



London Capital Credit Union  
the savings & loans co-operative

# Promoting Saving & Dealing with Debt



Annual Report  
2015 - 2016



*L-R: Sharon Dyer, Board Vice President,  
Helen Baron, President of the Board.*



**This is a report of the credit union's activity for financial year to the end of September 2016. The purpose of this report is to inform the owners of the business, our members, of our progress in meeting our aims, objectives and targets set out in the business plan.**

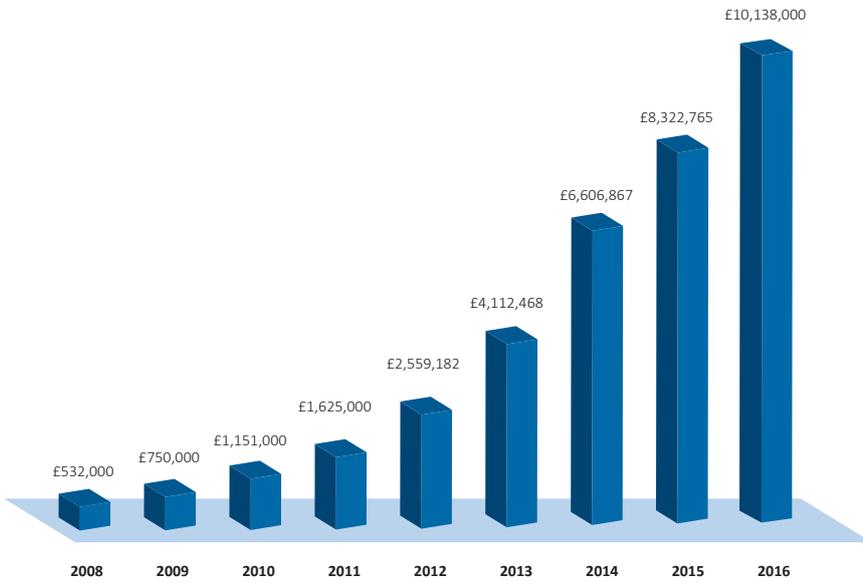
## Key Achievements

The 2015-16 financial year was one of continued strong growth. It is worthy of note that there was no merger activity during the year so this growth is on a like for like basis.

- **Membership grew by 2,428 or 19%**
- **Savings balances rose by £1,815,000 or 22%**
- **Loans balances grew by £2,236,000 or 30%.**

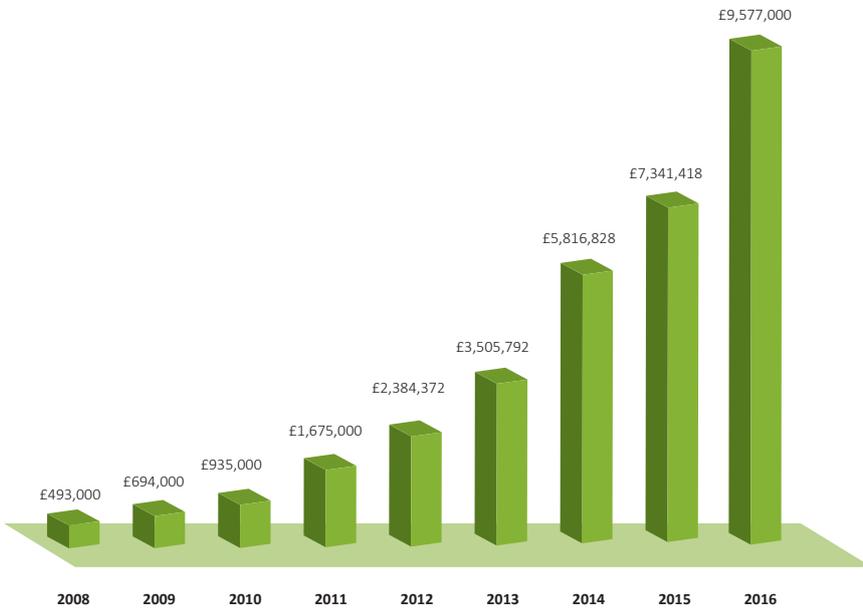
This resulted in a further significant increase in loan interest income. This is vitally important as the credit union continues to move away from reliance on grant aid and towards financial independence and long term sustainability. During the year our loan interest income rose by £204,000 which is an increase of 26%. For the first time our loan interest income exceeded the total expenditure. The latest operating surplus further contributed to the strengthening of our reserves but we face a challenge of increasing reserves to meet the increased requirement of the Prudential Regulation Authority to hold high levels of capital.

Of particular note is our success in providing loans that prove attractive, meeting the needs of members. As a result we have a much greater loan to share ratio than most UK credit unions.



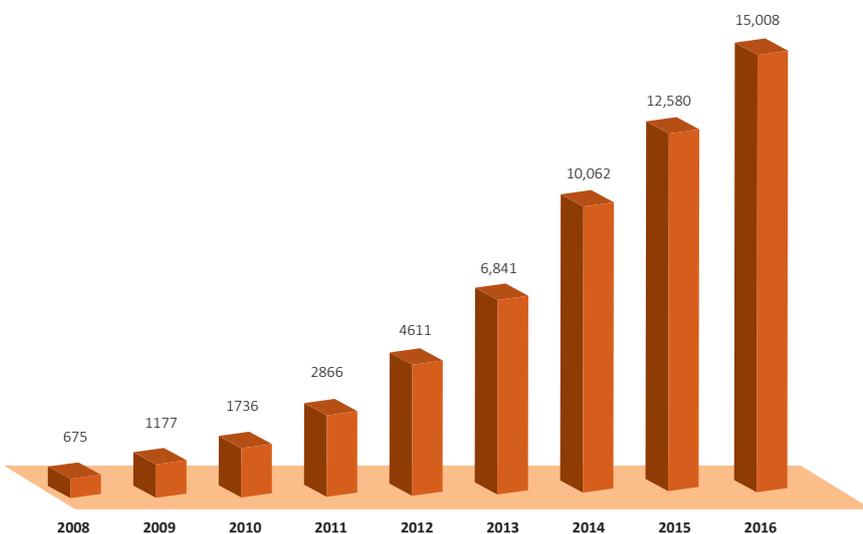
▲  
Savings  
rose by £1,815,000

up 22%



▲  
Loans  
grew by £2,236,000

up 30%



▲  
Membership  
grew by 2,428

up 19%

# Social Performance

As a co-operative we are committed to wider social goals rather than simply increasing 'shareholder value' and maximising surplus. Whilst we need to trade at a profit to meet our running costs, the way we run our business and distribute our profits marks us out as ethically different.

Our rulebook sets out our aims and objectives as follows.

## Objects

The objects of the credit union shall be the:

1. promotion of thrift among its members by the accumulation of their savings;
2. creation of sources of credit for the benefit of its members at a fair and reasonable rate of interest;
3. use and control of members' savings for their mutual benefit; and
4. training and education of members in the wise use of money and in the management of their financial affairs.

