

**London Capital Credit Union**  
the savings & loans co-operative

For people, not for profit



London Capital  
Credit Union

**Annual Report**  
**2011 - 2012**





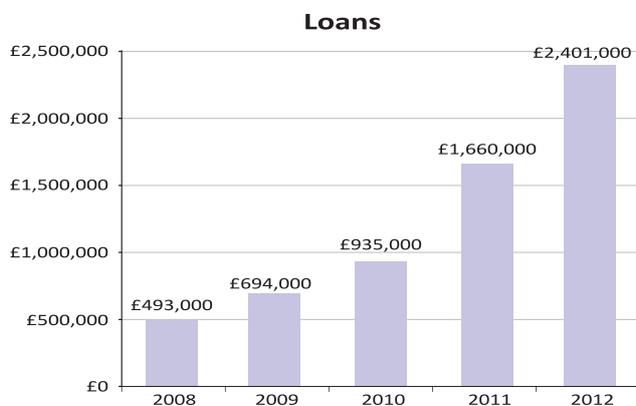
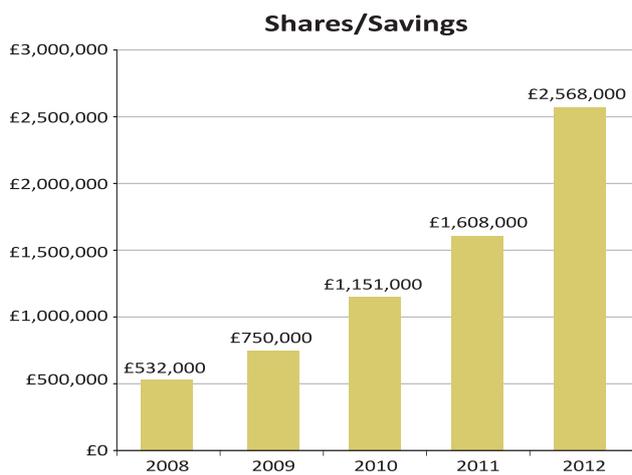
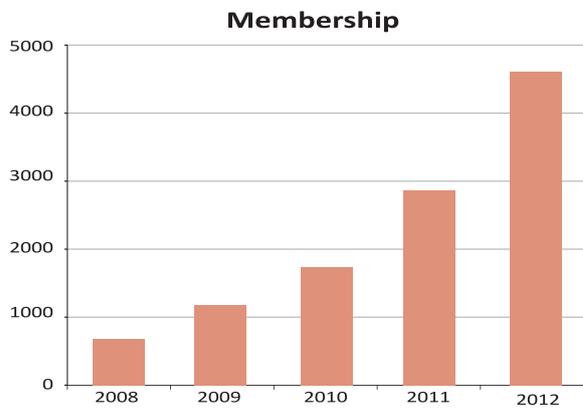
*This is a report of activity for the credit union's financial year to the end of September 2012. The purpose of this report is to inform the owners of the business, our members, of our progress in meeting our aims and objectives.*

## Key Achievements

The 2011-12 financial year was one of continued strong growth. Membership grew 61%, savings balances rose by 58% and loans balances grew by 43% whilst the rate of bad debt provisioning fell for the fourth successive year. This resulted in a further dramatic increase in loan interest income as the credit union continued to move away from reliance on grant aid and towards financial independence and long term sustainability. During the year our loan interest income rose by 77% and once again the year ended with a trading surplus.

In 2012 we were successful in getting approval from the Financial Services Authority (FSA) to extend our services to the boroughs of Barnet, Camden and Hackney. We are not actively recruiting in these new areas as they each have existing credit unions. That said we are getting new recruits from this extended area and we expect this to continue as more people hear of what we offer.

During 2011-12 we continued to focus our efforts in providing the best possible levels of customer service. We do this not just because it is good for business, but critically because our 'customers' are our members and they own the business. Whilst it is not possible to please all the people all the time we do try to do that and the year has seen us become even quicker in processing membership, loan applications and share withdrawals. This has maintained high levels of member satisfaction that continues to drive increased membership as people recommend us to friends, family and work colleagues.



