London Capital Credit Union
the savings & loans co-operative

Credit Union celebrates 10 years of the Fairbanking Foundation

Annual Report 2018 - 2019

coop

Worldwide Information On Co-Operatives

United States
In the United States, 30,000 co-operatives provide more than 2 million jobs

Agricultural co-operatives in USA have a 28% stake in the processing and marketing of agricultural production

Denmark
In Denmark, consumer co-operatives hold 36.4% of the consumer retail market

Costa Rica
The credit unions in Costa Rica are the owners of 8.5% of the assets of the domestic financial system

Brazil
In Brazil, co-operatives are responsible for 37.2% of agricultural GDP and 5.4% of global GDP

In Brazil health co-operatives provide medical and dental services to 17.7 million people, almost 10% of the population

Uruguay
In Uruguay, co-operatives are responsible for 3% of the GDP. They produce 90% of the total milk, 340% of honey and 30% of wheat. 60% of co-operative production is exported to over 40 countries around the world

Continued inside back cover

Overview

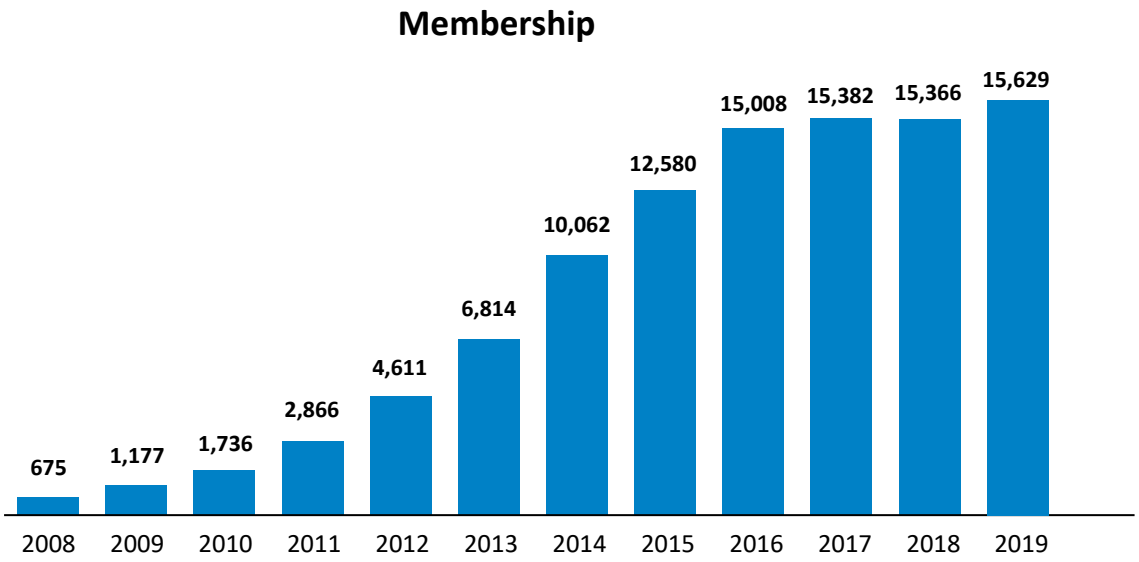
L-R: Mark Badcock (Treasurer), Helen Baron (President), Don Kehoe (Secretary)

This is the report of the credit union's activity for the financial year to the end of September 2019. The purpose of this report is to inform members & stakeholders of our progress in meeting our objectives to provide high quality ethical financial services to as many people as possible.

The last year was one of further consolidation. In the previous years' annual reports we highlighted the challenge in meeting the required large increase in capital asset ratio. In those reports we stressed that meeting these targets without external support would be extremely difficult and impact adversely on meeting our social objectives. It gives us no pleasure to say that those forecasts have proven correct.

We are reporting a small financial loss for the year. Three years ago, in preparation for the requirement for increased capital we took steps to tighten our lending policy and reduce our costs. This meant taking less risk in lending and increasing interest rates on some of our loans. As a result, our loan book decreased in value for the 2nd year running after many years of rapid growth.

During the year our costs of bad debt provisioning has risen for various reasons. The increase in some loan interest rates has made these loans less attractive, and lowered the overall quality of loan applications. As a result default on loans continues to be a very high cost to the business. Much of this cost is a direct result of the unscrupulous activities of poorly regulated profit-making companies promoting inappropriate IVAs and ever-increasing online fraud/identity theft. In the year in question we were also victim of an organised fraud by a group of members and this is in the hands of the police. We are taking every action to recover money that we lent in good faith. We have further tightened lending and ID verification procedures but such incidents of fraud continue to be at unacceptable levels, causing very real problems for us and those affected by identity theft. There is insufficient action by the authorities to clamp down on such fraud. The impact on individuals is very damaging, and our costs rise accordingly. This continues to be an issue for government, police, regulators and the financial services industry yet too little seems to be happening to use regulatory and police powers to deter such behaviours and bring offenders to account.


