London Capital Credit Union
the savings & loans co-operative

A Tale of Two Cities

FOR PEOPLE NOT FOR PROFIT

Annual Report 2017 - 2018

coop

INFORMATION ON CO-OPERATIVES

The Co-operative Movement brings together over one billion people around the world and provide 250 million jobs worldwide.

The countries with the most signification numbers of people in co-operative membership are India (242 million), China (160 million) and the USA (120 million).

50% of the population in Singapore are members of co-operatives

France:
23 million people are members of one or more co-operatives or approximately 38% of the population. 75% of all agricultural producers are members of at least one co-operative and 1 in every 3 persons is a member of co-operative bank.

Brazil:
7.6 million people are members of 7,600 co-operatives. Health co-operatives provided medical and dental services to 17.7 million people.

Colombia:
Financial co-operatives have a long tradition in Colombia. The sector counts on 191 credit unions that have helped over four million members to obtain credits worth over USD $12 trillion, administrating funds that amounted to USD $6 trillion.

Paraguay:
783,000 people or 18% of the population are members of 1,047 co-operatives. These have a direct impact on the livelihoods of over 6 million people.

Benin:
The 34 co-operatives and mutuals in Benin have 1,066,304 members, representing 10.61% of the national population.

Bolivia:
2,940,211 people or one-third of the population is a member of the 1590 co-operatives

Argentina:
There are 12,670 co-operative societies with over 9.3 million members- approximately 23.5% of the population. Co-operatives are responsible for providing direct employment to over 233,000 individuals.

Continued inside back cover

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

Overview

This is the report of our credit union's activity for the financial year to the end of September 2018. The purpose of this report is to inform members & stakeholders of our progress.

Once again, 2017-18 saw continued focus in providing the best possible levels of customer service. This has not been easy when combined with the need to improve profitability to meet the increased regulatory requirements for more capital reserves. We focus on good service, not just because it is good for business, but because our 'customers' are our members and they own the business.

We are pleased to report a further surplus. However the financial year has proved to be a challenging one, particularly in meeting the doubling of capital requirements required by the Prudential Regulation Authority. Two years ago, in preparation for the requirement for increased capital we took steps to tighten our lending policy and reduce our costs. This has meant taking less risk in lending and as a result our loan book has decreased in value for the first time in ten years. Despite this, our loan interest income has increased and we are now seeing a gradual levelling off in costs of bad debt provisioning.

We remain convinced that the current regulatory requirements for capital asset ratio will be a real brake on the growth of the UK credit union sector. The fact that over 50% of our members never having had savings of any kind before they joined us shows the importance of the role we have in our society. Reducing the cost of borrowing to thousands of our members has made many families much more financially sound, often reducing the need to choose between heating or eating. We will continue to lobby for a fairer and more proportionate regulation that combines protection of members savings with the capacity for growth.