## Social Performance

As a co-operative we are committed to wider social goals rather than simply increasing 'shareholder value' and maximising profits. Whilst we need to trade at a surplus 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:

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

## Social goals

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

The credit union is a democratically owned and controlled co-operative, run by and for its members. 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.

## Research Into Debt Reduction

We continued to provide internships for overseas students, this year from the USA and Germany. Each of the last 4 years our interns have conducted research that compares three equal large-sized groups of members, all of whom have borrowed from the credit union.

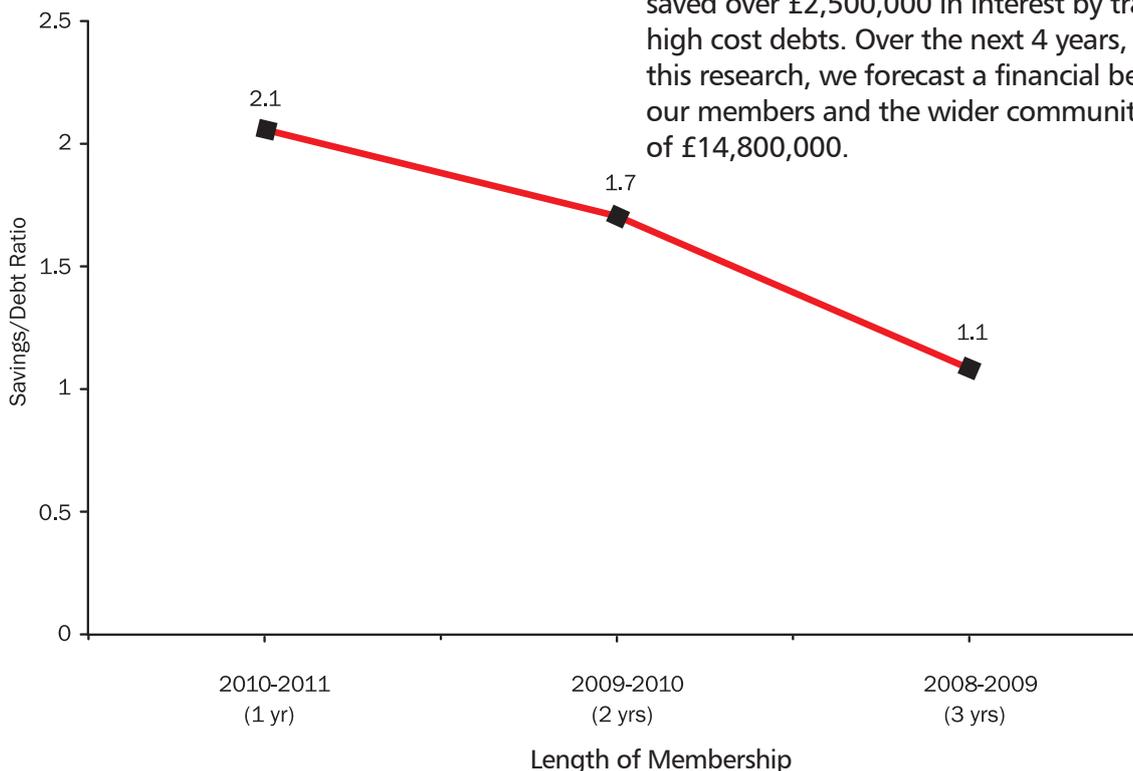
We then looked at the levels of borrowing and savings that each group had. The graph below shows that over time, the effect of the credit unions' 'Saver Loan' with the ratio of debt to savings dropping dramatically as people use the credit union.

This means that our members are increasing their savings balances in both absolute terms and relative to what they owe. This is in direct contrast to the UK economy where people continue to borrow more than they save.

The data shown in the charts below is drawn from three groups of 98 borrowing members who joined in 2008-2009, 2009-2010 and 2010-11 respectively.

This clearly shows that our members, by using our 'Saver Loans', reduce their indebtedness and become net savers. We will continue to monitor these groups of members to provide further evidence of how our lending services combat debt and poverty.

