



London Capital Credit Union
the savings & loans co-operative

**We Care
& We Share**



**Annual Report
2020 - 2021**



CREDIT UNIONS

86,451

SERVING



375,160,065

MEMBERS



ON

6

CONTINENTS



FROM

118

COUNTRIES



WITH A



12.18%

PENETRATION
RATE

- There are 86 credit unions in Haiti with over 1m members.
- There are 847 credit unions in Brazil with over 12m members.
- There are 17 credit unions in the Dominican Republic with over 1m members.
- There are 23 credit unions in Poland with over 1m members.
- There are more than 5,000 credit unions in the United States with over 125m members. They have the highest value of assets and are the country with the largest number of credit unions.
- In India there are 1,935 credit unions with over 91m members.
- In Africa, there are a total of 40,570 credit unions with over 30m members.
- In Asia, there are a total of 33,472 credit unions with over 138m members.
- In the Caribbean, there are more than 300 credit unions with over 8m members.
- In Europe, there are more than 3,000 credit unions with over 8m members.
- There are 2,760 credit unions in Latin America with over 41m members.
- In North America, there are a total of 5,655 credit unions with over 136m members.
- There are a total of 237 credit unions in Oceania with over 5m members.



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

Overview

This is the report of the Credit Union for the financial year to the end of September 2021. The purpose of this report is to inform members & stakeholders of our progress in meeting our objectives, to provide high quality ethical and affordable co-operative financial services.

The primary purpose of the Credit Union is to promote saving as an alternative to borrowing so it is pleasing to report a 10% increase in the value of our members savings during the year. However, there are often times when it is necessary to borrow, to spread the cost of purchases or clear expensive existing debt. It is our members' savings that provide the money to lend to people in times of need.

We are pleased to report that we have returned to profitability and are now in a position to return dividends to our members in the local communities where the profits were generated.

	2019-20	2020-21	Variance
Surplus (Deficit)	(£76,660)	£292,918	+£369,578
Membership	14,914	15,194	+2%
Shares/Savings	£14,605,000	£16,508,000	+10%
Loans Issued	£4,512,000	£5,182,000	+13%
Loans Balance	£7,645,000	£7,593,000	-1%
Capital Asset Ratio	7.6%	8.3%	+9%

The 2020-21 financial year was unprecedented in dealing with the effects of Covid19 restrictions. One of our two offices was closed, and our main office remained inaccessible to visitors for much of the year, whilst all membership recruitment outreach was suspended. We took the opportunity to restructure our management team which resulted in improvements in our credit control function. Successful recovery of bad debt was the primary generator of this year's surplus, and improved member communication has increased the proportion of active members using our services.

We have made some progress with projects to try and automate some of our lending. While we believe this is still an objective for us, we see our priority is to provide a real 'human touch' in our lending decisions whilst matching other lenders in the time from application to disbursement of funds.

A brand new website and further improvements to our loan application processes saw increased numbers of people choosing our low-cost loans as the economy gradually re-opened. Reductions in operating costs and increased lending saw a healthy underlying profit that puts us in a position to return some of that surplus to our members in the form of a dividend on savings and a rebate on any loan interest paid.

During the year we received financial support from Fair4All Finance who funded the development of our sophisticated business planning tool that has proven valuable to us for financial forecasting. They also provided capital that has allowed us to help many hundreds of people whose income was adversely affected due to furlough and job losses. This year saw a reduction in credit union income as loan interest was suspended on many loans until members returned to fully paid employment. Additionally, many members started to clear loan balances during lockdown by using redundancy payments or savings resulting from home working and absence of social activities during lockdown. Despite an increase in the number and value of loans issued we saw a small decrease in the outstanding loan book as many members repaid loans early.

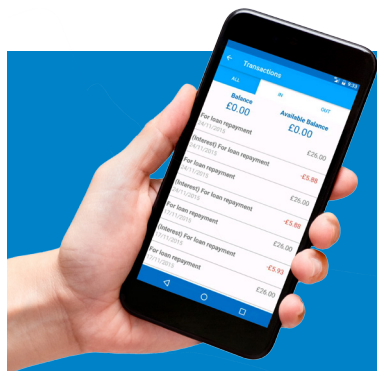
Ongoing financial support in the form of subordinated loans from Haringey Council and the Trust for London remains essential to maintaining adequate capital levels so we can help more people move to a sound financial future. In the coming years we need to ensure profitability levels are sufficient to repay these loans at the appropriate point.

We were pleased to add three large employers, Brent Council, Camden Council and University College London to the list of partners offering our financial wellbeing services to their staff. These schemes greatly increase the number of people saving for a rainy day, while employees also gain access to our support services, where we provide low-cost loans as and when needed. It works well with employers' staff benefits packages 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 the financial year we saw a rise in our capital asset ratio as a result of our retained surplus. The year saw a lot of effort to activate dormant accounts and as a result many members started saving for the first time. Overall membership rose by 2% but active membership increased at a much greater level.

Our typical loan rate remains at 12.7% apr, significantly lower than most Credit Unions and compares very well with an average UK credit card rate of 21%. 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 being borrowers into becoming savers. Maintenance of a good loan book is vitally important for the Credit Union to maintain independence and long-term financial sustainability helping many tens of thousands of people along the way.

Around 88% of our loans business is now conducted online particularly via the app for mobile devices. These online services are increasingly 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 one to one help accessing our services, the kind of help unavailable from the High Street banks.



