



London Capital Credit Union
the savings & loans co-operative



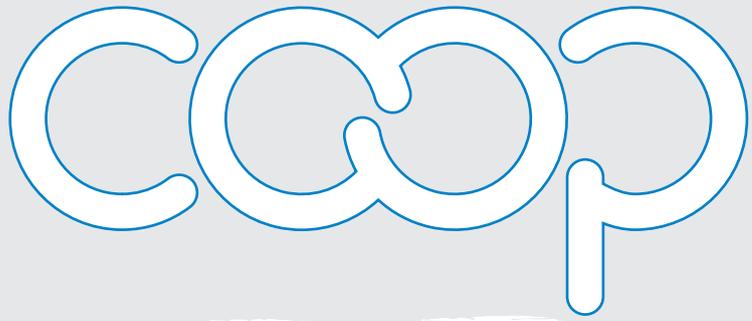
Solidarity

Unity is Strength

**Annual Report
2019 - 2020**



Worldwide Information On Co-operatives



Finland

Finland's economy is now regarded as the most co-operative in the world, with 84% of the population having membership in at least one co-operative and 56% in at least two. The largest retailer in the country, which is also the largest private employer, is the co-operative HOK Elanto.

Netherlands

In the Netherlands 518 housing co-operatives provide 7m homes for over 17m citizens.

Jamaica

There are 25 credit unions in Jamaica with over 1m members out of the total population of 3m.

Côte d'Ivoire

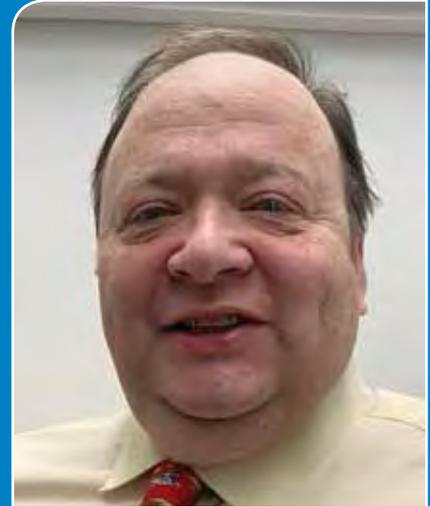
Côte d'Ivoire has more than 5,000 cooperatives, including more than 3,000 in the coffee-cocoa sector and about 300 in the cotton sector.

Peru

Almost 2m out of a total 32m Peruvians are a member of 1,245 different co-operatives in this South American nation

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 2020. The purpose of this report is to inform members & stakeholders of our progress in meeting our objectives, to provide high quality ethical and affordable mutual financial services.

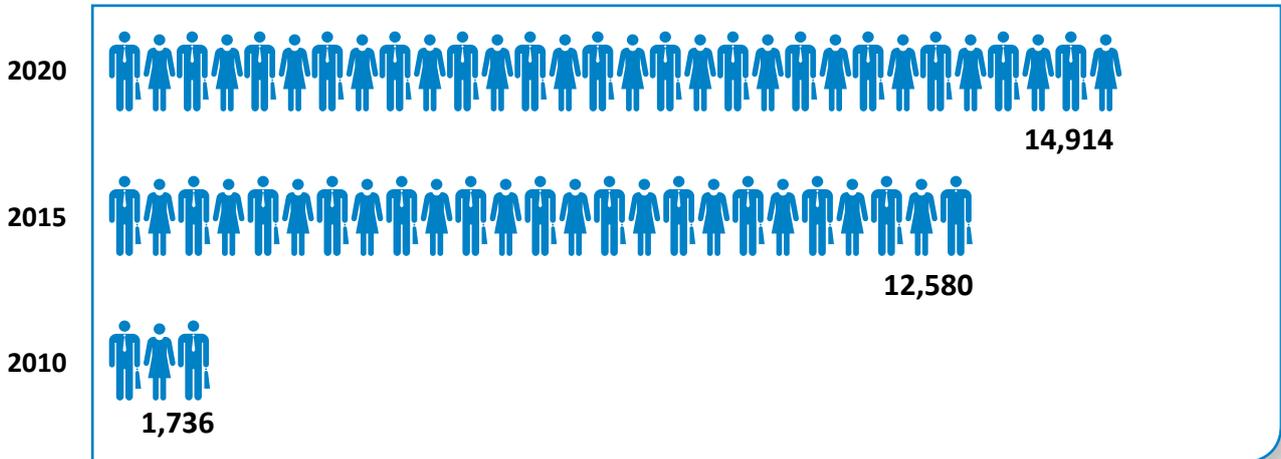
The last year was one of further consolidation with the additional economic shock of the global pandemic. In previous years' annual reports, we highlighted the challenge in meeting the required capital asset ratio which limited our capacity for growth and ability to deliver our social objectives. With ongoing financial support from Haringey Council and a new subordinated loan from the Trust for London we have been able to maintain adequate capital levels and prepare for a relaunch and growth. However, in the second half of the financial year we saw the Covid crisis emerge. As members deferred discretionary expenditure such as holidays, home improvements or vehicle purchases, we saw a large decrease in the number and total value of loan applications. As a result, our loan book decreased in value for the 3rd year running after many years of growth. For the second year running we are reporting a financial loss for as loan interest income fell.

