K Kafamba (Dec 16, 2023, 7:39pm)

Mr K Kafamba
Chairman

16 December 2023

COMMSAVE CREDIT UNION

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COMMSAVE CREDIT UNION

Opinion

We have audited the financial statements of Commsave Credit Union (the 'credit union') for the year ended 30 September 2023 which comprise the statement of comprehensive income, the statement of changes in equity, the statement of cash flows 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 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 2023 and of its surplus 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 Union 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 Financial Reporting Council's (FRC) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the 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.

COMMSAVE CREDIT UNION

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF COMMSAVE CREDIT UNION

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 directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the credit union and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report, treasurer's report and chairman's report.

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:

- proper books of account have not been kept by the Credit Union in accordance with the requirements of the legislation; or
- a satisfactory system of control over transactions has not been maintained by the Credit Union in accordance with the requirements of the legislation; or
- the Revenue Account and Balance Sheet are not in agreement with the books of account of the Credit Union; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 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 directors either intend to liquidate the credit union or to cease operations, or have no realistic alternative but to do so.

COMMSAVE CREDIT UNION

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF COMMSAVE CREDIT UNION

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, are instances of non-compliance with laws and regulations. We design procedures 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 gained an understanding of the legal and regulatory framework applicable to the credit union and assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Based on our understanding of the company and industry we identified that the principal risk of non-compliance with laws and regulations related to breaches of PRA rulebook in relation to the credit union's activities as well as Credit Unions Act 1979, Community Benefit Societies Act 2014, UK Tax Legislation and UK Employment Law. We also evaluated management incentive and opportunities for fraudulent manipulations of the financial statements.

Audit procedures performed included:

- Making enquiries of management as to any instances of non-compliance with laws and regulations;
- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing internal audit reports;
- Challenging assumptions and judgements made by management in their significant accounting estimates and assessing if these indicate evidence of management bias;
- Identifying and assessing the design effectiveness of controls management have in place to prevent and detect fraud;
- Reviewing the accounting records for large and unusual journal entries and testing any identified and in particular the rationale for any transactions outside the credit union's normal course of business;
- Reviewing the accounting records for large and unusual bank payments and testing any identified and in particular the rationale for any transactions outside the credit union's normal course of business;
- Testing a sample of debit entries in the revenue account to check they are bona-fide costs of the business;
- Testing a sample of member loans to loan agreements;
- Testing a sample of savings and loan accounts to ensure there is appropriate evidence of Money Laundering identification and credit checks;
- Review of returns submitted to the PRA.

COMMSAVE CREDIT UNION

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

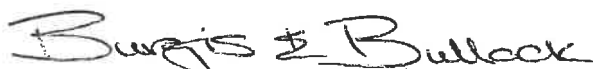
TO THE MEMBERS OF COMMSAVE CREDIT UNION

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. 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.



Burgis & Bullock

Date: 16 December 2023

Chartered Accountants

Statutory Auditor

23-25 Waterloo Place
Leamington Spa
Warwickshire
CV32 5LA

COMMSAVE CREDIT UNION

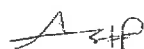
REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Notes	2023 £	2022 £
Loan interest receivable and similar income	3	10,662,272	8,561,240
Administrative expenses	4	(7,739,688)	(4,903,581)
Other income	5	52,380	76,100
Interest on loans from other Credit unions		(12,420)	-
Surplus before taxation		<u>2,962,544</u>	<u>3,733,759</u>
Tax on surplus	9	(163,024)	(88,142)
Surplus before dividend for the financial year		<u>2,799,520</u>	<u>3,645,617</u>
Dividends & loan interest rebates	6	(4,069,201)	(1,957,820)
(Deficit)/surplus for the financial year		<u><u>(1,269,681)</u></u>	<u><u>1,687,797</u></u>

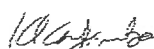
The revenue account has been prepared on the basis that all operations are continuing operations.

