

BEDFORD CREDIT UNION LIMITED

FINANCIAL STATEMENTS

for the

YEAR ENDED 30TH SEPTEMBER 2017

FCA registration number 213900

Appleby & Wood

FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2017

Administrative information

Status Bedford Credit Union Limited was incorporated under the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979 on the 25th February 1998.

Directors Colin Bolster : Chair
Stephen Clough : Treasurer

Barrie Mayer
David Eales
Hugh Silberrad
Jennie Edgar
Peter Doyle
Philip Iwaniw
Ray Seymour
Tony Whitehead

Other Officers Supervisory Committee
Joanna Martin
Pam Ager
John Moloney

Bankers Registered Office Lloyds Bank plc
25 Gresham Street
London
EC2N 7HN

Credit Union Registered Office 6 St. Pauls Square
BEDFORD
MK40 1SQ

Prudential Regulation Authority No. 213900

Auditors Appleby & Wood
Registered Auditors
40 The Lock Building
72 High Street
Stratford
London E15 2QB

FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2017

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YEAR ENDED 30TH SEPTEMBER 2017

Directors' Report

The directors present their annual report on the affairs of the Credit Union, together with the accounts and auditors' report for the year.

Principal Activities

The principal activities of the Credit Union are those of a Credit Union, accepting deposits from and lending sums to its members, with the objects of promoting thrift amongst its members and providing credit for their benefit at a fair and reasonable rate of interest.

Results of Operations and Dividends

The results for the year are as shown in the attached accounts, as are movements in the Credit Union's fixed assets.

Directors of Management

The directors during the year were:

Colin Bolster : Chair
Stephen Clough : Treasurer
Barrie Mayer
David Eales
Hugh Silberrad

Jennie Edgar
Peter Doyle
Philip Iwaniw
Ray Seymour
Tony Whitehead

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Co-operative and Community Benefit Act law and Credit Union law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the credit union and of the excess of income over expenditure of the credit union for that period. In preparing those financial statements, the directors are

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the society and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Act Societies 2014. 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.

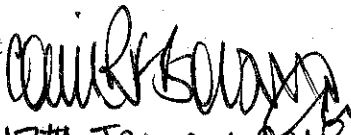
The directors confirm that so far as they are aware, there is no relevant audit information of which the credit union's auditors are unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that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

Auditors

The auditors, Messrs Appleby & Wood, have indicated their willingness to accept re-appointment under the provisions of the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

Signed on behalf of the directors of management

Director
Date


17th January 2018

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YEAR ENDED 30TH SEPTEMBER 2017

Independent Auditors' Report to the members of Bedford Credit Union Limited

Opinion

We have audited the financial statements of Bedford Credit Union Limited (the 'society') for the year ended 30th September 2017 which comprise the Revenue Account and Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the society's members, as a body, in accordance with section 83 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society's 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 society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as at 30th September 2017 and of its income and expenditure for the period then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and Credit Union's 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 society 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 society'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 Directors' 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.

FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2017

Independent Auditors' Report to the members of Bedford Credit Union Limited (continued)

Matters on which we are required to report by exception

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:

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

Responsibilities of the Directors

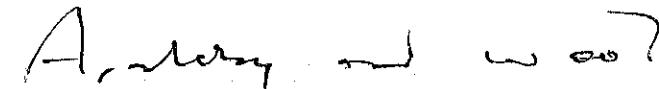
As explained more fully in the Directors' responsibilities statement on page 4 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the society'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 society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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



Appleby & Wood, Statutory Auditor

40 The Lock Building
72 High Street
Stratford
London E15 2QB

Date

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REVENUE ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER 2017