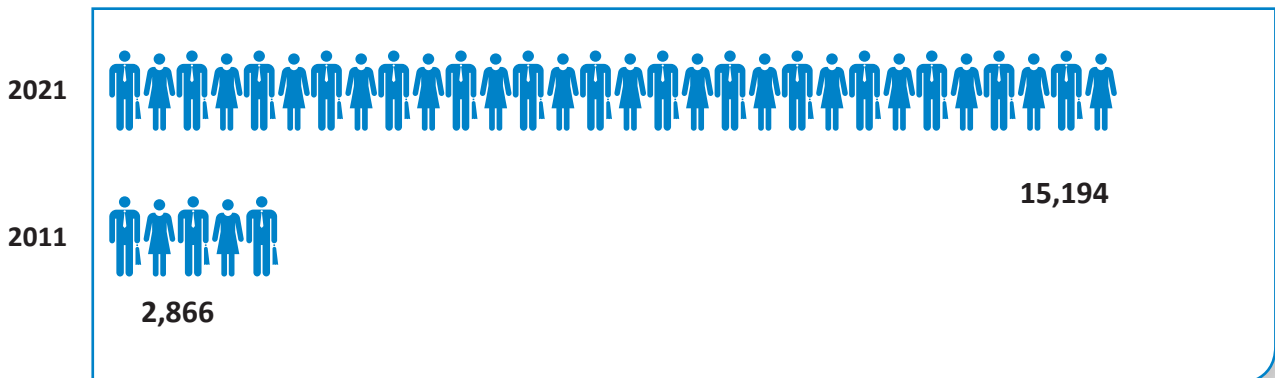
How to find our App

We have a Mobile App to make it easier for members to use their accounts and provide full access outside our normal office opening hours. Good news for those of us who struggle to remember passwords, the App has fingerprint recognition technology (with facial recognition to follow).

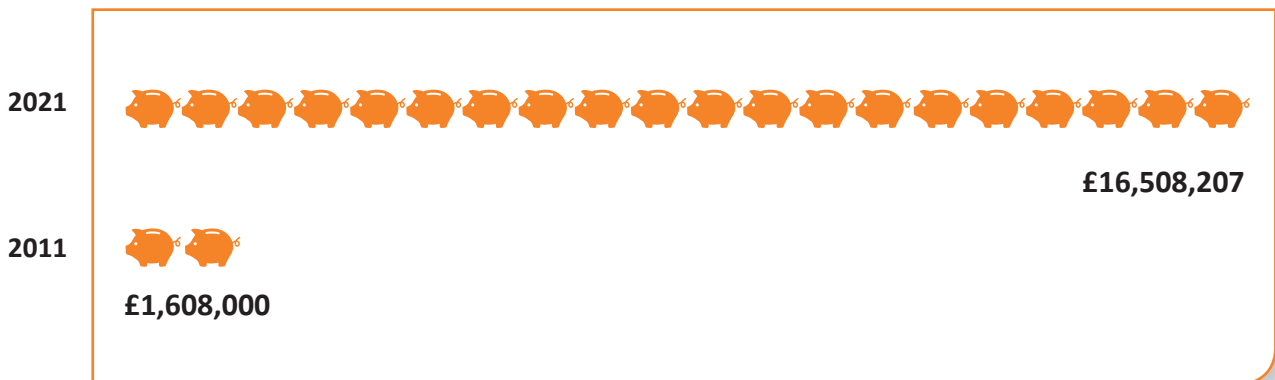
The App is now available to download free of charge. Search for 'London Capital Credit Union' through your App Store.

Our Growth

Membership



Shares



Loans



Loans Panel Report

The Board appoints a panel of members who are authorised to make decisions on loan applications. During the 2020-21 financial year an average 229 loans per month were issued (243 pcm 2019-20), totalling £5,182,000 (£4,512,000, 2019-20). The average loan value rose slightly again this year however we continue to see demand for smaller loans from members whose Universal Credit has reduced or inflationary pressures have resulted in short term financial emergencies. Low value loans increase our costs disproportionately and make 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 results in increasing average loan value. We will continue to offer smaller loans to our members but by increasing the proportion of larger loans we are still able to cover our costs and generate the surplus we need to pay a member dividend and support our reserves.

The Loans Panel continues to balance the demand for loans with the essential role of protecting our members' 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, job losses and benefit reductions. 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 members' 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 most. This maintains member loyalty, trust and reduces longer term losses.

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 AGM in February 2021 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.



What Our Members Say

"A credit union loan for a rent deposit has allowed me get a home with Londons' crazy high prices."



What Our Members Say

"Every time I needed help with my finance they've always been there to help me no matter what. During covid 19 they ensure I didn't stress with my payments."

Member Satisfaction - Customer Service



During 2020-21 we continued to focus on providing the best possible levels of customer service. This has not been easy given the need to improve profitability to meet the requirement for increased capital, which meant that we were forced to let down more members as we declined a slightly greater proportion of loan applications. On top of this we have had to close the office to visitors to minimise Covid infection risk. 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, but critically, because our 'customers' are our members and they own the business. During 2021 we undertook the annual membership survey and asked our members how they rated us for customer service. Of particular note was that nearly half 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 8.6 out of a possible 10, (a slight decrease from 8.7 in the previous year). On reviewing the results, we believe that this is a significant achievement given the suspension of face to face service due to closure of the office to visitors to prevent Covid infections.

