

Firm reference number: 213934
Registered number: IP00389C

BRADFORD DISTRICT CREDIT UNION LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

BRADFORD DISTRICT CREDIT UNION LIMITED

CREDIT UNION INFORMATION

Directors	Julian R D O'Neill Peter Judge Martin Stubbs David J Somerville Rosie Watson Javed Khan J Edwards J Wheatley	(Appointed 23 August 2023) (Appointed 14 September 2023)
FCA registration number	IP00389C	
Registered office	Ground Floor City Hall Bradford BD1 1HY	
Auditor	Xeinadin Audit Limited 2 Hilliards Court Chester Business Park Chester Cheshire CH4 9QP	
Bankers	Buckinghamshire Building Society High Street Chalford St. Giles Buckinghamshire HP8 4QB The Co-operative Bank Plc PO Box 250 Skelmersdale WN8 6WT Lloyds Bank Plc 45 Hustlergate Bradford West Yorkshire BD1 1NT Nationwide Building Society 1 Tyrrel Street Bradford West Yorkshire BD1 1RU Santander PLC Corporate Banking Bootle Merseyside L30 4GB	

BRADFORD DISTRICT CREDIT UNION LIMITED

CREDIT UNION INFORMATION

Bankers continued

The Unity Trust Bank
Four Brindleyplace
Birmingham
B1 2JB

Virgin Money
Banking Hall
30 St Vincent Place
Glasgow
G12HL

BRADFORD DISTRICT CREDIT UNION LIMITED

CONTENTS

	Page
Directors' report	1 - 5
Independent auditor's report	6 - 8
Revenue account	9
Statement of comprehensive income	
Balance sheet	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13 - 29

BRADFORD DISTRICT CREDIT UNION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2023

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

Directors

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

Julian R D O'Neill

Peter Judge

Martin Stubbs

David J Somerville

Catherine Bacon

(Resigned 19 May 2023)

Rosie Watson

Ian J Fletcher

(Resigned 18 October 2022)

Michael Johnson

(Resigned 20 November 2023)

Javed Khan

J Edwards

(Appointed 23 August 2023)

J Wheatley

(Appointed 14 September 2023)

Rose Dunlop

(Appointed 11 January 2023 and resigned 10 May 2023)

Aims and Purposes

Bradford District Credit Union (BDCU) was established in 1993 by Bradford Council who continue to support us as a key stakeholder to this day, for which we are extremely grateful. It is open to anyone who lives or works in Bradford District, Craven, Kirklees and surrounding areas. BDCU is an ethical, faith friendly mutual savings and lending co-operative owned and ran by our members. We are a friendly alternative to high street banks and other high interest lenders. Our activities are as defined in the Credit Union Act 1979 and there have been no significant changes during the year.

Objectives and Activities

The board again reviewed the vision statement during the year, the credit union continues to have the three priorities shown below:

- To be a viable and accessible alternative to high street banks and other high interest lenders.
- To be well known across our local Common Bond area as a modern and ethical organisation that supports and encourages saving, budgeting and lending
- To expand our membership and services in a sustainable way, inclusive of financially excluded communities and assist in increasing the level of financial literacy.

Going Concern

The Directors assess on an annual basis whether it is appropriate to adopt going concern when signing the accounts. This assessment considers whether there are any material uncertainties related to events or conditions that may affect the credit union financially for the next 12 months.

Further information can be found following the financial results and performance for the year.

BRADFORD DISTRICT CREDIT UNION LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

Achievements and Performance

An exceptional year of growth, though not without its challenges. Welcoming over 1000 new members, loan growth of 39%, improving our credit control to within 3.9% of our loan book, increasing our average loan size to £1,724 and maintaining all of our regulatory financial KPI's – to highlight just a few!

BDCU also celebrated 30 years this year and hosted a fantastic event here in the City of Bradford. The event was attended very well with representation from some of our very close partners to include; Bradford Council, ABCUL, HEY Credit Union, FoodSavers and our brilliant members Sean and Helen.

We also reached the Finalist stages in this years Consumer Awards for best Credit Union in the North.