The financial statements were approved by the board of directors and authorised for issue on 16 December 2023 and are signed on its behalf by:



S. Ayiehfor (Dec 16, 2023, 7:17pm)

Mr S Ayiehfor
Treasurer



K Kafamba (Dec 16, 2023, 7:39pm)

Mr K Kafamba
Chairman



R. Owusu (Dec 16, 2023, 8:13pm)

Mrs R OWUSU
Secretary

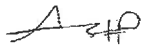
COMMSAVE CREDIT UNION

BALANCE SHEET

AS AT 30 SEPTEMBER 2023

	Notes	2023 £	2022 £
Assets			
Cash at bank and liquid deposits	10	37,721,442	71,170,849
Loans to members	11	68,571,726	58,545,826
Tangible assets	12	3,853,122	502,782
Other debtors	13	1,972,802	910,296
Total assets		112,119,092	131,129,753
Liabilities			
Member savings	16	89,630,546	109,801,552
Other creditors	15	4,705,461	2,382,746
		94,336,007	112,184,298
Bereavement fund	17	668,760	561,449
General reserve		17,114,325	18,384,006
Total liabilities		112,119,092	131,129,753

The financial statements were approved by the board of directors and authorised for issue on 16 December 2023 and are signed on its behalf by:




S. Ayiehor (Dec 16, 2023, 7:17pm)

Mr S Ayiehor
Treasurer



K Kafamba (Dec 16, 2023, 7:39pm)

Mr K Kafamba
Chairman



R. Owusu (Dec 16, 2023, 8:13pm)

Mrs R OWUSU

Secretary

COMMSAVE CREDIT UNION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2023

	General reserve £
Balance at 1 October 2021	16,696,209
Year ended 30 September 2022:	
Surplus for the financial year	3,645,617
Dividends & loan interest rebates	(1,957,820)
Balance at 30 September 2022	18,384,006
Year ended 30 September 2023:	
Surplus for the financial year	2,799,520
Dividends & loan interest rebates	(4,069,201)
Balance at 30 September 2023	17,114,325

COMMSAVE CREDIT UNION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Notes	2023 £	£	2022 £	£
(Deficit)/Surplus for the year after taxation, dividends and loan interest rebates			(1,269,681)		1,687,797
Adjustments for non-cash items:					
Depreciation	4	51,064		28,340	
Taxation	9	163,024		88,142	
			214,088		116,482
Working capital adjustments					
Movement in accrued interest		(270,873)		(34,263)	
Movement in other debtors		(791,633)		(204,693)	
Movement in other creditors		134,644		(36,536)	
Movement in proposed dividend		2,112,303		541,847	
Movement in bereavement fund		107,311		(38,904)	
			1,291,752		227,451
Cash flows from changes in operating assets and liabilities					
Loan repayments less loans advanced		(10,025,900)		(11,071,390)	
Increase in member shares		(20,171,006)		9,109,699	
			(30,196,906)		(1,961,691)
Income taxes paid			(87,256)		(66,610)
Net cash (outflow)/inflow from operating activities			(30,048,003)		3,429
Investing activities					
Purchase of tangible fixed assets	12	(3,401,404)		(39,599)	
Net cash from managing liquid deposits		37,871,560		(5,542,245)	
Net cash generated/(used) in investing activities			34,470,156		(5,581,844)
Net increase/(decrease) in cash and cash equivalents			4,422,153		(5,578,415)
Cash and cash equivalents at beginning of year			26,277,740		31,856,155
Cash and cash equivalents at end of year	10		30,699,893		26,277,740

COMMSAVE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

1 Accounting policies

1.1 Credit union 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.

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.

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. 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.

1.4 Income

Income represents interest receivable on loans to members, commission and fees charged to members and grants, donations received and bad debts recovered. 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 fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

COMMSAVE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

1 Accounting policies

(Continued)

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

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 the revenue account.

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, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The credit union has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the credit union's balance sheet when the credit union becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include loans to members, 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.

COMMSAVE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

1 Accounting policies

(Continued)

Other financial assets

Financial assets – loans to members

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.

Impairment of financial assets

Commsave 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.

Derecognition of financial assets

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. Commsave Credit Union does not transfer loans to third parties.