During the year we completely overhauled our website and continued to upgrade our App for mobile devices. The membership survey showed that we still need to do more to communicate our services to members, with nearly 26% not knowing about our mobile App, and over 40% not having heard of our budgeting accounts or money advice services. Whilst this was an improvement on the previous year it remains an area for further progress in communication with members.

We will continue to develop our services with the emphasis 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, and core to our objectives as a member owned co-operative.



What Our Members Say

"By allowing me to save some money which really helped when my benefits were cut."



What Our Members Say

"Credit Union has helped me when I was not accepted for loans elsewhere. This was really what kept me loyal to Credit Union, I have managed to save some money for my kids too."



What Our Members Say

"Borrowing money at a lower interest and provision of saving through my salary."



What Our Members Say

"Being a member helps me to save and feel more secure."

Awards & Accreditations



FairBanking Mark- End of an Era

The Fair Banking Foundation first awarded London Capital Credit Union its five-star mark for our 'Saver Loan' and 'Instant Saver Loan' products in 2011. Unfortunately, this scheme came to an end in October 2021 but we were proud that the fairness of our products and services was recognised and that other financial services organisations followed our example of best practice



London Living Wage Campaign 10th Anniversary

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 that have followed our lead and are committed 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 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 we have had permission to use this important quality mark by the FairLife Charity since 2018.



What Our Members Say

I save with you as an act of solidarity, knowing my savings help others escape debt and poverty.



London Capital Credit Union
the savings & loans co-operative

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 becoming savers. The number of visits to the money management page of the website continues to increase, using the trusted 'Money Helper' guides of the Money Advice & Pensions Service.

As a co-operative we are committed to wider social goals beyond maximising short term profit 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 makes us stand 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 members by the accumulation of their savings;
2. Creation of sources of credit for the benefit of our 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 interest, bank charges and fees.

During 2020-21 we issued loans to the value of £5,182,000 to our members, 13% ahead of the previous year. Based on this formula our members are estimated to have saved over £6,000,000 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, in excess £100 million.



What Our Members Say

"I have been through a couple of very bleak periods and the CU has bent over backwards to help."



What Our Members Say

"Helped me save money and helped me realise there are still good companies that care about people!"

Who Are Our Members?

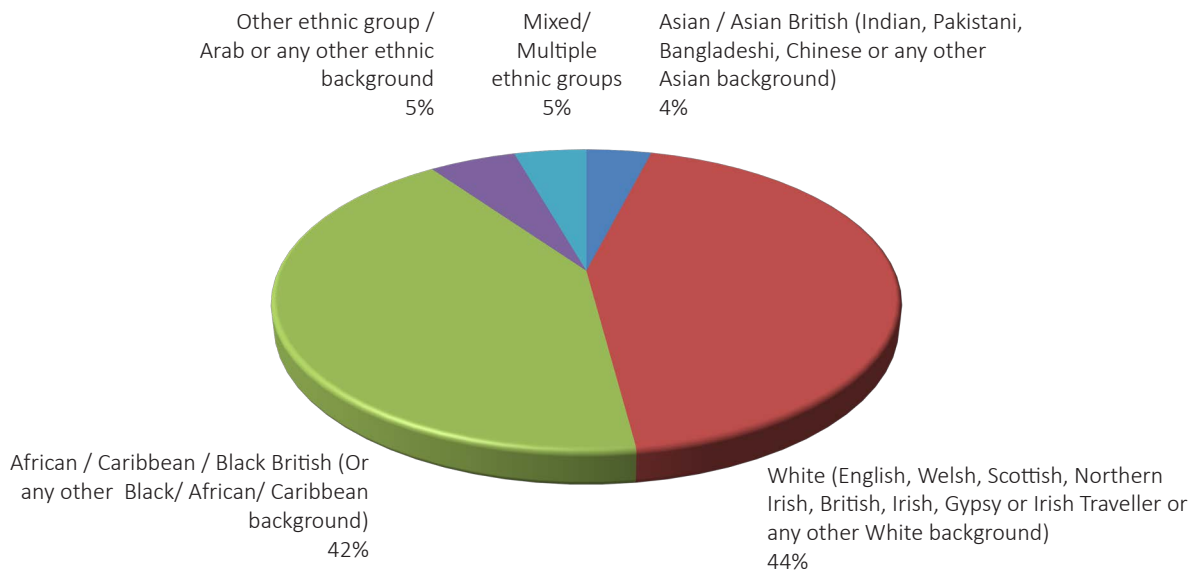
We strive to design our services and products to meet the needs of all people, regardless of their background, yet our services are of greatest help to those most often excluded from mainstream financial services. These are typically lone parents, people with long term health issues, having lost their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

The majority of our members are female, 65%. Nearly one in three, 31%, of all respondents 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'.

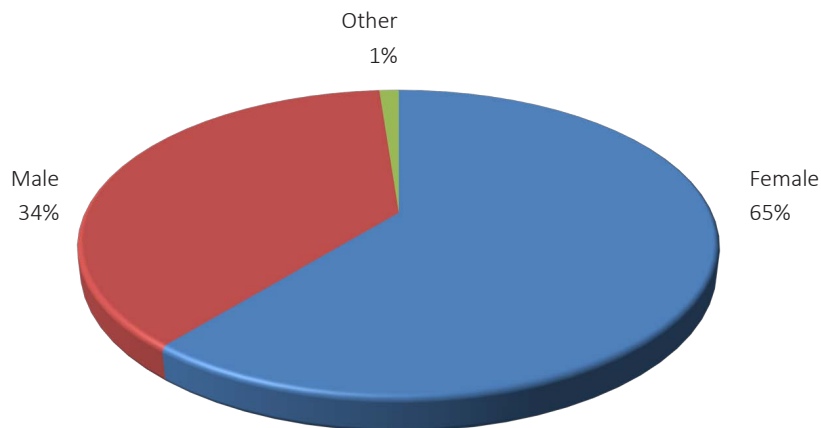
The most startling figure was that 20% of members say that they have a total household income of less than £15,000 and 60% of our members live in homes where the total household income is less than £30,000.