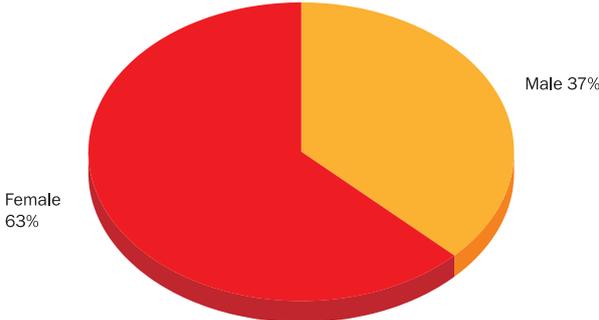
A couple of years ago a leading City banking institution provided us with three financial analysts to make an assessment of the social impact of our lending business. They looked at all of our first time borrowers over the preceding three months, and analysed where they had previously been borrowing and at what cost. From this they were able to determine that for every £1 that a member saves and that we lend, our members will save £1.25 each year. During 2011-12 our members are estimated to have saved over £2,500,000 in interest by transferring high cost debts. Over the next 4 years, based on this research, we forecast a financial benefit to our members and the wider community in excess of £14,800,000.



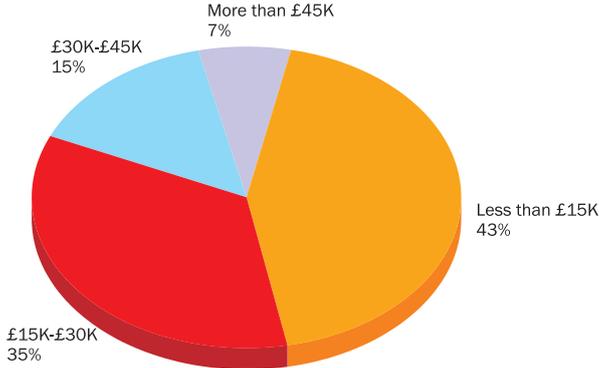
# Who Are Our Members?

We strive to design our services and products to meet the needs of all people, regardless of their background. That said, we continue to be of greatest help to those most often excluded from mainstream financial services. We conduct voluntary and anonymous surveys of our members when they join. Here is a snap shot of our membership at the end of the 2010-11 financial year.

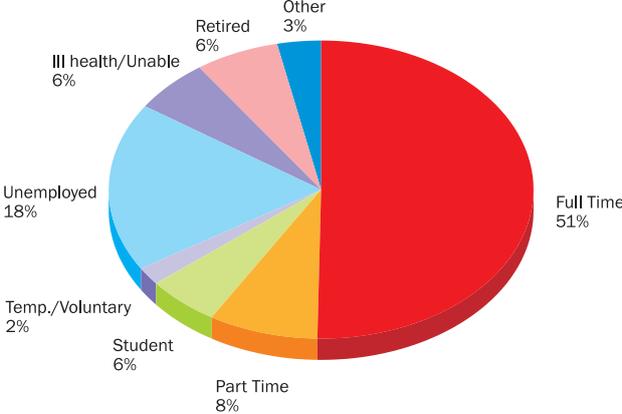
**Gender Composition**



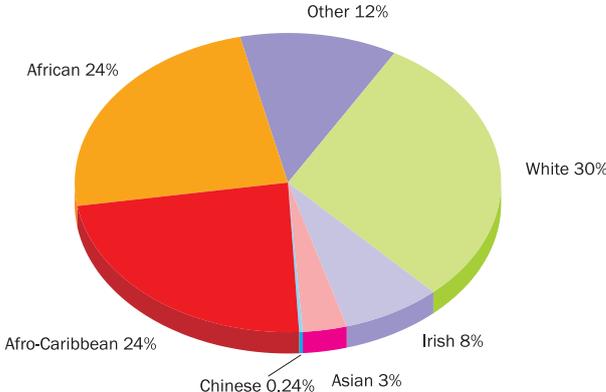
**Total Household Income**



**Employment Status**



**Ethnicity Composition**



## Corporate Governance - Board of Directors

The Board is responsible for the strategic direction of the credit union and establishing policies and procedures for the operation of the business. It also holds management responsible for delivery of the business plan. During the financial year 2011-12 the following directors held office following the AGM in February 2012:

