



Alexander Sloan

Accountants and Business Advisers

BRISTOL CREDIT UNION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Registration No. 213583

BRISTOL CREDIT UNION

CREDIT UNION INFORMATION

FCA number 213583

Registered Society number IP000597

Directors

L Ryden	
C Coyne	
P Handford	
J Cairns	
S Davies	
N Stenner	
J Bailey-Watson	(Appointed 21 November 2019)
L Eaton Terry	(Appointed 21 November 2019)
D Lindsay	(Appointed 28 January 2020)
S Taylor	(Appointed 21 January 2020)

Secretary C Coyne

Registered office 112-114 Cheltenham Rd
Bristol
BS6 5RW

Auditor Alexander Sloan
180 St Vincent Street
Glasgow
G2 5SG

BRISTOL CREDIT UNION

CONTENTS

	Page
Directors' report	1 - 7
Independent auditor's report	8 - 9
Revenue account	10
Statement of comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Statement of cash flows	14
Notes to the financial statements	15 - 35

BRISTOL CREDIT UNION

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

Principal activity

Bristol Credit Union (BCU) works to increase the financial wellbeing of our communities through delivering affordable financial services which significantly reduce costs for beneficiaries, reducing or removing the 'poverty premium' where that might apply, and increasing the amount of wealth retained and circulated in our communities so that we can also contribute to our economic regeneration and development.

We have some objects set out in law:

1. The promotion of thrift;
2. The creation of sources of credit;
3. The use and control of members' savings for their mutual benefit; and
4. The training and education of members in the wise use of money.

The Board has also adopted two further objectives:

- To contribute towards the alleviation of poverty within the community; and
- To contribute towards the economic regeneration of the community.

Our strategy to achieve these aims is to work with communities across Bath, Bristol and the West of England to provide excellent, accessible financial products and services along with engaging training and education, as well as support for community development through social investment.

We work alongside partners to implement our strategy, accepting that we remain relatively small at present, and that other organisations with specialist services can deliver better outcomes for all.

We measure the success of our strategy through various social and financial metrics, including reach into areas of multiple deprivation and our overall growth. In February 2020 we launched our first Social Impact Report which provides more detail of how we deliver our activities, and the benefits delivered for our members and the communities in which we operate.

The credit union is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

BRISTOL CREDIT UNION

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Financial review

The first half of the financial year occurred before the Covid pandemic, providing a normal start to the year. However, the second half was impacted by the events which unfolded and BCU took a number of measures to support members, protect staff, and ensure we could continue operating as smoothly as possible. Despite all the disruption, we are still able to report a growth in the number of members to 16,800; we now manage a net loan book of £6.2m and look after £7.7m in deposits.

Over the year we made an operating loss of £280,000 which represents continued investment towards building our sustainable future and additional loan provisions made in response to Covid. During this period, we have been working on our new IT platform, to replace the previous one from 2006. The new solution is 'mobile-first' in design and offers modern functionality people expect. As well as providing an improved member experience, the system will also enable staff to work more efficiently.

Covid has had a significant impact on some members. To support them, BCU has offered payment holidays or reduced payments to anyone who needed them. By September 2020, 316 members had used this facility, with more than 200 of them later resuming repayments. BCU has also provided interest-free loans to NHS staff, to support them during this difficult time, as mentioned earlier.

Loan applications, especially for larger loans, dropped in value during the first lockdown and are starting to increase slowly now. Arrears are also beginning to increase but were still in line with summer 2019, partly because members have been able to discuss repayment difficulties with BCU.

Due to the growing size of our loan book, we decided to bring credit control work back in-house, previously outsourced to AIC. The new Member Support Team is now operational, and in response to Covid, the team was doubled in size to be able to better support members. The approach differs from usual credit control activities, with more emphasis on working together to support through a difficult time yet remaining firm but fair towards those who chose not to pay without good reason.

Fair4All Finance gave BCU a grant to help with the impact of Covid, covering some of the costs of these reduced or paused repayments. The grant also helped us support some staff to work from home by routing the telephone over the internet, paying for teleconferencing software and new laptops, and other additional costs BCU had incurred because of lockdown.

We are proposing to pay to members a dividend of 0.25% which is the same as for the last three years. Although the Credit Union made a loss during the year, we still want to acknowledge and retain our members' continued support. The Capital/Assets and Liquidity ratios remain significantly above PRA benchmarks and the Credit Union remains in a healthy financial position.

Young people's and members' deposits rose by over £700,000 to £7.7m, continuing the pattern of long-term steady growth and reflects the confidence that our members have in their Credit Union.

Bristol Credit Union issued £4.5m of new loans in 2019-20, increasing the total amount we now have out on loan to £6.2m (after specific impairment). The interest income we earned from this lending grew by 20% from £854k to £1.0m – the first time we have exceeded £1m – although below the original budget for the year. This was partly offset by increased fee income from our Scheme loans, which are provided to tenants of Bristol City Council housing projects.

York Court, our Head Office in Bristol, which is fully owned by the Credit Union, has increased in value by £329k. After legal costs, depreciation and making a provision for the deferred tax, this gave us a net gain of £267k on paper which effectively cancels out most of the £280k operating losses in this financial year.

Surplus funds (member deposits which are not being lent out to other members) are invested to maximise income whilst minimising the risk and exposure to BCU and maintaining a minimum level of liquid assets. The Board has set criteria on the nature of these investments, including the required financial strength of the counterparty. Source and time concentrations are avoided, and investments are in line with the ethical policies decided by the Board.