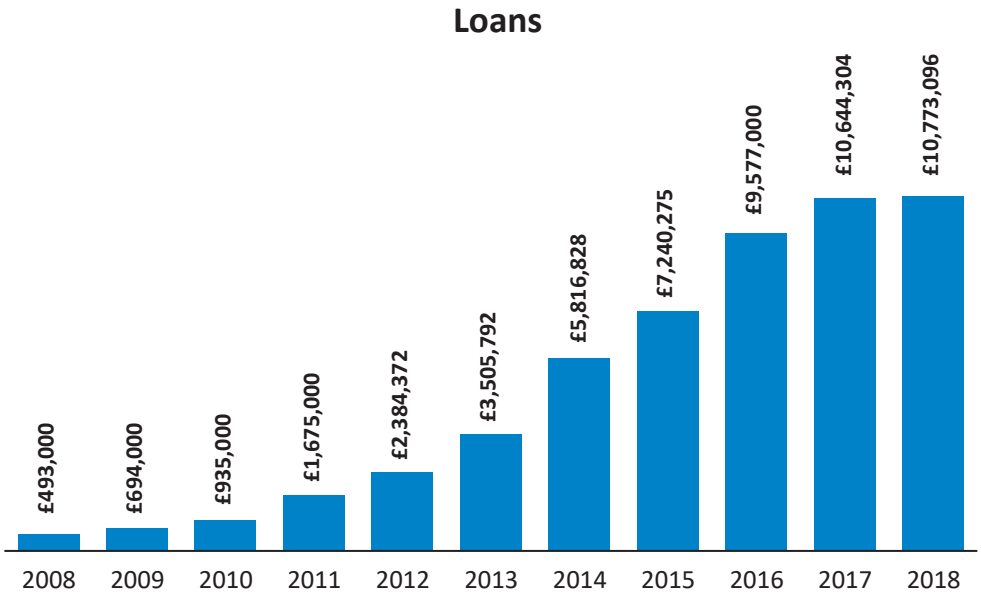
What Our Members Said 2018

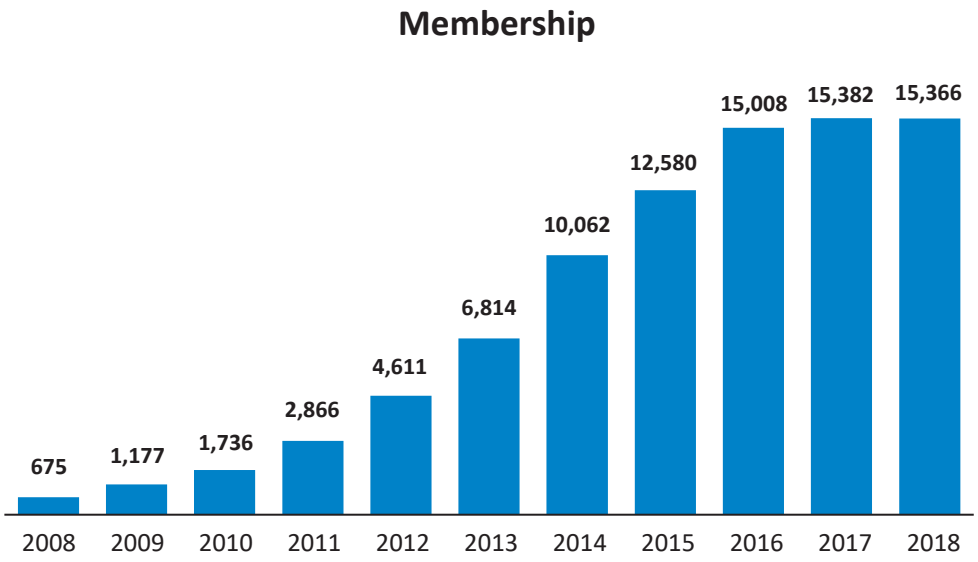
"The Credit Union has helped me with my finances during some very difficult times in my life. The team were very helpful, understanding and were able to assist me in resolving my financial issues efficiently and very quickly. The volunteers and team are doing such a fantastic job!"

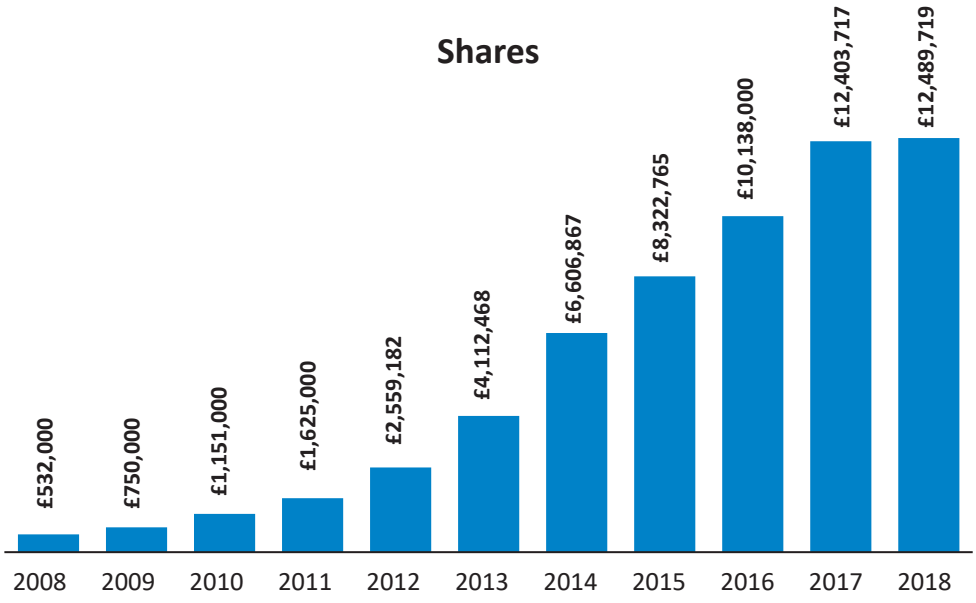
"I now have savings and no debt for the first time in my life!"

"I just have to say thank you to the Credit Union for being there when I needed them most. A timely and quick process."