Community Development Partnership Projects

We have continued to work with Inn Churches, Bradford Public Health and Bradford Council across three of our successful community led projects, FoodSavers and UniformSavers as well as BDCU's first ever Underwriting scheme, in partnership with the West Yorkshire Combined Authority as part of their Cost of Living Fund. This has enabled us to lend to those that would otherwise not be able to borrow from trusted and regulated firms, with supported repayment plans helping develop or rebuild their credit profile.

FoodSavers

18 outlets and over 404 people in poverty saving with the credit union and this is growing all the time. These FoodSavers members now save over £40,000.

UniformSavers

UniformSavers has helped over 237 members receive in excess of £28,000. Incredibly 60% continue to save with BDCU, demonstrating how these members are now in the habit of saving.

Back to School / Home Energy Support

135 members issued with a £200 loan and savings contribution of £1,350. We expect by March 2024 to support upto 300 members as the cost of living crisis continues.

Payroll Savings and Loan Schemes

BDCU now has 4,000 staff saving at 34 payroll partner companies, a huge achievement - with more companies wanting to join. This is important as the 'Cost of Living Crisis' affects more staff who are facing higher costs with less to live on. We are proud to announce that across these 4,000 members, they have saved in excess of £4 million and borrowed over £2 million. These savings also help us to lend to people other banks and lenders will not.

BRADFORD DISTRICT CREDIT UNION LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

Financial Results

While our loan book has achieved growth for the first time since 2019, we have seen a reduction in our interest income. In order to be competitive in an extremely challenging market, with equally challenging conditions as the cost of living crisis offers no reprieve, product pricing has had to be flexed to allow our members to be able to afford our products.

With inflation rates soaring in excess of 10% and the Bank of England rising interest rates to 4.5%, everyone has been impacted and invariably our cost of services have gone up. We have invested more capability into our marketing and product development to allow for the growth and reach across our membership, which has been successful, however our overall results for the year leave us in a deficit of £52,101. The credit union has maintained its regulatory requirements and service to members throughout the year.

A summary of results can be seen in the table below;

	2023	2022	% Change
Membership number	9,802	9,220	6.3%
Savings Deposits (<i>including Juvenile deposits, see note</i>)	£6,816,759	£7,354,852	-7.3%
Active member loans number	1,628	1,619	0.05%
Total member loans	£3,040,612	£2,563,133	18.6%
Average loan size	£1,724	£1,583	8.9%
Surplus/(Deficit) for the year post dividend	(£52,101)	(£59,106)	11.9%
Net assets	£480,115	£495,216	-10.5%

Our regulatory capital ratio at 6.39% remains above our regulatory minimum requirement of 5%.

Going Concern Review and Forward Look

As part of our going concern review and forward looking plans, we are confident that over the next 12 months we will break even. We expect to this this through the continued effort placed across improving our member journey and member experience and growing our payroll partnerships.

We are also considering broader options such as strategic mergers as this will allow for funding opportunities to further develop our technology infrastructure allowing us to serve our members and do more across our communities.

Growth and success will be achieved through continued investment in our web platform and decision engine, supported by our marketing agency, alongside continued grant funding to support community based products and services. In addition to this, BDCU continue to develop its operations and work more efficiently, smarter not harder, in order that we can serve its growing and demanding membership.

Even in these difficult times we are investing in transforming the Credit Union so that we can continue to offer a range of products and services expected of a modern financial institution. We remain a welcome alternative to payday loans and doorstep lending.

BRADFORD DISTRICT CREDIT UNION LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

Our People, Our Team

Without the hard work of our dedicated team at BDCU, we would not be able to serve our members. We give thanks to them all for their efforts.

Our excellent team, continually serving our members and supporting one and other; CEO, Katie supported by Steve our Chief Operating Officer and Ian EDI & Community Development Lead. Emma our Member Services Lead, Jess our Finance Lead and Keir Loans & Product Lead supported by Bry and Lauren our Loan Officers, Alan Member Services Assistant, Nicola Credit Controller and Fizza our Marketing & EDI Apprentice.