Painful steps have been taken to reduce costs and safeguard our future. Emergency cost cutting measures were put in place as the economic

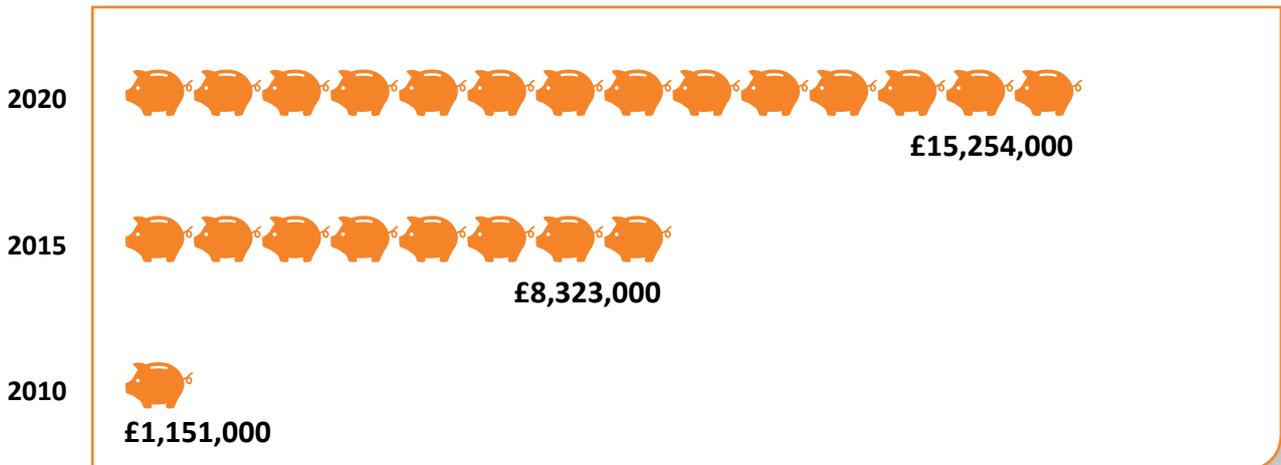
effects of the Covid infection made their mark. We made effective use of the furlough scheme to keep employees for as long as possible but regrettably we had to lose three staff members during the financial year. As with many businesses it has been a very difficult time and it is a tribute to our staff and volunteer team that they have adapted to new ways of working and been able to support our members, many of whom have faced and continue to face financial hardship with rising unemployment and reduced incomes.

During the year our costs of bad debt provisioning has reduced, largely as a result of improved decision making, better implementation of credit control procedures and a lower incidence of fraudulent loan applications. Much of the cost of bad debt is again a direct result of the unscrupulous activities of poorly regulated profit-making companies promoting inappropriate IVAs and ever-increasing online fraud/identity theft. We continue to work with ABCUL, our national trade body to lobby for the Financial Conduct Authority to bring the functions of insolvency practitioners under an effective regulatory regime that protects customers.

Membership



Shares



Loans



Key Points of the 2019-20 Financial Year

One of our key successes has been the continued expansion of our Salary Savings Schemes with a number of new employer partners, including Family Action, University College London, and Lineage Logistics. Many employers and their trade unions agree with us that it is better for people to save for things than borrow and these schemes greatly increase the number of people saving for a rainy day. Employees also gain access to our support services and ethical low-cost credit if they need it. It fits well with employers' staff benefits package and promotes the general wellbeing of staff. Such schemes are essential to us in providing the savings that form lending capital that allows us to deliver so much community benefit.

At the end of this financial year we saw a small fall in our capital asset ratio mainly because of the solid rise in asset value, our members savings. These increased savings were made possible by the financial support of the Trust for London in providing capital that allowed this growth. We have continued to take less risk in lending, and taken steps to reduce costs. This has meant closing inactive or dormant accounts as they are expensive for us to maintain and this limits our ability to boost capital. The financial year saw a small drop in membership as a result of the closure of dormant accounts and the cost saving reductions in marketing activity. Despite this however we saw a large increase in savings as the health and economic crisis focussed minds on the need to save more and borrow less. Many long standing members started saving for the first time as a result of our contacting dormant account holders. Overall membership fell slightly but active membership is increasing.

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

- Membership reduced to 14,914 (-5%)
- Savings/share balances rose to £14,605,000 (+14%)
- Loans balances reduced to £7,644,619 (-21%)

Despite a sizeable reduction in the value of our loan book we saw a relatively small reduction of 8% in loan interest income. This was primarily due to better lending decisions and considerably improved functioning of our credit control team leading to reduced levels of default. 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 for the credit union to maintain financial independence and long-term sustainability.

Our loan products continue to be attractive to our members at times of need. We expect the demand for loans to increase dramatically in coming years. Despite the reduction in lending as a result of Covid we continue to have a higher loan to savings ratio than most UK credit unions and this is essential to our financial self-sufficiency. We aim to increase our loan book significantly over the next three years as the economy returns to something like normality. We hope to play our part in making the 'new normal' a fairer place. In future children should not go hungry in one of the world's most prosperous nations. Success in lending is particularly important as it evidences our ability to replace other sources of more expensive debt, and gets ever more people moving from becoming borrowers into being savers.

During the year we have seen an increased proportion of our business being conducted online, particularly via the app for mobile devices. These online services are particularly popular as they speed up access to accounts. The resulting reduction in office administration frees up time for our staff to deal with those members who need our help with things like completing forms and budgeting.



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The credit union membership helped me a lot and so many times. If I have got a financial issue once I call the credit union office, my problem is quickly resolved



Member Satisfaction - Customer Service

Once again, 2019-20 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 increased need for more capital has meant we have been forced to decline a greater proportion of loan applications. Unsurprisingly, those having had loans declined were again the ones giving the lowest satisfaction ratings in our annual member survey.

We focus on good service as it is good for business and because our 'customers' are our members and they own the business. During 2020 we undertook the annual survey and asked our members how they rated us for customer service. Despite our office being closed to visitors over 19% of the members we contacted responded to the questionnaire. Of particular note was that 54% of those responding said that they had no savings at all before they joined the credit union. As our primary objective is to promote saving this is a very positive result.

The survey shows a high overall level of member satisfaction with the services we provide, with an average score of 8.7 out of a possible 10, (an increase from 8.6 in the previous year). On reviewing the results, we believe that this is a significant achievement given the closure of the office to visitors and our tighter lending policies that led to more people having loan applications declined.

The survey showed that we need to do more to communicate our services, with nearly 27% of the mobile App, and over 42% not having heard of our budgeting accounts or money advice services. This was a good improvement on the previous year, but an area for further progress. 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 continues to be the most effective method of driving membership recruitment, savings and take up of our Saver Loans.