BRISTOL CREDIT UNION

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Achievements and performance against these objectives

Promotion of Thrift

BCU is proud to include the financially excluded. We support nearly 1,300 members with our pre-paid debit card – people who might otherwise not have a banking facility. Around 3% of our borrowers do not have a bank current account, and a further 6% have an account without a debit card.

BCU encourages loan members to become savers, holding a pool of their own savings to reduce reliance on loans in response to life events. So far, over one in ten of our borrowers has also become a saver, and we have helped 12% of those who have borrowed in the past to become savers with BCU.

While overall our savers tend to be our better off members, we have nearly 800 savers who live in the more deprived areas of Bristol, holding total balances of £1.1m. BCU is helping these members achieve better financial security.

Creation of sources of credit

Levels of financial exclusion, over indebtedness and financial difficulty remain a big problem in the UK. Even before the Covid pandemic, around 8 million people in the UK were struggling to keep up with bills and nearly half the population have some sort of non-secured, commercial borrowing.

Many of our members have used high-cost credit previously; nearly one in four of our borrowers in 2019/20 had previously used a payday lender such as Wonga, over a quarter had previously used doorstep lenders, and over a quarter had used catalogues or stores such as BrightHouse.

BCU loans help members access credit in response to events in their lives, and in so doing avoid the negative impacts of not accessing credit when needed. Bristol Credit Union is the trusted lender that our members want to return to; over 95% of our loan members would recommend us.

Use and control of savings for mutual benefit

We have over 2,600 members who actively save with us, and this enables us to use their £7m deposits to benefit the community, allowing others in the area to borrow at more affordable rates.

Training in the wise use of money

We assist members directly and through partners in managing their income and ensuring that their priority bills are paid. We also work with Bristol City Council, Bath & North East Somerset Council and Shelter to help support some of the most vulnerable in our communities.

We have issued over 415 interest free loans this year to help people who were at risk of homelessness by lending them money to cover a deposit and the first month's rent for a home in the private rental sector. In addition, as one response to the Covid pandemic, we have provided interest-free loans to support NHS staff who needed them, removing additional stress during an exceptionally busy time.

As well as providing fairer-priced alternatives to high-cost lenders, we also help our members better manage their finances. The Family Finance Plan, introduced this year, offers a flexible borrowing alternative to overdrafts and credit cards. This product encourages members to repay their loan amount over a shorter period through structured, fixed repayments, instead of potentially accruing high interest costs over a longer term.

Our Rent Direct service helps those receiving Housing Benefit or Universal Credit to avoid rent arrears by collecting the benefits on our members' behalf and paying rent straight to their landlord. This makes sure rent is paid on time, helps people avoid spending their rent money on something else and enables them to budget for the rest of the month.

BCU help people with non-traditional ID become members, including prisoners and ex-prisoners, homeless people and those who have been bankrupt. For more than a decade we have partnered with Emmaus to offer savings accounts to their companions.

BRISTOL CREDIT UNION

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Alleviation of poverty

By giving our members access to fair priced credit and helping them to save, BCU is directly working to reduce poverty in Bristol and Bath. We offer a better-priced alternative for low-income borrowers, helping our members avoid high-cost lending and the cycle of debt that it can cause. By accessing BCU loans, members at risk of financial exclusion are avoiding higher-priced alternatives, and in so doing avoid the risk of becoming further indebted by high interest payments.

In the UK, poor people pay more for essential goods and services; this is known as the Poverty Premium. Those who use high-cost credit, such as unauthorised overdrafts and payday lenders, incur the highest costs overall.

BCU's work towards financial inclusion addresses this issue directly:

- Several of our loan products are targeted to the needs of low-income members, especially those who wish to borrow only small amounts.
- Similarly, our Christmas Saver Account is a fair alternative to high-cost Christmas Clubs.
- Our products are fair and clear, making it easier for all our members to understand.
- Our fair savings and loan products make it easier for people to:
 - save a financial buffer, helping them cope with unexpected costs
 - pay rent and bills on time, reducing arrears and other charges
 - make larger payments up-front, giving access to more affordable goods and services.
- Our flexible payment schedules, such as our Jam Jar Scheme, reflect members' budgeting cycles and allow our members the close financial control many of them need.

Economic Regeneration

Last year we made loans to over 875 people who live in the bottom 20% of areas by levels of deprivation. Assuming they would otherwise have used a high-cost lender, we have saved these borrowers around £190,000. This money can go back into local shops and businesses, making communities as well as individuals better off.

As well as supporting local business through our lending and banking, we support local business communities through our own choices as a purchaser. In 2019/20, we spent over £495,000 with local businesses, which accounted for 71 per cent of our invoiced business spend (excluding impairment and employment costs for example). This figure was higher than normal as we worked with local suppliers to develop our new IT platform. Without these one-off costs we spent £165,000 with local suppliers, accounting for 45% of invoiced spend (up from 40% in 2018/19).

BRISTOL CREDIT UNION

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Directors

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

L Ryden	
C Coyne	
P Rabbeth	(Retired 27 February 2020)
P Handford	
J Cairns	
N Holliday	(Retired 27 February 2020)
S Davies	
N Stenner	
J Bailey-Watson	(Appointed 21 November 2019)
L Eaton Terry	(Appointed 21 November 2019)
D Lindsay	(Appointed 28 January 2020)
S Taylor	(Appointed 21 January 2020)

BCU is a Credit Union under the Credit Union Act 1979, and the Co-operative and Community Benefit Societies Act 2014. Its Directors are recruited from the membership of the Credit Union, from contact with other local organisations and networks and through Directors' own networks. All Directors must be (or become) a member of BCU, and all Directors are volunteers.

