

**BEDFORD CREDIT UNION LIMITED**

**for the**

**YEAR ENDED 30TH SEPTEMBER 2016**

**FCA registration number 213900**

*Appleby & Wood*

# **BEDFORD CREDIT UNION LIMITED**

**YEAR ENDED 30TH SEPTEMBER 2016**

## **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 - from 19th March 2015
Stephen Clough	: Treasurer
Barrie Mayer	
David Eales	
Eleanor Foley	resigned 19th November 2015
Hugh Silberrad	appointed at AGM on 9th March 2016
Jennie Edgar	appointed at AGM on 9th March 2016
Peter Doyle	
Philip Iwaniw	
Ray Seymour	appointed at AGM on 9th March 2016
Tom Conway	resigned 4th January 2016
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

**BEDFORD CREDIT UNION LIMITED**  
**YEAR ENDED 30TH SEPTEMBER 2016**

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**BEDFORD CREDIT UNION LIMITED**

**YEAR ENDED 30TH SEPTEMBER 2016**

**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 - from 19th March 2015	Jennie Edgar	appointed at AGM on 9th March 2016
Stephen Clough	: Treasurer	Peter Doyle	
Barrie Mayer		Philip Iwaniw	
David Eales		Ray Seymour	appointed at AGM on
Eleanor Foley	resigned 19th November 2015	Tom Conway	resigned 4th January 2016
Hugh Silberrad	appointed at AGM on 9th March 2016	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 required to:

- 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

  
15.02.17.

**BEDFORD CREDIT UNION LIMITED**  
**YEAR ENDED 30TH SEPTEMBER 2016**

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

We have audited the financial statements of Bedford Credit Union Limited for the year ended 30th September 2016 which comprise of the revenue account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (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.

**Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4 the directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the credit union's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

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 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and with the Co-operative and Community Benefit Act 2014 and the Credit Unions Act 1979.
- the information provided in the directors' report is consistent with the financial statements.

**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 Act 2014 & Credit Unions Act 1979 require 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
- a satisfactory system of control over transactions has not been maintained by the credit union in accordance with the requirements of the legislation,
- the revenue account or the other accounts (if any) to which our report relates, and the balance sheet are not in agreement with the books of account of the credit union.

• we have not obtained all the information and explanations necessary for the purposes of our audit.

Appleby & Wood

Statutory Auditors

40 The Lock Building

72 High Street

London E15 2QB

Date

6. 3. 2017

**BEDFORD CREDIT UNION LIMITED**

**REVENUE ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

		2016 £	2015 £
Loan interest receivable and similar income	Note 4	98,758	87,334
Interest payable	5	<u>(500)</u>	<u>(450)</u>
<b>Net interest income</b>		98,258	86,884
Fees and commissions receivable	6	5,319	4,787
Fees and commissions payable		-	-
<b>Net fees, Interest and commissions receivable</b>		<u>103,577</u>	<u>91,671</u>
Other income	6a	44,439	63,526
Administrative expenses	7a	(95,133)	(83,924)
Depreciation and amortisation	10	(6,857)	(14,465)
Other operating expenses	7b	(16,721)	(18,858)
Impairment losses on loans to members	11 d	<u>(4,137)</u>	<u>(6,124)</u>
<b>Surplus before taxation</b>		25,168	31,826
Taxation	9a	<u>(1,312)</u>	<u>(793)</u>
<b>Surplus for the financial year</b>		<u>23,856</u>	<u>31,033</u>
		-	-
<b>Total comprehensive income</b>		<u>23,856</u>	<u>31,033</u>

**BEDFORD CREDIT UNION LIMITED**

**BALANCE SHEET AS AT 30TH SEPTEMBER 2016**


		2016	2015
		£	£
	Note		
<b>ASSETS</b>			
Cash, cash equivalents and liquid deposits		302,974	317,887
Deposits held at UK Financial Institutions		<u>653,673</u>	<u>600,439</u>
		956,647	918,326
Loans and advances to members	11b	524,095	463,136
Tangible fixed assets	10	-	-
Other receivables		7,612	5,226
Prepayments and accrued income		<u>439</u>	<u>567</u>
<b>Total assets</b>		<u><u>1,488,793</u></u>	<u><u>1,387,255</u></u>
<b>LIABILITIES</b>			
Share capital		1,221,232	1,166,466
Junior Savers		101,551	93,934
Other payables	12	<u>39,236</u>	<u>23,937</u>
		1,362,019	1,284,337
<b>Long term liabilities</b>			
Long term loan	15b	30,000	30,000
Retained earnings	15a	<u>96,774</u>	<u>72,918</u>
<b>Total liabilities</b>		<u><u>1,488,793</u></u>	<u><u>1,387,255</u></u>

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

*15th February 2017*

Director: 

Director: 

Director: 