We are passionate about team development and have supported Amnah throughout the year with her final year placement in marketing with Bradford University, leaving us in August. Bry has progressed from Trainee Loan Officer to Loan Officer and Lauren is now progressing from Member Services Assistant to Trainee Loan Officer.

Our Board of Directors has grown and diversified over the last 12 months as we welcome 5 new Board members and have also created an opportunity for a Trainee Director role. Each bring a wealth of experience from different sectors, all wanting to share their time and expertise and join BDCU on our expansive journey.

We also say thankyou and goodbye to Directors who have served BDCU for a number of years and are now handing over the baton and welcome in the new, appreciating all our Directors are volunteers.

Our training for both staff and Directors continues to be supported by ABCUL and we thank them for their regular input. We regularly attend the ABCUL Forum Meetings and briefing sessions that keep us up to date with sector developments and regulatory requirements and the challenges affecting our industry and the sharing of good practice across the wider credit union family.

And Finally, to our Members...

We **thankyou** for your continued support. Despite it being another financially challenging year, we have increased our membership, minimised our bad debt, grown our lending and product capability and extended our reach even further.

Auditor

In accordance with the Credit Union under the Co-operative and Community Benefit Societies Act 2014, a resolution proposing that Xeinadin Audit Limited be reappointed as auditor of the Credit Union will be put at a General Meeting.

Statement of directors' responsibilities

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

Credit Union law 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 Credit Union 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 profit or loss 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;
- 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. 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.

BRADFORD DISTRICT CREDIT UNION LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually 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 company's auditor is aware of that information.

On behalf of the board

Julian R D O'Neill
Director

Rosie Watson
Director

26 January 2024

BRADFORD DISTRICT CREDIT UNION LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BRADFORD DISTRICT CREDIT UNION LIMITED

Opinion

We have audited the financial statements of Bradford District Credit Union Limited for the year ended 30 September 2023 which comprise the profit and loss account, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as at 30 September 2023 and of its deficit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Credit Union's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The 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.

Opinions on other matters prescribed by the Co-operative and Community Benefit Societies Act 2014

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

BRADFORD DISTRICT CREDIT UNION LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BRADFORD DISTRICT CREDIT UNION LIMITED

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; 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.

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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Credit Union audit. We remain solely responsible for our audit opinion.

BRADFORD DISTRICT CREDIT UNION LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BRADFORD DISTRICT CREDIT UNION LIMITED

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Section 87, Part 7 of Chapter 14 of The Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Credit Union'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 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.

Stephanie Baker BA(Hons) ACA
Senior Statutory Auditor
For and on behalf of Xeinadin Audit Limited

26 January 2024

Chartered Accountants
Statutory Auditor

2 Hilliards Court
Chester Business Park
Chester
Cheshire
CH4 9QP

BRADFORD DISTRICT CREDIT UNION LIMITED

REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2023

		2023	2022
		£	as restated £
Loan interest receivable and similar income	3	586,831	555,029
Interest payable	4	(7,229)	(6,864)
Net interest income		<u>579,602</u>	<u>548,165</u>
Fees and commissions payable	5	(22,311)	(22,610)
Other income	6	160,456	126,755
Administrative expenses	7	(664,040)	(490,630)
Depreciation and amortisation	18	(1,672)	(515)
Other operating expenses	9	(17,516)	(14,889)
Impairment losses on loans to members	16	(66,616)	(201,975)
Surplus/(Deficit) before taxation		<u>(32,097)</u>	<u>(55,699)</u>
Taxation	11	(20,004)	(3,407)
Surplus/(Deficit) for the financial year		<u>(52,101)</u>	<u>(59,106)</u>
Other comprehensive income			
Actuarial movement on defined benefit pension scheme		<u>37,000</u>	<u>-</u>
Total comprehensive income		<u><u>(15,101)</u></u>	<u><u>(59,106)</u></u>

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

BRADFORD DISTRICT CREDIT UNION LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2023