		2017	2016
		£	£
Loan interest receivable and similar income	Note 4	101,640	98,758
Interest payable	5	<u>(470)</u>	<u>(500)</u>
Net interest income		101,170	98,258
Fees and commissions receivable	6	5,473	5,319
Fees and commissions payable		-	-
Net fees, Interest and commissions receivable		<u>106,643</u>	<u>103,577</u>
Other income	6a	15,412	44,439
Administrative expenses	7a	(86,134)	(95,133)
Depreciation and amortisation	10	-	(6,857)
Other operating expenses	7b	(13,666)	(16,721)
Impairment losses on loans to members	11 d	<u>(13,128)</u>	<u>(4,137)</u>
Surplus before taxation		9,127	25,168
Taxation	9a	<u>(1,345)</u>	<u>(1,312)</u>
Surplus for the financial year		7,782	23,856
		-	-
Total comprehensive income		<u>7,782</u>	<u>23,856</u>

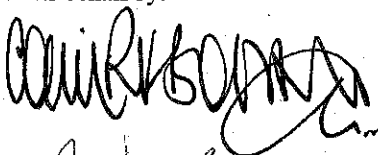
FINANCIAL STATEMENTS

BALANCE SHEET AS AT 30TH SEPTEMBER 2017

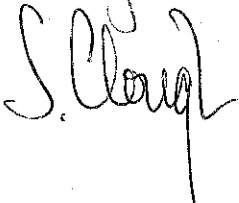
		2017	2016
		£	£
	Note		
ASSETS			
Cash, cash equivalents and liquid deposits		304,379	302,974
Deposits held at UK Financial Institutions		723,946	653,673
		<u>1,028,325</u>	<u>956,647</u>
Loans and advances to members	11b	572,436	524,095
Tangible fixed assets	10	2,575	-
Other receivables		8,374	7,612
Prepayments and accrued income		250	439
Total assets		<u>1,611,960</u>	<u>1,488,793</u>
LIABILITIES			
Share capital		1,327,179	1,221,232
Junior Savers		112,504	101,551
Other payables	12	37,721	39,236
		<u>1,477,404</u>	<u>1,362,019</u>
Long term liabilities			
Long term loan	15b	30,000	30,000
Retained earnings	15a	104,556	96,774
Total liabilities		<u>1,611,960</u>	<u>1,488,793</u>

The financial statements were approved, and authorised for issue, by the Board on and signed on its behalf by:

17th January 2018.

Director: 

Director: *P. Boyle*

Director: 

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN RETAINED EARNINGS

YEAR ENDED 30TH SEPTEMBER 2017

	2017	2016
	£	£
As at 1 October 2016	96,774	72,918
Total comprehensive income for the year	<u>7,782</u>	<u>23,856</u>
As at 30 September 2017	<u>104,556</u>	<u>96,774</u>

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CASH FLOW STATEMENT

YEAR ENDED 30TH SEPTEMBER 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Surplus/(deficit) before taxation		9,127	25,168
Adjustments for non-cash items:			
Depreciation	10	-	6,857
Impairment losses	11 d	13,565	5,812
		<u>22,692</u>	<u>37,837</u>
Movements in:			
Other receivables		(573)	(2,258)
Other payables		(1,548)	14,780
		<u>20,571</u>	<u>50,359</u>
Cash flows from changes in operating assets and liabilities			
Cash inflow from subscribed capital		2,368,606	2,204,133
Cash outflow from repaid capital		(2,251,706)	(2,141,750)
New loans to members		(663,590)	(640,860)
Repayment of loans by members		601,684	574,089
		<u>75,565</u>	<u>45,971</u>
Taxation paid		(1,312)	(793)
		<u>74,253</u>	<u>45,178</u>
Net cash flows from operating activities			
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(2,575)	(6,857)
		<u>71,678</u>	<u>38,321</u>
Net cash flow from managing liquid deposits			
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of year		956,647	918,326
Cash and cash equivalents at end of year		<u>1,028,325</u>	<u>956,647</u>

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2017

1. Legal and regulatory framework

The Credit Union is a society established under the Industrial and Provident Societies Act 1965, whose principal activity is to operate as a credit union, within the meaning of the Credit Unions Act 1979. The Credit Union has registered with the Financial Conduct Authority and is regulated by the Prudential Regulation Authority under the provisions of the Financial Services and Markets Act 2000.