Under FRS102, the criteria for de-recognising (writing off) a loan is different to when the credit union would write off a loan for internal purposes. See note 11 for further detail.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from other credit unions and preference shares that are classified as debt, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

COMMSAVE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

1 Accounting policies

(Continued)

Financial liabilities – member savings

Members' shareholdings in Commsave Credit Union are redeemable and therefore are classified as financial liabilities, and described as member savings. They are recognised at the amount of cash deposited.

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.

Current tax

The tax currently payable is based on taxable surplus for the year. Taxable surplus differs from net surplus as reported in the revenue account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The credit union's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1.10 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 after taking external actuarial advice.

1.11 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.

1.12 Retirement benefits

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

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

COMMSAVE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

1 Accounting policies

(Continued)

1.13 Leases

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.14 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

1.15 Bad and doubtful debt provisions

Impairment on loans to members is based upon the provisioning percentages specified in the PRA Credit Union Rulebook, which specifies the percentage of bad debt provisioning to be applied to loans in arrears according to age of debt, as follows:

- 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.

In addition, provisions are held on re-scheduled loans as per the rates above, until the required time has elapsed as specified in the PRA Credit Union Rulebook and the loans have performed.

1.16 Dividends, ISA interest and loan interest rebates

The accounts include a provision for a proposed dividend, ISA interest and loan interest rebates relating to the current year which will be paid in the next financial year.

COMMSAVE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

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.

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 out in the accounting policies in note 1.15. 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 policy 1.10 to provide for this scheme.

3 Loan Interest receivable and similar Income

An analysis of the credit union's turnover is as follows:

	2023	2022
	£	£
Interest on member loans	9,906,153	8,098,594
Interest on other CU Loans	11,350	4,650
Bank interest receivable on cash and liquid deposits	744,769	457,996
	<u>10,662,272</u>	<u>8,561,240</u>

COMMSAVE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

4 Administrative expenses		2023	2022
		£	£
Wages and salaries and staff welfare	7	1,260,469	1,031,990
Training costs		47,526	68,113
Rates		32,107	2,891
Bereavement fund reserve movement	17	390,254	180,438
Fidelity Insurance		37,701	27,687
Property Insurance		6,058	2,089
Light and heat		16,684	8,809
Cleaning		15,933	15,083
Repairs and maintenance		19,887	21,870
Bad debts expense (net)	14	4,008,762	2,127,034
Printing, postage and stationery		39,961	37,192
Marketing & communication		427,469	311,345
Telephone		121,768	71,972
Computer maintenance		269,957	266,281
Equipment leasing		67,295	61,681
Meetings, seminars & conferences		110,031	103,833
Association fees		36,000	36,000
Legal & professional		334,563	181,947
Regulation and compliance fees		116,114	5,302
Auditors remuneration		13,500	13,000
Internal audit fees		24,337	20,050
Bank charges & credit agency fees		232,254	216,611
Sundry expenses		7,336	2,458
Depreciation	12	51,064	28,340
Rowland Hill fund donation		25,000	25,000
Prize saver fund		27,658	35,583
Credit card project		-	982
		7,739,688	4,903,581
		7,739,688	4,903,581

Regulation and compliance fees includes £112,647 due to breaches found by HMRC during an audit visit under 'HMRC inspections of ISA managers' in relation to tax years from 2016/17 to 2022/23. The credit union have confirmed to HMRC that its systems and controls have been updated to prevent a recurrence of these issues.

COMMSAVE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

5 Other income	2023 £	2022 £
Rental income	-	5,910
Dormant account charges	10,010	8,751
Funding from FOCCU	42,124	61,157
Engage card commission	246	282
	52,380	76,100
	52,380	76,100

6 Dividends & loan interest rebates	2023 £	2022 £
ISA Interest paid and payable	302,442	168,857
Dividends payable	3,453,968	1,667,216
Loan interest rebate payable	312,791	121,747
	4,069,201	1,957,820
Total Interest expense	4,069,201	1,957,820

ISA Interest rate	4.25%	1.75%
Dividend rate	4.00%	1.75%
Loan Interest rebate	4.00%	1.75%

7 Employees

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

2023 Number	2022 Number
42	33
42	33

COMMSAVE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

7 Employees (Continued)

Their aggregate remuneration comprised:

	2023	2022
	£	£
Wages and salaries	1,104,579	885,836
Social security costs	91,688	73,958
Pension costs	44,859	55,860
Benefits & welfare	19,343	16,336
	<u>1,260,469</u>	<u>1,031,990</u>

8 Key management remuneration

	2023	2022
	£	£
Remuneration for qualifying services	133,256	108,294
Social security costs	16,284	13,250
Credit union pension contributions to defined contribution schemes	4,399	5,585
	<u>153,939</u>	<u>127,129</u>

Key management remuneration is comprised of the Executive Director and the Chief Executive Officer.