		2023		2022 as restated	
	Notes	£	£	£	£
Assets					
Cash, cash equivalents and liquid deposits					
Loans and advances to banks	12		4,477,541		5,441,548
Loans and advances to members	13		2,950,601		2,454,049
Intangible assets	17		3,344		2,508
Tangible fixed assets	18		-		-
Other receivables	19		60,210		64,712
Prepayments and accrued income			27,488		34,764
Total assets			7,519,184		7,997,581
Liabilities					
Subscribed capital - repayable on demand	20		6,645,580		7,156,834
Other payables	21		393,489		345,531
			7,039,069		7,502,365
Retained earnings					
Defined benefit pension scheme revaluation			-		39,000
Marketing reserve			20,000		30,000
Lloyds grant reserve			100,000		100,000
Subordinated loan			100,000		100,000
Family loan reserve			-		-
Income and expenditure reserve			260,115		226,216
			480,115		495,216
Total liabilities			7,519,184		7,997,581

The financial statements were approved by the board of directors and authorised for issue on 26 January 2024 and are signed on its behalf by:

Julian R D O'Neill
Director

Rosie Watson
Director

Company Registration No. IP00389C

BRADFORD DISTRICT CREDIT UNION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Notes	Pension reserve £	Marketing reserve £	Lloyds grant reserve £	Subordinated loan £	Family loan reserve £	Income and expenditure reserve £	Total £
As restated for the period ended 30 September 2022:								
Balance at 1 October 2021		39,000	30,000	100,000	100,000	19,331	265,991	554,322
As restated		39,000	30,000	100,000	100,000	19,331	265,991	554,322
Year ended 30 September 2022:								
Deficit for the year pre dividends		-	-	-	-	(19,331)	(32,911)	(52,242)
Dividends paid	4	-	-	-	-	-	(6,864)	(6,864)
Deficit for the year post dividends		-	-	-	-	(19,331)	(39,775)	(59,106)
Balance at 30 September 2022		39,000	30,000	100,000	100,000	-	226,216	495,216
Year ended 30 September 2023:								
Deficit for the year pre dividends		-	-	-	-	-	(44,872)	(44,872)
Dividends paid	4	-	-	-	-	-	(7,229)	(7,229)
Deficit for the year post dividends		-	-	-	-	-	(52,101)	(52,101)
Actuarial gains on defined benefit plans		-	-	-	-	-	37,000	37,000
Transfer		(39,000)	(10,000)	-	-	-	49,000	-
Balance at 30 September 2023		-	20,000	100,000	100,000	-	260,115	480,115

BRADFORD DISTRICT CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2023

		2023		2022 as restated	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	28		(439,609)		306,641
Income taxes paid			(3,407)		(1,569)
			<u> </u>		<u> </u>
Net cash (outflow)/inflow from operating activities			(443,016)		305,072
Investing activities					
Purchase of intangible assets		(2,508)	<u> </u>	(2,508)	<u> </u>
Net cash used in investing activities			(2,508)		(2,508)
Financing activities					
Proceeds from issue of shares		8,823,578		8,304,789	
Redemption of shares		(9,334,832)		(8,558,727)	
Repayment of bank loans		-		(5,921)	
Dividends paid		(7,229)	<u> </u>	(6,864)	<u> </u>
Net cash used in financing activities			(518,483)		(266,723)
Net (decrease)/increase in cash and cash equivalents			(964,007)		35,841
Cash and cash equivalents at beginning of year			<u>5,441,548</u>		<u>5,405,707</u>
Cash and cash equivalents at end of year			<u><u>4,477,541</u></u>		<u><u>5,441,548</u></u>

BRADFORD DISTRICT CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2023

1 Accounting policies

Credit Union information

Bradford District Credit Union Limited is a private company limited by shares incorporated in England and Wales. The registered office is Ground Floor, City Hall, Bradford, BD1 1HY.

1.1 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 requirements of The Co-operative and Community Benefit Societies Act 2014.

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.

1.2 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.

1.3 Income

Loan interest receivable and similar income: Interest on both loans to members and loans to banks (ie. cash and cash equivalents held on deposit with other financial institutions) is recognised using the effective interest method, and is calculated and accrued on a daily basis.