Here, in graphical form, is a snap shot of our membership at the end of the 2020-21 financial year.

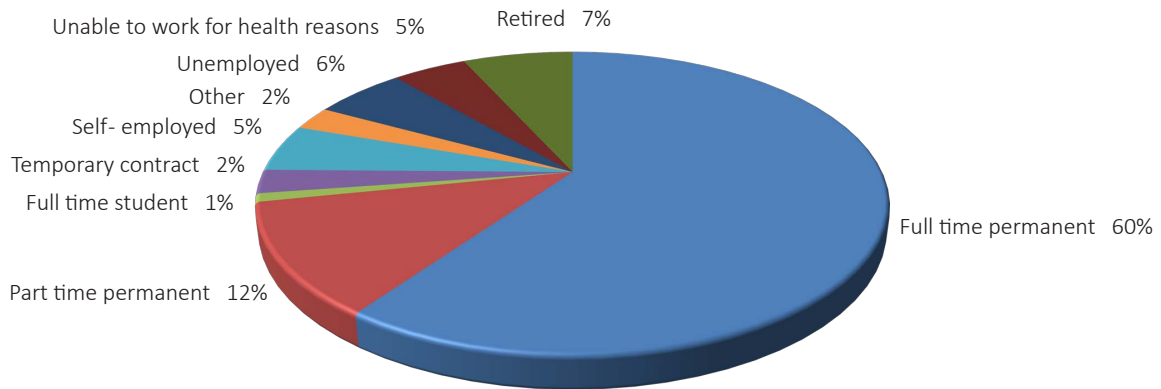
Ethnicity



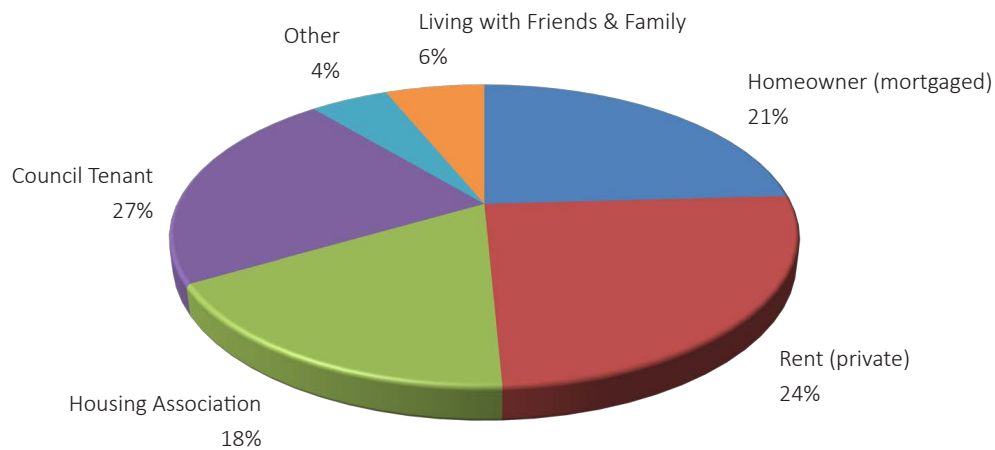
Gender



Employment



Housing Tenure



What Our Members Say

"I signed up to credit Union and forgot that I had done so. One day I got a statement telling me that I had £2,000 in my account, I thought that it was a mistake, called the office and realised that it wasn't a mistake... great surprise and I didn't miss the money coming from my pay every month."



What Our Members Say

"I love the credit union. From the moment I walked in I was greeted kindly & been dealt with in this way ever since."



What Our Members Say

"It has helped me and my husband save money, enough for our house mortgage deposit."



What Our Members Say

"Helped me pay my urgent dental bills."

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 2021:

Directors' Attendance at Board Meetings During the Financial Year to the end of September 2021

Director	22 Oct	28 Nov	17 Dec	28 Jan	25 Feb	25 Mar	22 Apr	27 May	24 Jun	22 Jul	26 Aug	16 Sep	23 Sep	No. of meetings attended
Mark Badcock	P	P	P	P	P	P	P	P	P	P	P	P	P	13/13
Helen Baron	P	P	P	P	P	P	P	P	P	P	P	P	P	13/13
Elisabetta Bertero	P	P	P	P	P	P	P	P	P	P	Ap	P	P	12/13
Paul Campy	P	P	P	P	Ap	P	P	Ap	P	P	P	P	P	11/13
Jonathan Colclough	Ap	P	Ap	Ap	Rs	-	-	-	-	-	-	-	-	1/4
Elaine Greaves	P	P	P	P	P	P	P	P	P	P	P	P	P	13/13
Kerry Hallett	-	-	Co	P	P	P	P	P	P	P	P	P	Ap	10/11
François Jarrosson	-	Co	P	P	P	P	P	P	P	P	P	P	P	12/12
Don Kehoe	P	P	P	P	P	P	P	P	P	P	P	P	P	13/13
Michael Mlilo-Mbasa	Ap	P	P	P	Ap	P	P	P	P	P	P	P	Ap	10/13
Barak Sas	-	Co	P	P	P	P	P	P	P	P	P	P	P	12/12
TOTAL	6	10	9	10	8	10	10	9	10	10	9	10	8	