In accordance with the regulatory environment for credit unions, deposits from members can be made by subscription for redeemable shares, deferred shares and interest-bearing shares. At present the Credit Union has only issued redeemable shares.

2. Accounting policies

Basis of preparation

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

The financial statements are prepared on the historical cost basis.

Going concern

The financial statements are prepared on the going concern basis.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2017

Income

Loan interest receivable and similar income: Interest on loans to members is recognised using the effective interest method, and is calculated and accrued on a daily basis.

Fees and commissions receivable: Income relating to individual transactions is recognised when the transaction is completed.

Other income: Other income is recognised when receivable.

Taxation

The tax charge for the year reflects current tax payable. Current tax is the expected corporation tax payable for the year, using tax rates in force for the year. The Credit Union is not liable to corporation tax payable on its activities of making loans to members. However, corporation tax is payable on investment income.

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

Tangible fixed assets

Tangible fixed assets comprises items of property, plant and equipment, which are stated at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value, on a straight line basis over its estimated useful life. The categories of property, plant and equipment are depreciated as follows:

Office equipment	33%
Information Systems	33%

Cash and cash equivalents

Cash, cash equivalents and liquid deposits comprise cash on hand and investments with a maturity of less than or equal to 8 days.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2017

Financial assets – loans and advances 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.

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

Impairment of financial assets

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

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

Financial Liabilities – subscribed capital

Members' shareholdings in the Credit Union are redeemable and therefore are classified as financial liabilities, and described as subscribed capital. They are initially recognised at the amount of cash deposited and subsequently measured at amortised cost.

Employee benefits

A pension is currently offered to all eligible Bedford Credit Union Limited employees through NEST. The contribution level during the year was 1% of salary for the Credit Union and 1% for the employee. Only one employee is currently a member of scheme.

Other employee benefits: Other short and long term employee benefits, including holiday pay, are recognised as an expense over the period they are earned.

Reserves

Retained earnings are the accumulated surpluses to date that have not been declared as dividends returnable to members.

3. Use of estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying the Credit Union's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2017

4. Loan interest receivable and similar income

	Note	2017	2016
		£	£
Loan interest received from members		94,625	91,797
Loan interest receivable		288	403
Bank interest receivable on cash and liquid deposits		6,727	6,558
Total loan interest receivable and similar income		<u>101,640</u>	<u>98,758</u>

5. Interest expense

Interest expense is the dividend paid to members for the prior year. The dividend is formally proposed by the Directors after the year end and is confirmed at the following AGM. As a result it does not represent a liability at the balance sheet date. This also represents Junior interest and interest due on subordinated debts.

	2017	2016
	£	£
Junior Interest	470	500
Subordinated Loan Interest	-	-
Interest paid during the year	<u>470</u>	<u>500</u>
Dividend rate:		
Interest proposed, but not recognised	-	-
Dividend rate:	<u>0.0%</u>	<u>0.0%</u>

6. Fees and commission receivable

Entrance fees	5,473	5,319
Total fees and commissions receivable	<u>5,473</u>	<u>5,319</u>

6a. Other Income

Grants	14,379	37,225
Grants released against depreciation	-	6,600
Donations & Fundraising	500	10
Other income	533	604
	<u>15,412</u>	<u>44,439</u>

7a. Administrative expenses

Employment costs Including pension	8a	66,413	68,365
Meeting expenses		158	201
Auditors' remuneration	7c	4,000	4,420
Telephone		2,209	2,408
Computer maintenance		5,960	5,297
Legal and professional		1,126	1,866
General expenses		2,244	6,495
Advertising & Marketing		189	861
Printing, postage and stationery		3,461	4,827
Other insurance		374	393
Total administrative expenses		<u>86,134</u>	<u>95,133</u>