COMMSAVE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

9 Taxation

	2023	2022
	£	£
Current tax		
UK corporation tax on surplus for the current period	163,024	88,142
	<u>163,024</u>	<u>88,142</u>

The credit union is not liable to corporation tax payable on its activity of making loans to members as this is not classified as a trade. However, corporation tax is payable on bank interest received and rental income. As a result, the tax charge for the year differs from the standard rate of Corporation Tax. The differences are explained below:

	2023	2022
	£	£
Surplus before taxation	2,962,544	3,733,759
	<u>2,962,544</u>	<u>3,733,759</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 22.00% (2022: 19.00%)	651,760	709,414
Non-taxable surplus on transactions with members	(488,736)	(621,272)
	<u>163,024</u>	<u>88,142</u>
Taxation charge for the year	163,024	88,142
	<u>163,024</u>	<u>88,142</u>

10 Cash at bank and liquid deposits

	2023	2022
	£	£
Cash at bank and liquid deposits	37,721,442	71,170,849
Fixed term deposit accounts maturing in more than 3 months	(7,021,549)	(44,893,109)
	<u>30,699,893</u>	<u>26,277,740</u>
Cash and cash equivalents	30,699,893	26,277,740
	<u>30,699,893</u>	<u>26,277,740</u>

11 Loans to members

Loans to members		
Gross loans due from members	71,646,361	59,984,953
Bad debt provision	(3,074,635)	(1,439,127)
	<u>68,571,726</u>	<u>58,545,826</u>
Net loans to members	68,571,726	58,545,826
	<u>68,571,726</u>	<u>58,545,826</u>

COMMSAVE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

11 Loans to members

(Continued)

The credit union continues to hold legal title to loans which have been fully provided against and not included in the above balances of £9,500,393 (2022 - £7,858,138). Had these balances been included in the above figures gross loans due from members would be reported as £81,146,754 (2022 - £67,794,024) and the bad debt provision would be £12,575,028 (2022 - £9,297,265) with net loans to members remaining at £68,571,726 (2022 - £58,545,826).

Security for loans

Commsave Credit Union does not offer mortgages and as a result all loans to members are unsecured, although borrowers are restricted as to withdrawals of savings whilst loans remain 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.

Credit risk exposure	2023 Amount £	2023 Proportion %	2022 Amount £	2022 Proportion %
Not impaired:				
Neither past due or impaired	60,583,258	84.56%	53,626,509	89.40%
Up to 3 months past due	5,584,848	7.80%	3,618,656	6.03%
Between 3 and 6 months past due	-	-	-	-
Between 6 and 12 months past due	-	-	-	-
Over 12 months past due	-	-	-	-
Sub-total: loans not impaired	66,168,106	92.35%	57,245,165	95.43%
Individually impaired:				
Not yet past due, but impaired	629,573	0.88%	199,101	0.33%
Up to 3 months past due	-	-	-	-
Between 3 and 6 months past due	2,142,560	2.99%	1,300,841	2.17%
Between 6 and 12 months past due	2,706,122	3.78%	1,239,846	2.07%
Over 12 months past due	-	-	-	-
Total loans	71,646,361	100.00%	59,984,953	100.00%
Impairment allowance	(3,074,635)		(1,439,127)	
Total carrying value	68,571,726		58,545,826	