Directors are elected by members at the Annual General Meeting or, if a vacancy arises during the year, co-opted by the Board and then subject to election at the next AGM. All prospective Directors are subject to appropriate due diligence in order to ensure that they are 'fit and proper' to be a Director of a regulated Credit Union. New Directors undergo a thorough induction and are mentored by existing Directors. Members agree the Rule Book that is the governing document for BCU.

Directors are responsible for setting the strategy and ensuring that it is implemented successfully. They have oversight of the activities put in place by staff to implement the strategy and they are responsible for agreeing the annual plans and budgets with the CEO and staff team. They provide oversight and challenge in ensuring that those plans are met and that budgets are adhered to.

The Directors are also responsible for agreeing the Policies that apply to the governance and operation of the Credit Union, and the schedule of delegation which sets out the powers and responsibilities of the CEO and staff team. The staff team is responsible for the day-to-day operation of BCU, including all loan decision-making and the implementation of the Board's Policies. The staff team is responsible for ensuring that risk is managed within the agreed risk appetite and Policy statements, and that regulatory compliance is maintained.

The key management person of the Credit Union is the CEO and pay for this position is recommended by the People Committee to the Board, and then agreed by the Board as a whole. The CEO sets the pay and conditions for all other staff.

The Board would like to acknowledge its continued appreciation of all the Credit Union staff, volunteers and members' forum for their dedication, hard work and support over the last year.

BRISTOL CREDIT UNION

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Compliance statement

Under the Prudential Regulation Authority rulebook the Board of Directors must report to the members at the Annual General Meeting on certain areas of compliance within the credit union. The credit union is therefore pleased to report that during the year the credit union has been in compliance with:

Depositor Protection Rules 11, 12, 14 and the requirements of rule 15 that relate to rule 11; and

PRA Credit Union Rule 2.10 (fidelity bond insurance requirements); and:

The requirements of compliance under the PRA "additional activities".

Principal risks and uncertainties

The main financial risks of the credit union are set out in the notes to the financial statements.

Statement of Directors responsibilities

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

Legislation 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 the Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014 the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the credit union and of the surplus or deficit of the credit union for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the credit union will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the credit union's transactions and disclose with reasonable accuracy at any time the financial position of the credit union and enable them to ensure that the financial statements comply with the Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014. Directors are also responsible for safeguarding the assets of the credit union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the credit union'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 credit union's auditor is aware of that information.

BRISTOL CREDIT UNION

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Auditor

A resolution for the re-appointment of Alexander Sloan as auditors of the credit union is to be proposed at the forthcoming Annual General Meeting.

By order of the board

.....

C Coyne

Secretary

Date:

BRISTOL CREDIT UNION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRISTOL CREDIT UNION

Opinion

We have audited the financial statements of Bristol Credit Union (the 'credit union') for the year ended 30 September 2020 which comprise the revenue account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2020 and of its surplus or 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 Credit Union Act 1979 and 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

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

BRISTOL CREDIT UNION

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF BRISTOL CREDIT UNION

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the credit union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the credit union or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

This report is made solely to the credit union's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. 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.

Alexander Sloan
Accountants and Business Advisers
Statutory Auditor

180 St Vincent Street
Glasgow
G2 5SG

BRISTOL CREDIT UNION

REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

		2020	2019
	Notes	£	£
Loan interest receivable and similar income	3	1,052,803	853,870
Interest payable and similar charges	4	(65,024)	(34,446)
Net interest receivable		<u>987,779</u>	<u>819,424</u>
Fees and commissions receivable	5	95,513	67,933
Fees and commissions payable	6	(20,787)	(17,605)
Net fees and commissions		<u>74,726</u>	<u>50,328</u>
Other operating income	7	140,323	4,675
Administrative expenses	8	(791,391)	(637,569)
Depreciation and amortisation		(91,274)	(15,184)
Other operating expenses	9	(60,321)	(54,742)
Impairment on loans for bad and doubtful debts	15	(536,414)	(313,707)
(Deficit) before taxation		<u>(276,572)</u>	<u>(146,775)</u>
Corporation tax	12	858	(5,481)
Deficit for the year		<u><u>(275,714)</u></u>	<u><u>(152,256)</u></u>

The Revenue Account has been prepared on the basis that all operations are continuing operations.
The notes on pages 15 to 35 form an integral part of these financial statements.

BRISTOL CREDIT UNION

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 £	2019 £
Deficit for the year		(275,714)	(152,256)
		<u> </u>	<u> </u>
Other comprehensive income			
Revaluation of tangible fixed assets		326,372	-
Tax relating to other comprehensive income		(59,011)	-
		<u> </u>	<u> </u>
Other comprehensive income for the year		267,361	-
		<u> </u>	<u> </u>
Total comprehensive loss for the year		(8,353)	(152,256)
		<u> </u>	<u> </u>

The notes on pages 15 to 35 form an integral part of these financial statements.