Membership
675
1,177
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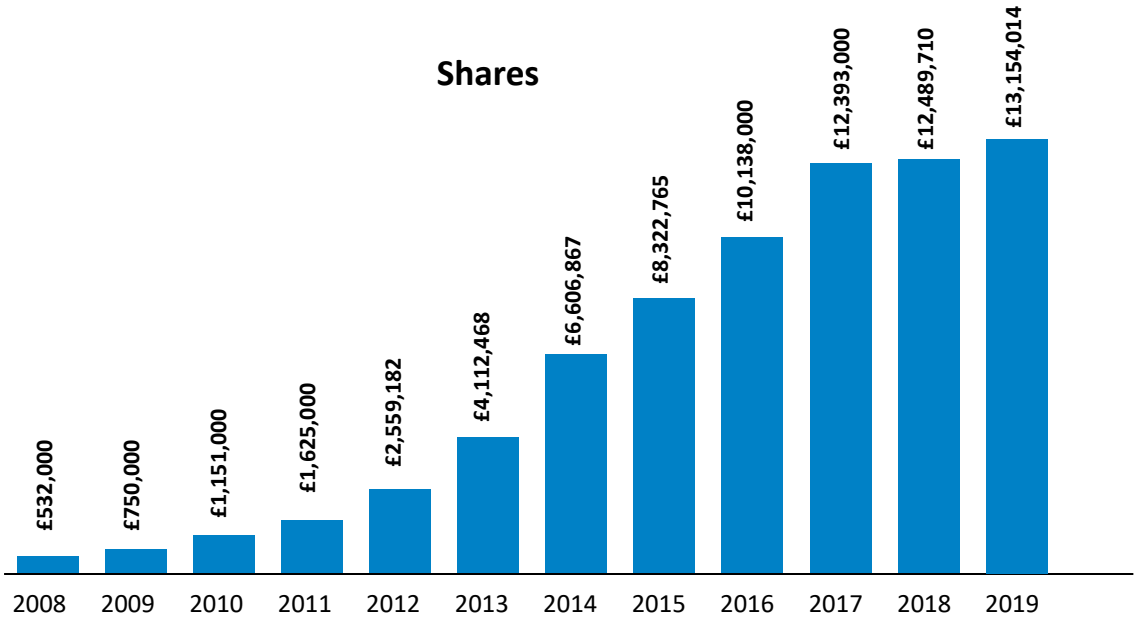
Shares
£532,000
£750,000
£1,151,000
£1,625,000
£2,559,182
£4,112,468
£6,606,867
£8,322,765
£10,138,000
£12,393,000
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£13,154,014
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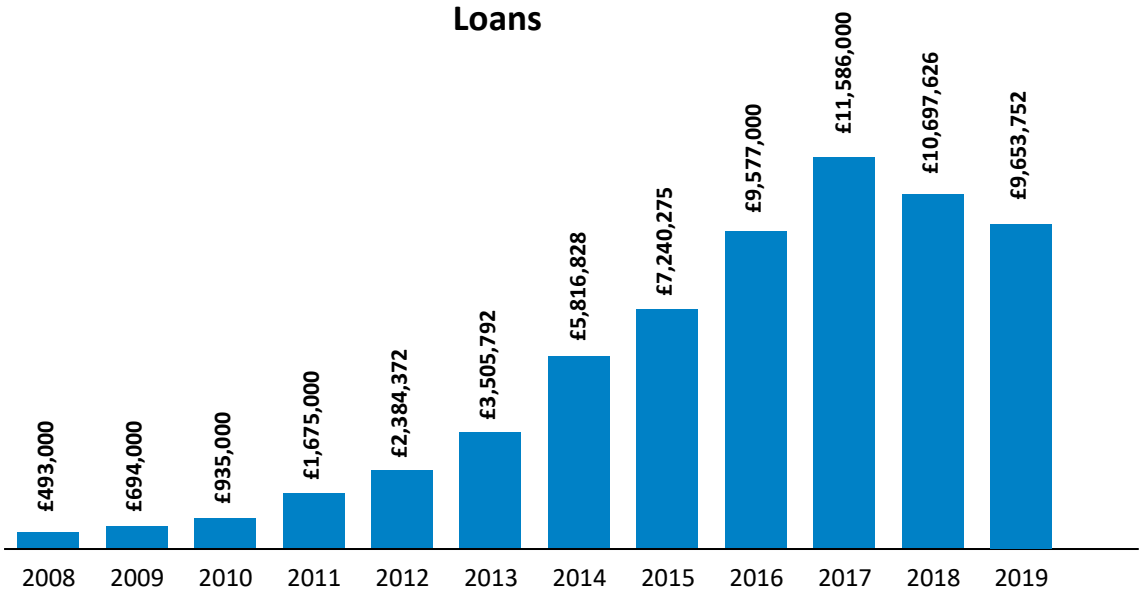
Loans
£493,000
£694,000
£935,000
£1,675,000
£2,384,372
£3,505,792
£5,816,828
£7,240,275
£9,577,000
£11,586,000
£10,697,626
£9,653,752
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2019

Key Points of the 2018-19 Financial Year

One of our key successes this year has been the continued expansion of our Salary Savings Schemes with a number of employers, most notably Great Ormond Street Children's Hospital. Many employers agree with us that it is better to save for things than borrow and these schemes greatly increase the number of people saving for a rainy day. Staff also gain access to our support services and ethical and low-cost credit if they need it. It fits well with employers' staff benefits package and promoting the general wellbeing of staff. Such schemes are essential too in providing the savings that form lending capital that allows us to deliver so much community benefit.

During the year the regulators approved the rule change agreed at our AGM in February. Membership is now additionally open to the boroughs of Brent, Enfield and Waltham Forest. The complexity of membership criteria required by legislation and regulation remains an issue which confuses the public in understanding our movement. We aim to extend membership eligibility to the maximum possible number of the people since too many are not currently saving and/or are paying too much for their borrowing. Anyone living or working in the following boroughs can now join us: Barnet, Brent, Camden, City of London, Enfield, Hackney, Haringey, Islington & Waltham Forest.

The continuing roll out of Universal Credit has caused well publicised financial problems for many of our members. Delays to people receiving their Universal Credit causes very real hardship to people in desperate need. The credit union has seen a significant rise in small value loans to help people through the period as they move onto this new benefit. For the credit union, these small loans often cost us money to issue at a time when we are being required to greatly increase our reserves.

At the end of this financial year we saw a small reduction in our capital asset ratio despite having taken active steps to reach compliance with the new regulation. We have taken less risk in lending, nudged up interest rates on loans, introduced a pre-savings requirement for new borrowers and stopped delivering a number of socially useful but loss making services that limit our ability to build capital. This saw a further stagnation in the growth of our business after ten consecutive years of high levels of growth in all areas.

At the end of the period our key figures stood as follows:

- Membership rose slightly to 15,629
- Savings/share balances rose to £13,154,000
- Loans balances reduced to £9,654,000

Despite a nearly 10% reduction in our loan book we saw a relatively small reduction of 1% in loan interest income. This was due to increases in some loan rates with the introduction of risk-based pricing. Our typical loan rate remains at 12.7% apr, significantly lower than most credit unions and compares well with a typical UK credit card rate of 20%. Maintenance of a good loan book is vitally important as the credit union continues to maintain financial independence and long-term sustainability.

The latest operating loss marginally reduced our reserves, and we still face a very real challenge to meet the requirement of the Prudential Regulation Authority to hold significantly higher levels of capital. We are now actively marketing deferred shares through the Ethex ethical investment platform and actively seeking subordinated loans to help strengthen our capital position in order to resume our expansion. Access to capital remains a challenge to the whole credit union sector in the UK, and we believe that there should be tax incentives for organisations and individuals making ethical investments in socially useful projects.