Fees and commissions receivable: Fees and charges either arise in connection with a specific transaction, or accrue evenly over the year. Income relating to individual transactions is recognised when the transaction is completed.

Grant income is included on an accruals basis with revenue grants credited to the income and expenditure account.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

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

Website development	33% straight line
---------------------	-------------------

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.

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

Fixtures and fittings	33% straight line
-----------------------	-------------------

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

BRADFORD DISTRICT CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

1 Accounting policies

(Continued)

1.6 Impairment of fixed assets

At each reporting period end date, the Credit Union reviews the carrying amounts of its tangible and intangible 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

BRADFORD DISTRICT CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

1 Accounting policies

(Continued)

Basic financial assets

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

Financial assets - loans and advances to members

Loans to members are financial assets with fixed to determinable payments, and are not quoted in 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, 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.

The provision for doubtful debts is made in accordance with guidance issued by the Prudential Regulation Authority (PRA)/Financial Conduct Authority (FCA).

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans, 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.

Financial liabilities - subscribed capital

Members' shareholdings in the credit union are redeemable and therefore are classified as financial liabilities, and described as members' shares. They are initially recognised at the amount of cash deposited and subsequently measured at amortised cost.

1.9 Equity instruments

Equity instruments issued by the Credit Union are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Credit Union.

BRADFORD DISTRICT CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

1 Accounting policies

(Continued)

1.10 Taxation

The tax expense represents the sum of the tax currently payable.

The tax charge for the year reflects current tax payable. Current tax is the expected corporation tax payable for the year, using tax rates in force for the year. The Credit Union is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as a trade. However, corporation tax is payable on investment income.

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

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

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

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

The Credit Union participates in the West Yorkshire Pension Fund which is part of the Local Government Pension Scheme. The scheme is a multi employer scheme and is accounted for as a defined benefit pension scheme as required by Section 28 of FRS 102 "Employee benefits". In line with FRS 102 the Credit Union recognises the defined benefit pension liability as it is required to do so.

BRADFORD DISTRICT CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

1 Accounting policies

(Continued)

1.13 Subordinated loans

Amounts classified as subordinated loans are those loans which qualify as such by the Prudential Regulation Authority's regulations and so are considered part of the Credit Union's capital base. During 2017 Bradford District Credit Union Limited received a loan from the City of Bradford Metropolitan District Council. This loan is subordinated to the interests of all other creditors including members and juvenile depositors. This loan has been renegotiated with an effective date of 30 September 2022.

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Bad debt provision

The Credit Union calculate a bad debt provision in line with FCA requirement - CREDS 7.5 Provisioning. This is calculated as follows:

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

3 Loan interest recoverable and similar income

	2023	2022
	£	£
Loan interest receivable from members	490,702	537,099
Bank interest receivable on cash and liquid deposits	96,129	17,930
	<u>586,831</u>	<u>555,029</u>

BRADFORD DISTRICT CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

4 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. No dividend is to be proposed for the year ended 30 September 2023.

	2023	2022
	£	£
Interest paid during the year	7,229	6,864
Dividend rate:		
Christmas savings account	0.10%	0.10%
General savings account	0.10%	0.10%
Interest proposed but not recognised	-	-

5 Fees and commissions payable

	2023	2022
	£	£
Bank charges	5,611	3,999
Merchant service charges	11,745	13,994
Verification costs	4,955	4,617
	<u>22,311</u>	<u>22,610</u>

6 Other income

	2023	2022
	£	£
Grant income	148,493	95,770
Sundry income	11,963	30,985
	<u>160,456</u>	<u>126,755</u>

BRADFORD DISTRICT CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

7 Administrative expenses

	2023	2022
	£	£
Employment costs	420,201	320,143
Staff training and travel	4,872	3,284
Auditors' remuneration	8,880	7,480
Telephone	1,557	1,331
Computer maintenance	82,425	57,360
Legal and professional	42,725	18,442
General expenses	2,423	3,300
Printing postage and stationery	2,290	10,880
Advertising and marketing	39,229	14,920
Uniform savers	29,410	20,420
Food savers	29,778	33,070
Charitable donations	250	-
	<u>664,040</u>	<u>490,630</u>