Impact of Regulatory Changes on Growth







Key Points of the 2017-18 Financial Year

One very significant factor influencing our members and our business in the financial year has been the roll out of Universal Credit. There are well publicised and continuing delays to people receiving their Universal Credit causing very real hardship to people in desperate need. The credit union has seen a large rise in small value loans to help people through the period of moving onto this new benefit. This impacts on the credit union as these small loans often cost us money to issue at a time when we are being required to greatly increase our reserves.

The 2017-18 financial year was one of consolidation. In the last two years' annual reports we highlighted the challenge in meeting the required doubling of capital asset ratio with effect from the 1st of October 2018. In those reports we stressed that meeting these targets without external support would be extremely difficult and would impact adversely on meeting our social objectives. Those forecasts have proven correct.

At the end of the last financial year we were successful in increasing our capital asset ratio with the help of a grant funded by Lloyds Banking Group and the support of many individual and corporate members. However, this achievement came at a cost. As a result of the actions taken to ensure compliance with the new regulation we took steps to actively reduce the amount of savings held by members, took less risk in lending, nudged up interest rates on smaller loans and stopped delivering a number of socially useful services that limit our ability to build capital. This saw a stagnation in the growth of our business after 10 consecutive years of high level growth in all areas.

The latest operating surplus made a contribution to strengthening our reserves, but we still face a very real ongoing challenge to meet the increased requirement of the Prudential Regulation Authority to hold significantly higher levels of capital.

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

- Membership remained fairly stable at 15,366
- Savings/share balances rose very slightly to £12,490,000
- Loans balances reduced slightly to £10,688,000

Despite a smaller loan book we saw an increase in loan interest income by 5% due to slight increases in some loan rates with the introduction on risk based pricing.

Our typical loan rate remains at 12.7% apr, significantly lower than most credit unions and compares very well with a typical UK credit card rate of 24%. Maintenance of a good loan book is vitally important as the credit union continues to move away from reliance on grant aid and towards financial independence and long-term sustainability.

We are pleased that our loan products continue to be attractive to our members. This 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. As a result, we continue to have a much higher loan to share ratio than most UK credit unions. This is essential to financial self-sufficiency.

Default on loans continues to be a very high cost to the business, particularly as a result of the less than scrupulous activities of profit motivated companies promoting inappropriate Individual Voluntary Arrangement (IVAs) and online fraud/identity theft. We have tightened procedures for ID verification but such incidents of online fraud continue at unacceptable levels, causing very real problems for those affected by identity theft. This continues to be an issue for government, regulators and the financial services industry.

Finally, we were pleased to have launched our new App for mobile devices. For most smartphone users this reduces the need to remember complex passwords and PIN numbers and allows members to have full access to their account at any time of day or night. We regard the extension and improvement of online services is vital to making membership relevant and accessible to people with busy working and family lives.

Member Satisfaction - Customer Service

During 2018 we undertook our annual survey and asked our members how they rated us for customer service. Over 15% of our members responded to the questionnaire, and of particular note was that 50% of those responding said that they had no savings at all before they joined the credit union.

Yet again the survey shows a high overall level of member satisfaction with the services we provide, with an average score of 8.5 out of a possible 10, (a slight decrease from 9.0 in the previous year). On reviewing the results we believe that this reduction in member satisfaction arises from our tighter lending policies that led to more people having loan applications declined and changes to opening hours that occurred at the time of the survey.

During the year we introduced 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 need to do more to communicate our services to members, with nearly 50% not knowing about our mobile App, and over 60% 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 continues 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. Its primary objective is to encourage people to save for the future, as a way of avoiding the risks of excessive borrowing. At times when our members need to borrow, or when they are struggling to meet the high cost of existing borrowing, the credit union offers low cost 'Saver Loans' that reduce the cost of borrowing to manageable levels. We also provide guidance and support with budgeting and dealing with debt, and over time our members move from being borrowers to being savers, greatly improving family finances.

We are committed to wider social goals beyond increasing shareholder value and maximising profits. 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 then lend to displace existing high cost debt, our members will save on average £1.25 each year in interests, bank charges and fees.

During 2017-18 we used members savings to issue loans to the value of £7,057,000 to our members. Based on the above formula they are estimated to have saved over £8,821,000 in interest by transferring high cost debts to the credit union. Over the next 5 years we forecast a financial benefit to our members, and the wider community, in excess of £129 million.

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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 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, businesses, campaigners and faith groups coming together to find practical ways to address working poverty and strengthen families.

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 to have been granted permission to use this important quality mark by the FairLife Charity.

FairBanking Mark- Five Star Award

The FairBanking Foundation 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 improving to follow our example of best lending practice in the interest of customers and wider society. This fits well with the co-operative values of openness and honesty.