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, dealing with debt, and over time we see most of our members move from being borrowers to being savers. The number of visits to the money management page of the website continues to increase, using the trusted tools and guides of the Money and Pensions Service.

As a co-operative we are committed to wider social goals beyond increasing profitability and shareholder value. Whilst we need to trade at a profit to meet our running costs, the way we run our business and distribute any surplus 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, 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 with us, and that we then lend to displace existing high-cost debt, our members will save £1.25 each year in interests, bank charges and fees. During 2019-20 we issued loans to the value of £4,512,000 to our members. Based on this formula they are estimated to have saved over £5,564,000 in interest by transferring high-cost debts to the credit union. Over the next few years we forecast a financial benefit to our members, and the wider community, of nearly 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 to help our communities deal with the impacts of the economic recession.

Awards & Accreditations



FairBanking Mark- Five Star Award

The Fair Banking Foundation 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. Such practices are in the interest of customers and wider society. It fits well with the co-operative values of openness, honesty and putting the interests of our members 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

In 2016 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 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 many hundreds of financial institutions having followed our lead and committing to the Charter. We continue to actively encourage more female members to participate at the most senior levels of the credit union.



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 to use this important quality mark by the FairLife Charity.

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, having lost their job, or having gone through a personal crisis such as divorce/separation.

We conducted an annual survey of our membership, with a 19% response rate of those contacted. The majority of our members are female, 65%. Nearly 37% of all respondents said they were lone parents, only 59% were in full time permanent employment, and the large majority describe themselves as something other than 'White British'.

The most startling figure that 24% of members say that they have less than £15,000 total income to their household and 62% 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 2019-20 financial year.



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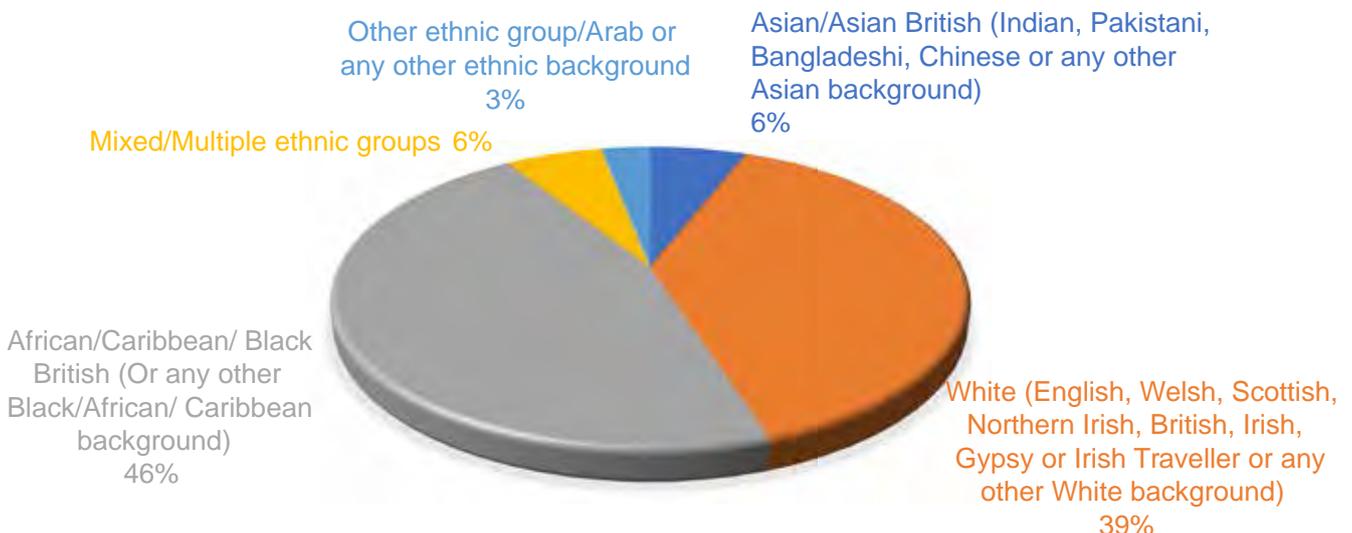
37 % of our members tell us that they are lone parents



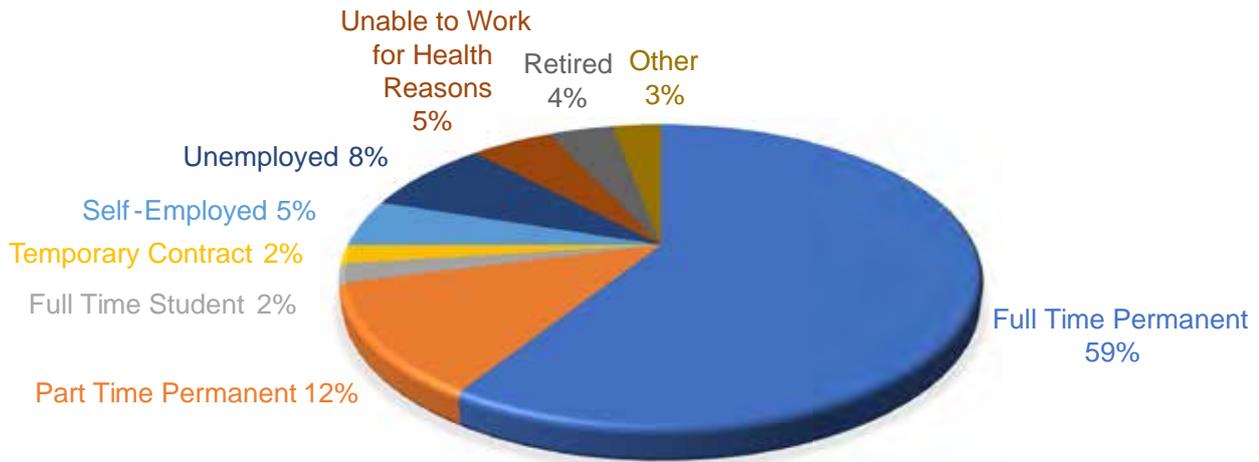
London Capital Credit Union
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24 % of our membership live in homes with a TOTAL household income of less than £15k per annum