P = present

Co = Co-opted

Ap = apologies for absence received

Rs = Resigned

The Board is comprised solely of unpaid members of the Credit Union who agree to volunteer on a regular basis. We remain dedicated to ensuring that anyone serving on the Board must be suitably qualified and committed to fulfil these roles. During the year in question, hard-working director Jonathan Colclough resigned following the birth of a baby daughter. We would like to record our appreciation of Jon's significant contribution to the Credit Union over a number of years. The Chief Executive Officer also attends Board meetings in a non-voting capacity.

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 £11.05p per hour. The ratio between hourly rates of pay of the highest and lowest paid employee in the Credit Union remained static for the 4th year running at just below 2.9.

Looking Forward

It is clear that the economic repercussions of the pandemic and the end of European Union membership will continue for a number of years and the need for our services is likely to be greater than ever. The pandemic has seen the real incomes of those on low and modest incomes fall, and rising inflation is likely to put even greater pressures on household income for the foreseeable future. By reducing the cost of borrowing we will free up money to improve peoples' lives and will retain money within the communities we serve.

To enable us to increase membership and meet demand for loans we will need to maintain healthy levels of capital. We will continue to seek extension of existing loans and other subordinated debt, but our primary focus will continue to be on increasing the capital asset ratio through self-generated income. Increased capital is essential to provide us with the capacity to meet the needs of our existing and future members for affordable credit and secure savings whilst offering a financial dividend to members.

Crucial to our future success is increasing the number of members using our salary savings schemes. We will continue to engage with employers to publicise our services as an employee benefit & encourage more people to take up use of such schemes. In the next two years we will concentrate efforts on increasing membership penetration with existing employer partners.

Our priority will remain the achievement of high levels of member satisfaction as word-of-mouth personal recommendation continues to be our greatest asset. We may 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.



What Our Members Say

"Taught me how to manage my finances better, unlike my High Street banks."



What Our Members Say

"The credit union has changed my life for the better. I don't know what I would do without it."



What Our Members Say

"Saving my dad's life was the most incredible thing credit union has done. Dad was so ill he went in coma but he got treated well with the finances I borrowed from your organisation. Many thanks."



What Our Members Say

"They have helped me pay off a credit card which was ending the 0% interest rate, thus saving me loads of money."



What Our Members Say

"The PrizeSaver scheme has really encouraged me to save."



What Our Members Say

"Membership has helped me enormously. They didn't judge me for my financial problems, instead it helped me fix them. I recommend them all the time."

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 MP's, Councillors, and Officers across London and the South East. Their commitment to community wealth building in their boroughs allows us to plan further growth in years to come.

In particular, we wish to say a big 'thank you' to Fair4All Finance for their grant towards the cost of helping borrowing members through the pandemic and Haringey Council for the ongoing subordinated loan that has been indispensable in meeting the regulatory requirements for capital, and providing money to lend to Haringey residents.

The subordinated loan previously provided by the Trust for London has been critical in allowing us to get more people across London saving and reducing the cost of their borrowing. These subordinated loans are critical to us in maintaining our services. We will continue seeking similar capital support from other councils, organisations and individuals in order to help ever more people save for the future and avoid problem debt.

We put on record our appreciation and sincere thanks to: All of the housing associations whose support has been key to our ability to help even more families escape from debt and poverty during this period; The ever-growing number of employers who allow their staff to have Credit Union savings/loan repayments deducted directly from their salary through our Salary Saving Schemes; The trades union Unison and Unite whose support is so useful in developing partnership schemes with employers 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 have carried out workplace recruitment. Together with our small, dedicated staff team we have a true co-operative organisation based on mutual self-help. It is a tribute to all that we have achieved so much in the past 12 months and promise even more in years to come. Thank you all.



What Our Members Say

"When my wife died suddenly at 47 I did not have enough money for her funeral. When I was at most most vulnerable the Credit Union took away some of my stress."



What Our Members Say

"They have always been most helpful and efficient. Also they would never allow you to borrow more than you can afford."



What Our Members Say

"We need more services like this. The credit union are like modern day financial superheroes."



What Our Members Say

"They have set me up with some free financial advice so I can save more than I already was."



Alexander Sloan
Accountants and Business Advisers

LONDON CAPITAL CREDIT UNION LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

(Resigned 25 February 2021)

Ms Elaine Greaves

Ms Kerry Hallett

(Appointed 17 December 2020)

Mr François Jarrosson

(Appointed 26 November 2020)

Mr Don Kehoe

Mr Michael Mlilo-Mbasa

Mr Barak Sas

(Appointed 26 November 2020)

Mr Don Kehoe

Secretary

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 2021

The Directors present their annual report and financial statements for the year ended 30 September 2021.

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 7.

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

(Resigned 25 February 2021)

Ms Elaine Greaves

Ms Kerry Hallett

(Appointed 17 December 2020)

Mr François Jarrosson

(Appointed 26 November 2020)

Mr Don Kehoe

Mr Michael Mlilo-Mbasa

Mr Barak Sas

(Appointed 26 November 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 2021

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.