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2017

	2017	2016
	£	£
7b. Other operating expenses		
Rent, Rates & Utilities	4,236	4,324
Property Service Charge	2,648	4,000
Property Maintenance & Dilapidations	1,263	788
	<u>8,147</u>	<u>9,112</u>
Regulatory and financial management costs		
Financial Conduct Authority and Prudential Regulation Authority fees	582	1,151
Association of British Credit Unions Limited dues	1,899	2,022
Fidelity insurance	2,097	2,030
Loan protection insurance	941	2,406
	<u>13,666</u>	<u>16,721</u>
7c. Auditors' remuneration		
Fees payable for audit	4,000	4,000
Fees payable to the auditor for other services	-	420
Total auditors' remuneration	<u>4,000</u>	<u>4,420</u>
8. Employees and employment costs		
8a. Number of employees		
The average monthly number of employees during the year were:	Number	Number
Office Staff - full time equivalent	<u>3</u>	<u>3</u>

No member of the key management personnel earned over £60,000 in the year. Staff had a total share holding of £865 (2016 £4,536) and loans of £Nil (2016 £Nil).

8b. Directors' Remuneration

No remuneration is paid to the directors. At the year end, Directors held total shares of £3,953 (2016 £5,512) and total loans of £4,634 (2016 £Nil). Some Directors have issued subordinated loans to the Credit Union.

All members of the committee are members of the Credit Union. They receive no remuneration for services and participate in the activities of the Credit Union on the same terms as other members. They received reimbursement of expenses in the year of £Nil (2016 £Nil).

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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30TH SEPTEMBER 2017

9. Taxation

a) Recognised in the Revenue Account

The taxation charge for the year, based on the small profits rate of Corporation Tax of 20% 2016: 20% taking into account marginal relief) comprised:

Current tax		
UK Corporation tax	1,345	1,312
	<hr/>	<hr/>
Total current tax recognised in the Revenue Account	1,345	1,312
	<hr/>	<hr/>

b) The Credit Union is not liable to corporation tax payable on its activities of making loans to members. However, corporation tax is payable on investment income.

10. Tangible fixed assets

Tangible fixed assets comprise the following property, plant and equipment:-

	Office Equipment & Computers 2017 £	Office Equipment & Computers 2016 £
Cost		
At 30th September 2016	53,213	46,356
Additions	2,575	6,857
Disposal	-	-
At 30th September 2017	<hr/> <hr/>	<hr/> <hr/>
	55,788	53,213
Depreciation		
At 30th September 2016	53,213	46,356
Charge for the year	-	6,857
Disposal	-	-
At 30th September 2017	<hr/> <hr/>	<hr/> <hr/>
	53,213	53,213
Net book value		
At 30th September 2017	<hr/> <hr/>	<hr/> <hr/>
	2,575	-
At 30th September 2016	<hr/> <hr/>	<hr/> <hr/>
		-

11a. Credit risk disclosures

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

11b. Carrying Value Analysis

The carrying amount of the loans to members represents the Credit Union's maximum exposure to credit risk. Where loans are not impaired it is expected that the amounts repayable will be received in full.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2017

	Note	2017	2016
		£	£
Not impaired:			
Not in arrears		572,436	524,095
Sub-total: loans not impaired		<u>572,436</u>	<u>524,095</u>
Individually impaired:			
Up to 3 months past due		7,596	5,509
Between 3 and 6 months past due		4,594	4,562
Between 6 months and 1 year past due		4,215	3,003
Over 1 year past due		26,614	16,380
Total loans		<u>615,455</u>	<u>553,549</u>
Impairment allowance		<u>(43,019)</u>	<u>(29,454)</u>
Total carrying value		<u>572,436</u>	<u>524,095</u>
11c. Provision for impairment losses			
As at 1 October 2016		29,454	23,642
Allowance for losses made during the year		13,803	5,812
Allowances reversed during the year		(238)	-
Increase in allowances during the year	11 d	13,565	5,812
As at 30 September 2017		<u>43,019</u>	<u>29,454</u>
11d. Impairment losses recognised for the year			
Impairment of individual financial assets		238	-
Increase in impairment allowances during the year		13,565	5,812
		13,803	5,812
Reversal of impairment where debts recovered		(675)	(1,675)
Total impairment losses recognised for the year		<u>13,128</u>	<u>4,137</u>
12. Other payables			
UK Corporation Tax		1,345	1,312
Junior interest		550	500
Accruals and deferred income		35,826	37,424
		<u>37,721</u>	<u>39,236</u>