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 credit unions are all about, so it is natural for us to support the Charter. Since being part of the launch of this initiative we are pleased to note that there are now nearly 300 financial institutions following our lead and committing to the Charter.

What Our Members Said 2018

"I can borrow money whilst still saving with a very low interest compared to a bank. Very good for a hard-working family like us."

"It has helped me so much with a lot of things. Making my life easy and freeing me from money worries."

"It has helped me so much. I had a funeral to attend overseas and the credit union helped me pay to take my four children to say their goodbyes."

Who Are Our Members?

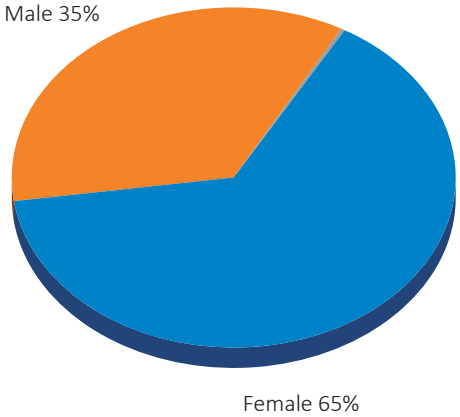
We strive to design our services and products to meet the needs of all people, regardless of their background. That said, our services continue to be of greatest help to those most often excluded from mainstream financial services. These are typically lone parents, people with long term health issues, having been made redundant, or having gone through a personal crisis such as divorce/separation.

We conduct an annual survey of our membership, with a 15% response rate. Nearly 30% 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 shows that 25% of members saying that they have less than £15,000 total income to their household and 62% of our members are 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 2017-18 financial year.

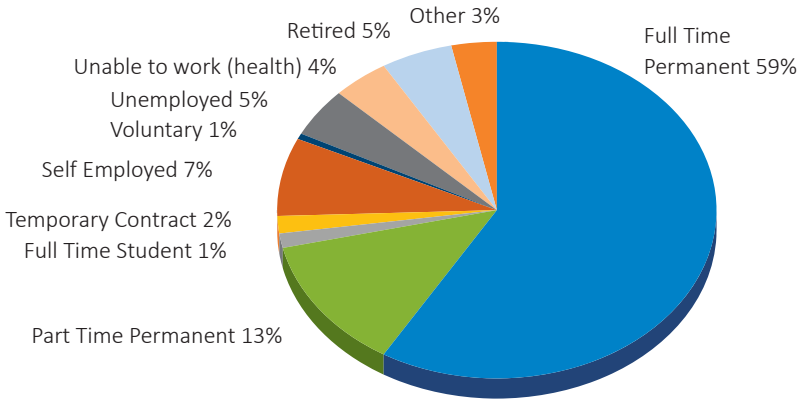
31% of our members tell us that they are lone parents

Gender

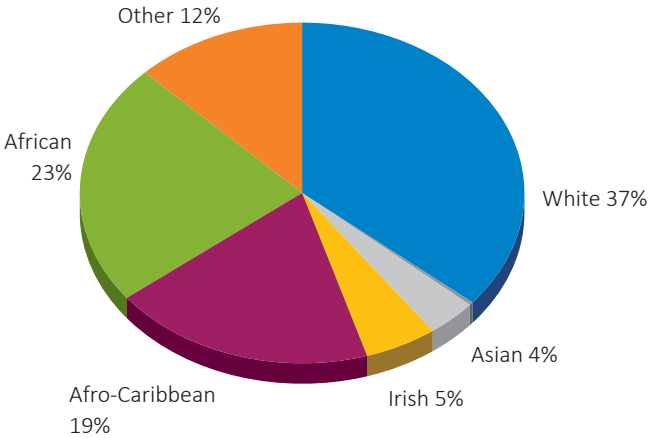


25% of our membership live in homes with a TOTAL household income of less than £15k per annum