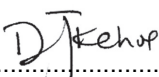
Statement of disclosure to auditor

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: 16 Dec 2021

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 2021 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 2021 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the credit union's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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

Opinions on other matters prescribed by the Co-operative and Community Benefit Societies Act 2014

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

LONDON CAPITAL CREDIT UNION LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LONDON CAPITAL CREDIT UNION LTD

Extent to which the audit was considered capable of detecting irregularities, including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the credit union through discussions with directors and other management, and from our wider knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the credit union, including Corporate and Community Benefit Society legislation and taxation legislation.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the credit union's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

Extent to which the audit was considered capable of detecting irregularities, including fraud

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 2 were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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.

LONDON CAPITAL CREDIT UNION LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LONDON CAPITAL CREDIT UNION LTD

Use of our 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

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Accountants & Business Advisers
Statutory Auditor

180 St Vincent Street
Glasgow
G2 5SG

LONDON CAPITAL CREDIT UNION LTD

REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 £	2020 £
Loan interest receivable and similar income	3	1,049,592	1,196,828
Interest payable and similar charges	4	(5,289)	(5,122)
Net interest receivable		1,044,303	1,191,706
Fees and commissions receivable	5	14,358	9,753
Fees and commissions payable	6	(29,960)	(25,058)
Net fees and commissions		(15,602)	(15,305)
Other operating income	7	75,278	101,987
Administrative expenses	8	(679,522)	(697,786)
Depreciation and amortisation		(10,806)	(18,090)
Other operating expenses	9	(53,863)	(54,752)
Impairment on loans for bad and doubtful debts	15	(63,619)	(580,563)
Surplus before taxation		296,169	(72,803)
Corporation tax	12	(3,251)	(3,857)
Surplus/(deficit) for the year		292,918	(76,660)

The Revenue Account has been prepared on the basis that all operations are continuing operations.
The notes on pages 29 to 45 form an integral part of these financial statements.

LONDON CAPITAL CREDIT UNION LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 £	2020 £
Surplus/(deficit) for the year		292,918	(76,660)
Other comprehensive income		-	-
Total comprehensive income for the year		<u>292,918</u>	<u>(76,660)</u>

The notes on pages 29 to 45 form an integral part of these financial statements.

LONDON CAPITAL CREDIT UNION LTD

BALANCE SHEET

AS AT 30 SEPTEMBER 2021

	Notes	2021 £	2020 £
Assets			
Cash and balances at central banks	13	450	154
Loans and advances to banks	13	10,593,355	8,535,164
Loans and advances to customers	14	7,592,658	7,644,619
Intangible assets	16	10,462	4,155
Tangible assets	17	7,313	11,549
Other receivables	18	-	225
Prepayments		25,181	18,408
Total assets		18,229,419	16,214,274
Liabilities and reserves			
Customer accounts	19	16,508,207	14,945,200
Other liabilities	20	63,237	54,017
Deferred income	22	150,000	-
Subordinated loans	21	565,000	565,000
		17,286,444	15,564,217
General reserve	28	510,710	267,792
Other reserves	28	432,265	382,265
Total reserves		942,975	650,057
Total liabilities and reserves		18,229,419	16,214,274

The financial statements were approved by the Board of Directors and authorised for issue on 16 Dec 2021 and are signed on its behalf by:

M. D. Badcock

Mr Mark Badcock
Director

Helen Baron

Ms Helen Baron
Director

D. Kehoe

Mr Don Kehoe
Secretary

The notes on pages 29 to 45 form an integral part of these financial statements.

LONDON CAPITAL CREDIT UNION LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	IT & Property Reserve £	Other Reserve £	General Reserve £	Total £
Balance at 1 October 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)
Other movements	-	-	-	-
Balance at 30 September 2020	262,265	120,000	267,792	650,057
Year ended 30 September 2021:				
Surplus and total comprehensive income for the year	-	-	292,918	292,918
Other movements	50,000	-	(50,000)	-
Balance at 30 September 2021	312,265	120,000	510,710	942,975

The notes on pages 29 to 45 form an integral part of these financial statements.

LONDON CAPITAL CREDIT UNION LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	£	2021 £	£	2020 £
Cash flows from operating activities					
Surplus for the period			292,918		(76,660)
Depreciation and amortisation	10	10,806		18,090	
Corporation tax expenses	12	3,251		3,857	
Provision movement	15	66,936		581,539	
Interest income on loans	3	(1,031,434)		(1,176,898)	
Distribution on members shares	4	5,289		5,122	
			(945,152)		(568,290)
Working capital adjustments					
Change in other receivables and prepayments		(6,548)		9,233	
Change in other liabilities		9,756		22,908	
Change in deferred income		150,000		-	
			153,208		32,141
Cash flows from changes in operating assets and liabilities					
Loan repayments less loans advanced	14	1,016,459		2,646,230	
Customer balance cash movement		1,557,718		1,786,064	
Movement on funds on deposit	13	8,004		(503,013)	
			2,582,181		3,929,281
Corporation tax paid			(3,787)		(2,663)
Net cash flow from operating activities			2,079,368		3,313,809
Investing activities					
Purchase of intangible assets	16	(9,644)		(5,526)	
Purchase of tangible fixed assets	17	(3,233)		(12,828)	
Net cash used in investing activities			(12,877)		(18,354)
Financing activities					
Cash movement on subordinated loans		-		100,000	
Net cash (used in)/generated from financing activities			-		100,000
Net increase in cash and cash equivalents			2,066,491		3,395,455
Cash and cash equivalents at beginning of year			6,921,455		3,526,000
Cash and cash equivalents at end of year	30		8,987,946		6,921,455

The notes on pages 29 to 45 form an integral part of these financial statements.