## Social goals

1. To contribute towards the alleviation of poverty within the community
2. To contribute towards the economic regeneration of the community

The credit union is a democratically owned and controlled co-operative, run by and for its members on the basis of mutual self-help. Its primary objective is to encourage people to save for the future, as a way of avoiding the risks of excessive borrowing. At times when our members need to borrow, or when they are struggling to meet the high cost of existing borrowing, the credit union offers low cost 'Saver Loans' that reduce the cost of borrowing to manageable levels. We also provide guidance and support with budgeting and dealing with debt, and over time our members move from being borrowers to being savers.

## Loans Panel Report

The Board appoints a panel of members who are authorised to make decisions on loan applications. During the year the decision making process has become quicker and the resulting member satisfaction has led to a further dramatic increase in the number and value of loans issued. During the 2015-16 financial year an average 482 loans per month were issued (416 pcm 2014-15), totalling £ 7,728,000 (£5,843,000 2014-15). We are pleased to report that the average loan value continues to rise after many years of decline, and this is a welcome indicator of our ability to attract a range members from every socio-economic group. Too many small value loans increases our costs disproportionately and makes the business less sustainable.

The Loans Panel continues to balance the need to meet the demand for loans with the essential role of protecting our member's savings by minimising risk as far as is possible. The rate of bad debt provisioning declined slightly during the year, largely as a result of greater resources applied to our loans support office. Where members struggle with payments our loans support officers will generally offer to freeze interest on the member's loans until they are able to find another job. Whilst this increases the cost of bad debt provisioning it helps the member at the time when they need that level of understanding, and this maintains member loyalty, trust and reduces long term losses.

## Market Research- Social Impact

A few years ago three financial analysts from a leading City banking institution made an assessment of the social and financial impact of our lending business. They looked at all of our first-time borrowers over the preceding three months, and analysed where they had previously been borrowing and at what cost. From this they were able to determine that for every £1 a member saves, and that we lend to clear existing debts, our members will save £1.25 each year in interests, bank charges and fees. During 2015-16 we issued loans to the value of £7,728,000 to our members. Based on this formula they are estimated to have saved over £9,660,000 in interest by transferring high cost debts to the credit union. Over the next 4 years we forecast a financial benefit to our members, and the wider community, in excess of £41million.



## Women in Finance Charter

We were one of the first financial institutions in the UK to sign up to the Women in Finance Charter. The charter, which was launched by HM Treasury, aims to improve gender diversity in senior positions in the financial sector. A balanced workforce is good for business, customers and workplace culture, so the charter commits financial services providers to work together to build a more balanced and fair industry. Equality is a core part of what credit unions are all about, so it is natural for us to support the charter. By signing up, we are showing that we are committed to gender balance and that we are determined to make the world a better place for everyone.

## London Living Wage Campaign

We are very proud to be an accredited London Living Wage employer. We see far too many working people struggle to make ends meet, yet most of us agree that work should be the best way out of poverty. This is why the Credit Union supports The Living Wage Campaign which was launched in 2001. The founders were a group of parents in the East End of London, who wanted to remain in work, but found that despite working two or more minimum wage jobs they were struggling to make ends meet, and were left with no time for family and community life. The Living Wage is an example of communities, business, campaigners and faith groups coming together to find practical ways to address working poverty and strengthen families.



## FairBanking Mark- Five Star Award

The Fairbanking Foundation charity awarded its first 5 star mark to London Capital Credit Union for its 'Saver Loan' and 'Instant Saver Loan' products. We are proud that the fairness of our products and services continue to be recognised in this way. We see it as a way of encouraging others in the financial services industry to adopt best lending practice in the interest of customers.

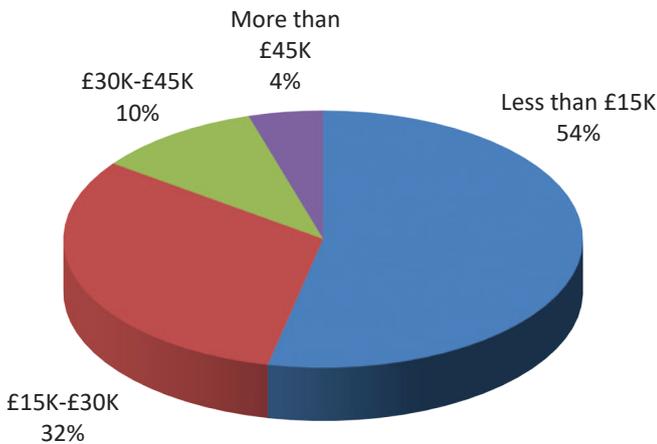
## Member Satisfaction- Customer Service

Our further growth continues to come through personal recommendation. Once again, 2015-16 saw continued focus in providing the best possible levels of customer service. We do this, not just because it is good for business, but critically, because our 'customers' are our members and they own the business. During 2016 we undertook our annual survey and asked our members how they rated us for customer service. Yet again the survey shows a high overall level of member satisfaction with the services we provide, with an average score of 8.6 out of a possible 10, (an slight decrease from 8.9 in the previous year). Whilst it is not possible to please all the people all the time we do try to do that and the year has seen us become ever quicker in processing membership, loan applications and share withdrawals. In particular, the greatly improved online access continues to be very popular. Continued high levels of member satisfaction continues to drive increased membership as people recommend us to friends, family and work colleagues.

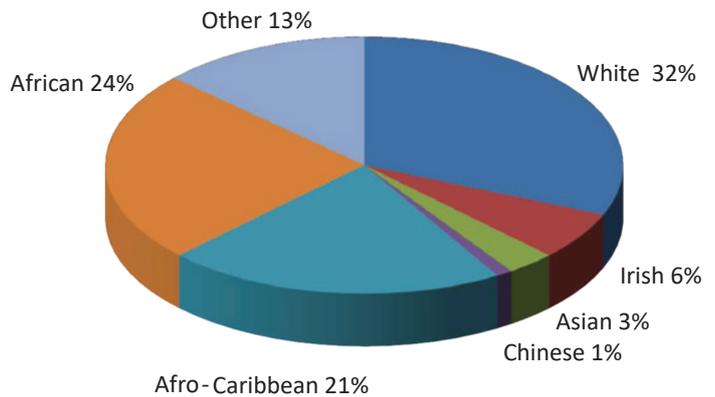
# Who Are Our Members?

We strive to design our services and products to meet the needs of all people, regardless of their background. That said, we continue to be of greatest help to those most often excluded from mainstream financial services. We conduct voluntary and anonymous surveys of our members when they join. Here is a snap shot of our membership at the end of the 2015-16 financial year.