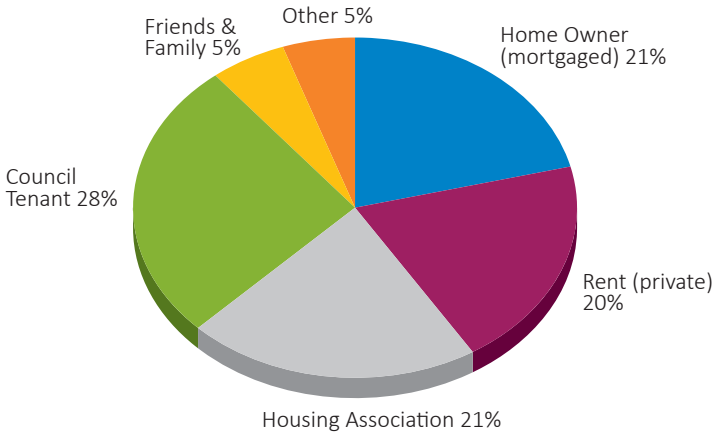
Employment



Ethnicity



Housing Tenure



Looking Forward

Recent years have seen a reducing level of unemployment, but a huge rise in low paid and insecure jobs, often described as the 'gig economy'. Until very recently most salary rises have lagged behind inflation, and in-work and unemployment benefits continue to be frozen. The continued roll-out of Universal Credit is already increasing hardship to members and put downward pressure on our profitability. This economic situation makes it more difficult for people to save money and for some members to repay their loans. Whilst this presents continuing challenges, recent Bank of England base rate rises have already increased the cost of borrowing offered by our competitors. This makes us even more competitive in the lending market.

In our last two annual reports we identified our key challenge in the next few years was to increase our capital/assets ratio. Regulation from the Prudential Regulation Authority required us to significantly increase our capital ratio with effect from 1st of October 2018. This will present a real challenge in years to come if we are to be able to meet these requirements and meet our social objectives. Our Board will actively lobby 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 unions sector can deliver.

We are now offering deferred shares to increase capital and actively seeking additional subordinated loans from local authorities, social housing providers and high net worth individuals. Without deferred shares or subordinated loan capital we will be faced by a choice of slowing down growth, increasing the cost of our loans, or, taking less risk in our lending. 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 Londoners who would benefit from our services. Additionally, it seems without such external support we will not be able to continue our important work with schools. The increase in capital requirements for credit unions is a real barrier to future growth and our ability to meet the needs of those who need us most.

Back in 2012 we began to accept corporate members, allowing organisations to make deposits with us. We now have over fifty businesses, charities, community & faith groups as corporate members. Regrettably we have had to limit this service to new community groups as a result of the need to build capital and cease unprofitable non-core operations. Ideally, we wish 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. The increased capital requirement limits our ability to provide this service to local community organisations and be able to use their money for the benefit of the wider communities that we serve.

We continue to be confident in meeting our business plan targets as 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.

What Our Members Said 2018

"It helped me clear my rent arrears so I could secure a new lower cost property."

"The credit union has helped me out during various financial difficulties often when I have had few or no other alternatives."

"The credit union has helped me to save and borrow money to finance some of my self-employment projects. It would have been difficult for me without the assistance of the credit union."

Corporate Governance

Board of Directors

The Board is responsible for the strategic direction of the credit union and establishing policies and procedures for the operation of the business. It also holds management accountable for delivery of the business plan and maintenance of high quality service to members. During the financial year 2017-18 the following directors held office following the AGM in February 2018:

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 two directors, Jon Colclough, and Carmen M'Boko both resigned due to 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. Efforts to recruit suitably qualified volunteers to the Board have continued. Since the AGM in February 2018 the Board has co-opted Michael Mlilo-Mabaso and Ms Elisabetta Bertero, both of whom who will stand for election at the 2019 AGM. We remain committed to ensuring that anyone serving on the Board must be suitably qualified and committed to these roles.
The Chief Executive Officer also attends Board meetings in a non-voting capacity.

Directors' Attendance at Board Meetings During the Financial Year to the end of September 2018

Director	27 Oct	17 Nov	15 Dec	25 Jan	22 Feb	22 Mar	26 Apr	24 May	28 Jun	26 Jul	23 Aug	27 Sep	Number of meetings attended
Mr Mark Badcock	P	P	P	P	P	P	P	P	P	P	P	P	12 out of 12
Ms Helen Baron	P	P	P	P	P	P	P	P	P	P	P	P	12 out of 12
Mr Paul Campy		P	P	P	P	P	P	P	P	P	P	P	11 out of 12
Mr Jonathan Colclough	P	Ap	P	Ap	P	Ap	P	Ap	Rs	-	-	-	4 out of 8
Mr James Darbyshire	Ap	Ap	P	P	Ap	P	P	P	Ap	Ap	P	P	7 out of 12
Ms Kathleen Egan	P	P	Ap	P	Ap	P	Ap	Ap	P	P	Ap	P	7 out of 12
Ms Elaine Greaves	P	P	P	P	Ap	P	P	P	Ap	Ap	Ap	Ap	7 out of 12
Ms Anthonia Ifeanyi-Okoro	P	Ap	P	P	P	P	P	P	P	P	P	Ap	10 out of 12
Mr Don Kehoe	P	P	P	P	P	P	P	P	P	P	P	P	12 out of 12
Ms Carmen M'Boko	Ap	Ap	P	Ap	P	Ap	Ap	Rs	-	-	-	-	2 out of 7
TOTAL	**7**	**5**	**9**	**8**	**7**	**7**	**7**	**6**	**6**	**6**	**6**	**6**	

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

What Our Members Said 2018

"It has taken me away from using high interest payday lenders and put me on the right path. Thank you so much. You are a life saver."