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

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 2021

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 2021

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 2021

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 2021

3 Interest receivable and similar income

	2021 £	2020 £
Interest income on loans	1,031,434	1,176,898
Interest income on bank deposits	18,158	19,930
	<u>1,049,592</u>	<u>1,196,828</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:

	2021 £	2020 £
Interest and similar charges paid during the period		
Dividend on dividend bearing shares	5,289	5,122
	<u>5,289</u>	<u>5,122</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:

	2021 %	2020 %
Dividend rates paid during year		
Juvenile share dividend	2.00	2.00
	<u>2.00</u>	<u>2.00</u>

5 Fees and commissions receivable

	2021 £	2020 £
Service charges	14,358	9,753
	<u>14,358</u>	<u>9,753</u>

6 Fees and commissions payable

	2021 £	2020 £
Bank charges	29,960	25,058
	<u>29,960</u>	<u>25,058</u>

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

7 Other operating income

	2021 £	2020 £
Other income	58,903	25,471
Grant income	14,541	74,014
Donations received	1,834	2,502
	<u>75,278</u>	<u>101,987</u>

£8,891 (2020: £nil) of grant income has been received from the UK Government Coronavirus Job Retention Scheme.

8 Administrative expenses

	Notes	2021 £	2020 £
Staff costs	11	483,817	535,097
External auditor's remuneration		8,149	8,355
Member communication and advertising		70,742	63,126
Legal, professional and credit control costs		46,290	26,948
Computer and software expenses		31,509	26,072
Travel costs		7,577	6,933
General administration costs		31,438	31,255
		<u>679,522</u>	<u>697,786</u>

9 Other operating expenses

	2021 £	2020 £
Regulatory costs	6,104	7,003
Costs of occupying offices	47,759	47,749
	<u>53,863</u>	<u>54,752</u>

10 Operating surplus/(deficit)

	2021 £	2020 £
Operating surplus/(deficit) for the year is stated after charging:		
Fees payable to the credit union's external auditor for the audit of the financial statements	8,149	8,355
Depreciation of owned tangible fixed assets	7,469	11,930
Amortisation of intangible assets	3,337	6,160
Operating lease charges	46,887	46,887
	<u>65,842</u>	<u>73,332</u>

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

11 Employees

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

	2021	2020
	Number	Number
Staff	17	19

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	430,491	483,024
Social security costs	36,463	33,985
Pension costs	16,863	18,088
	<u>483,817</u>	<u>535,097</u>

12 Corporation tax

	2021	2020
	£	£
Current tax		
UK corporation tax on taxable surplus for the current period	3,251	3,857

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:

	2021	2020
	£	£
Surplus before taxation	296,169	(72,803)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	56,272	(13,833)
Tax effect of income/expenditure not taxable in determining taxable surplus	(53,021)	17,690
Taxation charge for the year	<u>3,251</u>	<u>3,857</u>

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

13 Loans and advances to banks

	2021 £	2020 £
Cash held at banks	8,987,496	6,921,301
Bank deposits	1,605,859	1,613,863
	<u>10,593,355</u>	<u>8,535,164</u>
Loans and advances to banks	10,593,355	8,535,164
Cash in hand	450	154
	<u>10,593,805</u>	<u>8,535,318</u>
	<u><u>10,593,805</u></u>	<u><u>8,535,318</u></u>
Loans split by repayment period		
Cash and cash equivalents	8,987,946	6,921,455
Amounts maturing in over 8 days	1,605,859	1,613,863
	<u>10,593,805</u>	<u>8,535,318</u>
	<u><u>10,593,805</u></u>	<u><u>8,535,318</u></u>

14 Loans and advances to customers

	Notes	2021 £	2020 £
Loan movement			
Opening balances		10,384,975	11,948,540
Interest on loans		1,031,434	1,176,898
Loans advanced during the period		5,087,879	4,512,453
Loans repaid during the period		(6,104,338)	(7,158,683)
Loans derecognised		(47,837)	(94,233)
		<u>10,352,113</u>	<u>10,384,975</u>
Loan impairment provisions	15	(2,759,455)	(2,740,356)
		<u>7,592,658</u>	<u>7,644,619</u>
		<u><u>7,592,658</u></u>	<u><u>7,644,619</u></u>
Loans split by repayment period			
Capital repayments due within 1 year		4,375,144	5,318,169
Capital repayments due after 1 year		5,976,969	5,066,806
Loan impairment provisions	15	(2,759,455)	(2,740,356)
		<u>7,592,658</u>	<u>7,644,619</u>
		<u><u>7,592,658</u></u>	<u><u>7,644,619</u></u>
Loans split by type			
Loans to members		10,352,113	10,384,975
Loan impairment provisions	15	(2,759,455)	(2,740,356)
		<u>7,592,658</u>	<u>7,644,619</u>
		<u><u>7,592,658</u></u>	<u><u>7,644,619</u></u>