Our loan products continue to be attractive to our members even though the unavoidable introduction of a pre-savings requirement for new members has reduced the number of loan applications from people with a choice of credit sources. We continue to have a much higher loan to savings ratio than most UK credit unions and this is essential for financial self-sufficiency. Continued success in lending is particularly important as it evidences our ability to replace other sources of more expensive debt, and puts more people on the path from borrowing into becoming savers.

During the year we have seen an increasing proportion of our business being conducted through the members secure area of the website and app for mobile devices. These online services are particularly attractive as they speed up access to our services and increase the time our staff can make available to help those members who need it with things like completing forms and budgeting.

8.6/10 Member Satisfaction - Customer Service

Once again, 2018-19 saw our continued focus in providing the best possible levels of customer service. This has not been easy, given the need to improve profitability to meet regulatory capital requirements, has meant we have been forced to decline a much greater proportion of loan applications. Unsurprisingly, those having had loans declined were the ones giving low satisfaction ratings.

We focus on good service, not just because it is good for business, but critically, because our 'customers' are our members and they own the business. During 2019 we undertook our annual survey and asked our members how they rated us for customer service. Over 24% of the members contacted responded to the questionnaire, and of particular note was that 52% of those responding said that they had no savings at all before they joined the credit union.

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 increase from 8.5 in the previous year). On reviewing the results, we believe that this is a significant achievement given our tighter lending policies that led to more people having loan applications declined.

During the year we upgraded our new App for mobile devices and made a number of improvements to the members secure area of the website. The member survey showed that we still need to do more to communicate our services to members, with nearly 32% not knowing about our mobile App, and over 46% not having heard of our budgeting accounts or money advice services.

We will continue to develop our services with the focus on customer/member satisfaction with a view to continuous improvement in everything we do. High levels of member satisfaction have continued to drive increased membership, savings and use of our Saver Loans scheme.

Social Performance

The credit union is a democratically owned and controlled co-operative, run by and for its members on the basis of mutual self-help. Our primary objective is to encourage people to save for the future as a way of avoiding the risks of problem debt. 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 most of our members move from being borrowers to being savers.

We are committed to wider social goals beyond increasing shareholder value. 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

Market Research - Social Impact

A number of 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 researched 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 then able to determine that for every £1 a member saves, and that we lend to displace existing high cost debt, our members will save £1.25 each year in interest, bank charges and fees. During 2018-19 we issued loans to the value of £6,533,000 to our members. Based on this formula they are estimated to have saved over £8,166,000 in interest by transferring high cost debts to the credit union. Over the next 6 years we forecast a financial benefit to our members, and the wider community, of over of £100 million. Reducing the cost of borrowing is in effect the same as a pay increase, freeing up money to improve peoples' lives. We can and will do more.

Awards & Accreditations

FairBanking Mark- Five Star Award

We were pleased to have been represented at the 10th anniversary of the FairBanking Foundation hosted at the Palace of Westminster. The charity first awarded London Capital Credit Union its five-star mark for our 'Saver Loan' and 'Instant Saver Loan' products in 2015. We are proud that the fairness of our products and services continue to be recognised in this way and that others are following our example of best lending practice in the interest of customers and wider society. It fits well with the co-operative values of openness, honesty and putting the customer first.

London Living Wage Campaign

We are very proud to be an accredited London Living Wage employer and an early adopter of this important initiative. Far too many working people struggle to make ends meet, yet most of us agree that, wherever possible, 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 real Living Wage is an example of communities, business, campaigners and faith groups coming together to find practical ways to help families by addressing in work poverty.

Women in Finance Charter

We were one of the first financial institutions in the UK to sign up to the Women in Finance Charter in 2016. 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 co-operatives are all about, so it is natural for us to support the charter. Since participating in the launch of this initiative we are pleased to note that there are now 330 financial institutions following our lead and committing to the Charter. We continue to actively encourage female members of the credit union to participate at the most senior levels.

Personal Loans Fairlife Mark

The FairLife Personal Loan Mark was created to ensure that loans are well designed in the interest of the consumer. The mark is focused on helping customers to manage & repay their debts, promoting a competitive loan market and protecting customers who find themselves in financial difficulties. We are pleased and proud that in 2018 we were granted the use of this important quality mark by the FairLife Charity.

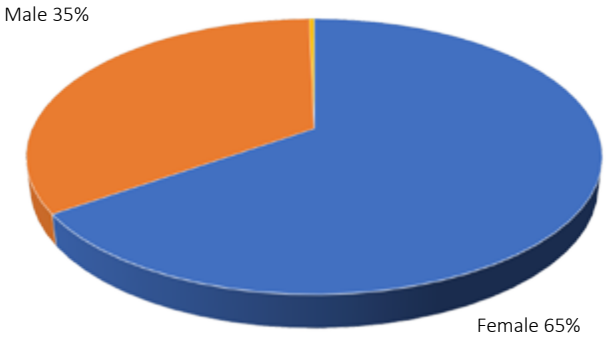
London Capital Credit Union
the savings & loans co-operative

Who Are Our Members?

We strive to design our services and products to meet the needs of all people, regardless of their background, yet our services are of greatest help to those most often excluded from mainstream financial services. These are typically lone parents, people with long term health issues, those who have lost their job, or are going through a personal crisis such as divorce/separation. We conducted an annual survey of our membership, with a 24% response rate of those contacted. Nearly 33% said they were lone parents, only 60% were in full time permanent employment, and the large majority describe themselves as something other than 'White British'. The most startling figure that 23% of members say that they have less than £15,000 total income to their household and 60% of our members live in homes where the total household income is less than £30,000.

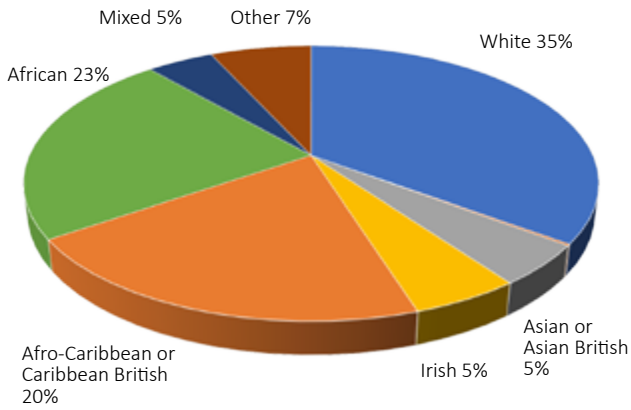
Here, in graphical form, is a snap shot of our membership at the end of the 2018-19 financial year.