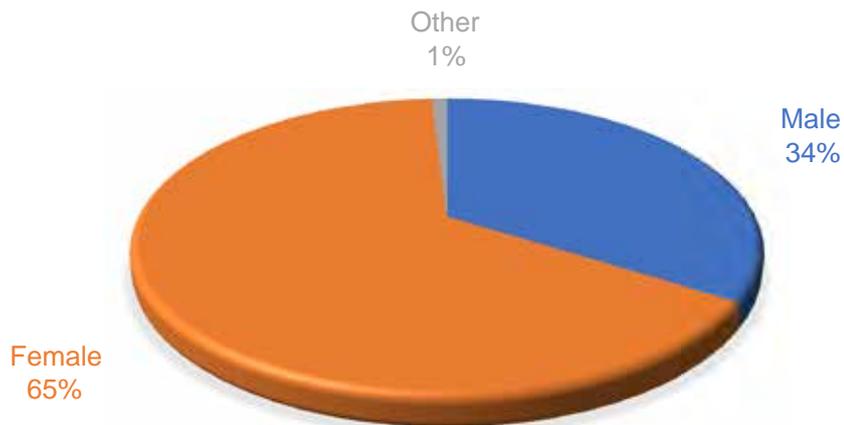
ETHNICITY



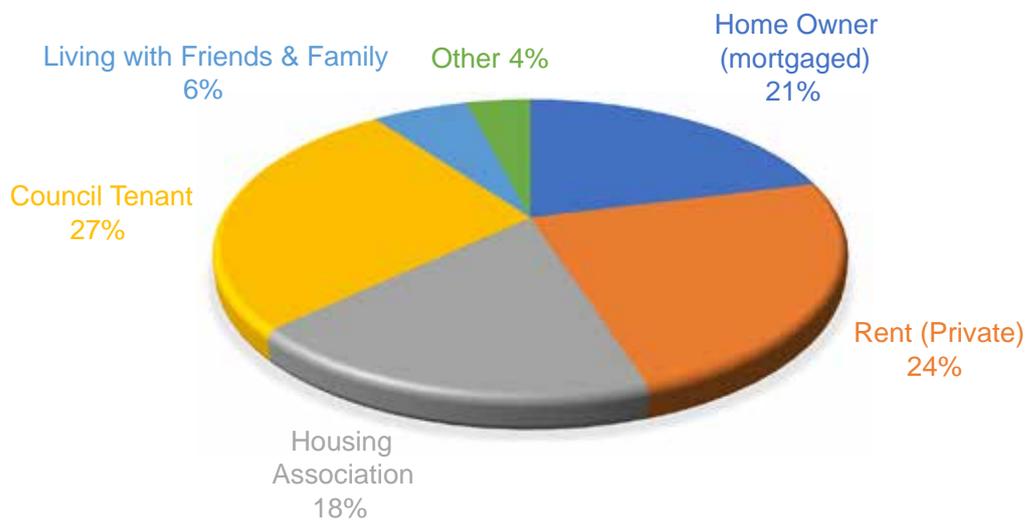
EMPLOYMENT



GENDER



HOUSING TENURE



Looking Forward

It is clear that the economic recession resulting from Covid is likely to last a number of years and the need for our services is likely to be greater than ever. Experience shows that demand for our loans increases during recessions and we are well placed to help increasing numbers of people at times of need.

To enable us to increase membership and meet demand for loans we will need to maintain healthy levels of capital. We have recently launched an improved communications programme which is already increasing member participation. We will do more to encourage existing members to use our Saver Loans to clear existing more expensive debt. Increasing member participation increases income and reduces costs. We will continue to seek external investment in the form of grants and subordinated debt, but our primary focus will continue to be on increasing capital asset ratio through self-generated income. Increased capital is essential to provide us with the capacity to meet the needs of people for affordable credit and secure savings.

At the time of writing we are about to launch a pilot on providing loans through online loan aggregators. Currently credit unions do not feature on loan comparison websites such as MoneySupermarket, GoCompare or CompareTheMarket and these currently source around 70% of the UK unsecured lending market. This pilot is expected to make many more people aware of the credit union alternatives to expensive debt.

We are also working with a number of other London credit unions to promote web based Child Benefit Loans to assist people with young families. This project funded by the proceeds of crime fund via the Illegal Money Lending Team. Such loans are really helpful to parents where the financial demands of raising a family can be challenging.

Crucial to our success in future is increasing the number of members using our salary savings schemes. We will continue to engage with more employers to provide our services as an employee benefit but will do much more to encourage more people to take up use of such schemes.

Our priority continues to be maintaining high levels of members satisfaction as word of mouth personal recommendation continues to be our greatest asset. We will not get everything right all the time but we will strive to give our members the highest quality personal service in the years to come.