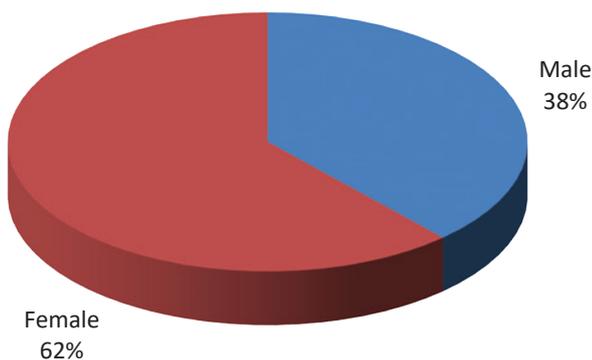
**Total Household Income**



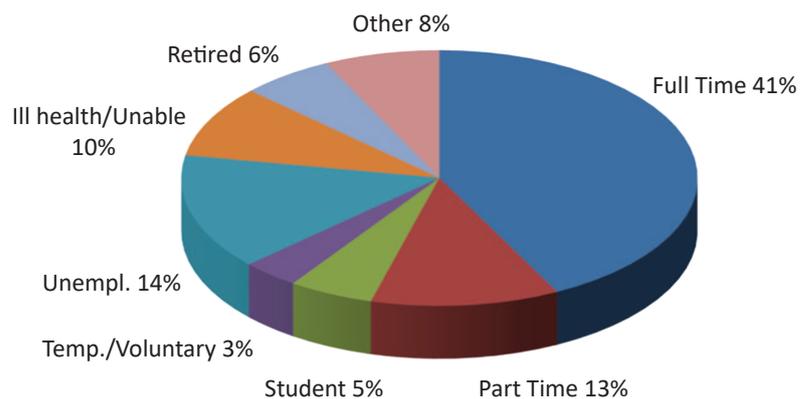
**Ethnicity Composition**



**Gender Composition**



**Employment Status**



# Corporate Governance

## Board of Directors

The Board is responsible for the strategic direction of the credit union and establishing policies and procedures for the operation of the business. It also holds management responsible for delivery of the business plan and maintenance of high quality service to members. During the financial year 2015-16 the following directors held office following the AGM in February 2016:

### Directors' Attendance at Board Meetings

During the Financial Year to the end of September 2016

Director	22Oct	19Nov	10Dec	28Jan	25Feb	24Mar	28Apr	26May	23Jun	28Jul	25Aug	22Sep	Number of Meetings Attended
Mr Mark Badcock	P	P	P	P	P	P	Ap	P	P	P	P	P	11
Ms Helen Baron	P	P	P	P	P	P	P	P	P	P	P	P	12
Mr Jonathan Colclough	Obs	Obs	P	P	P	Ap	P	Ap	Ap	P	P	Ap	8
Mr James Darbyshire	P	P	P	Ap	P	P	P	Ap	P	P	P	P	10
Ms Sharon Dyer	Ap	P	P	P	P	P	Ap	P	Ap	Ap	Ap		6
Ms Kathleen Egan	P	Ap	P	P	P	P	P	P	Ap	P	P	Ap	9
Ms Elaine Greaves	P	P	Ap	P	P	Ap	P	P	P	P	Ap	P	9
Mr John Hitchin	Ap	P	P	Ap	Ap	Ap	LoA	LoA	LoA	Ap	Ap	P	3
Mr Don Kehoe	P	P	P	P	P	P	P	P	P	P	P	P	12
TOTAL	6	7	7	7	8	6	6	6	5	7	6	6	

**P** = present

Co = Co-opted

Rm = Removed by Board

Obs = Observing as prospective Board member

Ap = apologies for absence received

Rs = Resigned

LoA = Leave of Absence agreed by the Board

The board is fully comprised of unpaid members of the credit union who commit to volunteer on a regular basis. Efforts to recruit suitably qualified volunteers to the Board have continued. Jon Colclough was co-opted by the Board and confirmed as a member Director at our 2013-2014 AGM.

We remain committed to ensure that anyone serving on the Board must be suitably qualified and be deemed to be 'fit and proper' as defined by the regulator. We welcome expressions of interest to join the board which should be made by contacting the President in the first instance. We will arrange for you to attend board meetings in a non-voting observer capacity so you can be sure you want to commit to being a regular volunteer with the credit union.

The Chief Executive Officer also attends Board meetings in a non-voting capacity.

*“It's an amazing financial model. I think more banks should work that way.”*

# Report of Supervisory Committee

The committee's role is to act as an independent auditor of internal procedures to ensure that policies and procedures are properly applied. Since the previous AGM in 2016 the official committee members were Mr Robert James, Ms Brenda Cossio, Mr Eugene McCrohan and Mr Ian Gilbert. These Supervisors have carried out regular checks in the office and provided both written and verbal reports to every meeting of the board of directors. They focus checks with relation to the risk register, prioritising areas where risk is highest. No issues of major concern have been identified in the period.

One of the key roles of the Supervisory Committee is to ensure that the Board delivers compliance with regulatory requirements. It is noted that the credit union continues to maintain key ratios at levels well above those required by the Prudential Regulation Authority (PRA)

## Capital and Liquidity Ratios- 30<sup>th</sup> September 2016

	Actual	PRA Requirement
Liquidity Ratio	33%	10%
Capital Ratio	13%	8%

## Remuneration

It should be noted that all Directors and Supervisors conduct their duties on a purely voluntary unpaid capacity with only 'out of pocket' expenses paid. They commit significant amounts of time and effort in behind the scenes work that ensures the success of the credit union.

The credit union is pleased to report that all of its staff continue to be paid at rates above the London Living Wage. This is an hourly rate, set independently, every year. It is calculated according to cost of living and gives the minimum pay rate required for a worker to provide their family with the essentials of life. In London the rate during the year in question was £9.75 per hour. The ratio between hourly rates of pay of the highest and lowest paid employee in 2015-16 rose from 2.8 to 2.9 as a result of taking 'in-house' our office cleaner to ensure they were paid over the London Living Wage Rate.

“ *The Credit Union has helped me with supporting my children (clothes, household goods). I could not have managed without them.* ”

“ *It has helped me to regain back my life due to my losing my job in the recession in 2008.* ”

# Looking Forward

For the past six years the economic circumstances of ordinary working people has remained difficult as wages have generally lagged behind inflation. Inflation is set to increase further diminishing real incomes. This economic situation will make it more difficult for people to save money and some of our members may struggle to repay their loans. Whilst this presents continuing challenges, it is also likely to increase the cost of borrowing offered by our competitors making us even more competitive in the lending market. We are confident of continuing to meeting business plan targets as more people look for ways of reducing the cost of borrowing and recognise the benefits of our supportive and flexible way of doing business.

One of our key challenges over the next few years is to significantly increase our capital reserves following changes in the regulatory regime requiring credit unions to hold higher capital/asset ratios. We can do this in a number of ways. We are currently renegotiating a subordinated loan from Haringey Council which will help us significantly. We are also investigating the issue of deferred shares to increase capital. Without deferred shares or subordinated loan capital we will be faced by the choice of slowing down growth and/or increasing the cost of our loans, or taking less risk in our lending. The increase in capital requirements for credit unions is a real barrier to future growth and our ability to meet the needs of those who need us most.