8 Auditor's remuneration

	2023	2022
	£	£
Fees payable to the Credit Union's auditor and associates:		
Audit of the financial statements of the Credit Union	6,480	5,880
Non audit remuneration paid to auditors	2,400	1,600
	<u>8,880</u>	<u>7,480</u>

BRADFORD DISTRICT CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

9 Other operating expenses

Other operating expenses comprise the costs of occupying offices and regulatory and financial management costs:

	2023	2022
	£	£
Cost of occupying the offices (excluding depreciation)		
Rent and rates	3,000	2,900
	<u>3,000</u>	<u>2,900</u>
Regulatory and financial management costs		
Financial Conduct Authority and Prudential Regulation Authority fees	1,355	716
Association of British Credit Union dues	7,139	7,282
Fidelity bond insurance	3,993	3,991
Other insurances	2,029	-
	<u>14,516</u>	<u>11,989</u>
	<u>17,516</u>	<u>14,889</u>

10 Employees

The average monthly number of persons including directors employed by the Credit Union during the year was:

	2023	2022
	Number	Number
Administration and support	12	11
	<u>12</u>	<u>11</u>

Their aggregate remuneration comprised:

	2023	2022
	£	£
Wages and salaries	403,139	268,658
Pension costs - defined benefit scheme	12,710	45,656
Pension costs - defined contribution scheme	4,352	5,829
	<u>420,201</u>	<u>320,143</u>

11 Taxation

	2023	2022
	£	£
Current tax		
UK corporation tax on profits for the current period	20,004	3,407
	<u>20,004</u>	<u>3,407</u>

BRADFORD DISTRICT CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2023

12 Cash and cash equivalents

	2023	2022
	£	£
Cash on hand	-	271
Cash at bank	196,637	1,218,295
Short-term deposits	4,280,904	4,222,982
	<u>4,477,541</u>	<u>5,441,548</u>

13 Loans and advances to members

	2023	2022
	£	£
As at 1 October	2,454,049	2,691,329
Advanced during the year	2,286,850	1,645,434
Repaid during the year	(1,700,290)	(1,773,333)
	<u>3,040,609</u>	<u>2,563,130</u>
Gross loans and advances to members		
Impairment losses		
Groups of financial assets	(90,008)	(109,081)
	<u>2,950,601</u>	<u>2,454,049</u>

14 Number of members (including juniors)

	2023	2022
Number of members at the beginning of the year	9,220	8,589
Joined in the year	1,030	1,148
Lapsed during the year	(448)	(517)
	<u>9,802</u>	<u>9,220</u>

BRADFORD DISTRICT CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

15 Credit risk disclosure

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.

	2023	2023	2022	2022
	Amount	Proportion	Amount	Proportion
	£	%	£	%
Not impaired:				
Neither past due not impaired	2,907,355	91	2,311,831	90
Up to 3 months past due	133,256	4	115,106	4
Between 3 and 6 months past due	-	-	-	-
Between 6 and 12 months past due	-	-	-	-
Over 12 months past due	-	-	-	-
	<u>3,040,611</u>	<u>95</u>	<u>2,426,937</u>	<u>95</u>
Groups of financial assets impaired:				
Not yet past due, but impaired	-	-	-	-
Up to 3 months past due	27,419	1	-	-
Between 3 and 6 months past due	39,577	1	35,911	1
Between 6 and 12 months past due	92,599	3	10,510	-
Over 12 months past due	-	-	89,772	4
	<u>3,200,206</u>	<u>100</u>	<u>2,563,130</u>	<u>100</u>
Impairment allowance	159,594		337,926	
Total carrying value	<u>3,040,612</u>		<u>2,225,204</u>	

The amounts recognised within the impairment allowance are as follows:

	2023	2022
	£	£
Bad debts written off in the period	66,616	228,845
Bad debt provision at the balance sheet date	90,008	109,081
	<u>156,624</u>	<u>337,926</u>