London Capital Credit Union
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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
the savings & loans co-operative

It has really helped me by providing loans when I needed them. The process is so easy using the online facility. Thank you



London Capital Credit Union
the savings & loans co-operative

It's really helped me get stuff I need being a single mother, it has helped me to give my children a nice childhood

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 the following directors held office following the AGM in February 2020:

Directors' Attendance at Board Meetings During the Financial Year to the end of September 2020

Director	24 Oct	21 Nov	12 Dec	23 Jan	27 Feb	26 Mar	23 Apr	28 May	25 Jun	23 Jul	27 Aug	24 Sep	Number of meetings attended
Mark Badcock	P	P	P	P	Ap	P	P	P	P	P	P	P	11
Helen Baron	P	P	P	P	P	P	P	P	P	P	P	P	12
Elisabetta Bertero	P	P	P	P	P	P	P	P	P	Ap	P	P	11
Paul Campy	P	P	P	Ap	P	P	P	P	P	P	P	P	11
Jonathan Colclough	P	Ap	P	P	Ap	P	Ap	P	Ap	P	Ap	P	7
Kathleen Egan	Ap	Ap	Ap	Ap	Ap	Rs	--	--	--	--	--	--	0
Elaine Greaves	Ap	P	Ap	Ap	Ap	Ap	Ap	P	P	Ap	P	P	5
Don Kehoe	P	P	P	P	P	P	P	P	P	P	P	P	12
Michael Mlilo-Mbasa	Ap	P	P	Ap	P	P	P	P	P	P	P	P	10
TOTAL	6	7	7	5	5	7	6	8	7	6	7	8	

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 in question long serving director Kathleen Egan resigned following a job promotion and increased work commitments that limited her ability to commit adequate time to the role. We would like to record our appreciation of her significant contribution to the credit union over many year. We remain committed to ensuring that anyone serving on the Board must be suitably qualified and committed to fulfil 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 2019-20 financial year an average 243 loans per month were issued (369 pcm 2018-19), totalling £ 4,512,000 (£6,533,000, 2018-19). Over 60% of loan applications are now submitted online through the website or via the App. The average loan value rose slightly this year after last years reduction. However we continue to see significant demand for smaller emergency loans from members claiming Universal Credit following redundancies. Low value loans increase our costs disproportionately and makes the business less sustainable. Changes to policy have since been agreed to make larger loans more attractive to the general public and this has shown positive result in increasing average loan value.

The Loans Panel continues to balance the demand for loans with the essential role of protecting our member's savings by minimising risk. The cost of bad debt provisioning fell during the year, despite online fraud and the continuing activities of unscrupulous firms promoting inappropriate IVAs. We have seen very many people struggling with the effects of reduced household income due to furlough and job losses. Where members do struggle with payments our Loans Support Officers will 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. We are actively seeking grant support to assist with costs arising from Covid related forbearance on loans as furlough and job losses continue.

Report of Supervisory Team

The role of this team is to act as an independent internal auditor to ensure that policies, procedures and regulatory requirements are properly applied. Since the previous AGM in February 2020 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.

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 continuing 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 £10.85p per hour. The ratio between hourly rates of pay of the highest and lowest paid employee in the credit union remained static again 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 our running costs. Our members are the very heart of our business.

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 growth. In particular 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. In addition the subordinated loan provided by the Trust for London has been critical in allowing us to get more people saving and reducing the cost of their borrowing. These loans are critical to us in maintaining our services. We will continue seeking similar capital support from other councils, organisations and individuals.

We would also like to thank 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 escaping 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. We would also like to thank the trade unions Unison and Unite whose partnerships are so useful in developing these schemes for the benefit of their members. Such schemes are crucial to encouraging ordinary working people to save rather than borrow, and in preventing debt problems in years to come. They 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.



London Capital Credit Union
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What Our Members Say

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

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

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

Efficient, clear understanding and good service in processing my loan application

I was encouraged to save for Christmas. It is the first time in over 40 years! Thank you for being there

The Credit Union has provided me with a worthwhile saving plan that helps so much with unexpected costs

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





Alexander Sloan
Accountants and Business Advisers

LONDON CAPITAL CREDIT UNION LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Registration No. 214094

LONDON CAPITAL CREDIT UNION LTD

CREDIT UNION INFORMATION

FCA number 214094

Registered Society number 513C

Directors

Mr Mark Badcock

Ms Helen Baron

Ms Elisabetta Bertero

Mr Paul Campy

Mr Jonathan Colclough

Ms Elaine Greaves

Ms Kerry Hallett

(Appointed 17 December 2020)

Mr Don Kehoe

Mr François Jarrosson

(Appointed 26 November 2020)

Mr Michael Mlilo-Mbasa

Mr Barak Sas

(Appointed 26 November 2020)

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

LONDON CAPITAL CREDIT UNION LTD

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LONDON CAPITAL CREDIT UNION LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

Principal activity

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 21.

Directors

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

Mr Mark Badcock

Ms Helen Baron

Ms Elisabetta Bertero

Mr Paul Campy

Mr Jonathan Colclough

Ms Kathleen Egan

(Resigned 26 March 2020)

Ms Elaine Greaves

Ms Kerry Hallett

Mr Don Kehoe

Mr François Jarrosson

(Appointed 26 November 2020)

Mr Michael Mlilo-Mbasa

(Appointed 26 November 2020)

Mr Barak Sas

(Appointed 17 December 2020)

Compliance statement

Under the Prudential Regulation Authority rulebook the Board of Directors must report to the members at the Annual General Meeting on certain areas of compliance within the credit union. The credit union 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.

LONDON CAPITAL CREDIT UNION LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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.

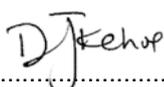
Statement of disclosure to auditor

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

Date: 28.01.21

LONDON CAPITAL CREDIT UNION LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LONDON CAPITAL CREDIT UNION LTD

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2020 and of its surplus or deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

LONDON CAPITAL CREDIT UNION LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LONDON CAPITAL CREDIT UNION LTD

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

This report is made solely to the credit union's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the credit union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the credit union and the credit union's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alexander Sloan
Accountants and Business Advisers
Statutory Auditor

180 St Vincent Street
Glasgow
G2 5SG

LONDON CAPITAL CREDIT UNION LTD

REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 £	2019 £
Loan interest receivable and similar income	3	1,196,828	1,300,816
Interest payable and similar charges	4	(5,122)	-
Net interest receivable		<u>1,191,706</u>	<u>1,300,816</u>
Fees and commissions receivable	5	9,753	3,692
Fees and commissions payable	6	(25,058)	(20,404)
Net fees and commissions		<u>(15,305)</u>	<u>(16,712)</u>
Other operating income	7	101,987	71,096
Administrative expenses	8	(697,786)	(702,526)
Depreciation and amortisation		(18,090)	(16,428)
Other operating expenses	9	(54,752)	(57,010)
Impairment on loans for bad and doubtful debts	15	(580,563)	(594,721)
(Deficit) before taxation		<u>(72,803)</u>	<u>(15,485)</u>
Corporation tax	12	(3,857)	(2,792)
Deficit for the year		<u><u>(76,660)</u></u>	<u><u>(18,277)</u></u>

The Revenue Account has been prepared on the basis that all operations are continuing operations. The notes on pages 26 to 41 form an integral part of these financial statements.