BRISTOL CREDIT UNION

BALANCE SHEET

AS AT 30 SEPTEMBER 2020

	Notes	2020 £	2019 £
Assets			
Cash and balances at central banks	13	2,806	3,099
Loans and advances to banks	13	3,544,272	3,292,531
Loans and advances to customers	14	6,168,819	5,589,262
Investments	16	1	1
Intangible assets	17	297,989	23,213
Tangible assets	18	566,994	250,272
Other receivables	19	8,242	7,135
Prepayments		65,352	39,757
Total assets		10,654,475	9,205,270
Liabilities and reserves			
Customer accounts	20	7,731,753	6,998,188
Other liabilities	21	169,976	93,198
Deferred income	23	55,453	28,661
Managed funds		859,727	569,000
Provisions for liabilities	25	59,012	-
Subordinated loans	22	1,190,826	920,142
		10,066,747	8,609,189
General reserve	32	(441,625)	(166,819)
Revaluation reserve	32	266,453	-
Other reserves	32	737,600	737,600
Deferred shares	32	25,300	25,300
Total reserves		587,728	596,081
Total liabilities and reserves		10,654,475	9,205,270

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

.....
L Ryden
Director

.....
J Bailey-Watson
Director

.....
C Coyne
Secretary

The notes on pages 15 to 35 form an integral part of these financial statements.

BRISTOL CREDIT UNION

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Revaluation Reserve £	Growth Fund Reserve £	Reserve £	General Reserve £	Total £
Balance at 1 October 2018	-	737,600	28,929	(43,492)	723,037
Year ended 30 September 2019:					
Deficit and total comprehensive income for the year	-	-	-	(152,256)	(152,256)
Other movements	-	-	(28,929)	28,929	-
Balance at 30 September 2019	-	737,600	-	(166,819)	570,781
Year ended 30 September 2020:					
Deficit for the year	-	-	-	(275,714)	(275,714)
Revaluation of tangible fixed assets	326,372	-	-	-	326,372
Tax relating to other comprehensive income	(59,011)	-	-	-	(59,011)
Other movements	(908)	-	-	908	-
Balance at 30 September 2020	266,453	737,600	-	(441,625)	562,428

The notes on pages 15 to 35 form an integral part of these financial statements.

BRISTOL CREDIT UNION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

			2020		2019
	Notes	£	£	£	£
Cash flows from operating activities					
Deficit for the period			(275,714)		(152,256)
Depreciation and amortisation	10	91,274		15,184	
Corporation tax expenses	12	(858)		5,481	
Provision movement	15	587,762		362,553	
Interest income on loans	3	(1,028,472)		(825,506)	
Distribution on members shares	4	26,758		26,440	
			<u>(323,536)</u>		<u>(415,848)</u>
Working capital adjustments					
Change in other receivables and prepayments		(26,702)		37,734	
Change in other liabilities		77,544		20,795	
Change in deferred income		317,519		(14,654)	
			<u>368,361</u>		<u>43,875</u>
Cash flows from changes in operating assets and liabilities					
Loan repayments less loans advanced	14	(138,847)		(763,142)	
Customer balance cash movement		706,807		296,289	
Movement on funds in investments	13	-		(1)	
Movement on funds on deposit	13	447,290		241,851	
			<u>1,015,250</u>		<u>(225,003)</u>
Corporation tax paid			92		(4,423)
			<u>784,453</u>		<u>(753,655)</u>
Net cash flow from operating activities					
Investing activities					
Purchase of intangible assets	17	(342,951)		-	
Purchase of tangible fixed assets	18	(13,448)		(62,636)	
Net cash used in investing activities			<u>(356,399)</u>		<u>(62,636)</u>
Financing activities					
Proceeds from borrowings					
Cash movement on subordinated loans		270,684		658,777	
			<u>270,684</u>		<u>658,777</u>
Net cash generated from financing activities					
			<u>270,684</u>		<u>658,777</u>
Net increase/(decrease) in cash and cash equivalents			<u>698,738</u>		<u>(157,514)</u>
Cash and cash equivalents at beginning of year			2,462,391		2,619,905
Cash and cash equivalents at end of year	38		<u><u>3,161,129</u></u>		<u><u>2,462,391</u></u>

The notes on pages 15 to 35 form an integral part of these financial statements.

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

Background information

Bristol Credit Union Ltd is a society established under the Co-operative and Community Benefit Societies Act 2014, operating as a Credit Union under the Credit Unions Act 1979.

Bristol Credit Union is authorised by the Prudential Regulation Authority and is regulated by the Financial Conduct Authority and the Prudential Regulation Authority under the provisions of the Financial Services and Markets Act 2000.

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.

In the previous year the Credit Union was a charity and therefore the accounts followed charity legislation and the Charity Statement of Recommended Practice. The Credit Union is deregistering as a charity and therefore the accounts have been restated to show in accordance with FRS102 and not the charity SORP or legislation.

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 pound.

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

1.2 Going concern

The financial statements are prepared on the going concern basis. The directors of Bristol Credit Union believe this is appropriate despite a mismatch in the maturity analysis of subscribed capital & deposits and loans to members because the inherent nature of a credit union's operations requires this risk to be accepted. The mismatch in the maturity analysis is managed through careful monitoring of historical experience of demand for withdrawals and loan disbursements, and the maintenance of a prudent liquidity buffer.

The directors have taken into account the changes to the wider economic environment due to the Covid-19 pandemic. Risks continue to be carefully monitored and the directors believe the credit union's response to have been prudent and proportionate.

1.3 Income

Fees and charges receivable 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 complete.

Interest receivable on loans to members and bank interest are recognised using the effective interest rate basis and are calculated and accrued on a daily basis.

1.4 Intangible fixed assets

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

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

(Continued)

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:

Software	3 years 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:

Leasehold land and buildings	100 years straight line
Office equipment	5 years straight line
Fixtures and fittings	15% reducing balance
Computer equipment	3-20 years 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.