BRADFORD DISTRICT CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2023

16 Impairment losses recognised for the year

	2023 £	2022 £
Impairment of individual financial assets	124,881	228,845
Increase in impairment allowance during the year	12,021	29,229
	<u>136,902</u>	<u>258,074</u>
Reversal of impairment where debts recovered	70,285	56,098
	<u><u>66,617</u></u>	<u><u>201,976</u></u>

17 Intangible fixed assets

	Website development £
Cost	
At 1 October 2022	2,508
Additions	2,508
	<u>5,016</u>
At 30 September 2023	5,016
Amortisation and impairment	
At 1 October 2022	-
Amortisation charged for the year	1,672
	<u>1,672</u>
At 30 September 2023	1,672
Carrying amount	
At 30 September 2023	<u><u>3,344</u></u>
At 30 September 2022	<u><u>2,508</u></u>

18 Tangible fixed assets

	Fixtures and fittings £
Cost	
At 1 October 2022 and 30 September 2023	2,874
	<u>2,874</u>
Depreciation and impairment	
At 1 October 2022 and 30 September 2023	2,874
	<u>2,874</u>
Carrying amount	
At 30 September 2023	<u><u>-</u></u>
At 30 September 2022	<u><u>-</u></u>

BRADFORD DISTRICT CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

19 Other receivables

	2023 £	2022 £
Accrued loan interest	21,876	21,876
Optimus	28,324	36,818
PO payout	10,010	6,018
	<u>60,210</u>	<u>64,712</u>

20 Subscribed capital - repayable on demand

	2023 £	2022 £
Members' shares brought forward	7,156,834	7,410,772
Share deposits during the year	8,823,578	8,304,789
Share withdrawals during the year	(9,334,832)	(8,558,727)
	<u>6,645,580</u>	<u>7,156,834</u>

21 Other payables

	2023 £	2022 £
Juvenile deposits	171,179	198,017
Deferred income	151,522	62,740
Unclaimed deposits	32,245	23,963
Accruals	14,249	20,404
Corporation tax	20,004	3,407
Defined benefit pension liability	-	37,000
Other creditors	4,290	-
	<u>393,489</u>	<u>345,531</u>

BRADFORD DISTRICT CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

22 Pension and other schemes

Defined benefit pension schemes

West Yorkshire Pension Fund

The disclosures below relate to the funded liabilities within the West Yorkshire Pension Fund (the "fund") which is part of the Local Government Pension Scheme (the "the LGPS") and certain unfunded liabilities which have been separately disclosed.

The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earning scheme. Details of the benefits earned over the period covered by this disclosure are set out in 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'.

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Funds Funding Strategy Statement.

This actuarial valuation is per the report dated December 2023 provided by the West Yorkshire Pension Fund. As part of that valuation a new Rates and Adjustment Certificate was produced for the three year period from 1 October 2023.

The total cost relating to defined benefit schemes for the year recognised in the revenue account as an expense was £33,303 (2022 - £47,133).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The defined benefit plan asset has not been recognised in the financial statements. The prior year liability was recognised in the statement of financial position.

	2023	2022
	£	£
Fair value of scheme assets	1,223,000	845,000
Present value of defined benefit obligation	(720,000)	(882,000)
	<u>503,000</u>	<u>(37,000)</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2023
	£
Present value at start of year	882,000
Movement in the year	(162,000)
	<u>720,000</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2022
	£
Fair value at start of year	845,000
Movement in the year	378,000
	<u>1,223,000</u>

BRADFORD DISTRICT CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

22 Pension and other schemes

(Continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2023	2022
	%	%
Cash and cash equivalents	4	1
Equity instruments	81	76
Property	3	5
Government bonds	6	4
Corporate bonds	5	3
Other	1	11
	<u>100</u>	<u>100</u>

The pension scheme has not invested in any of the credit union's own financial instruments or in properties or other assets used by the credit union.

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2023	2022
	%	%
Discount rate	5.40	3.30
Future salary increases	3.95	3.35
Future pension increases	2.70	2.10
Inflation	2.70	3.35
Pension accounts revaluation rate	2.70	-
	<u>2.70</u>	<u>-</u>

Post retirement mortality assumptions

	2023	2022
	Years	Years
Current UK pensioners at retirement age - male	21	23
Current UK pensioners at retirement age - female	24	26
	<u>24</u>	<u>26</u>

Multi-employer plans

This is a defined benefit plan.