"The credit union has helped me understand the value of saving money for a rainy day."

Loans Panel Report

The Board appoints a panel of members who are authorised to make decisions on loan applications. During the 2017-18 financial year an average 444 loans per month were issued (484 pcm 2016-17), totalling £7,255,133 (£8,209,000, 2016-17). Over 50% of loan applications are now submitted online through the members secure area of the website or via the App. We are pleased to report that, despite pressures arising from the roll out of Universal Credit, the average loan value has risen for the second year running after many years of decline. In the 2017-18 financial year the average loan value rose to its highest level in ten years, largely driven by the popularity of our Homeowner Loans. This is a welcome indicator of our ability to attract a range of members from every socio-economic group. Too many small value loans increases our costs disproportionately and makes the business less sustainable.

The Loans Panel continues to balance the demand for loans with the essential role of protecting our members' savings by minimising risk, as far as is possible. The rate 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 reduced real wages as inflation continues to outstrip wage growth and most welfare benefits remain frozen. Where members do struggle with payments our Loans Support Officers will generally offer to freeze interest on the members' loans until they are able to find another job, or agree more manageable reduced payments. Whilst this increases the cost of bad debt provisioning it helps the member at the time of need, maintaining member loyalty, trust and reducing long term losses.

Report of Supervisory Committee

The committee's role 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 2018 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. We are pleased to report once again that no issues of major concern have been identified in the period.

One of the key roles of the Supervisory Committee is to ensure that the Board delivers compliance with regulatory requirements. We are pleased to confirm that all regulatory returns have been completed and returned as required. It is noted that the credit union continues to maintain key ratios at levels above those required by the Prudential Regulation Authority (PRA) but recognise this as a very real challenge for the future.

Regulatory Capital Requirement	**2018**	**2017**
Minimum capital to asset ratio	8.00%	8.00%
Capital Buffer	2.00%	-
Target	10.00%	8.00%
Actual Capital to Asset Ratio	8.81%	8.18%

The credit union would like to express its appreciation for the continued 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 gives the 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 2017-18 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. Two special messages of thanks go to Linklaters LLP for providing pro bono legal advice on a number of regulatory matters, and assisting us with our work to raise external capital, to St Luke's Parochial Trust for generous support as a corporate member, and to Lloyds Banking Group (Credit Union Foundation), for a £65,000 grant towards our capital reserves.

The continuing cross-party support of councillors, and officers at both Islington and Haringey Councils and their long-term commitment to co-operative financial services in their boroughs allows us to plan continued expansion at the same rates we have experienced for the last four years. We have received on-going support and joint working with these councils to help us provide financial advice and support to their residents. Haringey Council has continued to provide subordinated loan capital which has been essential to meeting the increased regulatory requirements for capital, and in providing money to lend to Haringey residents. This loan has been critical to us maintaining our services given the dramatic increase in our regulatory capital requirement.

Also, a number of housing associations and social housing providers, notably Barnet Homes, Southern Housing Group, 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.

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.

What Our Members Said 2018

"It gives me a strong feeling of security knowing that the credit union is there for me."

"The credit union has helped me in so many ways you couldn't imagine. I am so happy credit union is around. They helped me in a tight financial situation and I'm not sure what I would have done otherwise."

"Payroll deduction makes sure I save every month, which I wouldn't do if it was down to me transferring the money from the bank. Keep up the good work."

London Capital Credit Union Ltd

Annual Report and Financial Statements for the Year Ended 30 September 2018

Selected pages from the accounts are presented here.
The full financial statements can be found on our website
www.Credit-Union.coop/AnnualReports&Accounts

Alexander Sloan
Accountants and Business Advisers

Contents

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Credit Union Information

FCA Number 214094

Society Number 513C

Secretary: Mr Don Kehoe

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

Auditors: Alexander Sloan
180 St Vincent Street
Glasgow
G2 5SG

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

Selected pages from the accounts are presented here.
The full financial statements can be found on our website www.Credit-Union.coop/AnnualReports&Accounts

Directors' Report for the Year Ended 30 September 2018

The Directors present their report and the financial statements for the year ended 30 September 2018.

Principal activity

The principal activity of the Credit Union is to promote saving as an alternative to borrowing, and provide low cost loans for members at times where borrowing is needed.