### Directors' Attendance at Board Meetings

Director	20Oct	24Nov	15Dec	26Jan	23Feb	22Mar	26Apr	24May	28Jun	26Jul	14Aug	23Aug	27Sep	No. of meetings attended
Mark Badcock	P	P	P	P	P	P	P	P	P	Ap	P	P	P	12
Helen Baron	P	P	P	P	P	P	P	P	P	P	P	P	P	13
Sharon Dyer	P	Ap	Ap	P	P	Ap	P	P	P	Ap	Ap	P	P	8
Kathleen Egan	P	P	P	P	Ap	P	Ap	P	P	P	P		P	10
John Hitchin	P	Ap	P	P	P	P	P	P	P	P	Ap	Ap	P	10
Don Kehoe	P	P	P	P	P	P	P	P	P	P	P	P	P	13
Simon Luscombe	P			Ap	P	P	Ap	P		P	P	Ap	Ap	6
Naru Parekh		P	P	P	P	Ap	P	Ap		Rs				5
Jason Tetley Co									P	Ap	P	P	Ap	3
<b>TOTAL</b>	<b>7</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>6</b>	

P = present

P = present but not yet FSA Approved

Ap = apologies for absence received

Co = Co-opted

Rs = Resigned

Naru Parekh held office as director for part of the financial year until stepping down due to relocation as a result of change of job. There have been vacancies on the Board during the period and efforts to co-opt a suitable candidate was successful when Jason Tetley was co-opted in June 2012. We remain committed to ensure that anyone serving on the Board must be suitably qualified and be deemed to be 'fit and proper' as defined by the regulator. The Manager also attends Board meetings in a non-voting capacity.



*photo: courtesy of Think James Photography*

## Report of Supervisory Committee

The committee's role is to act as an independent auditor of internal procedures to ensure that policies and procedures are properly applied. Since the AGM in February 2012 the official committee members are Mr Desmond Smith and Ms Brenda Cossio, with their work having been ably assisted by Mr Willy Malambu. 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. No issues of major concern have been identified in the period.

## Loans Panel Report

The Board appoints a panel of members who are authorised to make decisions on loan applications. During the year the decision making process has become faster and the resulting member satisfaction has led to a dramatic increase in the number and value of loans issued. During the 2011-12 financial year an average 185 loans per month were issued (119 pcm 2010-11), totalling £2,126,000 (£1,593,000 2010-11). The Loans Panel continues to balance the need to meet the demand for loans with the essential role of protecting our members savings by minimising risk as far as is possible.

## Remuneration

It should be noted that all Directors conduct their duties on a purely voluntary unpaid capacity with only 'out of pocket' expenses paid.

The credit union is pleased to report that all of its staff are paid at rates above the London Living Wage. This is an hourly rate, set independently every year (by the Greater London Assembly). 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 current rate is £8.55 per hour. The ratio between hourly rates of pay of the highest and lowest paid employee in 2011-12 remained at 2.4.

## Looking Forward

It is difficult to forecast future events, but the economy shows little signs of growth and we do know that the economic circumstances of ordinary working people are likely to get more difficult as unemployment remains high and public sector spending continues to be cut back. This will make it more difficult for people to save money and some may struggle to repay their loans. Whilst this presents challenges, we are confident of meeting business plan targets as more people look for ways of reducing the cost of borrowing and recognise the benefits of our supportive and flexible way of doing business.

In 2012 we took advantage of changes in legislation to accept corporate members, allowing community groups to make deposits with us. Corporate membership is a helpful way of increasing deposits to meet the needs of members and rising demand for loans in years to come.

## Thank You to Supporters :

It is appropriate for us to express appreciation to those who have supported us during the year, particularly our members whose savings generate the lending capital and loan interest that pays the majority of our running costs. The continuing cross party support of councillors, and officers at both Islington and Haringey Councils and their long term commitment to co-operative financial services in their boroughs allows us to plan continued expansion at the same rates we have experienced for the last four years. The on-going support and joint working with these councils, and many housing associations, notably Newlon Housing Trust has been key to our ability to help many more families escape from debt and poverty during this period so we wish to put on record our appreciation.