COMMSAVE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

12 Tangible fixed assets

	Freehold property £	Fixtures, fittings & equipment £	Total £
Cost			
At 1 October 2022	490,123	168,633	658,756
Additions	3,334,607	66,797	3,401,404
At 30 September 2023	<u>3,824,730</u>	<u>235,430</u>	<u>4,060,160</u>
Depreciation and impairment			
At 1 October 2022	60,143	95,831	155,974
Depreciation charged in the year	21,205	29,859	51,064
At 30 September 2023	<u>81,348</u>	<u>125,690</u>	<u>207,038</u>
Carrying amount			
At 30 September 2023	<u>3,743,382</u>	<u>109,740</u>	<u>3,853,122</u>
At 30 September 2022	<u>429,980</u>	<u>72,802</u>	<u>502,782</u>

13 Other debtors

	2023 £	2022 £
Loans to other credit unions	975,000	75,000
Prepayments	386,695	495,062
Accrued interest	611,107	340,234
	<u>1,972,802</u>	<u>910,296</u>

COMMSAVE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

14 Bad debt provisions and write-offs

	2023	2022
	£	£
Provision brought forward	1,439,127	1,565,284
Allowance for losses made during the year	1,635,508	-
Allowances reversed during the year	-	(126,157)
	<u>3,074,635</u>	<u>1,439,127</u>
Provision carried forward	<u><u>3,074,635</u></u>	<u><u>1,439,127</u></u>

	2023	2022
	£	£
Impairment losses recognised for year		
Bad debts written off	3,393,615	3,060,538
Bad debts recovered	(1,020,361)	(807,347)
(Decrease)/Increase in allowances during the year	1,635,508	(126,157)
	<u>4,008,762</u>	<u>2,127,034</u>
Total impairment losses recognised for the year	<u><u>4,008,762</u></u>	<u><u>2,127,034</u></u>

15 Other creditors

	2023	2022
	£	£
Corporation tax	163,910	88,142
Proposed dividend	3,994,068	1,881,765
Dormant accounts	286,561	329,501
Amounts due to Friends of Commsave Credit Union	24,280	14,763
Accruals and deferred income	236,642	68,575
	<u>4,705,461</u>	<u>2,382,746</u>
	<u><u>4,705,461</u></u>	<u><u>2,382,746</u></u>

COMMSAVE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

16 Financial risk management

Commsave Credit Union manages its shares and loans so that it earns income from the margin between interest receivable and dividends 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 to provide a degree of protection against any unexpected developments that may arise and to smooth the mismatches between maturing assets and liabilities.

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 union's strategic plans. The credit union does not use interest rate options to hedge its own positions.

	2023	2022
	£	£
Financial assets		
Gross loans to members	71,646,361	59,984,953
Average interest rate (APR)	16.42%	15.53%
Financial liabilities		
Member savings & Junior savers	89,630,546	109,801,552
Average dividend rate	4.00%	1.75%

COMMSAVE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

16 Financial risk management

(Continued)

The interest rates applicable to loans to members are fixed and range from 6.17% to 27.1% (APR).

The interest payable on member savings is determined on the basis of income less administrative expenses and any known future commitments and, as can be seen above, a consistent margin is maintained between interest receivable and dividends payable. As a result, the result for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

Liquidity risk disclosures

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

Fair value of instruments

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

17 Bereavement fund

	2023	2022
	£	£
Bereavement fund	668,760	561,449
	<u>668,760</u>	<u>561,449</u>
Movements on bereavement fund:		
		£
At 1 October 2022		561,449
Payments to fund		390,254
Payments from fund		(282,943)
At 30 September 2023		<u>668,760</u>

18 Financial commitments, guarantees and 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. The Financial Conduct Authority (FCA) had provided details of how the calculation of next year's contribution towards the FSCS will be calculated 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.

COMMSAVE CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

19 Operating lease commitments

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:

	2023	2022
	£	£
Within one year	64,253	61,171
Between two and five years	168,010	140,731
	<u>232,263</u>	<u>201,902</u>

20 Events after the reporting date

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

21 Related party 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.

Donations of £3,000 for the Derek Jackson Scholarships (2022 - £3,000) were paid to the Credit Union Foundation, a charity with a common director.

Fees of £4,649 (2022 - £3,587) were paid to Chown Property Management, a company with a common director.

Subscriptions & training fees of £39,071 (2022 - £41,730) were paid to the Association of British Credit Unions Limited, a trade body with a common director.