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 the revenue account, 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 the revenue account, 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 at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of less than 3 months.

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

(Continued)

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.

Basic financial assets

Basic financial assets, which include loans to members 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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the revenue account, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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 expected cash flows.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the credit union transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including members deposits are classified as debt and are initially recognised at transaction price. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

(Continued)

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through the revenue account. Debt instruments may be designated as being measured at fair value through the revenue account to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.9 Taxation

The tax 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. Bristol 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.

During the financial year, the credit union obtained a revaluation of its long leasehold on its office buildings. The gain has resulted in deferred tax which has been accounted for in line with FRS 102.

During the previous financial year 2018/19, the Credit Union obtained charitable status with HMRC, and as a result surpluses generated in that year were subject to charitable exemption. Subsequently, the Credit Union has decided not to continue with this status, and is now liable for corporation tax.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the credit union is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

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

1.12 Leases

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

1.13 Government grants

Grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. Revenue grants are recognised as income over the periods when the related costs are incurred. Capital grants are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Loan Impairment

Loans are recognised as impaired where there is a significant event which results in the loan repayments not being made in accordance with the original loan agreement.

The events Bristol Credit Union considers significant are non-receipt of a payment on time and in full, and the Credit Union agreeing to temporarily alter the terms of the loan (for example to assist members in temporary financial difficulties).

Where a payment is not received on time and in full then a loan is considered to be in arrears. An estimate is made of the likely future recoverability of groups of loans in arrears based on the number of days they have been in arrears. This results in the credit union making an impairment allowance for the difference between the carrying value of the loan and the amount estimated as being likely to be recovered. For those amounts estimated as likely to be recovered the future cash flows are discounted based on the original effective interest rate, and a further impairment allowance is made for the difference between this discounted future cash flow and the estimated recoverable balance. The estimates of future recoverability on loans not guaranteed are based on historic experience.

Where the Credit Union has agreed to a temporary alteration in the terms of the loan then the loan is also classified as impaired. The future cash flows are discounted based on the original effective interest rate of the loan, and an impairment allowance is made for difference between the discounted value and the carrying value of the loan.

As a result of the economic effects of the Covid-19 pandemic, Bristol Credit Union has exercised forbearance when its members have reported financial difficulties. 316 members were given temporary payment holidays or temporary payment reductions. At 30/09/20, 86 members were still benefitting from these temporary arrangements, with loan balances totalling approximately £232,000. In addition to Bristol Credit Union's established policy on impaired loans, the credit union has calculated an additional provision for these loans of £129,000

3 Interest receivable and similar income

	2020	2019
	£	£
Interest income on loans	1,028,472	825,506
Interest income on bank deposits	24,331	28,364
	<u>1,052,803</u>	<u>853,870</u>

Interest Receivable on Loans to members includes £62,099 (2019: £40,822) of accrued interest not yet charged to member accounts. This is included within Loans on the Balance Sheet. Interest Receivable on Bank deposits includes £7,689 (2018: £10,612) of accrued interest not yet received.

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

4 Interest payable and similar charges

As shares are classed as a liability the dividend on these shares is classed as interest for accounting purposes under FRS 102:

	2020	2019
	£	£
Interest and similar charges paid during the period		
Dividend on dividend bearing shares	11,861	11,557
Interest paid on interest bearing shares	5,154	5,040
Distributions to juvenile members	9,743	9,843
	<u>26,758</u>	<u>26,440</u>
Interest on borrowing	38,266	8,006
	<u>65,024</u>	<u>34,446</u>

The distributions on member's shares represents distributions paid in the year which were approved at the last Annual General Meeting. The dividend rates approved at the previous AGM were:

	2020	2019
	%	%
Distribution rates paid during year		
Dividend bearing member deposits	0.25	0.25

At the forthcoming Annual General Meeting the Directors will propose the following dividends based on the results for the current year. If approved these dividends will be included as a cost in next year's financial statements once they have been paid.

	2020	2019
	%	%
Distribution rates to be proposed at the Annual General Meeting		
Dividend bearing member deposits	0.25	0.25

5 Fees and commissions receivable

	2020	2019
	£	£
Member service and entrance fees	16,150	22,512
Contract income	79,340	45,398
Insurance commission	23	23
	<u>95,513</u>	<u>67,933</u>

6 Fees and commissions payable

	2020	2019
	£	£
Bank charges	20,787	17,605

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

7 Other operating income

	2020 £	2019 £
Other income	4,250	4,623
Grant income	136,016	-
Donations received	57	52
	<u>140,323</u>	<u>4,675</u>

8 Administrative expenses

	Notes	2020 £	2019 £
Staff costs	11	520,096	401,655
External auditor's remuneration		13,126	12,439
Member communication and advertising		103,488	75,944
Legal, professional and credit control costs		95,706	82,522
Computer and software expenses		50,157	41,799
Travel costs		1,097	388
General administration costs		7,721	22,822
		<u>791,391</u>	<u>637,569</u>

9 Other operating expenses

	2020 £	2019 £
Regulatory costs	3,080	6,611
Costs of occupying offices	57,241	48,131
	<u>60,321</u>	<u>54,742</u>

10 Operating deficit

	2020 £	2019 £
Operating deficit for the year is stated after charging:		
Fees payable to the credit union's external auditor for the audit of the financial statements	13,126	12,439
Depreciation of owned tangible fixed assets	23,099	15,184
Amortisation of intangible assets	68,175	-
Operating lease charges	13,787	13,999
	<u>118,187</u>	<u>41,622</u>

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

11 Employees

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

	2020	2019
	Number	Number
Employees	20	17

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	472,878	363,806
Social security costs	33,804	27,000
Pension costs	13,414	10,849
	<u>520,096</u>	<u>401,655</u>

Short term employee benefits include wages, salaries, social security contributions and paid annual leave.