Gender

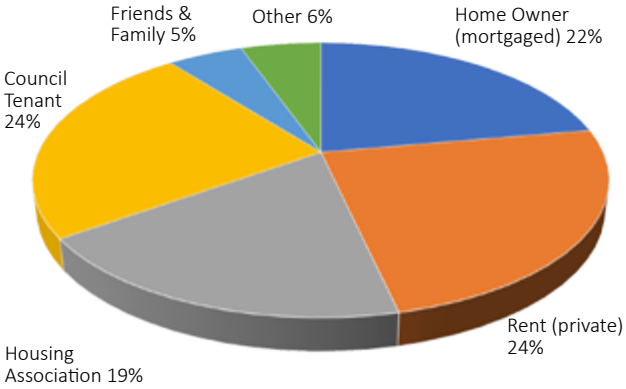


23% of our membership live in homes with a TOTAL household income of less than £15k per annum

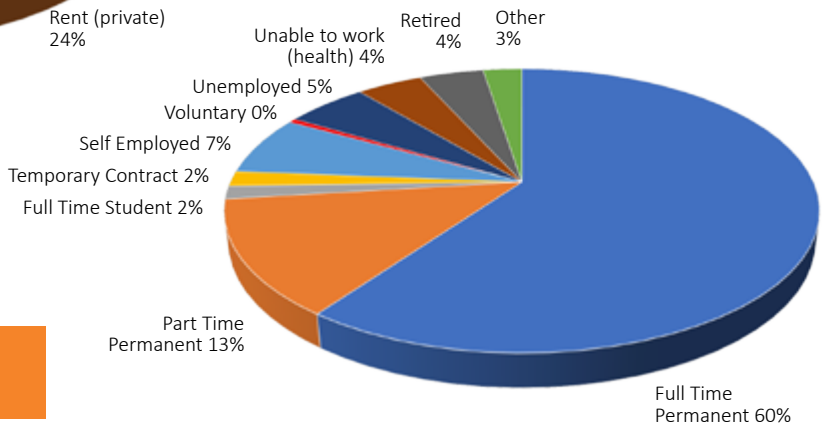
Ethnicity



Housing Tenure



Employment



33% of our members tell us that they are lone parents

Looking Forward

Despite reducing levels of unemployment, we continue to see a steady rise in low paid and insecure employment, often described as the 'gig economy'. For a number of years salary rises have lagged behind inflation, and in-work and other welfare benefits have been frozen. The continued roll-out of Universal Credit will increase hardship to many members and put downward pressure on our profitability as we issue many more smaller emergency loans. This economic situation makes it more difficult for people to save money and to repay their loans. It is essential that we get more people saving using Salary Savings Schemes as a way out of habitual debt and into the savings habit.

In our last two annual reports we identified increasing our capital/assets ratio as the key challenge for the next few years. Regulation from the Prudential Regulation Authority that required us to significantly increase our capital ratio with effect from 1st of October 2018 had caused us serious problems. Our Board and national trade body have actively lobbied for changes to this requirement as it is believed to restrict competition in the financial services market and limit the social benefits that the credit union sector can deliver. Whilst the regulator is consulting on some reduction to the requirement, maintaining high levels of capital will still be a real challenge in years to come if we are to meet both the regulatory requirements and our social objectives.

We are now offering deferred shares as a way of increasing our capital and actively seeking additional subordinated loans from local authorities, social housing providers and high net worth individuals. Without these sources of additional capital we are faced with continued restrictions on our growth and the need to increase the cost of our loans. This would make us less attractive to the mainstream population and increase our risks by focussing unnecessarily on sub-prime markets to the exclusion of the majority of the population who would benefit from our services. Without such external support we will not be able to resume our important work with schools. Capital requirements for credit unions continue to be a real barrier to future growth and our ability to meet the needs of those who need us most.

We began to accept corporate members in 2012, allowing organisations to make deposits with us. We now have forty businesses, charities, community & faith groups as corporate members. Regrettably we have had to limit this service to community groups as a result of the need to build capital. We want to provide corporate membership as a real benefit to small community groups as well 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 has previously assisted us by providing additional funds to lend, displacing high interest loans and preventing problem debt in our communities. If we can raise external capital then we can again resume this important service to local communities. The organisations own deposits can then be used for the benefit of the wider society.

We continue to be confident of meeting our business plan targets as ever more people look for ways of reducing the cost of borrowing, look to practical ways of saving, and recognise the benefits of our supportive and flexible way of doing business. Whilst retail interest rates remain low we remain committed to being in a position to pay dividends to our members at the earliest opportunity.

Corporate Governance

Board of Directors

The Board is responsible for the strategic direction of the credit union, establishing policies and procedures for the operation of the business. It also holds management accountable for delivery of the business plan and maintenance of high quality service to members. During the financial year 2018-19 the following directors held office following the AGM in February 2019:

Directors' Attendance at Board Meetings During the Financial Year to the end of September 2019

Director	25 Oct	15 Nov	13 Dec	24 Jan	28 Feb	28 Mar	25 Apr	23 May	27 Jun	25 Jul	22 Aug	26 Sep	Number of meetings attended
Mark Badcock	P	P	P	P	P	P	P	P	P	P	P	P	12/12
Helen Baron	P	P	P	P	P	P	P	P	P	P	P	P	12/12
Elisabetta Bertero	-	-	-	P	P	P	P	P	P	P	P	P	9/9
Paul Campy	Ap	P	P	P	Ap	P	P	P	P	Ap	P	Ap	8/12
Jonathan Colclough	-	-	-	P	Ap	P	P	Ap	P	Ap	Ap	P	5/9
James Darbyshire	P	Ap	Ap	Ap	Rs	-	-	-	-	-	-	-	2/5
Kathleen Egan	P	P	Ap	P	P	Ap	P	Ap	P	Ap	Ap	Ap	6/12
Elaine Greaves	Ap	Ap	Ap	P	P	P	Ap	Ap	P	P	P	P	7/12
Anthonia Ifeanyi-Okoro	P	Ap	Ap	P	Rs	-	-	-	-	-	-	-	2/5
Don Kehoe	P	P	P	P	P	P	P	P	P	P	P	P	12/12
Michael Mlilo-Mbasa	P	P	Ap	Ap	Ap	P	P	P	Ap	P	Ap	P	7/12
TOTAL	**7**	**6**	**4**	**9**	**7**	**8**	**8**	**6**	**8**	**6**	**6**	**7**	

P = present
Co = Co-opted
LoA = Leave of Absence agreed by the Board
Ap = apologies for absence received
Rs = Resigned

The Board is comprised solely of unpaid members of the credit union who commit to volunteer on a regular basis. During the year, one new director, Elisabetta Bertero, joined the board and in addition Jonathan Colclough re-joined the board after an absence of several months due to pressure of work. Two directors, James Darbyshire and Anthonia Ifeanyi-Okoro resigned due to family and work commitments that limited their ability to commit adequate time to the role. We would like to record our appreciation of their contribution to the credit union. We remain committed to ensuring that anyone serving on the Board must be suitably qualified and committed for these roles.