LONDON CAPITAL CREDIT UNION LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 £	2019 £
Deficit for the year		(76,660)	(18,277)
Other comprehensive income		-	-
Total comprehensive loss for the year		<u>(76,660)</u>	<u>(18,277)</u>

The notes on pages 26 to 41 form an integral part of these financial statements.

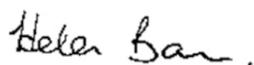
LONDON CAPITAL CREDIT UNION LTD

BALANCE SHEET

AS AT 30 SEPTEMBER 2020

	Notes	2020 £	2019 £
Assets			
Cash and balances at central banks	13	154	112
Loans and advances to banks	13	8,535,164	4,636,738
Loans and advances to customers	14	7,644,619	9,695,490
Intangible assets	16	4,155	4,789
Tangible assets	17	11,549	10,651
Other receivables	18	225	-
Prepayments		18,408	27,866
Total assets		16,214,274	14,375,646
Liabilities and reserves			
Customer accounts	19	14,945,200	13,154,014
Other liabilities	20	54,017	29,915
Subordinated loans	21	565,000	465,000
		15,564,217	13,648,929
General reserve	27	267,792	344,452
Other reserves	27	382,265	382,265
Total reserves		650,057	726,717
Total liabilities and reserves		16,214,274	14,375,646

The financial statements were approved by the Board of Directors and authorised for issue on 28.01.21 and are signed on its behalf by:



.....
Ms Helen Baron
Director



.....
Mr Mark Badcock
Director



.....
Mr Don Kehoe

Secretary

The notes on pages 26 to 41 form an integral part of these financial statements.

LONDON CAPITAL CREDIT UNION LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	IT & Property Reserve £	Other Reserve £	General Reserve £	Total £
Balance at 1 October 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)
Other movements	-	-	-	-
Balance at 30 September 2019	262,265	120,000	344,452	726,717
Year ended 30 September 2020:				
Deficit and total comprehensive income for the year	-	-	(76,660)	(76,660)
Balance at 30 September 2020	262,265	120,000	267,792	650,057

The notes on pages 26 to 41 form an integral part of these financial statements.

LONDON CAPITAL CREDIT UNION LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	£	2020 £	£	2019 £
Cash flows from operating activities					
Deficit for the period			(76,660)		(18,277)
Depreciation and amortisation	10	18,090		16,428	
Corporation tax expenses	12	3,857		2,792	
Provision movement	15	581,539		596,436	
Interest income on loans	3	(1,176,898)		(1,286,123)	
Distribution on members shares	4	5,122		-	
			(568,290)		(670,467)
Working capital adjustments					
Change in other receivables and prepayments		9,233		222	
Change in other liabilities		22,908		1,855	
			32,141		2,077
Cash flows from changes in operating assets and liabilities					
Loan repayments less loans advanced	14	2,646,230		1,767,293	
Customer balance cash movement		1,786,064		664,295	
Movement on funds on deposit	13	(503,013)		(100,734)	
			3,929,281		2,330,854
Corporation tax paid			(2,663)		(2,444)
Net cash flow from operating activities			3,313,809		1,641,743
Investing activities					
Purchase of intangible assets	16	(5,526)		(1,171)	
Purchase of tangible fixed assets	17	(12,828)		(5,214)	
Net cash used in investing activities			(18,354)		(6,385)
Financing activities					
Proceeds from borrowings		-		-	
Cash movement on subordinated loans		100,000		-	
Net cash generated from/(used in) financing activities			100,000		-
Net increase in cash and cash equivalents			3,395,455		1,635,358
Cash and cash equivalents at beginning of year			3,526,000		1,890,642
Cash and cash equivalents at end of year			6,921,455		3,526,000

The notes on pages 26 to 41 form an integral part of these financial statements.

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 Going concern

The Credit Union has prepared financial projections taking into account the expected impact Covid-19 on the Credit Union’s financial reserves. While it is unknown how long the pandemic will last or the extent of the impact on the economy, at the time of approving the financial statements, the Directors have a reasonable expectation that the credit union has adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Income

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

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

1.4 Intangible fixed assets

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

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

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
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1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

(Continued)

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

Fixtures and fittings	25% straight line
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the credit union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the credit union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

1.7 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of less than 8 days.

1.8 Financial instruments

The credit union has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised in the credit union's balance sheet when the credit union becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include loans to members and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

(Continued)

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 through the revenue account to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.9 Taxation

The tax 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.

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

(Continued)

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.

1.10 Employee benefits

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

1.11 Retirement benefits

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

1.12 Leases

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

1.13 Government grants

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

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.