Back in 2012 we began to accept corporate members, allowing community groups to make deposits with us. We now have over thirty businesses, charities and community groups as corporate members and are planning to promote this as a way of increasing deposits to meet the needs of members and rising demand for loans in years to come. Businesses, charities or voluntary organisations can place sums on deposit with the credit union and this greatly assists us by providing additional capital to lend, displacing high interest loans and preventing problem debt in our communities.

“ *I have found Credit Union to be so always helpful with no hassles at all while requesting for loans. I can't thank you guys enough for always digging me out of the pit.* ”

“ *Credit Union has taken away the financial stress of what I would normally have if I took a loan out with a bank. Plus I now have savings for the first time ever!* ”

# Thank You to Supporters

We wish to express our appreciation to those who have supported us during the year, particularly our members whose savings generate the lending capital and loan interest that pays the majority of our running costs.

The continuing cross-party support of councillors, and officers at both Islington and Haringey Councils and their long-term commitment to co-operative financial services in their boroughs allows us to plan continued expansion at the same rates we have experienced for the last four years. We have received on-going support and joint working with these councils. Islington Council have provided financial support to help us provide financial advice and support to their residents. Haringey Council have provided financial incentives to children of the borough to encourage them into the savings habit. Additionally, they have provided subordinated loan capital which has been essential to meeting the increased regulatory requirements for capital, and in providing money to lend to Haringey residents.

Also, a number of housing associations and social housing providers, notably Barnet Homes, Arhag, and City of London Housing. This support has been key to our ability to help many more families escape from debt and poverty during this period so we wish to put on record our appreciation.

We would again like to thank The Co-operative Group for providing us, and the majority of the UK credit union movement, with an excellent banking service at much reduced cost. Despite the banks well publicised difficulties, they remain committed to supporting the credit union movement and to their ethical policies. We have remained loyal to them as a result. They also provide us with a discount at food stores that keeps down the costs of office supplies such as tea, coffee and biscuits. A small but significant example of co-operation amongst co-operatives.

We wish to thank the ever growing number of employers who allow their staff to have credit union savings/loan repayments deducted directly from their salary. These schemes are crucial to encouraging ordinary working people to save rather than borrow, and in preventing debt problems in years to come.

Volunteers have, as ever, played a crucial part in running the organisation, from directors to office volunteers, and members who organise workplace presentations. Together with our small, dedicated staff team we have a true co-operative organisation based on mutual self-help. It is a tribute to all that we have achieved so much in the past 12 months and promise even more in years to come.

*“ When I needed help they were there for me. I’m more than grateful to the credit union. ”*

*“ It’s been several years of help now. They helped me with travel money, credit card repayments, buying a car and application for my citizenship. ”*

London Capital Credit Union Ltd  
Annual Report and Financial Statements  
for the Year Ended  
30 September 2016



## Contents

Credit Union Information	13
Directors Report	14-15
Independent Auditor's Report	16-17
Revenue Account	18
Balance Sheet	19
Statement of Changes in Equity	20
Statement of Cash Flows	21
Notes to the Financial Statements	22-37
Detailed Revenue Account	38-39

## Credit Union Information

FCA Number	214094
Society Number	IP00513C
Secretary	Don Kehoe
Registered office	The Jeremy Hopgood Rooms Caxton House 129 St John's Way London N19 3RQ
Auditors	Alexander Sloan 38 Cadogan Street Glasgow G2 7HF

London Capital Credit Union Ltd is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

## Directors Report for the Year Ended 30 September 2016

The Directors present their report and the financial statements for the year ended 30 September 2016.

### Principal activity

The principal activity of the Credit Union continues to be that defined in the Credit Union Act 1979.

### Directors of the Credit Union

The directors who held office during the year were as follows:

Ms Helen Baron

Mr Mark Badcock

Mr Jon Colclough (appointed 1 December 2015)

Mr James Darbyshire

Ms Kathleen Egan

Ms Elaine Greaves

Mr John Hitchin

Mr Don Kehoe

Ms Sharon Dyer (resigned 27 October 2016)

Mr Felix Hebblethwaite (resigned 28 January 2016)

### Principal risks and uncertainties

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and interest rate risk.

**Credit Risk** - The Credit Union is exposed to the risk of default on loans and bank balances. All loans are required by the Credit Union to be assessed against the Credit Union's lending policy.

**Liquidity Risk** - The Credit Union's policy is to maintain sufficient funds in liquid forms at all times to be able to meet its liabilities as they fall due and to meet the regulator's liquidity requirements.

**Interest Rate Risk** - The main interest rate risk arises from differences between interest rate exposures on assets and liabilities that form an integral part of the Credit Union's activities. The Credit Union considers interest rates when setting the level of proposed dividends each period.

## Directors Report for the Year Ended 30 September 2016

### Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Credit Union's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

### 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 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 Credit Union legislation 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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. 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.

### Reappointment of auditors

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.

Approved by the Board on 26 January 2017 and signed on its behalf by:

Don Kehoe



Secretary

## Independent Auditor's Report

We have audited the financial statements of London Capital Credit Union Ltd for the year ended 30 September 2016, set out on pages 7 to 34. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Credit Union's members, as a body, in accordance with the Co-operative and Community Benefit Society 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.

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Director's Responsibility statement (set out on page 3), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors to the financial statements.

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

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

## Opinion on the financial statements

### In our opinion the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as at 30 September 2016 and of its profit 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.

### Other Matters

The financial statements of the Credit Union for the period ended 31 March 2015, were audited by another auditor who expressed an unmodified opinion on those statements in their auditor's report dated 3 December 2015.

### 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 maintained by the Credit Union in accordance with the requirements of the legislation; or
- the Revenue Account and Balance Sheet are not in agreement with the books of account of the Credit Union; or
- we have not received all the information and explanations we require for our audit

Alexander Sloan,

.....

38 Cadogan Street  
Glasgow  
G2 7HF

26 January 2017

## Revenue Account for the Year Ended 30 September 2016

	<b>Note</b>	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Loan interest receivable and similar income	3	983,092	779,418
Interest payable and similar charges	4	(54,724)	(75,633)
Net interest income		<u>928,368</u>	<u>703,785</u>
Fees and commissions receivable	5	4,035	7,498
Fees and commissions payable	6	(11,764)	(9,864)
Net fees and commissions		<u>(7,729)</u>	<u>(2,366)</u>
Other operating income	7	67,787	207,961
Administrative expenses	8	(576,760)	(555,057)
Depreciation and amortisation		(12,525)	(15,262)
Other operating expenses	9	(41,144)	(45,055)
Impairment on loans for bad and doubtful debts		(265,226)	(206,106)
Surplus before tax		<u>92,771</u>	<u>87,900</u>
Corporation Tax	13	(2,716)	(1,986)
Surplus for the financial year		<u>90,055</u>	<u>85,914</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>90,055</u>	<u>85,914</u>