On a full time equivalent salary basis at the balance sheet date the pay ratio of the highest paid employee to the lowest paid employee was: 3.2 (2019: 3.2).

12 Corporation tax

	2020	2019
	£	£
Current tax		
UK corporation tax on taxable surplus for the current period	4,623	5,481
Adjustments in respect of prior periods	(5,481)	-
Total current tax	<u>(858)</u>	<u>5,481</u>

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

The actual (credit)/charge for the year can be reconciled to the expected charge for the year based on the surplus or deficit and the standard rate of tax as follows:

	2020 £	2019 £
Deficit before taxation	(276,572)	(146,775)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(52,549)	(27,887)
Tax effect of income/expenditure not taxable in determining taxable surplus	51,691	33,368
Taxation (credit)/charge for the year	(858)	5,481

In addition to the amount (credited)/charged to the revenue account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2020 £	2019 £
Deferred tax arising on: Revaluation of property	59,011	-

13 Loans and advances to banks

	2020 £	2019 £
Cash held at banks	3,158,323	2,459,292
Bank deposits	385,949	833,239
Loans and advances to banks	3,544,272	3,292,531
Cash in hand	2,806	3,099
Total cash and bank balances	3,547,078	3,295,630
Loans split by repayment period		
Cash and cash equivalents	3,161,129	2,462,391
Amounts maturing in over 90 days	385,949	833,239
	3,547,078	3,295,630

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

14 Loans and advances to customers

	Notes	2020 £	2019 £
Loan movement			
Opening balances		7,328,216	5,739,568
Interest on loans		1,028,472	825,506
Loans advanced during the period		4,479,672	4,600,847
Loans repaid during the period		(4,340,825)	(3,837,705)
		<u>8,495,535</u>	<u>7,328,216</u>
Loan impairment provisions	15	(2,326,716)	(1,738,954)
		<u>6,168,819</u>	<u>5,589,262</u>
Loans split by repayment period			
Capital repayments due within 1 year		4,559,055	4,214,248
Capital repayments due after 1 year		3,936,480	3,113,968
Loan impairment provisions	15	(2,326,716)	(1,738,954)
		<u>6,168,819</u>	<u>5,589,262</u>
Loans split by type			
Loans to members		8,495,535	7,328,216
Loan impairment provisions	15	(2,326,716)	(1,738,954)
		<u>6,168,819</u>	<u>5,589,262</u>

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

15 Loan impairment

	Write off Provision £	Arrears Provision £	Total Provisions £
Loan impairment provision			
Opening balances	1,455,645	283,309	1,738,954
Provision movement	360,962	226,800	587,762
Closing balances	<u>1,816,607</u>	<u>510,109</u>	<u>2,326,716</u>

Under Financial Reporting Standard 102 (FRS 102), the criteria for derecognising (writing off a loan) is different from when the credit union would write off the loan for internal purposes. Loans written off by the Board that do not meet the criteria in FRS 102 for being derecognised are not written off in these financial statements. The loans the credit union feel should be written off but which do not meet the criteria in FRS 102 for being derecognised are fully provided in the write off provision which is shown above. As a result there is no net effect on the surplus or net assets of the credit union from this requirement of FRS 102.

	Notes	2020 £	2019 £
Impairment revenue account charge			
Impairment provision movement		587,762	362,553
Bad debts recovered		(51,348)	(48,846)
		<u>536,414</u>	<u>313,707</u>

16 Investments

	2020 £	2019 £
Share in York Court (Bristol) Management Company Limited	<u>1</u>	<u>1</u>

The Credit Union holds one £1 share (representing 33% of the issued share capital) in York Court (Bristol) Management Company Limited (a company registered in England and Wales under the Companies Act 2006). There are three shares in issue and the other shares are held by officers of the Credit Union. Decisions are required to be unanimously agreed by the members. No distributions have been made by the company and as its results and balances are so small the effect of any accounting adjustments would be inconsequential and therefore none have been made.

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

17 Intangible fixed assets

	Software £
Cost	
At 1 October 2019	29,010
Additions - internally developed	342,951
	<hr/>
At 30 September 2020	371,961
	<hr/>
Amortisation and impairment	
At 1 October 2019	5,797
Amortisation charged for the year	68,175
	<hr/>
At 30 September 2020	73,972
	<hr/>
Carrying amount	
At 30 September 2020	297,989
	<hr/> <hr/>
At 30 September 2019	23,213
	<hr/> <hr/>

18 Tangible fixed assets

	Leasehold land and buildings £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 October 2019	188,059	112,220	154,781	455,060
Additions	-	2,346	11,102	13,448
Revaluation	311,941	-	-	311,941
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2020	500,000	114,566	165,883	780,449
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and impairment				
At 1 October 2019	13,031	68,054	123,702	204,787
Depreciation charged in the year	2,753	5,776	14,570	23,099
Revaluation	(14,431)	-	-	(14,431)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2020	1,353	73,830	138,272	213,455
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount				
At 30 September 2020	498,647	40,736	27,611	566,994
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 September 2019	175,027	44,166	31,079	250,272
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Land and buildings were revalued at 15 July 2020 by ETP Property Consultants independent valuers not connected with the credit union on the basis of market value. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties. The Directors do not believe there would be any material change to the value of the assets at the balance sheet date.