We would again like to thank The Co-operative Group for providing us, and the majority of the UK credit union movement, with an excellent banking service at much reduced cost. They also provide us with a discount at food stores that keeps down the costs of keeping the office volunteers in tea, coffee and biscuits. This is a good example of co-operation amongst co-operatives.

We wish to thank the increasing number of employers who allow their staff to have credit union savings/loan repayments deducted directly from their salary. These schemes are crucial to encouraging ordinary working people to save rather than borrow, and in preventing debt problems in years to come. Volunteers have, as ever, played a crucial part in running the organisation, from directors to office volunteers, and members who organise workplace presentations. Together with our small, dedicated staff team we have a true co-operative organisation based on mutual self-help. It is a tribute to all that we have achieved so much in the past 12 months and promises so much more in years to come.



FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2012

# LONDON CAPITAL CREDIT UNION LIMITED

## REPORT OF THE BOARD OF DIRECTORS

### FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2012

The Board present their annual report on the affairs of the Credit Union, together with the accounts and auditors' report for the year.

#### Principal Activities

The principal activities of the Credit Union are those of a Credit Union, accepting deposits from and lending sums to its members, with the objects of promoting thrift amongst its members and providing credit for their benefit at a fair and reasonable rate of interest.

#### Results of Operations and Dividends

The results for the year are as shown in the attached accounts, as are movements in the Credit Union's fixed assets.

#### Responsibilities Of The Board Of Directors

Legislation requires the Board to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Credit Union and of the profit or loss for that period. In preparing those accounts, the committee are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the credit union will continue in business.

The Board are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the credit union and to enable them to ensure that the accounts comply with the Industrial and Provident Societies Act 1965 to 2002 and the Credit Unions Act 1979. 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.

#### Auditors

The auditors, Messrs Appleby & Wood, have indicated their willingness to accept re-appointment under the provisions of the Friendly & Industrial and Provident Societies Acts 1965 to 2002 and the Credit Unions Act 1979.

Signed on behalf of the Board of management

Director .Helen Baron  ..... Date 17.01.2013 .....

LONDON CAPITAL CREDIT UNION LIMITED  
REVENUE ACCOUNT  
FINANCIAL YEAR ENDED 30TH SEPTEMBER 2012

	Notes	2012 £	2012 £	2011 £	2011 £
<b>Income</b>					
Loan interest		229,829		137,615	
Bank interest receivable		2,230		2,238	
Entrance fees		6,605		4,294	
Bad debts recovered		2,288		669	
Cuna mutual insurance and other income		4,178		958	
Grants		52,500		111,255	
			297,630		257,029
<b>Expenditure</b>					
Rent		16,800		13,309	
Abcul dues		3,053		1,812	
FSA & data protection fees		1,228		825	
Telephone		5,102		4,247	
Marketing expenses		5,039		8,569	
Administrative expenses		10,293		8,610	
Other expenses		3,311		1,967	
Computer maintenance		7,509		5,839	
Staff training & recruitment		5,444		4,133	
Audit		4,000		3,804	
Professional fees		2,262		1,442	
Salaries and nic		139,268		124,769	
Volunteer expenses		8,405		3,731	
Insurance - lp/lr		8,265		9,013	
Fidelity bond		2,040		1,472	
Bad debts written off		32,593		27,790	
Debt recovery expenses		566		2,243	
Provision for doubtful debts		16,059		6,316	
Depreciation		4,878		3,594	
Bank charges		2,684		1,445	
Newlon matched savings		640		920	
			(279,439)		(235,850)
Net profit before taxation			18,191		21,179
Taxation			(446)		(663)
Net profit for the year after taxation			17,745		20,516
Dividend/loan interest rebate (2009 and 2010)	3		-		1,231
			17,745		21,747
Transfer to statutory reserve			(3,549)		(4,103)
			14,196		17,644
Transfer to general reserve			(14,196)		(17,644)

All amounts relate to continuing activities.