Balance Sheet as at 30 September 2016

	Note	2016 £	2015 £
<b>Assets</b>			
Loans and advances to banks	14	2,448,119	2,764,277
Loans and advances to customers	15	9,072,319	6,837,472
Intangible assets		174,170	5,547
Tangible fixed assets	18	6,302	11,892
Prepayments and accrued income		19,159	22,553
Total assets		<u>11,550,069</u>	<u>9,641,741</u>
<b>Liabilities</b>			
Customer accounts	20	10,138,099	8,322,765
Other liabilities	21	783,357	779,113
Accruals and deferred income	22	38,695	40,000
		<u>10,960,151</u>	<u>9,141,878</u>
Other reserves		24,382,265	322,580
General reserve	24	207,653	177,283
Total reserves		<u>589,918</u>	<u>499,863</u>
Total liabilities		<u>11,550,069</u>	<u>9,641,741</u>

Approved and authorised by the Board on 26th January 2017 and signed on its behalf by:

*Helen Baron*

Helen Baron  
Director

*M. D. Badcock*

Mark Badcock  
Director

*DJ Kehoe*

Don Kehoe  
Secretary

Statement of Changes in Equity  
for the Year Ended 30 September 2016

	<b>IT &amp; Property Reserves £</b>	<b>Other Reserves £</b>	<b>Appropriation reserve £</b>	<b>General reserve £</b>	<b>Total £</b>
At 1 October 2015	120,000	185,051	17,529	177,283	499,863
Surplus for the year	-	-	-	90,055	90,055
Other reserve movements	-	(1,262)	60,947	(59,685)	-
At 30 September 2016	<u>120,000</u>	<u>183,789</u>	<u>78,476</u>	<u>207,653</u>	<u>589,918</u>

	<b>IT &amp; Property Reserves £</b>	<b>Other Reserves £</b>	<b>Appropriation reserve £</b>	<b>General reserve £</b>	<b>Total £</b>
At 1 October 2014	70,000	181,446	17,529	144,974	413,949
Surplus for the year	-	-	-	85,914	85,914
Other reserve movements	50,000	3,605	-	(53,605)	-
At 30 September 2015	<u>120,000</u>	<u>185,051</u>	<u>17,529</u>	<u>177,283</u>	<u>499,863</u>

## Statement of Cash Flows for the Year Ended 30 September 2016

	Note	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Surplus for the year		90,055	85,914
Depreciation and amortisation	10	12,525	15,262
Corporation tax expense	13	2,716	1,986
Provision movement		270,693	212,090
Interest income on loans		(976,583)	(769,488)
Distribution on member shares		54,724	75,633
		<u>(545,870)</u>	<u>(378,603)</u>
Decrease in other receivables and prepayments		3,394	135,550
Increase/(decrease) in trade and other payables	21	3,515	(9,582)
(Decrease)/increase in deferred income		(1,305)	40,000
		<u>5,604</u>	<u>165,968</u>
<b>Cash flows from changes in operating assets and liabilities</b>			
Loan repayments less loans advanced		(1,528,957)	(688,308)
Customer balance cash movement		1,760,610	1,293,911
Movement on funds on deposit		(556,392)	(453,500)
		<u>(324,739)</u>	<u>152,103</u>
Income taxes paid	13	(1,986)	(1,619)
<b>Net cash flow from operating activities</b>		<u>(866,991)</u>	<u>(62,151)</u>
<b>Cash flows from investing activities</b>			
Acquisitions of property plant and equipment		(2,791)	(11,226)
Acquisition of intangible assets	17	(2,768)	(2,520)
Net cash flows from investing activities		<u>(5,559)</u>	<u>(13,746)</u>
<b>Cash flows from financing activities</b>			
Repayment of other borrowing		-	(25,000)
Net decrease in cash and cash equivalents		<u>(872,550)</u>	<u>(100,897)</u>
Cash and cash equivalents at 1 October		2,310,777	2,411,674
Cash and cash equivalents at 30 September		<u><u>1,438,227</u></u>	<u><u>2,310,777</u></u>

# Notes to the Financial Statements

## for the Year Ended 30 September 2016

### 1 General information

London Capital Credit Union Ltd is registered in the UK as a society under the Co-operative and Community Benefit Societies Act 2014, whose principal activity is to operate as a Credit Union, within the meaning of the Credit Union Act 1979. The Credit Union is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The address of its registered office is: The Jeremy Hopgood Rooms  
Caxton House  
129 St John's Way  
London  
N19 3RQ

These financial statements were authorised for issue by the Board on 26 January 2017.

### 2 Accounting policies

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

#### **Basis of preparation**

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The accounts are presented in UK Sterling and rounded to the nearest pound.

#### **Key sources of estimation uncertainty**

Impairment of Financial Assets:

The Credit Union assess at each reporting date, if there is objective evidence that any of its loans to customers are impaired. The loans are assessed collectively in groups that share similar credit-risk characteristics. 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.

#### **Grants**

Grants are credited to deferred income. Grants for capital expenditure are released to the Revenue Account over the expected useful life of the asset. Grants for revenue expenditure are released to the Revenue Account as the expenditure is incurred.

#### **Other grants**

Newlon Housing Trust provided funding to tenants to start saving with the Credit Union. The funding was administered by London Capital Credit Union.

### **Finance income and costs policy**

Interest receivable on loans to members and banks interest is recognised using the effective interest rate basis, and is calculated and accrued on a daily basis.

### **Tax**

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

### **Tangible fixed assets**

Tangible fixed assets is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible fixed assets includes directly attributable incremental costs incurred in their acquisition and installation.

### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Office equipment	25% per annum straight line
Furniture and fittings	25% per annum straight line

### **Intangible assets**

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Credit Union's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Negative goodwill arising on an acquisition is recognised on the face of the balance sheet on the acquisition date and subsequently the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered.

### **Amortisation**

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

<b>Asset class</b>	<b>Amortisation method and rate</b>
Computer software	33% per annum straight line

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

## Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Revenue Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Credit Union has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

## Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Credit Union has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

## Financial instruments

### Classification

Loans to members are a debt instrument measured at amortised cost using the effective interest rate.

### Recognition and measurement

Loans to members are financial assets with fixed or determinable payments, and are not quoted in an active market. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest rate method. Loans are derecognised when the rights to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

### Impairment

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.

## 3 Interest receivable and similar income

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Interest income on loans	976,583	769,488
Interest rebate		(7,072)
- Interest income on bank deposits	13,581	9,930
	<u>983,092</u>	<u>779,418</u>

#### 4 Interest payable and similar charges

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

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Ordinary share dividend	54,724	75,633
Total distributions to customers	<u>54,724</u>	<u>75,633</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:

	<b>2016</b>	<b>2015</b>
	<b>%</b>	<b>%</b>
Dividends paid during the period		
Distribution on Juvenile deposits	.75	1.20
Ordinary member dividend	.75	1.20
Loan Interest Rebate	1.00	1.20

At the forthcoming Annual General Meeting the Directors will propose the following dividends based on the results for the current year. If approved this dividend will be included in next year's financial accounts once it has been paid.