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

Loans Panel Report

The Board appoints a panel of members who are authorised to make decisions on loan applications. During the 2018-19 financial year an average 369 loans per month were issued (444 pcm 2017-18), totalling £ 6,533,000 (£7,057,000, 2017-18). Over 50% of loan applications are now submitted online through the website or via the app. The average loan value fell slightly this year after many years of rapid increases, largely due to demand for smaller emergency loans from members moving on to Universal Credit. Too many small value loans increases our costs disproportionately and makes the business less sustainable. Changes to policy have since been agreed to make larger loans more attractive to the broader membership.

The Loans Panel continues to balance the demand for loans with the essential role of protecting our members' savings by minimising risk, as far as is practically possible. The cost of bad debt provisioning rose again during the year, mainly as a result of the activities of unscrupulous firms promoting inappropriate IVAs, and online fraud. We have seen very many people struggling with the effects of inflation and most welfare benefits have remained frozen. Where members do struggle with payments our Loans Support Officers will generally offer a range of options, including, for instance, an 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 in the short term it helps the members at the time when they need that level of understanding. This maintains member loyalty, trust and reduces long term losses.

Report of Supervisory Team

The role of this team is to act as an independent auditor of internal procedures to ensure that policies, procedures and regulatory requirements are properly applied. Since the previous AGM in February 2019 the elected committee members were Ms Brenda Cossio (Chair), and Messrs. Eugene McCrohan, John Davies, Gordon Brown. 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 regard to the risk register and board risk appetite, prioritising areas where risk is highest. Where issues have been raised then action has been taken to improve processes and policies.

One of the key roles of the Supervisory Committee is to ensure that the Board delivers compliance with regulatory requirements. We are pleased to confirm that all regulatory returns have been completed and returned as required.

Capital Ratio 2016-17	8.18%
Capital Ratio 2017-18	8.81%
Capital Ratio 2018-19	8.29%

The credit union would like to express our appreciation to the hard work and commitment of our volunteer supervisory team.

Remuneration

It should be noted that all Directors and Supervisors conduct their duties on a purely voluntary 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 establishes the recommended minimum pay rate required for a worker to provide their family with the essentials of life. In London the rate during the latter part of the year in question was £10.55p per hour. The ratio between hourly rates of pay of the highest and lowest paid employee in the credit union during 2018-19 remained static at 2.9.

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 for our running costs.

We continue to have cross-party support of councillors, and officers at a number of local authorities. Their commitment to co-operative financial services in their boroughs allows us to plan further expansion. The continued support of Haringey Council in the form of a subordinated loan has been indispensable to meeting the regulatory requirements for capital, and in providing money to lend to Haringey residents. This loan has been critical to us in maintaining our services given the dramatic increase in our regulatory capital requirement. We will be seeking similar capital support from other councils, organisations and individuals.

We would also like to thanks a number of housing associations and social housing providers, notably Barnet Homes, Southern Housing Group, ISHA, Newlon Housing Trust 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 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. These schemes also generate the savings that we are then able to lend to those in need of affordable credit. This is mutual self-help in action.

Volunteers and interns 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.

Thank you all.

What Our Members Said

"The credit union membership help me a lot and so many times, if I have got a financial issue once I call or visited the credit union office, my problem is resolved."

"...they encouraged me to save while offering me affordable low interest loans without the unreasonable judgement I witnessed from my high street bank. I now have over £3K in savings!"

"It has helped me start saving and the staff are always very friendly and helpful."

"They helped me to stay financially on my feet. And also sort my financial needs for my dad's funeral. So helpful!"

"Always on point with the information and the staff are friendly and patient."

"I saved for Christmas for the first time and savings for the first time in over 40 years! Thank you for being there."

"Credit Union has provided me with a worthwhile saving plan with so much extras that I was not aware of."

"It helps me financially to give my kids lots of fun and entertainment thru the school holidays and the best gifts at Christmas."

"This membership has actually helped me from getting into bad loans. I have taken loans many times with little interest. Very easy to save even when paying off loans without realising it which you can never get with high street banks."

"It afforded me the opportunity to visit Jamaica to see my mother before she passed away last year. Thank you so much for your help, I am truly grateful."

London Capital Credit Union Ltd

Annual Report and Financial Statements for the Year Ended 30 September 2019

Registration No. 214094

Alexander Sloan
Accountants and Business Advisers

Contents

Credit Union Information

FCA number 214094

Directors
Ms Helen Baron
Mr Mark Badcock
Mr James Darbyshire
Ms Kathleen Egan
Ms Elaine Greaves
Mr Don Kehoe
Mr Michael Mlilo-Mbasa (Appointed 25 October 2018)
Dr Elisabetta Bertero (Appointed 24 January 2019)
Mr Jonathan Colclough (Appointed 24 January 2019)

Secretary
Mr Don Kehoe

Registered office
The Jeremy Hopgood Rooms
Caxton House
129 St John's Way
London
N19 3RQ

Auditor
Alexander Sloan
180 St Vincent Street
Glasgow
G2 5SG

Directors' Report
for the Year Ended 30 September 2019

The Directors present their annual report and financial statements for the year ended 30 September 2019.

Principal activity
The principal activity of the credit union continued to be that defined in 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.

Results and dividends
The results for the year are set out on page 4.