None of the Credit Union's activities were acquired or discontinued during the above periods.

All recognised gains and losses are included in the Income and Expenditure Account.

LONDON CAPITAL CREDIT UNION LIMITED  
BALANCE SHEET AS AT 30TH SEPTEMBER 2012

	Notes	2012 £	2012 £	2011 £	2011 £
<b>Fixed assets</b>	5		6,859		6,301
Loans to members		2,384,372		1,674,547	
Less provision for doubtful debts		(60,955)		(44,895)	
			2,323,417		1,629,652
<b>Current assets</b>					
Debtors and prepayments	6	33,796		14,305	
Cash at bank & in hand		570,261		341,937	
		604,057		356,242	
<b>Less current liabilities</b>					
Creditors	8	18,082		20,036	
Corporation tax		446		459	
		18,528		20,495	
<b>Net current assets</b>			585,529		335,747
			2,915,805		1,971,700
<b>Represented by:</b>					
Share capital			2,559,182		1,625,322
Subordinated loan			232,500		240,000
Statutory reserve	7a & 7b		57,704		54,155
Other reserves	7a		66,419		52,223
			2,915,805		1,971,700

These accounts were approved by the Board of Directors and signed on its behalf by:

Helen Baron *Helen Baron* ..... Director and President  
 Mark Badcock *M. D. Badcock* ..... Director and Treasurer  
 Don Kehoe *D. Kehoe* ..... Director and Secretary  
 17.01.2013 ..... Date

**LONDON CAPITAL CREDIT UNION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FINANCIAL YEAR ENDED 30TH SEPTEMBER 2012**

**1. Accounting Policies**

**Basis of Accounting**

The Credit Union is registered under the Industrial and Provident Societies Act 1965. The financial statements have been prepared under the historical cost convention in accordance with the Industrial and Provident Societies Acts 1965 to 2002 and the Credit Unions Act 1979. Applicable accounting standards have been followed.

Amount of Interest: Interest receivable is accounted for on an accruals basis.

Turnover: Turnover represents the total Life Membership Fees, loan interest and investment income receivable.

**Tangible Fixed Assets and Depreciation**

Depreciation has been provided on all fixed assets, on the straight-line bases at the following rates:-

Office Equipment	25% p a on cost
Computer Software	33.3% p a on cost

**Provision for doubtful debts**

Provisions against doubtful debts are made in accordance with guidance issued by the Financial Services Authority, after taking into account balances on members' share accounts.

**2. Operating Surplus**

	2012	2011
	£	£
This is stated after charging: Auditors' Remuneration	4,000	3,804

**3. Dividend**

There was a 1% dividend declared in 2010.

**4. Corporation Tax**

Corporation Tax is chargeable at the current applicable rates on bank interest received.

**5. Fixed Assets**

	Fixtures & Fittings	Office Equipment	Computer Equipment	Total 2012	Total 2011
	£			£	£
Cost					
B/fwd 1/10/11	7,707	2,113	33,810	43,630	39,541
Additions	-	-	5,436	5,436	4,089
C/fwd 30/09/12	7,707	2,113	39,246	49,066	43,630
Depreciation					
B/fwd 1/10/11	3,685	2,112	31,532	37,329	33,735
Charge for the year	1,927	-	2,951	4,878	3,594
C/fwd 30/09/12	5,612	2,112	34,483	42,207	37,329
Net Book Value	2,095	1	4,763	6,859	6,301

LONDON CAPITAL CREDIT UNION LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 FINANCIAL YEAR ENDED 30TH SEPTEMBER 2012

	2012 £	2011 £
<b>6. Debtors &amp; Prepayments</b>		
Debtors & Prepayments	33,796	14,305

**7. Reserves**

a) Designated Reserves	Property Reserve £	Dividend Reserve £	Total £
Balance b/f 1.10.11	5,000	10,000	15,000
Transferred - Specific Reserve	-	-	-
- General Reserve	-	-	-
Balance C/fwd 30.09.12	5,000	10,000	15,000
b) Other Reserves	General Reserve £	Statutory Reserve £	Total £
Balance b/f 1.10.11	37,223	54,155	91,378
Revenue Account	17,745	-	17,745
Transferred	(3,549)	3,549	-
Balance C/fwd 30.09.12	51,419	57,704	109,123

Provisions against doubtful debts are made at a level greater than guidance issued by the Financial Services Authority, after taking into account balances on members' share accounts.