	<b>2016</b>	<b>2015</b>
	<b>%</b>	<b>%</b>
Proposed distribution to members		
Proposed distribution on juvenile deposits	1.00	.75
Proposed dividend on ordinary shares	.75	.75
Interest rebate	1.00	1.00

#### 5 Fees and commissions receivable

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Entrance fees	<u>4,035</u>	<u>7,498</u>

#### 6 Fees and commissions payable

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Bank charges	<u>11,764</u>	<u>9,864</u>

## 7 Other operating income

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Other income	5,069	2,574
Credit Union expansion project	36,413	37,842
	<u>41,482</u>	<u>40,416</u>
Government grants	26,305	167,545
	<u>67,787</u>	<u>207,961</u>

Islington Council provided £25,000 of funding during the year for a loan under-writing scheme. At the year end £6,305 grant had been released to income as bad debt costs of the same amount had been incurred. The remaining balance of grant funding of £18,695 is included in deferred income.

## 8 Administrative expenses

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Employee benefits expense	383,025	358,669
Auditors remuneration	6,100	5,465
Member communication and advertising	107,668	100,205
• Legal, professional and credit costs	24,639	30,081
• Computer costs	8,079	13,230
• Other admin costs	47,249	47,407
	<u>576,760</u>	<u>555,057</u>
• Administrative expenses	<u>576,760</u>	<u>555,057</u>

## 9 Other operating expenses

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
• Regulatory costs	9,123	9,647
• Office costs	32,021	35,408
	<u>41,144</u>	<u>45,055</u>
• Other operating expenses	<u>41,144</u>	<u>45,055</u>

## 10 Operating surplus

Arrived at after charging/(crediting)

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
• Depreciation expense	8,380	6,015
• Amortisation expense	4,145	9,247
	<u>4,145</u>	<u>9,247</u>

## 11 Staff costs

The aggregate remuneration (including key management remuneration) were as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Wages and salaries	345,097	324,070
Social security costs	31,061	28,818
Pension costs, defined contribution scheme	6,867	5,781
	<u>383,025</u>	<u>358,669</u>

Directors of the Credit Union are reimbursed for expenses incurred on the Credit Union's behalf but are not remunerated by the Credit Union.

The number of persons employed by the Credit Union (including key management during the year, analysed by category) was as follows:

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
Administration and support	<u>15</u>	<u>14</u>

## 12 Auditors' remuneration

	2016	2015
	£	£
Audit of the financial statements	<u>6,100</u>	<u>5,465</u>

## 13 Corporation tax

Tax charged/(credited) in the revenue account

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Current taxation</b>		
UK corporation tax	<u>2,716</u>	<u>1,986</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2015- the same as the standard rate of corporation tax in the UK) of 20% (2015- 20%).

The differences are reconciled below:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Surplus before tax	<u>92,771</u>	<u>87,900</u>
Corporation tax at standard rate	18,554	17,580
Effect of revenues exempt from taxation	(15,680)	(15,594)
Total tax charge	<u>2,874</u>	<u>1,986</u>

## 14 Loans and advances to banks

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Cash at bank	1,438,227	2,310,777
Short-term deposits	1,009,892	453,500
	<u>2,448,119</u>	<u>2,764,277</u>
Less amounts maturing more than 8 days	(1,009,892)	(453,500)
Cash and cash equivalents in statement of cash flows	<u>1,438,227</u>	<u>2,310,777</u>

## 15 Loans and advances to customers

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Loan movement in the period</b>		
Opening balance	7,289,662	5,831,866
Interest accrued on loans during period	976,583	769,488
Loans advanced during the period	7,727,022	5,865,025
Repayments received during period	(6,198,065)	(5,176,717)
Loans derecognised	(2,900)	-
	<u>9,792,302</u>	<u>7,289,662</u>
Loan impairment	(719,983)	(452,190)
	<u>9,072,319</u>	<u>6,837,472</u>
<b>Loan repayments</b>		
Loans due within one year	5,445,313	4,436,389
Due after one year	4,346,989	2,853,273
Loan impairment	(719,983)	(452,190)
	<u>9,072,319</u>	<u>6,837,472</u>
<b>Classification of loans</b>		
Loans to individual members	9,072,319	6,837,472
	<u>9,072,319</u>	<u>6,837,472</u>

## 16 Loan Impairment

	<b>Provision for written off debts</b>	<b>Doubtful debt provision</b>	<b>Total provision</b>
Opening impairment	25,629	426,561	452,190
Charge to Revenue Account	377,459	(112,233)	265,226
Derecognised	(2,900)	-	(2,900)
Bad debt recovered	5,467	-	5,467
	<hr/>	<hr/>	<hr/>
Closing provision	405,655	314,328	719,983
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Provision for Loans Written Off represents loans that the Board do not feel are recoverable but which do not meet the criteria for being derecognised (written off) under Financial Reporting Standard 102 (FRS 102). To remain prudent the Board has fully provided for these loans.

## 17 Intangible assets

	<b>Software £</b>	<b>Total £</b>
<b>Cost or valuation</b>		
At 1 October 2015	30,120	30,120
Additions acquired separately	2,768	2,768
	<hr/>	<hr/>
At 30 September 2016	32,888	32,888
	<hr/>	<hr/>
<b>Amortisation</b>		
At 1 October 2015	24,573	24,573
Amortisation charge	4,145	4,145
	<hr/>	<hr/>
At 30 September 2016	28,718	28,718
	<hr/>	<hr/>
<b>Carrying amount</b>		
At 30 September 2016	4,170	4,170
	<hr/>	<hr/>
At 30 September 2015	5,547	5,547
	<hr/> <hr/>	<hr/> <hr/>

## 18 Tangible fixed assets

	<b>Furniture, fittings and equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<b>Cost or valuation</b>		
At 1 October 2015	65,019	65,019
Additions	2,791	2,791
At 30 September 2016	<u>67,810</u>	<u>67,810</u>
<b>Depreciation</b>		
At 1 October 2015	53,127	53,127
Charge for the year	8,381	8,381
At 30 September 2016	<u>61,508</u>	<u>61,508</u>
<b>Carrying amount</b>		
At 30 September 2016	<u>6,302</u>	<u>6,302</u>
At 30 September 2015	<u>11,892</u>	<u>11,892</u>

## 19 Loans and borrowings

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Non-current loans and borrowings</b>		
Other borrowings	<u>750,000</u>	<u>750,000</u>

### Other borrowings

Subordinated Loan with a carrying amount of £750,000 (2015- £750,000) is denominated in Sterling with a nominal interest rate of 0. The final instalment is due on 7 December 2021.

The loan is repayable in 5 equal annual instalments starting in December 2017.