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

3 Interest receivable and similar income

	2020 £	2019 £
Interest income on loans	1,176,898	1,286,123
Interest income on bank deposits	19,930	14,693
	<u>1,196,828</u>	<u>1,300,816</u>

4 Interest payable and similar charges

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

	2020 £	2019 £
Interest and similar charges paid during the period		
Dividend on dividend bearing shares	5,122	-
	<u>5,122</u>	<u>-</u>

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

	2020 %	2019 %
Dividend rates paid during year		
Juvenile share dividend	2.00	-
	<u>2.00</u>	<u>-</u>

5 Fees and commissions receivable

	2020 £	2019 £
Entrance fees	-	3,692
Service charges	9,753	-
	<u>9,753</u>	<u>3,692</u>

6 Fees and commissions payable

	2020 £	2019 £
Bank charges	25,058	20,404
	<u>25,058</u>	<u>20,404</u>

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

7 Other operating income

	2020	2019
	£	£
Other income	25,471	4,058
Grant income	74,014	65,000
Donations received	2,502	2,038
	<u>101,987</u>	<u>71,096</u>

8 Administrative expenses

	Notes	2020	2019
		£	£
Staff costs	11	535,097	469,504
External auditor's remuneration		8,355	7,012
Member communication and advertising		63,126	78,930
Legal, professional and credit control costs		26,948	82,143
Computer and software expenses		26,072	23,570
Travel costs		6,933	17,723
General administration costs		31,255	23,644
		<u>697,786</u>	<u>702,526</u>

9 Other operating expenses

	2020	2019
	£	£
Regulatory costs	7,003	8,302
Costs of occupying offices	47,749	48,708
	<u>54,752</u>	<u>57,010</u>

10 Operating deficit

	2020	2019
	£	£
Operating deficit for the year is stated after charging:		
Fees payable to the credit union's external auditor for the audit of the financial statements	8,355	7,012
Depreciation of owned tangible fixed assets	11,930	8,840
Amortisation of intangible assets	6,160	7,588
Operating lease charges	46,887	46,962
	<u>73,332</u>	<u>70,402</u>

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

11 Employees

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

	2020 Number	2019 Number
Staff	19	18

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	483,024	419,336
Social security costs	33,985	35,292
Pension costs	18,088	14,876
	<u>535,097</u>	<u>469,504</u>

12 Corporation tax

	2020 £	2019 £
Current tax		
UK corporation tax on taxable surplus for the current period	3,857	2,792

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:

	2020 £	2019 £
Deficit before taxation	(72,803)	(15,485)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(13,833)	(2,942)
Tax effect of income/expenditure not taxable in determining taxable surplus	17,690	5,734
Taxation charge for the year	<u>3,857</u>	<u>2,792</u>

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

13 Loans and advances to banks

	2020 £	2019 £
Cash held at banks	6,921,301	3,525,888
Bank deposits	1,613,863	1,110,850
	<u>8,535,164</u>	<u>4,636,738</u>
Loans and advances to banks	8,535,164	4,636,738
Cash in hand	154	112
	<u>8,535,318</u>	<u>4,636,850</u>
	<u><u>8,535,318</u></u>	<u><u>4,636,850</u></u>
Loans split by repayment period		
Cash and cash equivalents	6,921,455	3,526,000
Amounts maturing in over 8 days	1,613,863	1,110,850
	<u>8,535,318</u>	<u>4,636,850</u>
	<u><u>8,535,318</u></u>	<u><u>4,636,850</u></u>

14 Loans and advances to customers

	Notes	2020 £	2019 £
Loan movement			
Opening balances		11,948,540	12,451,089
Interest on loans		1,176,898	1,286,123
Loans advanced during the period		4,512,453	6,510,415
Loans repaid during the period		(7,158,683)	(8,277,708)
Loans derecognised		(94,233)	(21,379)
		<u>10,384,975</u>	<u>11,948,540</u>
Loan impairment provisions	15	(2,740,356)	(2,253,050)
		<u>7,644,619</u>	<u>9,695,490</u>
		<u><u>7,644,619</u></u>	<u><u>9,695,490</u></u>
Loans split by repayment period			
Capital repayments due within 1 year		5,318,169	6,386,654
Capital repayments due after 1 year		5,066,806	5,561,886
Loan impairment provisions	15	(2,740,356)	(2,253,050)
		<u>7,644,619</u>	<u>9,695,490</u>
		<u><u>7,644,619</u></u>	<u><u>9,695,490</u></u>
Loans split by type			
Loans to members		10,384,975	11,948,540
Loan impairment provisions	15	(2,740,356)	(2,253,050)
		<u>7,644,619</u>	<u>9,695,490</u>
		<u><u>7,644,619</u></u>	<u><u>9,695,490</u></u>

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

14 Loans and advances to customers

(Continued)

15 Loan impairment

	Write off Provision £	Arrears Provision £	Total Provisions £
Loan impairment provision			
Opening balances	336,042	1,917,008	2,253,050
Provision movement	(65,218)	552,524	487,306
Closing balances	<u>270,824</u>	<u>2,469,532</u>	<u>2,740,356</u>

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

	Notes	2020 £	2019 £
Impairment revenue account charge			
Impairment provision movement		487,306	575,057
Bad debts derecognised	14	94,233	21,379
Bad debts recovered		(976)	(1,715)
		<u>580,563</u>	<u>594,721</u>

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

16 Intangible fixed assets

	Software £
Cost	
At 1 October 2019	53,575
Additions - separately acquired	5,526
	<hr/>
At 30 September 2020	59,101
	<hr/>
Amortisation and impairment	
At 1 October 2019	48,786
Amortisation charged for the year	6,160
	<hr/>
At 30 September 2020	54,946
	<hr/>
Carrying amount	
At 30 September 2020	4,155
	<hr/> <hr/>
At 30 September 2019	4,789
	<hr/> <hr/>

17 Tangible fixed assets

	Fixtures and fittings £
Cost	
At 1 October 2019	93,945
Additions	12,828
	<hr/>
At 30 September 2020	106,773
	<hr/>
Depreciation and impairment	
At 1 October 2019	83,294
Depreciation charged in the year	11,930
	<hr/>
At 30 September 2020	95,224
	<hr/>
Carrying amount	
At 30 September 2020	11,549
	<hr/> <hr/>
At 30 September 2019	10,651
	<hr/> <hr/>

18 Other receivables

	2020	2019
	£	£
Amounts falling due within one year:		
Other debtors	225	-
	<hr/> <hr/>	<hr/> <hr/>