	2012 £	2011 £
<b>8. Creditors</b>		
Creditors & Accruals	5,582	7,536
Grant in advance	12,500	12,500
	18,082	20,036

**9. Related Party Members**

All members of the committee are members of the Credit Union. They receive no remuneration and participate in the activities of the Credit Union on the same terms as other members.

**10. Change of Name**

The Credit Union changed its name from Haringey, Islington and City Credit Union Ltd during the year.

LONDON CAPITAL CREDIT UNION LIMITED  
 CASH FLOW STATEMENT  
 FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2012

	Notes	2012 £	2012 £	2011 £	2011 £
<b>Net Cash (Outflow)/Inflow</b>	1		15,454		(78,470)
<b>Returns on Investments</b>					
Dividend Paid		-		1,231	
Interest Received		2,230		2,238	
<b>Cash Inflow from Returns on Investments</b>			2,230		3,469
Cash Inflow from Returns on Investments					
<b>Investing Activities</b>					
Purchase Of Fixed Assets			(5,436)		(4,089)
<b>Taxation</b>					
Taxation Paid			(459)		(596)
<b>Net Cash Inflow before Financing</b>			11,789		(79,686)
<b>Financing</b>					
Subordinated Loan (Decrease)/Increase		(7,500)		(10,000)	
Decrease/(Increase) in Loans Granted		(709,825)		(739,556)	
Increase in Shares		933,860		474,548	
<b>Net Cash (Outflow)/inflow from Financing</b>			216,535		(275,008)
<b>Increase/(Decrease) in Cash at Bank and in Hand</b>			228,324		(354,694)

LONDON CAPITAL CREDIT UNION LIMITED  
 NOTES TO THE CASH FLOW STATEMENTS  
 FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2012

1. Reconciliation of surplus income before tax to net cash inflow

	2012 £	2012 £	2011 £	2011 £
Surplus/(deficit) before Tax		18,191		21,179
Add: Interest Received	(2,230)		(2,238)	
(Decrease)/Increase in Creditors	(1,954)		(98,762)	
Depreciation	4,878		3,594	
Decrease/ (Increase) in Debtors	(19,491)		(8,559)	
(Decrease) /Increase in Provision for Bad Debts	16,060		6,316	
		(2,737)		(99,649)
Net Cash Inflow		15,454		(78,470)

	As at 1.10.11 £	Cash Flows £	As at 30.09.12 £
2. Analysis of changes in net debt			
Cash in hand, at bank	341,937	228,324	570,261

## LONDON CAPITAL CREDIT UNION LIMITED REPORT OF THE AUDITORS

### **Independent Auditor's Report to the Members of London Capital Credit Union Ltd.**

We have audited the financial statements of London Capital Credit Union Limited for the year ended 30th September 2012 which comprise the income and expenditure account and the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial Statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the credit union's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30th September 2012 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and with the Industrial and Provident Societies Acts 1965 to 2002 and the Credit Unions Act 1979.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Friendly and Industrial and Provident Societies Acts 1965 to 2002 require 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,
- a satisfactory system of control over transactions has not been maintained by the credit union in accordance with the requirements of the legislation,
- the revenue account or the other accounts (if any) to which our report relates, and the balance sheet are not in agreement with the books of account of the credit union.
- we have not obtained all the information and explanations necessary for the purposes of our audit.

40 The Lock Building  
72 High Street  
Stratford  
London

APPLEBY & WOOD  
Statutory Auditors



## **London Capital Credit Union Ltd**

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Fax: 020 7272 8192

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

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

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

Authorised and Regulated by the Financial Services Authority  
Firm No. 214094 | Reg. No. 513c

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