**BEDFORD CREDIT UNION LIMITED**

**STATEMENT OF CHANGES IN RETAINED EARNINGS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
As at 1 October 2015	72,918	41,885
Total comprehensive income for the year	<u>23,856</u>	<u>31,033</u>
As at 30 September 2016	<u>96,774</u>	<u>72,918</u>



**BEDFORD CREDIT UNION LIMITED**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

	Note	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Surplus/(deficit) before taxation		25,168	31,826
Adjustments for non-cash items:			
Depreciation	10	6,857	14,465
Impairment losses	11 d	5,812	2,675
		<u>37,837</u>	<u>48,966</u>
Movements in:			
Other receivables		(2,258)	192
Other payables		14,780	(7,819)
		<u>50,359</u>	<u>41,339</u>
<b>Cash flows from changes in operating assets and liabilities</b>			
Cash inflow from subscribed capital		2,204,133	2,097,997
Cash outflow from repaid capital		(2,141,750)	(1,963,876)
New loans to members		(640,860)	(555,355)
Repayment of loans by members		574,089	521,990
		<u>45,971</u>	<u>142,095</u>
Taxation paid		(793)	(775)
		<u>45,178</u>	<u>141,320</u>
<b>Net cash flows from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(6,857)	(14,465)
		<u>38,321</u>	<u>126,855</u>
<b>Net cash flow from managing liquid deposits</b>			
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year		918,326	791,471
Cash and cash equivalents at end of year	14	<u>956,647</u>	<u>918,326</u>

**BEDFORD CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

**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.

**First-time adoption of FRS 102**

These are the Credit Union's first financial statements to comply with FRS 102. The date of transition to FRS 102 is 1 October 2014.

The transition to FRS 102 has resulted in a small number of accounting policy changes compared to those applied previously. Note 18 to the financial statements describes the differences between the retained earnings and surplus or deficit presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ended at 30 September 2015 (i.e. comparative information), as well as the retained earnings presented in the opening balance sheet (ie at 1 October 2014). It also describes all the required changes in accounting policies made on first-time adoption of FRS 102.

**Going concern**

The financial statements are prepared on the going concern basis.

**BEDFORD CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

**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.

**BEDFORD CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

**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.

**BEDFORD CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

**4. Loan interest receivable and similar income**

	Note	2016	2015
		£	£
Loan interest received from members		91,797	82,904
Loan interest receivable		403	463
Bank interest receivable on cash and liquid deposits		<u>6,558</u>	<u>3,967</u>
<b>Total loan interest receivable and similar income</b>		<b><u>98,758</u></b>	<b><u>87,334</u></b>

**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.

	2016	2015
	£	£
Junior Interest	500	450
Subordinated Loan Interest	<u>-</u>	<u>-</u>
<b>Interest paid during the year</b>	<b><u>500</u></b>	<b><u>450</u></b>
<b>Dividend rate:</b>		
<b>Interest proposed, but not recognised</b>	<u>-</u>	<u>-</u>
<b>Dividend rate:</b>	<u>0.0%</u>	<u>0.0%</u>

**6. Fees and commission receivable**

	2016	2015
Entrance fees	<u>5,319</u>	<u>4,787</u>
<b>Total fees and commissions receivable</b>	<b><u>5,319</u></b>	<b><u>4,787</u></b>

**6a. Other Income**

	2016	2015
Grants	37,225	47,167
Grants released against depreciation	6,600	14,465
Donations & Fundraising	10	370
Other income	<u>604</u>	<u>1,524</u>
	<b><u>44,439</u></b>	<b><u>63,526</u></b>

**7a. Administrative expenses**

	2016	2015	
	£	£	
Employment costs	8a	68,365	59,174
Meeting expenses		201	77
Auditors' remuneration	7c	4,420	4,000
Telephone		2,408	1,613
Computer maintenance		5,297	5,022
Legal and professional		1,866	1,732
General expenses		6,495	3,462
Advertising & Marketing		861	2,773
Printing, postage and stationery		4,827	5,692
Other insurance		<u>393</u>	<u>379</u>
<b>Total administrative expenses</b>		<b><u>95,133</u></b>	<b><u>83,924</u></b>

**BEDFORD CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

	2016 £	2015 £
<b>7b. Other operating expenses</b>		
Rent, Rates & Utilities	4,324	4,324
Property Service Charge	4,000	5,374
Property Maintenance & Dilapidations	788	2,235
	<u>9,112</u>	<u>11,933</u>
<b>Regulatory and financial management costs</b>		
Financial Conduct Authority and Prudential Regulation Authority fees	1,151	1,198
Association of British Credit Unions Limited dues	2,022	1,798
Financial Services Compensation Scheme levy	-	-
Fidelity insurance	2,030	1,742
Van protection insurance	2,406	2,187
	<u>16,721</u>	<u>18,858</u>
<b>7c. Auditors' remuneration</b>		
Fees payable for audit	4,000	4,000
Audit under provision prior year	-	-
Fees payable to the auditor for other services	420	-
<b>Total auditors' remuneration</b>	<u>4,420</u>	<u>4,000</u>
<b>8. Employees and employment costs</b>		
<b>8a. Number of employees</b>		
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 £4,536 (2015 £3,678) and loans of £Nil (2015 £Nil).