Included in the loans and borrowings are the following amounts due after more than five years:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
After more than five years by instalments	150,000	300,000

## 20 Customer accounts

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Customer balance movement in the period</b>		
Opening balance	8,322,765	6,953,221
Deposited during the period	7,108,416	5,408,163
Withdrawn during the period	(5,293,082)	(4,038,619)
	<u>10,138,099</u>	<u>8,322,765</u>
<b>Classification of Customer balances</b>		
Individual member shares	9,619,986	7,871,582
Corporate shares	315,479	286,879
	<u>9,935,465</u>	<u>8,158,461</u>
Member balances	9,935,465	8,158,461
Juvenile deposits	202,634	164,304
	<u>10,138,099</u>	<u>8,322,765</u>

## 21 Other liabilities

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
<b>Due within one year</b>			
Social security and other taxes		-	7,444
Other payables		3,774	9,363
Accrued expenses		26,867	10,320
Corporation tax liability	13	2,716	1,986
		<u>33,357</u>	<u>29,113</u>
<b>Due after one year</b>			
Loans and borrowings	19	<u>750,000</u>	<u>750,000</u>

## 22 Accruals and deferred income

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
Deferred income brought forward		40,000	-
Deferred income received		25,000	60,000
Deferred income released		(26,305)	(20,000)
		<u>38,695</u>	<u>40,000</u>

## 23 Obligations under leases and hire purchase contracts

### Operating leases

The total of future minimum lease payments is as follows:

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Not later than one year	-	4,201
Later than one year and not later than five years	54,288	-
Later than five years	43,618	-
	<hr/> <u>97,906</u>	<hr/> <u>4,201</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £9,040 (2015- £6,246).

## 24 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.

### Appropriation Reserve

The appropriation reserve represents funds allocated by the Board for the future payment of dividends.

### Other Reserves

Other reserves represents reserves of the Credit Union which have not been designated for any specific purpose.

### IT & Property Reserve

The IT & Property reserve represents reserves allocated to future IT and property projects of the Credit Union.

## 25 Capital

London Capital Credit Union Ltd classes all of its reserves as capital. In addition, a proportion of the Credit Union's subordinated loan is classified as capital in accordance with the PRA Credit Union Rulebook. The Credit Union manages its reserves through its financial and budgeting policies and procedures. The Prudential Regulation Authority sets out requirements for the capital ratio that the Credit Union must maintain. The ratio is calculated after proposed dividends. The Credit Union's compliance with the ratio at the year end is set out below:

	<b>2016</b> <b>%</b>	<b>2015</b> <b>%</b>
Regulatory Requirement		
Minimum capital to asset ratio	8.00	5.00
	<hr/> <u>9.36</u>	<hr/> <u>12.32</u>
Actual Capital to Asset Ratio		

## 26 Financial Risk Management

London Capital Credit Union Ltd manages its shares and loans so that it earns income from the margin between interest receivable and interest payable (including dividends paid).

The main financial risks arising from the activities of London Capital Credit Union Ltd are credit risk, liquidity risk and market risk. The Board reviews and agrees policies for managing each of these risks which are summarised below:

### **Credit Risk**

Credit risk is the risk that a borrower will default on their contractual obligations relating to repayment to London Capital Credit Union Ltd, resulting in financial loss to the Credit Union. In order to manage this risk the Board approves the lending policy of London Capital Credit Union Ltd 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 the likelihood of repayment has changed. The Credit Union also monitors its banking arrangements for Credit Risk.

### **Liquidity Risk**

The policy of London Capital Credit Union Ltd is to maintain sufficient funds in liquid form at time to ensure that it can meet its liabilities as they fall due and meet the liquidity ratios set by the regulators. The objective of the policy is to provide a degree of protection against any unexpected developments that may arise.

### **Market Risk**

Market risk generally comprises of interest rate risk, currency risk and other price risk. The main risks impacting the Credit Union are set out below:

**Interest rate risk:** The main interest rate risk for London Capital Credit Union Ltd arises between the interest rate exposure on loans, bank deposits and shares that form an integral part of a Credit Union's operations. London Capital Credit Union Ltd considers rates of interest receivable when deciding on proposed dividend rates. Dividend rates are based on the historical results of the Credit Union and the Credit Union's strategic plans. The Credit Union does not use interest rate options to hedge its own positions.

**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.

**Other price risk:** The Credit Union does not hold any listed investments.

## 27 Credit Risk Disclosure

The Credit Union holds the following security against its loans to members:

	<b>2016</b> £	<b>2015</b> £
<b>Security for loans</b>		
Attached Shares	3,706,118	3,198,179

The carrying amount of the loans to members represents the Credit Union's maximum exposure to 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.

	<b>Note</b>	<b>2016</b> £	<b>2015</b> £
<b>Loans not individually impaired</b>			
Not past due		8,078,628	6,428,472
Up to 3 months past due		912,770	569,555
		<u>8,991,398</u>	<u>6,998,027</u>
<b>Individually impaired</b>			
Not past due		-	-
Up to 3 months past due		-	-
Between 3 months and 6 months due		172,158	101,567
Between 6 months and 1 year past due		184,139	164,439
Over 1 year past due		38,953	-
Impaired and written off for internal purposes		405,654	25,629
		<u>800,904</u>	<u>291,635</u>
		9,792,302	7,289,662
Impairment allowance		(719,983)	(452,190)
		<u>9,072,319</u>	<u>6,837,472</u>

## 28 Interest Rate Disclosure

The following table shows the interest received during the year divided by the closing loan balance and the dividend paid during the year divided by the closing share balance:

	<b>2016 Amount</b>	<b>2016 Rates received in year</b>	<b>2015 Amount</b>	<b>2015 Rates received in year</b>
	<b>£</b>	<b>%</b>	<b>£</b>	<b>%</b>
Financial assets				
Loans to members	9,072,319	10.76	6,837,472	11.25
	<u>9,072,319</u>	<u>10.76</u>	<u>6,837,472</u>	<u>11.25</u>
	<b>2016 Amount</b>	<b>2016 Rates paid in year</b>	<b>2015 Amount</b>	<b>2015 Rates paid in year</b>
	<b>£</b>	<b>%</b>	<b>£</b>	<b>%</b>
<b>Financial liabilities</b>				
Juvenile deposits	202,634	-	164,304	-
Member shares	9,935,465	.55	8,158,461	.93
	<u>10,138,099</u>	<u>.54</u>	<u>8,322,765</u>	<u>.91</u>

## 29 Contingent liabilities

The Credit Union participates in the Financial Services Compensation Scheme (FSCS) which provides protection for its members up to the level of protection offered by the FSCS. As a result of the Credit Unions participation it has a contingent liability, which cannot be quantified in respect of future contributions to the FSCS, as required by the Financial Services and Markets Act 2000.

## 30 Related party transactions

### Key management personnel

The Credit Union classes Directors and members of the Senior Management team as Key Management.

### Summary of transactions with key management

Loans to key management are issued on standard terms and conditions. At the year end £9,576 was owed by Key Management and their close family in loans to the Credit Union. Key management and their close family also held £58,033 in shares at this date.

The Credit Union's trade body is the Association of British Credit Unions Limited (ABCUL). One of the Directors of the Credit Union is also a Director of ABCUL. Subscriptions paid to ABCUL during the year were £10,460 (2015: £8,196).