Directors
The Directors who held office during the year and up to the date of signature of the financial statements were as follows:
Ms Helen Baron
Mr Mark Badcock
Mr James Darbyshire
Ms Kathleen Egan
Ms Elaine Greaves
Mr Don Kehoe
Mr Michael Mlilo-Mbasa (Appointed 25 October 2018)
Dr Elisabetta Bertero (Appointed 24 January 2019)
Mr Jonathan Colclough (Appointed 24 January 2019)
Ms Anthonia Ifeanyi-Okoro (Resigned 28 February 2019)

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 are 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).

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

Directors' Report (continued)
for the Year Ended 30 September 2019

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.

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

Mr Don Kehoe
Secretary
12 December 2019

Independent Auditor's Report to the members of London Capital Credit Union

Opinion

We have audited the financial statements of London Capital Credit Union Ltd (the ' credit union ') for the year ended 30 September 2019 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 2019 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 in 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.

Independent Auditor's Report (continued) to the members of London Capital 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
12 December 2019

180 St Vincent Street
Glasgow
G2 5SG

Revenue Account
for the Year Ended 30 September 2019

	Note	2019	2018
		£	£
Loan interest receivable and similar income	3	1,300,816	1,318,669
Interest payable and similar charges	4	-	(2,165)
Net interest receivable		1,300,816	1,316,504
Fees and commissions receivable	5	3,692	6,288
Fees and commissions payable	6	(20,404)	(14,317)
Net fees and commissions		(16,712)	(8,029)
Other operating income	7	71,096	30,890
Administrative expenses	8	(702,526)	(652,684)
Depreciation and amortisation		(16,428)	(14,960)
Other operating expenses	9	(57,010)	(56,584)
Impairment on loans for bad and doubtful debts		(594,721)	(554,300)
(Deficit)/surplus before taxation		(15,485)	60,837
Corporation Tax	12	(2,792)	(2,562)
(Deficit)/surplus for the year		(18,277)	58,275

The Revenue Account has been prepared on the basis that all operations are continuing operations. The notes on pages 25-38 form an integral part of these financial statements.

Statement of Comprehensive Income for the Year Ended 30 September 2019

	Note	2019	2018
		£	£
(Deficit)/surplus for the year		(18,277)	58,275
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(18,277)	58,275

The notes on pages 25-38 form an integral part of these financial statements.

Balance Sheet as at 30 September 2019

	Note	2019	2018
		£	£
Assets			
Cash and balances at central banks	13	112	163
Loans and advances to banks	13	4,636,738	2,900,595
Loans and advances to customers	14	9,695,490	10,773,096
Intangible assets	16	4,789	11,206
Tangible assets	17	10,651	14,277
Prepayments		27,866	28,088
Total assets		14,375,646	13,727,425
Liabilities & Reserves			
Customer accounts	18	13,154,014	12,489,719
Other liabilities	19	494,915	492,712
		13,648,929	12,982,431
General reserve	26	344,452	362,729
Other reserves	26	382,265	382,265
Total reserves		726,717	744,994
Total liabilities and reserves		14,375,646	13,727,425

The financial statements were approved by the Board of Directors and authorised for issue on Thurs 23rd January 2020 and are signed on its behalf by:

Helen Baron

Ms Helen Baron

Director

M.D Badcock

Mr Mark Badcock

Treasurer

D J Kehoe

Mr Don Kehoe

Secretary

Statement of Changes in Equity for the Year Ended 30 September 2019

	Other Reserves £	IT & Property Reserves £	Appropriation reserve £	General reserve £	Total £
Balance at 1 October 2017	183,789	120,000	78,476	304,454	686,719
Year ended 30 September 2018: Surplus and total comprehensive income for the year	-	-	-	58,275	58,275
Other Movements	78,476	-	(78,476)	-	-
Balance at 30 September 2018	**262,265**	**120,000**	**-**	**362,729**	**744,994**
Year ended 30 September 2019: Deficit and total comprehensive income for the year	-	-	-	(18,277)	(18,277)
Balance at 30 September 2019	**262,265**	**120,000**	**-**	**344,452**	**726,717**

The notes on pages 25-38 form an integral part of these financial statements.

Statement of Cash Flows for the Year Ended 30 September 2019

	Note	2019 £	£	2018 £	£
Cash flows from operating activities					
Surplus (deficit) for the period			(18,277)		58,274
Depreciation and amortisation	10	16,428		14,960	
Corporation tax expense	12	2,792		2,562	
Provision movement	15	596,436		558,963	
Interest income on loans	3	(1,286,123)		(1,305,807)	
Distribution on member shares	4	-		2,165	
			(670,467)		(727,157)
Working capital adjustments					
Change in other receivables and prepayments		222		(9,340)	
Change in other liabilities		1,855		590	
Change in deferred income		-		(12,960)	
			2,077		(21,710)
Cash flows from changes in operating assets and liabilities					
Loan repayments less loans advanced	14	1,767,293		618,052	
Customer balance cash movement		664,295		83,837	
Movement on funds on deposit	13	(100,734)		104,176	
			2,330,854		806,065
Corporation tax paid			(2,444)		(2,615)
Net cash flow from operating activities			1,641,743		112,858
Investing activities					
Purchase of intangible assets	16	(1,171)		(12,030)	
Purchase of tangible fixed assets	17	(5,214)		(18,140)	
Net cash used in investing activities			(6,385)		(30,170)
Financing activities					
Cash movement on subordinated loans		-		(285,000)	
Net cash used in financing activities			-		(285,000)
Net increase/(decrease) in cash and cash equivalents			1,635,358		(202,312)
Cash and cash equivalents at beginning of year			1,890,642		2,092,954
Cash and cash equivalents at end of year			3,526,000		1,890,642

The notes on pages 25-38 form an integral part of these financial statements.

Notes To The Financial Statements For The Year Ended 30 September 2019

1 Accounting policies

Background 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.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Co-operative and Community Benefit Societies Act 2014.

The financial statements are prepared in sterling, which is the functional currency of the credit union. Monetary amounts in these financial statements are rounded to the nearest 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 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.

1.3 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.

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	33% straight line

1.4 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:

Plant and equipment	
Fixtures and fittings	25% 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.

1.5 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.

1.6 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 8 days.

1.7 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.

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 though 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.

1.8 Taxation

The tax expense for the period comprises current tax. Tax is recognised in the revenue account, 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.

Current tax

The tax currently payable is based on taxable surplus for the year. Taxable surplus differs from the surplus as reported in the revenue account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The credit union's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1.9 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.

1.10 Retirement benefits

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

1.11 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.

1.12 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.

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
The credit union assesses, 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.