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

18 Tangible fixed assets

(Continued)

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2020 £	2019 £
Cost	188,059	-
Accumulated depreciation	(14,912)	-
Carrying value	<u>173,147</u>	<u>-</u>

19 Other receivables

	2020 £	2019 £
Amounts falling due within one year:		
Other debtors	<u>8,242</u>	<u>7,135</u>

20 Customer accounts

	2020 £	2019 £
Deposit movement		
Opening balances	6,998,188	6,675,459
Deposited during the period	14,114,854	12,855,931
Withdrawn during the period	(17,212,803)	(16,595,897)
Transferred	3,831,514	4,062,695
	<u>7,731,753</u>	<u>6,998,188</u>
Deposits split by type		
Standard dividend bearing member shares	6,268,886	5,750,337
Standard interest bearing member shares	841,009	641,432
Juvenile member deposits	621,858	606,419
	<u>7,731,753</u>	<u>6,998,188</u>

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

21 Other liabilities

	2020 £	2019 £
Corporation tax	4,623	5,389
Other creditors	68,465	23,076
Accruals and deferred income	96,888	64,733
	<u>169,976</u>	<u>93,198</u>

22 Loans and overdrafts

	2020 £	2019 £
Subordinated loans	<u>1,190,826</u>	<u>920,142</u>
Payable after one year	<u>1,190,826</u>	<u>920,142</u>

In 2018/19, Bristol Credit Union secured investment as part of a growth project. £675,000 of this investment has been drawn down to date. These funds are subordinate to the interests of all other creditors, including members and juvenile depositors, except deferred shares. They are repayable either on September 2029 or with a notice period of 5 years and a day, and so are counted as regulatory capital.

Further subordinated loans are provided by Bristol City Council for the operation of housing loan and rental schemes.

23 Managed funds

	2020 £	2019 £
Opening balance	569,000	566,070
Increase in period	342,991	132,796
Release in period	(52,264)	(129,866)
	<u>859,727</u>	<u>569,000</u>

Managed funds represent amounts received from Bath and North East Somerset Council, Mendip District Council and Bristol City Council for applicants who fulfil the criteria for advances under the rules set out by the respective local authority. These loans are administered by Bristol Credit Union on behalf of those local authorities and are non-interest bearing.

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

23 Deferred income

	2020 £	2019 £
Opening balance	28,661	46,246
Increase in period	210,633	18,236
Release in period	(183,841)	(35,821)
	<u>55,453</u>	<u>28,661</u>

25 Provisions for liabilities

	2020 £	2019 £
	Notes	
Deferred tax liabilities	59,012	-
	<u>59,012</u>	<u>-</u>

26 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to revenue account in respect of defined contribution schemes	13,414	10,849
	<u>13,414</u>	<u>10,849</u>

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

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

27 Financial risk management

Bristol Credit Union manages its subscribed capital and deposits and its loans to members so that it earns income from the margin between interest receivable and interest payable, in order to fund its operations and to achieve its purposes.

The main financial risks arising from Bristol 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 repayment to the credit union, resulting in financial loss to the credit union. Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to Bristol Credit Union, resulting in financial loss to Bristol Credit Union. In order to manage this risk, the Board approves Bristol 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

Bristol 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 Bristol 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. Note 2 (section 'Going Concern') provides further details about the impact of the maturity mismatch on the going concern status of Bristol Credit Union.

Market risk

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

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

Foreign Currency Risk: All transactions are carried out in sterling and therefore the credit union is not exposed to any form of foreign currency risk.

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

28 Credit risk on lending

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

	2020	2019
	£	£
Security for loans		
Loans where bad debts are covered by third parties	736,056	487,485

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. The status 'past due' includes any loan where payments are in arrears. The amount included is the entire loan amount and not just the overdue amount.

	2020	2019
	£	£
Loans not individually impaired		
Not past due	5,330,497	4,934,951
Loans where credit risk covered by council	736,056	487,485
	<u>6,066,553</u>	<u>5,422,436</u>
Loans individually impaired		
Up to 3 months past due	395,777	259,785
Between 3 and 6 months past due	99,162	75,494
Between 6 months and 1 year past due	80,853	51,486
Over 1 year past due	1,853,190	1,519,015
	<u>2,428,982</u>	<u>1,905,780</u>
Total loans	8,495,535	7,328,216
Impairment allowance	(2,326,716)	(1,738,954)
	<u>6,168,819</u>	<u>5,589,262</u>

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

29 Credit risk on bank and investments

The credit union invests funds not yet actively deployed in the following investments:

	2020	2019
	£	£
Bank accounts	3,158,323	2,459,292
Bank term deposits	385,949	833,239
Investments	1	1
	<u>3,544,273</u>	<u>3,292,532</u>

The credit union believes the full amount of these investments is recoverable.

30 Interest rates on financial instruments

The following table shows the interest earned during the year divided by the average loan balance and the dividend/interest paid during the year divided by the average share balance. The average balance is taken as the average of the opening and closing balances.