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

19 Customer accounts

	2020 £	2019 £
Deposit movement		
Opening balances	13,154,014	12,489,719
Deposited during the period	10,540,414	9,078,835
Withdrawn during the period	(8,749,228)	(8,414,540)
	<u>14,945,200</u>	<u>13,154,014</u>
Deposits split by type		
Standard dividend bearing member shares	14,478,819	12,718,749
Corporate dividend bearing shares	127,012	145,958
Juvenile member deposits	339,369	289,307
	<u>14,945,200</u>	<u>13,154,014</u>

20 Other liabilities

	Notes	2020 £	2019 £
Subordinated loans	21	565,000	465,000
Corporation tax		3,986	2,792
Other creditors		3,825	3,825
Accruals and deferred income		46,206	23,298
		<u>619,017</u>	<u>494,915</u>

21 Loans and overdrafts

	2020 £	2019 £
Subordinated loans	<u>565,000</u>	<u>465,000</u>
Payable after one year	<u>565,000</u>	<u>465,000</u>

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

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

22 Retirement benefit schemes

	2020	2019
Defined contribution schemes	£	£
Charge to revenue account in respect of defined contribution schemes	18,088	14,876

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 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 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.

LONDON CAPITAL CREDIT UNION LTD

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

24 Credit risk on lending

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

	2020 £	2019 £
Security for loans		
Attached shares	3,604,590	5,277,105

The carrying amount of the loans to members represents the credit union's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full. The status 'past due' includes any loan where payments are in arrears. The amount included is the entire loan amount and not just the overdue amount.

	2020 £	2019 £
Loans not individually impaired		
Not past due	6,882,821	8,468,300
Up to 3 months past due	470,831	800,689
	<u>7,353,652</u>	<u>9,268,989</u>
Loans individually impaired		
Between 3 and 6 months past due	138,559	468,554
Between 6 months and 1 year past due	293,474	238,003
Over 1 year past due	2,328,466	1,636,952
Individually impaired and written off for internal purposes	270,824	336,042
	<u>3,031,323</u>	<u>2,679,551</u>
Total loans	10,384,975	11,948,540
Impairment allowance	(2,740,356)	(2,253,050)
	<u><u>7,644,619</u></u>	<u><u>9,695,490</u></u>

25 Credit risk on bank and investments

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

	2020 £	2019 £
Bank accounts	6,921,301	3,525,888
Bank term deposits	1,613,863	1,110,850
	<u>8,535,164</u>	<u>4,636,738</u>

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

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

25 Credit risk on bank and investments

(Continued)

26 Interest rates on financial instruments

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

	2020		2019	
	Amount £	Rates received in year %	Amount £	Rates received in year %
Financial assets				
Loans to members	10,384,975	10.54%	11,948,540	10.54%
Loans and advances to banks	8,535,164	0.30%	4,636,738	0.39%
	<u>18,920,139</u>		<u>16,585,278</u>	
Financial liabilities				
Juvenile deposits	(339,369)	-	(289,307)	-
Dividend bearing shares	(14,605,831)	0.04%	(12,864,707)	-
Loans to the credit union	(565,000)	-	(465,000)	-
	<u>(15,510,200)</u>		<u>(13,619,014)</u>	

27 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

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

Other

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

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

28 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:

	2020	2019
	%	%
Actual capital to asset ratio	7.40%	8.29%
Regulatory requirement		
Base capital requirement	6.15%	8.00%
Capital buffer	-	2.00%
Total capital requirement	6.15%	10.00%

29 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.

30 Operating lease commitments

Lessee

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

	2020	2019
	£	£
Within one year	9,998	10,454
Between two and five years	23,220	18,650
Total lessee operating lease commitment	33,218	29,104

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

31 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.

	2020	2019
	£	£
Wages and salaries	77,411	79,558

Transactions with key management

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

	2020	2019
	£	£
Loans to key management and their close family	2,589	2,530
Shares held by key management and their close family	64,044	62,053

Other related party transactions

A subordinated loan of £15,000 was received by the Credit Union from a member of staff during the year 2018/19. In addition, the Credit Union received a subordinated loan of £50,000 from St Luke's Parochial Trust in the year 2018/19 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 £11,529 (2019: £12,480).

LONDON CAPITAL CREDIT UNION LTD

DETAILED REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 £	2019 £
Income			
Interest income on loans	3	1,176,898	1,286,123
Interest income on bank deposits	3	19,930	14,693
Fees and commissions receivable	5	9,753	3,692
Other income	7	101,987	71,096
		<u>1,308,568</u>	<u>1,375,604</u>
Expenditure			
Staff costs	11	535,097	469,504
Auditors remuneration		8,355	7,012
Member communication and advertising	8	63,126	78,930
Legal, professional and credit control costs	8	26,948	82,143
Computer and software expenses	8	26,072	23,570
Travel costs	8	6,933	17,723
Bank charges	6	25,058	20,404
General administration costs	8	31,255	23,644
Regulatory costs	9	7,003	8,302
Costs of occupying offices	9	47,749	48,708
Depreciation and amortisation	10	18,090	16,428
Impairment on loans for bad and doubtful debts	15	580,563	594,721
		<u>1,376,249</u>	<u>1,391,089</u>
Surplus before taxation		(67,681)	(15,485)
Corporation tax	12	(3,857)	(2,792)
		<u>(71,538)</u>	<u>(18,277)</u>
Distributions		(5,122)	-
Deficit for the year		<u>(76,660)</u>	<u>(18,277)</u>

Interesting COOP Facts

At least 12% of people on earth is a co-operator of any of the 3 million cooperatives on earth. Cooperatives provide jobs or work opportunities to 10% of the employed population, and the three hundred largest cooperatives or mutuals generate \$2,146 billion in turnover while providing the services and infrastructure society needs to thrive.

There are 86,000 with 291 million members spread in every continent other than Antartica.



Thailand

Thailand has 7,083 registered co-operatives with over 13 million members in areas from construction to agriculture.

Australia

Australia has 28m members of co-operative / mutual businesses.

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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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