Contingent Asset/Liability

In arriving at the amount of the Defined Benefit Pension scheme asset/liability the directors have taken into consideration the following factors:

In valuing the scheme assets and liabilities, the West Yorkshire Pension Fund (WYPF) have introduced a risk assessment process for some employers in the Fund as part of their overall risk management framework. This will enable the pension fund to refine the funding strategy to better reflect the risk posed by different employers. At the time of signing the financial statements, the results of the risk assessment had not been provided.

Defined contribution pension scheme

The Credit Union also operates a defined contribution pension scheme. The Pension cost charge for the year represents contributions payable by the company to the scheme and amounted to 7,758 (2022 - £4,352).

BRADFORD DISTRICT CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

23 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/dividends payable.

The main financial risks arising from the Credit Union activities are credit risk, liquidity risk, market 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's lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of 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 Credit Union's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

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

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

24 Interest rate risk disclosure

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

	2023	2023	2022	2022
	Amount	Average Interest Rate	Amount	Average Interest Rate
Financial Assets				
Loans to members	3,040,612	16.82%	2,563,133	26.05%
Financial Liabilities				
Members' shares	6,645,580	0.13%	7,156,834	0.13%

The interest rates applicable to loans to members are fixed and range from 12.7% to 42.6%.

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

BRADFORD DISTRICT CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

25 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 FSCS. As a result of the Credit Union participation it has a contingent liability, which cannot be quantified in respect of future contributions to the FSCS, as requested by the Financial Services and Markets Act 2000.

There is also a contingent liability in respect of the Defined Benefit Pension Scheme. Please see note 22 for detail.

26 Related party transactions

At 30 September 2023, loans totalling £17,460 (2022: £15,384) were advanced to employees and their family members of the Credit Union. These loans were advanced without any preferential terms..

27 Subordinated debt

During 2017 Bradford District Credit Union Limited received a loan from the City of Bradford Metropolitan District Council. This loan is subordinated to the interests of all other creditors including members and juvenile depositors. This loan has been renegotiated post year end.

28 Cash (absorbed by)/generated from operations

	2023 £	2022 £
Loss for the year after tax	(44,872)	(52,242)
Adjustments for:		
Taxation charged	20,004	3,407
Amortisation and impairment of intangible assets	1,672	-
Depreciation and impairment of tangible fixed assets	-	515
Pension scheme non-cash movement	37,000	-
Movements in working capital:		
(Increase)/decrease in debtors	(484,774)	349,963
Increase in creditors	31,361	4,998
Cash (absorbed by)/generated from operations	<u>(439,609)</u>	<u>306,641</u>

29 Analysis of changes in net funds

	1 October 2022 £	Cash flows £	30 September 2023 £
Cash at bank and in hand	5,441,548	(964,007)	4,477,541

BRADFORD DISTRICT CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2023

30 Prior period adjustment

The prior period adjustment is in relation to a grant for £25,000 received at the end of the last financial period recorded in income rather than deferred income. This grant has been correctly reflected in income for the period to 30 September 2023.

Changes to the balance sheet

	As previously reported £	Adjustment £	As restated at 30 Sep 2022 £
Creditors due within one year			
Deferred income	(37,740)	(25,000)	(62,740)
	<u> </u>	<u> </u>	<u> </u>
Capital and reserves			
Profit and loss reserves	251,216	(25,000)	226,216
	<u> </u>	<u> </u>	<u> </u>

Changes to the profit and loss account

	As previously reported £	Adjustment £	As restated £
Period ended 30 September 2022			
Other operating income	151,755	(25,000)	126,755
	<u> </u>	<u> </u>	<u> </u>
Operating loss	(23,835)	(25,000)	(48,835)
	<u> </u>	<u> </u>	<u> </u>
Surplus/(Deficit) for the period	(34,106)	(25,000)	(59,106)
	<u> </u>	<u> </u>	<u> </u>