Directors of the Credit Union

The directors who held office during the year were as follows:
Mr Mark Badcock
Ms Helen Baron
Mr Paul Campy
Mr Jon Colclough (Resigned 28 June 2018)
Mr James Darbyshire
Ms Kathleen Egan
Ms Elaine Greaves
Ms Anthonia Ifeanyi-Okoro
Mr Don Kehoe
Ms Carmen M'Boko (Resigned 24 May 2018)

The following directors were appointed after the year end:
Ms Elisabetta Bertero (appointed 13th December 2018)
Mr Michael Mlilo-Mbasa (appointed 25 October 2018)

Principal risks and uncertainties

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

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

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

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

Selected pages from the accounts are presented here.
The full financial statements can be found on our website www.Credit-Union.coop/AnnualReports&Accounts

Directors' Report for the Year Ended 30 September 2018

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

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Credit Union legislation requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance withUnited Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Credit Union legislation the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Credit Union and of the surplus or deficit of the Credit Union for that period. In preparing these financial statements, the Directors are required to:

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

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

Reappointment of Auditors
A resolution for the re-appointment of Alexander Sloan as auditors of the Credit Union is to be proposed at the forthcoming Annual General Meeting.

Selected pages from the accounts are presented here.
The full financial statements can be found on our website www.Credit-Union.coop/AnnualReports&Accounts

Independent Auditor's Report

Opinion
The following audit report and primary financial statements have been extracted from the full statutory accounts of London Capital Credit Union Ltd. The audit report relates to the full statutory accounts and our audit opinion only relates to the full statutory accounts and not the summary financial statements.

We have audited the financial statements of London Capital Credit Union Ltd (the 'Credit Union') for the year ended 30 September 2018, which comprise the Revenue Account, Balance Sheet, Statement of Changes in Equity, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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

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 2018 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted AccountingPractice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

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

Conclusions relating to going concern
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.

Selected pages from the accounts are presented here.
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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.

Matters on which we are required to report by exception
In the light of our knowledge and understanding of the Credit Union and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

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

Responsibilities of Directors
As explained more fully in the Director's Report, 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.

Selected pages from the accounts are presented here.
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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 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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Alexander Sloan
180 St Vincent Street
Glasgow
G2 5SG
24 January 2019

Selected pages from the accounts are presented here.
The full financial statements can be found on our website www.Credit-Union.coop/AnnualReports&Accounts

Revenue Account for the Year Ended 30 September 2018

	2018	2017
	£	£
Loan interest receivable and similar income	1,318,669	1,254,285
Interest payable and similar charges	(2,165)	(66,498)
Net interest income	1,316,504	1,187,787
Fees and commissions receivable	6,288	9,283
Fees and commissions payable	(14,317)	(12,605)
Net fees and commissions	(8,029)	(3,322)
Other operating income	30,890	56,332
Administrative expenses	(652,813)	(620,827)
Depreciation and amortisation	(14,960)	(10,466)
Other operating expenses	(56,584)	(53,310)
Impairment on loans for bad and doubtful debts	(554,300)	(456,895)
Surplus before tax	60,836	99,299
Corporation Tax	(2,562)	(2,497)
Surplus for the financial year	58,274	96,802
Other comprehensive income	-	-
Total comprehensive income for the year	58,274	96,802

Selected pages from the accounts are presented here.
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Balance Sheet as at 30 September 2018

	2018	2017
	£	£
Assets		
Loans and advances to banks	2,900,758	3,207,245
Loans and advances to customers	10,773,096	10,644,304
Intangible assets	11,206	6,604
Tangible fixed assets	14,277	3,669
Prepayments and accrued income	28,088	18,748
Total assets	13,727,425	13,880,570
Liabilities		
Customer accounts	12,489,719	12,403,717
Other liabilities	492,712	777,173
Accruals and deferred income	-	12,960
	12,982,431	13,193,850
Other reserves	382,265	382,265
General reserve	362,729	304,455
Total reserves	744,994	686,720
Total liabilities	13,727,425	13,880,570

Approved and authorised by the Board on 24th January 2019 and signed on its behalf by:

Helen Baron

Ms Helen Baron

Director

D J Kehoe

Mr Don Kehoe

Secretary

M.D Badcock

Mr Mark Badcock

Treasurer

Selected pages from the accounts are presented here. The full financial statements can be found on our website www. Credit-Union.coop/AnnualReports&Accounts

Statement of Changes in Equity for the Year Ended 30 September 2018

	IT & Property Reserves £	Other Reserves £	Appropriation reserve £	General reserve £	Total £
At 1 October 2017	120,000	183,789	78,476	304,455	686,720
Surplus for the year	-	78,476	(78,476)	58,274	58,274
At 30 September 2018	120,000	262,265	-	362,729	744,994