## 31 Transition to FRS 102

The financial statements have been updated to comply with Financial Reporting Standard 102 (FRS 102). This has involved the following changes to the figures in previous years:

- reallocate software from tangible fixed assets to intangible assets
- recalculate financial assets using amortised cost using the effective interest rate. Any accrued interest previously included within debtors is now included as part of the financial asset balance.
- reallocate junior deposits to customer accounts.
- derecognising loans only where they meet criteria of FRS 102. This has led to an increase in the level of loans and a new provision for loans the credit union has written off for internal purposes but which do not meet the criteria within FRS 102.

### Balance Sheet at 1 October 2014

	<b>Note</b>	<b>As originally reported</b>	<b>Reclassified</b>	<b>Remeasured</b>	<b>As restated</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Assets</b>					
Loans and advances to banks		2,411,674	-	-	2,411,674
Loans and advances to customers		5,576,728	15,038	-	5,591,766
Intangible assets		-	11,673	-	11,673
Tangible fixed assets		18,955	(11,673)	-	7,282
Prepayments		173,141	(15,038)	-	158,103
		<u>8,180,498</u>	<u>-</u>	<u>-</u>	<u>8,180,498</u>
<b>Liabilities</b>					
Customer accounts		6,953,221	-	-	6,953,221
Other liabilities		813,328	-	-	813,328
		<u>7,766,549</u>	<u>-</u>	<u>-</u>	<u>7,766,549</u>
<b>Reserves</b>					
Other reserves		268,975	-	-	268,975
General reserves		144,974	-	-	144,974
		<u>413,949</u>	<u>-</u>	<u>-</u>	<u>413,949</u>
Total Liabilities and Reserves		<u>8,180,498</u>	<u>-</u>	<u>-</u>	<u>8,180,498</u>

## Balance Sheet at 30 September 2015

	<b>Note</b>	<b>As originally reported</b>	<b>Reclassified</b>	<b>Remeasured</b>	<b>As restated</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Assets</b>					
Loans and advances to banks		2,764,277	-	-	2,764,277
Loans and advances to customers		6,813,713	23,759	-	6,837,472
Intangible assets		-	3,171	-	3,171
Tangible fixed assets		17,439	(3,171)	-	14,268
Prepayments		46,312	(23,759)	-	22,553
		<u>9,641,741</u>	<u>-</u>	<u>-</u>	<u>9,641,741</u>
<b>Liabilities</b>					
Customer accounts		8,322,765	-	-	8,322,765
Other liabilities		779,113	-	-	779,113
Accruals and deferred income		40,000	-	-	40,000
		<u>9,141,878</u>	<u>-</u>	<u>-</u>	<u>9,141,878</u>
<b>Reserves</b>					
Other reserves		322,580	-	-	322,580
General reserves		177,283	-	-	177,283
		<u>499,863</u>	<u>-</u>	<u>-</u>	<u>499,863</u>
Total Liabilities and Reserves		<u>9,641,741</u>	<u>-</u>	<u>-</u>	<u>9,641,741</u>

## Revenue Account for the year ended 30 September 2015

	<b>Note</b>	<b>As originally reported</b>	<b>Reclassified</b>	<b>Remeasured</b>	<b>As restated</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Interest receivable and similar income		779,418	-	-	779,418
Interest payable and similar charges		(75,633)	-	-	(75,633)
Net Interest receivable		703,785	-	-	703,785
Fees and commissions receivable		7,498	-	-	7,498
Fees and commissions payable		(9,864)	-	-	(9,864)
Other operating income		207,961	-	-	207,961
Administrative expenses		(555,057)	-	-	(555,057)
Other expenses		(45,055)	-	-	(45,055)
Depreciation and amortisation		(15,262)	-	-	(15,262)
Impairment on loans		(206,106)	-	-	(206,106)
Surplus before taxation		<u>87,900</u>	<u>-</u>	<u>-</u>	<u>87,900</u>
Taxation		(1,986)	-	-	(1,986)
Surplus for the financial year		<u>85,914</u>	<u>-</u>	<u>-</u>	<u>85,914</u>

## Detailed Revenue Account for the Year Ended 30 September 2016

	Note	2016 £	2015 £
<b>Income</b>			
Interest income on loans		976,583	769,488
Interest income on bank deposits		13,581	9,930
		<hr/>	<hr/>
Interest Received		990,164	779,418
Entrance Fees	5	4,035	7,498
Other income		5,069	2,574
Government grants receivable		26,305	167,545
CUEP funding		36,413	37,842
		<hr/>	<hr/>
		1,061,986	994,877
<b>Expenditure</b>			
Staff costs		383,025	358,669
Auditor fees		6,100	5,465
Bank charges		11,764	9,864
Fidelity bond insurance		3,890	2,984
PRA, FCA & FSCS Other Fees		-	6,663
FSCS levy		5,233	-
Rent & Occupancy & Room Hire		30,727	35,127
Other insurance LP/LS		1,294	281
Training		5,440	8,143
Staff expenses		8,460	7,676
Sundry expenses		5,386	4,536
Volunteer expenses		15,763	10,996
Newlon matched savers		1,740	7,860
ABCUL Dues		10,460	8,196
Telephone		11,193	5,830
Office Supplies/Printing/Copying		10,727	20,160
Marketing		80,910	69,019
Postage		4,838	5,196
Credit agency fees		11,021	12,703
ALD Fees		7,482	12,703
Legal/Consultancy		6,136	4,675
Software Maintenance/Support		8,079	13,230
Depreciation and amortisation		12,525	15,262

Detailed Revenue Account for the Year Ended 30 September 2016

	<b>2016</b>	<b>2015</b>
<b>Note</b>	<b>£</b>	<b>£</b>
Impairment on loans for bad and doubtful debts	265,226	206,106
	<u>907,419</u>	<u>831,344</u>
Operating Surplus/(Deficit)	154,567	163,533
Surplus before tax	154,567	163,533
Corporation Tax 13	(2,716)	(1,986)
Surplus for the financial year before dividend	151,851	161,547
Distributions	(54,724)	(75,633)
Interest rebate	(7,072)	-
Surplus for the financial year after dividend	<u><u>90,055</u></u>	<u><u>85,914</u></u>

## **London Capital Credit Union Ltd**

Jeremy Hopgood Rooms, Caxton House  
129 St John's Way, Archway, London N19 3RQ

Telephone: 020 7561 1786

Fax: 020 7272 8192

Email: [info@credit-union.coop](mailto:info@credit-union.coop)

Web: [www.credit-union.coop](http://www.credit-union.coop)

Secure Savings | Ethical Investments  
Low Cost Loans | Young Savers Accounts  
Profit Sharing Dividends

Authorised by the Prudential Regulation Authority and Regulated by  
the Financial Conduct Authority and the Prudential Regulation Authority  
Firm No. 214094 | Reg. No. 513c

Registered Address:  
Credit Union, Jeremy Hopgood Rooms, Caxton House,  
129 St John's Way, Archway, London N19 3RQ