	2020		2019	
	Amount	Interest rates	Amount	Interest rates
	£	in year %	£	in year %
Financial assets				
Loans to members	8,495,535	13.00%	7,328,216	12.63%
Investments	1	-	1	-
Loans and advances to banks	3,544,272	0.71%	3,292,531	0.81%
	<u>12,039,808</u>		<u>10,620,748</u>	
Financial liabilities				
Juvenile deposits	(621,858)	1.59%	(606,419)	1.70%
Dividend bearing shares	(6,268,886)	0.18%	(5,750,337)	0.19%
Interest bearing shares	(841,009)	0.70%	(641,432)	0.83%
Loans to the credit union	(1,190,826)	3.63%	(920,142)	1.36%
	<u>(8,922,579)</u>		<u>(7,918,330)</u>	

20 Deferred shares

	2020	2019
	£	£
Opening balances	<u>25,300</u>	<u>25,300</u>

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

32 Reserves

General Reserve

The general reserve represents the base capital of the credit union and is the retained surpluses and deficits which have not been allocated to another specific reserve.

Growth Fund Reserve

The growth fund reserve represents surpluses and deficits on growth fund activities, including unused growth fund funding, which must be used for the Department of Works and Pension's Growth Fund project.

Revaluation Reserve

The revaluation reserve represents net unrealised gains from revaluing properties.

33 Capital

The credit union classes as capital all of its reserves and subordinated loans which meet the PRA definition of capital. The credit union manages its reserves through its financial and budgeting policies and procedures. The Prudential Regulation Authority sets out requirements for regulatory capital that the credit union must maintain. The credit union's compliance with the requirements at the year end is set out below:

	2020	2019
	%	%
Actual regulatory capital ratio	16.57	16.34
	<u> </u>	<u> </u>
Regulatory requirement		
Base capital requirement	5.18	5.00
	<u> </u>	<u> </u>
Regulatory minimum capital ratio requirement	5.18	5.00
	<u> </u>	<u> </u>

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

33 Capital

(Continued)

34 Financial commitments, guarantees and contingent liabilities

As a firm registered by the PRA and FCA, the Credit Union is obliged to contribute to the Financial Services Compensation Scheme (FSCS), which protects customers of failed deposit takers and victims of financial mis-selling. This levy is proportionate to the size of the Credit Union's protected deposits, but at the balance sheet date the actual cost of the levy in future years is unknown. BCU makes a prudent estimate of the amount we are likely to pay and takes a charge during the year to cover this estimate. In 2019/20 this was £633 (2018/19 £630).

35 Operating lease commitments

Lessee

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

	2020	2019
	£	£
Within one year	4,533	18,133

36 Events after the reporting date

It is planned that Wyvern Savings and Loans will complete a transfer of engagements to Bristol Credit Union Limited on 25 March 2021.

37 Related party transactions

Employees forming the key management personnel are the CEO and any other member(s) of the Senior Management team subject to regulatory pre-approval. Employed key management personnel are also included in 8(b) Employment costs. There are currently 2 employed key management personnel (2019: 2).

The Directors of Bristol Credit Union are also key management personnel and form a Non-Executive Board. No Directors are remunerated or otherwise compensated for their service, which is given on a voluntary basis. Out of pocket expenses incurred in the course of their duties are reimbursable in accordance with agreed Board policy.

No Director or member of staff received remuneration (excluding pension contributions) of more than £60,000.

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2020	2019
	£	£
Wages and salaries	114,020	102,431
Pension expense	2,889	2,778

BRISTOL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

37 Related party transactions

(Continued)

Aggregate compensation	116,909	105,209
------------------------	---------	---------

Transactions with key management

Balances held by members of key management and their close family members in the credit union are set out below. Loans to key management and their close family members are on standard terms and conditions.

	2020	2019
	£	£
Loans to key management and their close family	7,592	17,861
Shares held by key management and their close family	45,648	43,501
Deferred shares held by key management and their close family	4,150	4,150

38 Analysis of changes in net funds

	1 October 2019	Cash flows 30 September 2020	
	£	£	£
Cash and cash equivalents	2,462,391	698,738	3,161,129
Bank deposits maturing in over 8 days	833,239	(447,290)	385,949
	3,295,630	251,448	3,547,078
Borrowings excluding overdrafts	(920,142)	(270,684)	(1,190,826)
	2,375,488	(19,236)	2,356,252

The following page does not form part of the statutory accounts

BRISTOL CREDIT UNION

DETAILED REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 £	2019 £
Income			
Interest income on loans	3	1,028,472	825,506
Interest income on bank deposits	3	24,331	28,364
Fees and commissions receivable	5	95,513	67,933
Other income	7	140,323	4,675
		<hr/>	<hr/>
		1,288,639	926,478
Expenditure			
Staff costs	11	520,096	401,655
Auditors remuneration		13,126	12,439
Member communication and advertising	8	103,488	75,944
Legal, professional and credit control costs	8	95,706	82,522
Computer and software expenses	8	50,157	41,799
Travel costs	8	1,097	388
Bank charges	6	20,787	17,605
General administration costs	8	7,721	22,822
Regulatory costs	9	3,080	6,611
Costs of occupying offices	9	57,241	48,131
Depreciation and amortisation	10	91,274	15,184
Impairment on loans for bad and doubtful debts	15	536,414	313,707
Loan interest payable		38,266	8,006
		<hr/>	<hr/>
		1,538,453	1,046,813
		<hr/>	<hr/>
Surplus before taxation		(249,814)	(120,335)
Corporation tax	12	858	(5,481)
		<hr/>	<hr/>
		(248,956)	(125,816)
Distributions		(26,758)	(26,440)
		<hr/>	<hr/>
Deficit for the year		(275,714)	(152,256)
		<hr/> <hr/>	<hr/> <hr/>