**8b. Directors' Remuneration**

Remuneration is paid to the directors. At the year end, Directors held total shares of £5,512 (2015 £1,603) and total loans of £Nil (2015 £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 (2015 £Nil).

**BEDFORD CREDIT UNION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

**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% 2015: 20% taking into account marginal relief) comprised:

Current tax		
UK Corporation tax	1,312	793
	<hr/>	<hr/>
Total current tax recognised in the Revenue Account	1,312	793
	<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 2016 £	Office Equipment & Computers 2015 £
<b>Cost</b>		
At 30th September 2015	46,356	31,891
Additions	6,857	14,465
Disposal	-	-
<b>At 30th September 2016</b>	<hr/> <hr/> 53,213	<hr/> <hr/> 46,356
<b>Depreciation</b>		
At 30th September 2015	46,356	31,891
Charge for the year	6,857	14,465
Disposal	-	-
<b>At 30th September 2016</b>	<hr/> <hr/> 53,213	<hr/> <hr/> 46,356
<b>Net book value</b>		
<b>At 30th September 2016</b>	<hr/> <hr/> -	<hr/> <hr/> -
At 30th September 2015		

**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.

**BEDFORD CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

	Note	2016 £	2015 £
<b>Not impaired:</b>			
Not in arrears		502,964	449,066
Not impaired up to 3 months past due		21,131	14,070
<b>Sub-total: loans not impaired</b>		<b>524,095</b>	<b>463,136</b>
<b>Individually impaired:</b>			
Up to 3 months past due		5,509	7,856
Between 3 and 6 months past due		4,562	3,603
Between 6 months and 1 year past due		3,003	1,125
Over 1 year past due		16,380	11,058
<b>Total loans</b>		<b>553,549</b>	<b>486,778</b>
<b>Impairment allowance</b>		<b>(29,454 )</b>	<b>(23,642 )</b>
<b>Total carrying value</b>		<b>524,095</b>	<b>463,136</b>

**11c. Provision for impairment losses**

As at 1 October 2015		23,642	20,967
Allowance for losses made during the year		5,812	7,522
Allowances reversed during the year		-	(4,847 )
Increase in allowances during the year	11 d	5,812	2,675
<b>As at 30 September 2016</b>		<b>29,454</b>	<b>23,642</b>

**11d. Impairment losses recognised for the year**

Impairment of individual financial assets		-	4,847
Increase in impairment allowances during the year		5,812	2,675
		5,812	7,522
Reversal of impairment where debts recovered		(1,675 )	(1,398 )
<b>Total impairment losses recognised for the year</b>		<b>4,137</b>	<b>6,124</b>

**12. Other payables**

UK Corporation Tax		1,312	793
Junior interest		500	450
Accruals and deferred income		37,424	22,694
		39,236	23,937



**BEDFORD CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

**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.

	2016		2015	
	Average	Average	Average	Average
	Interest	Interest	Interest	Interest
	rate	rate	rate	rate
	£	£	£	£
<b>Financial assets</b>				
Loans to members	524,095	17.5%	463,136	17.6%
<b>Financial liabilities</b>				
Share capital	1,221,232	0%	1,166,466	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.

**BEDFORD CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2016**

**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 2015	54,981	17,937	72,918
Comprehensive income for the year	19,085	4,771	23,856
Transfer between funds	-	-	-
Balance carried forward at 30th September 2016	<u>74,066</u>	<u>22,708</u>	<u>96,774</u>

**15b. Subordinated Loan**

	2016 £	2015 £
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 80% 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.

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**NOTES TO THE 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 £Nil (2015 £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 £10,048 (2015 £5,281).

**18. Transition to FRS 102**

The Credit Union has adopted FRS 102 for the first time in these financial statements for the year ended 30 September 2016. The reconciliations below highlight the financial impacts.

**Reconciliation of surplus from previous UK accounting standards to FRS 102**

	2015	2014
	£	£
Surplus/(Deficit) as previously reported	30,618	16,974
Interest receivable	463	2,746
Holiday accrual	(48)	-
Surplus (in accordance with FRS 102)	<u>31,033</u>	<u>19,720</u>

**Reconciliation of retained earnings from previous UK accounting standards to FRS 102**

	2015	2014
	£	£
Retained earnings	72,503	39,139
Interest receivable	463	2,746
Holiday accrual	(48)	-
Retained earnings (in accordance with FRS 102)	<u>72,918</u>	<u>41,885</u>

The adjustments are:

**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. This change has resulted in an increase in the Interest receivable and an increase in reserves as shown above.