3 Interest receivable and similar income

	2019	2018
	£	£
Interest income on loans	1,286,123	1,305,807
Interest income on bank deposits	14,693	12,862
	1,300,816	1,318,669

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:

	2019	2018
	£	£
Interest and similar charges paid during the period		
Distributions to juvenile members	-	2,165

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:

	2019	2018
Dividend rates paid during year	%	%
Juvenile share dividend	-	1.00

5 Fees and commissions receivable

	2019	2018
	£	£
Entrance fees	3,692	6,288

6 Fees and commissions payable

	2019	2018
	£	£
Bank charges	20,404	14,317

7 Other operating income

	2019	2018
	£	£
Other income	4,058	3,212
Grant income	65,000	12,960
Donations received	2,038	14,718
	71,096	30,890

8 Administrative expenses

	Notes	2019	2018
		£	£
Staff costs	11	469,504	451,480
External auditor's remuneration		7,012	5,388
Member communication and advertising		78,930	90,354
Legal, professional and credit control costs		82,143	37,295
Computer and software expenses		23,570	19,205
Travel costs		17,723	18,918
General administration costs		23,644	30,044
		702,526	652,684

9 Other operating expenses

	2019	2018
	£	£
Regulatory costs	8,302	7,655
Costs of occupying offices	48,708	48,929
	57,010	56,584

10 Operating (deficit)/surplus

Operating (deficit)/surplus for the year is stated after charging:

	2019	2018
	£	£
Fees payable to the credit union's external auditor for the audit of the financial statements	7,012	5,388
Depreciation of owned tangible fixed assets	8,840	7,532
Amortisation of intangible assets	7,588	7,428
Operating lease charges	46,962	46,887

11 Employees

The average monthly number of persons employed by the credit union during the year was:

	2019 Number	2018 Number
Staff	18	17

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	419,336	405,478
Social security costs	35,292	32,206
Pension costs	14,876	13,796
	469,504	451,480

12 Corporation tax

Current tax

	2019 £	2018 £
UK corporation tax on taxable surplus for the current period	2,792	2,562

The actual 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:

	2019 £	2018 £
Deficit before taxation	(15,485)	60,837
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(2,942)	11,559
Tax effect of income/expenditure not taxable in determining taxable surplus	5,734	(8,997)
Taxation charge for the year	2,792	2,562

13 Loans and advances to banks

	2019 £	2018 £
Cash held at banks	3,525,888	1,890,479
Bank deposits	1,110,850	1,010,116
Loans and advances to banks	4,636,738	2,900,595
Cash in hand	112	163
Total cash and bank balances	4,636,850	2,900,758
Loans split by repayment period		
Cash and cash equivalents	3,526,000	1,890,642
Amounts maturing in over 8 days	1,110,850	1,010,116
	4,636,850	2,900,758

14 Loans and advances to customers

	Notes	2019 £	2018 £
Loan movement			
Opening balances		12,451,089	11,829,525
Interest on loans		1,286,123	1,305,807
Loans advanced during the period		6,510,415	7,255,133
Loans repaid during the period		(8,277,708)	(7,873,185)
Loans derecognised		(21,379)	(66,191)
		11,948,540	12,451,089
Loan impairment provisions	15	(2,253,050)	(1,677,993)
		9,695,490	10,773,096
Loans split by repayment period			
Capital repayments due within 1 year		6,386,654	6,924,359
Capital repayments due after 1 year		5,561,886	5,526,730
Loan impairment provisions	15	(2,253,050)	(1,677,993)
		9,695,490	10,773,096
Loans split by type			
Loans to members		11,948,540	12,451,089
Loan impairment provisions	15	(2,253,050)	(1,677,993)
		9,695,490	10,773,096

15 Loan impairment

Loan impairment provision

	Write off Provision £	Arrears Provision £	Total Provisions £
Opening balances	358,000	1,319,993	1,677,993
Provision movement	(21,958)	597,015	575,057
Closing balances	336,042	1,917,008	2,253,050

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	2019 £	2018 £
Impairment revenue account charge			
Impairment provision movement		575,057	492,772
Bad debts derecognised	14	21,379	66,191
Bad debts recovered		(1,715)	(4,663)
		594,721	554,300

16 Intangible fixed assets

	Software £
Cost	
At 1 October 2018	52,404
Additions- separately acquired	1,171
At 30 September 2019	53,575
Amortisation and impairment	
At 1 October 2018	41,198
Amortisation charged for the year	7,588
At 30 September 2019	48,786
Carrying amount	
At 30 September 2019	4,789
At 30 September 2018	11,206

17 Tangible fixed assets

	Fixtures and fittings £
Cost	
At 1 October 2018	88,731
Additions	5,214
At 30 September 2019	93,945
Depreciation and impairment	
At 1 October 2018	74,454
Depreciation charged in the year	8,840
At 30 September 2019	83,294
Carrying amount	
At 30 September 2019	10,651
At 30 September 2018	-

18 Customer accounts

	2019 £	2018 £
Deposit movement		
Opening balances	12,489,719	12,403,717
Deposited during the period	9,078,835	8,634,083
Withdrawn during the period	(8,414,540)	(8,548,081)
	13,154,014	12,489,719
Deposits split by type		
Standard dividend bearing member shares	12,718,749	11,971,853
Corporate dividend bearing shares	145,958	226,098
Juvenile member deposits	289,307	291,768
	13,154,014	12,489,719

19 Other liabilities

	Notes	2019	2018
		£	£
Subordinated loans	20	465,000	465,000
Corporation tax		2,792	2,444
Other creditors		3,825	3,207
Accruals and deferred income		10,699	22,061
		482,316	492,712

20 Loans and overdrafts

	2019	2018
	£	£
Subordinated loans, payable after one year	465,000	465,000

Included within creditors is a subordinated debt. This debt is subordinate to the interests of all other creditors, including members and juvenile depositors, except deferred shares. The debts are repayable on various dates starting in December 2023. and so is counted as regulatory capital. Interest is not charged on the loan.

21 Financial risk management

The credit union 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 the credit union 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 the credit union, resulting in financial loss to the credit union. In order to manage this risk the Board approves the 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 the likelihood of repayment has changed. The credit union also monitors its banking arrangements for credit risk.

Liquidity risk
The policy of the credit union is to maintain sufficient funds in liquid form at any 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 the credit union arises between the interest rate exposure on loans, bank deposits and shares that form an integral part of a credit union's operations. The credit union 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.