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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2017

13. Additional financial instruments disclosures

13a. Financial risk management

The Credit Union manages its subscribed capital and loans to members so that it earns income from the margin between interest receivable and interest payable.

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Credit risk: Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to the Credit Union, resulting in financial loss to the Credit Union. In order to manage this risk the Board approves the Credit Union lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed.

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

Market risk: Market risk is generally comprised of interest rate risk, currency risk and other price risk. The Credit Union conducts all its transactions in sterling and does not deal in derivatives or commodity markets. Therefore it is not exposed to any form of currency risk or other price risk.

Interest rate risk: The Credit Union's main interest rate risk arises from differences between the interest rate exposures on the receivables and payables that form an integral part of a credit union's operation and considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital. The Credit Union does not use interest rate options to hedge its own positions. The risk is monitored on a regular basis by the Board.

13b. Interest rate risk disclosures

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

	2017		2016	
	Amount	Average Interest rate	Amount	Average Interest rate
	£	£	£	£
Financial assets				
Loans to members	572,436	17.3%	524,095	17.5%
Financial liabilities				
Share capital	1,327,179	0%	1,221,232	0%

The interest rates applicable to loans to members are fixed and range from 12% to 36%. The interest payable on share capital is determined at the AGM. As a result, the surplus for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2017

13c. Liquidity risk disclosures

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

13d. Fair value of financial instruments

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

14. Post balance sheet events

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

15a. Reserves

	Voluntary Reserve	Statutory Reserve	Total
	£	£	£
At 1st October 2016	74,066	22,708	96,774
Comprehensive income for the year	7,782	-	7,782
Transfer between funds	(1,556)	1,556	-
Balance carried forward at 30th September 2017	<u>80,292</u>	<u>24,264</u>	<u>104,556</u>

15b. Subordinated Loan

	2017	2016
	£	£
Subordinated Loans	<u>30,000</u>	<u>30,000</u>
	<u>30,000</u>	<u>30,000</u>

The subordinated loan of £30,000 to the Credit Union is repayable on or before 31 December 2019. Only 60% of this loan can be treated as capital under the capital assets ratio specified in the CREDS.

Some of the subordinated loans were from individual directors.

FINANCIAL STATEMENTS

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16. Contingent liabilities

The Credit Union participates in the Financial Services Compensation Scheme (FSCS) and therefore has a contingent liability, which cannot be quantified, in respect of contributions to the FSCS, as required by the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) had provided details of how the calculation of next year's contribution towards the FSCS will be calculated and full provision has been included for this liability. However this is subject to future changes in interest rates and levels of deposits held by UK deposit takers. Therefore there is inherent uncertainty regarding the totality of the levy that the Credit Union will have to pay.

17. Related party transactions

During the year - members of the Board, staff and their close family members had loans with the Credit Union of £4,634 (2016 £Nil). These loans were approved on the same basis as loans to other members. None of the directors, staff or their close family members, have any preferential terms on their loans. They also had share values of £4,818 (2016 £10,048).

18a. Employee benefits

Under the UK accounting standards, the Credit Union did not make a provision for holiday pay, FRS 102 requires the cost of holiday pay to be recognised when employees render the service that increases their entitlement.

18b. Loan Interest

The Credit Union is now required to ensure that all members loan interest is on a receivable basis. Historically, the Credit Union accounted for its Interest on members loans on a received basis.