	IT & Property Reserves £	Other Reserves £	Appropriation reserve £	General reserve £	Total £
At 1 October 2016	120,000	183,789	78,476	207,653	589,918
Surplus for the year	-	-	-	96,802	96,802
At 30 September 2017	120,000	183,789	78,476	304,455	686,720

Selected pages from the accounts are presented here.
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Statement of Cash Flows for the Year Ended 30 September 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Surplus for the year		58,274	96,802
Depreciation and amortisation	10	14,960	10,466
Corporation tax expense	13	2,562	2,497
Provision movement		558,963	506,252
Interest income on loans		(1,305,807)	(1,250,176)
Distribution on member shares		2,165	66,498
		(668,883)	(567,661)
(Increase)/Decrease in other receivables & prepayments		(9,340)	411
(Decrease)/increase in trade and other payables	21	592	(5,965)
Decrease in deferred income		(12,960)	(25,735)
		(21,708)	(31,289)
Cash flows from changes in operating assets and liabilities			
Loan repayments less loans advanced		618,052	(828,061)
Customer balance cash movement		83,837	2,199,120
Movement on funds on deposit		104,176	(104,400)
		806,065	1,266,659
Income taxes paid	13	(2,615)	(2,716)
Net cash flow from operating activities		112,859	664,993
Cash flows from investing activities			
Acquisitions of property plant and equipment		(18,140)	(2,781)
Acquisition of intangible assets	17	(12,030)	(7,486)
Net cash flows from investing activities		(30,170)	(10,267)
Net increase/(decrease) in cash and cash equivalents		(202,311)	654,726
Cash and cash equivalents at 1 October		2,092,953	1,438,227
Cash and cash equivalents at 30 September		1,890,642	2,092,953

Selected pages from the accounts are presented here.
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Detailed Revenue Account for the Year Ended 30 September 2018

	Note	2018 £	2017 £
Income			
Interest income on loans		1,305,807	1,250,176
Interest income on bank deposits		12,862	12,753
Interest Received		1,318,669	1,262,929
Entrance Fees	5	6,288	9,283
Other income		17,930	5,597
Government grants receivable		12,960	50,735
		1,355,847	1,328,544
Expenditure			
Staff costs		451,480	414,216
Auditor fees		5,388	7,700
Bank charges		14,317	12,605
Fidelity bond insurance		5,721	4,499
FSCS levy		1,934	4,438
Rent & Occupancy & Room Hire		46,887	43,136
Other insurance LP/LS		2,042	1,237
Training		5,978	2,469
Sundry expenses		7,566	6,224
Newlon matched savers		2,470	1,300
ABCUL Dues		12,042	9,911
Telephone		12,042	12,289
Office Supplies/Printing/Copying		9,124	8,873
Marketing		65,094	85,542
Postage		4,094	3,796
Credit agency fees		20,230	23,068
ALD Fees		14,509	6,091
Legal/Consultancy		2,556	4,451
Software Maintenance/Support		19,205	10,795
Travel Costs		21,838	24,102
Depreciation and amortisation		14,960	10,466
Impairment on loans for bad and doubtful debts		554,300	456,895
		1,292,846	1,154,103
Operating Surplus/(Deficit)		63,001	174,441
Surplus before tax		63,001	174,441
Corporation Tax	13	(2,562)	(2,497)
Surplus for the financial year before dividend		60,439	171,944
Distributions		(2,165)	(66,498)
Interest rebate		-	(8,644)
Surplus for the financial year after dividend		58,274	96,802

INFORMATION ON CO-OPERATIVES

Iran:
There are over 130,000 co-operative societies with 23 million members or approximately 33% of the population.

China:
There are 988,024 co-operatives and mutuals with 136,013,000 members, representing 10.07% of the national population.

Malaysia:
Co-operatives generate 9,981,720,438 USD in annual gross revenue, equivalent to 3.27% of national GDP. There are 10,087 co-operatives with 7,028,715 members, representing 24.04% of the national population.

Kenya:
63% of the population derive their livelihoods from co-operatives. Approximately 250,000 Kenyans are employed or gain most of their income from co-operatives. Agricultural co-operatives have a membership of over 2 million farmers (90% of all farmers), and an output of USD 11 billion. The Korean fishery co-operatives also report a market share of 71%.

Indonesia:
27.5% families representing approximately 80 million individuals are members of co-operatives.

Continued from inside front cover

London Capital Credit Union Ltd

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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

Registered Address:
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