22 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to revenue account in respect of defined contribution schemes	14,876	13,796

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.

23 Credit risk on lending

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

	2019 £	2018 £
Security for loans		
Attached shares	5,277,105	4,233,164

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.

	2019 £	2018 £
Loans not individually impaired		
Not past due	8,468,300	8,941,576
Up to 3 months past due	800,689	1,466,859
	9,268,989	10,408,435
Loans individually impaired		
Between 3 and 6 months past due	468,554	368,040
Between 6 months and 1 year past due	238,003	441,014
Over 1 year past due	1,636,952	875,600
Individually impaired and written off for internal purposes	336,042	358,000
	2,679,551	2,042,654
Total loans	11,948,540	12,451,089
Impairment allowance	(2,253,050)	(1,677,993)
	9,695,490	10,773,096

24 Credit risk on bank and investments

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

	2019 £	2018 £
Bank accounts	3,525,888	1,890,479
Bank term deposits	1,110,850	1,010,116
	4,636,738	2,900,595

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

25 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.

	2019		2018	
		Rates received in year		Rates received in year
	Amount £	%	Amount £	%
Financial Assets				
Loans to members	11,948,540	10.54%	12,451,089	10.76%
Loans and advances to banks	4,636,738	0.39%	2,900,595	0.42%
	16,585,278		15,351,684	
Financial liabilities				
Juvenile deposits	(289,307)	-	(291,768)	0.80%
Dividend bearing shares	(12,864,707)	-	(12,197,951)	-
Loans to the credit union	(465,000)	-	(465,000)	-
	(13,619,014)		(12,954,719)	

26 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.

The credit union has the following other reserves:

IT & Property
Other reserves represent reserves of the credit union which have not been designated for any specific purpose.

Other
The IT & Property reserve represents reserves allocated to future IT and property projects of the credit union.

27 Capital

The credit union classes all of its reserves as capital. The credit union manages its reserves through its financial and budgeting policies and procedures. In addition, a proportion of the subordinated loan is classed as capital in accordance with the PRA rule book. 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:

	2019	2018
	%	%
Actual capital to asset ratio	8.29%	8.81%
Regulatory requirement		
Base capital requirement	8.00%	8.00%
Capital buffer	2.00%	2.00%
Total capital requirement	10.00%	10.00%

At present the Credit Union is below the PRA capital requirement. The Credit Union has plans in place which aim to increase its surpluses and capital so that it can meet the regulatory limits. The Directors are confident of their plans and therefore believe that the Credit Union will remain a going concern.

28 Financial commitments, guarantees and contingent liabilities

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 union's 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.

29 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:

	2019	2018
	£	£
Within one year	10,454	10,454
Between two and five years	18,650	29,100
Total lessee operating lease commitment	29,104	39,554

30 Related party transactions

The credit union classes the Directors and members of the senior management team as key management.

Remuneration of key management personnel
The remuneration of key management personnel is as follows.

	2019	2018
	£	£
Wages and salaries	79,558	76,103

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.

	2019	2018
	£	£
Loans to key management and their close family	2,530	11,427
Shares held by key management and their close family	62,053	30,401

Other related party transactions
A subordinated loan of £15,000 was received by the Credit Union from a member of staff during the previous year. In addition, the Credit Union received a subordinated loan of £50,000 from St Luke's Parochial Trust in the previous year whose chair is the secretary of the Credit Union. These balances are outstanding at the end of the year There were no subordinated loans received from related parties this year.

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 £12,480 (2018: £11,121).

Detailed Revenue Account
For The Year Ended 30 September 2019

	Notes	2019 £	2018 £
Income			
Interest income on loans	3	1,286,123	1,305,807
Interest income on bank deposits	3	14,693	12,862
Fees and commissions receivable	5	3,692	6,288
Other income	7	71,096	30,890
		1,375,604	1,355,847
Expenditure			
Staff costs	11	469,504	451,480
Auditors remuneration		7,012	5,388
Member communication and advertising	8	78,930	90,354
Legal, professional and credit control costs	8	82,143	37,295
Computer and software expenses	8	23,570	19,205
Travel costs	8	17,723	18,918
Bank charges	6	20,404	14,317
General administration costs	8	23,644	30,044
Regulatory costs	9	8,302	7,655
Costs of occupying offices	9	48,708	48,929
Depreciation and amortisation	10	16,428	14,960
Impairment on loans for bad and doubtful debts	15	594,721	554,300
		1,391,089	1,292,845
Surplus before taxation		(15,485)	63,002
Corporation tax	12	(2,792)	(2,562)
		(18,277)	60,440
Distributions		-	(2,165)
(Deficit)/surplus for the year		(18,277)	58,275

This page does not form part of the statutory accounts

Continued from inside front cover

Interesting COOP Facts

- More than 12% of humanity (1 billion people) is part of any of the 3 million co-operatives in the world
- Co-operatives provide jobs or work opportunities to 10% of the employed population
- Together co-operatives employ, in 771,988 offices and outlets, 12,610,748 persons or roughly 0.19% of the world's population, slightly larger than the entire adult population of Ecuador
- Co-operative employment, both full-time and part-time, involves at least 250 million people in the world, according to official data from 74 countries covering 75% of the world's population.
- 19% of these organisations operate in Banking and Financial services. The remaining 81% encompass Health, Education and Social Care, Agriculture and Food industries, and Industry and Utilities amongst other industries.
- Combined, the global co-operative economy is larger than France's economy and places right behind Germany's economy as the 5th largest economic unit if it were a united country.
- Together co-operatives around the world generate US$2,962,896,113,938 in annual revenue, equivalent to 4.3% of global GDP
- 1,156 Organisations have a turnover over US$100m. 49 organisations in banking and financial services generated more than US$100 million in turnover in 2014
- Total banking income for financial co-operatives in the top 300 was US$387 billion in 2014

Japan
In Japan, the agricultural co-operatives report outputs of US$90 billion with 91% of all Japanese farmers in membership. In 2007 consumer co-operatives reported a total turnover of US$34.048 billion with 5.9% of the food market share

Kenya
In Kenya, 63% of the population derive their livelihoods from co-operatives

New Zealand
In New Zealand, 3% of the gross domestic product (GDP) is generated by co-operative enterprise. Co-operatives are responsible for 95% of the dairy market and 95% of the export dairy market

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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

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