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

15 Loan impairment

	Write off Provision £	Arrears Provision £	Total Provisions £
Loan impairment provision			
Opening balances	270,824	2,469,532	2,740,356
Provision movement	(32,080)	51,179	19,099
Closing balances	<u>238,744</u>	<u>2,520,711</u>	<u>2,759,455</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	2021 £	2020 £
Impairment revenue account charge			
Impairment provision movement		19,099	487,306
Bad debts derecognised	14	47,837	94,233
Bad debts recovered		(3,317)	(976)
		<u>63,619</u>	<u>580,563</u>

16 Intangible fixed assets

	Software £
Cost	
At 1 October 2020	59,101
Additions - separately acquired	9,644
At 30 September 2021	<u>68,745</u>
Amortisation and impairment	
At 1 October 2020	54,946
Amortisation charged for the year	3,337
At 30 September 2021	<u>58,283</u>
Carrying amount	
At 30 September 2021	<u>10,462</u>
At 30 September 2020	<u>4,155</u>

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

17 Tangible fixed assets

	Fixtures and fittings £
Cost	
At 1 October 2020	106,773
Additions	3,233
	<hr/>
At 30 September 2021	110,006
	<hr/>
Depreciation and impairment	
At 1 October 2020	95,224
Depreciation charged in the year	7,469
	<hr/>
At 30 September 2021	102,693
	<hr/>
Carrying amount	
At 30 September 2021	7,313
	<hr/> <hr/>
At 30 September 2020	11,549
	<hr/> <hr/>

18 Other receivables

	2021 £	2020 £
Amounts falling due within one year:		
Other debtors	-	225
	<hr/> <hr/>	<hr/> <hr/>

19 Customer accounts

	2021 £	2020 £
Deposit movement		
Opening balances	14,945,200	13,154,014
Deposited during the period	12,447,548	10,540,414
Withdrawn during the period	(10,884,541)	(8,749,228)
	<hr/>	<hr/>
	16,508,207	14,945,200
	<hr/> <hr/>	<hr/> <hr/>
Deposits split by type		
Standard dividend bearing member shares	16,081,905	14,478,819
Corporate dividend bearing shares	115,986	127,012
Juvenile member deposits	310,316	339,369
	<hr/>	<hr/>
	16,508,207	14,945,200
	<hr/> <hr/>	<hr/> <hr/>

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

20 Other liabilities

	2021 £	2020 £
Corporation tax	3,450	3,986
Other creditors	3,981	3,825
Accruals and deferred income	55,806	46,206
	<u>63,237</u>	<u>54,017</u>

21 Loans and overdrafts

	2021 £	2020 £
Subordinated loans	565,000	565,000
	<u>565,000</u>	<u>565,000</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 charged on one loan of £100,000 at a rate of 2%. All other subordinated loans are not charged interest.

22 Deferred income

	2021 £	2020 £
Increase in period	(150,000)	-

Grant income was received in the financial year from Fair4All. £150,000 was received towards financial forbearance support and bad debt provisioning due to the effects of the Covid-19 crisis. At the year end, none of the grant had been applied and has therefore been deferred in full at the year end date. It will be released (to income) as it is utilised or otherwise repaid to the funder.

23 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to revenue account in respect of defined contribution schemes	16,863	18,088
	<u>16,863</u>	<u>18,088</u>

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.

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

24 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 2021

25 Credit risk on lending

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

	2021 £	2020 £
Security for loans		
Attached shares	3,391,648	3,604,590

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.

	2021 £	2020 £
Loans not individually impaired		
Not past due	7,048,513	6,882,821
Up to 3 months past due	284,283	470,831
	<u>7,332,796</u>	<u>7,353,652</u>
Loans individually impaired		
Between 3 and 6 months past due	133,682	138,559
Between 6 months and 1 year past due	186,040	293,474
Over 1 year past due	2,460,851	2,328,466
Individually impaired and written off for internal purposes	238,744	270,824
	<u>3,019,317</u>	<u>3,031,323</u>
Total loans	10,352,113	10,384,975
Impairment allowance	(2,759,455)	(2,740,356)
	<u>7,592,658</u>	<u>7,644,619</u>

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

26 Credit risk on bank and investments

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

	2021	2020
	£	£
Bank accounts	8,987,496	6,921,301
Bank term deposits	1,605,859	1,613,863
	<u>10,593,355</u>	<u>8,535,164</u>

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

27 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.

	2021		2020	
	Amount	Rates	Amount	Rates
	£	received in year %	£	received in year %
Financial assets				
Loans to members	10,352,113	9.95%	10,384,975	10.54%
Loans and advances to banks	10,593,355	0.19%	8,535,164	0.30%
	<u>20,945,468</u>		<u>18,920,139</u>	
Financial liabilities				
Juvenile deposits	(310,316)	-	(339,369)	-
Dividend bearing shares	(16,197,891)	0.03%	(14,605,831)	0.04%
Loans to the credit union	(565,000)	-	(565,000)	-
	<u>(17,073,207)</u>		<u>(15,510,200)</u>	

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

28 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.

29 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:

	2021	2020
	%	%
Actual capital to asset ratio	8.01%	7.40%
	<u> </u>	<u> </u>
Regulatory requirement		
Base capital requirement	6.35%	6.15%
	<u> </u>	<u> </u>
Total capital requirement	6.35%	6.15%
	<u> </u>	<u> </u>

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

30 Analysis of changes in net funds

	1 October 2020 £	Cash flows £	30 September 2021 £
Cash and cash equivalents	6,921,455	2,066,491	8,987,946
Bank deposits maturing in over 8 days	1,613,863	(8,004)	1,605,859
	<hr/>	<hr/>	<hr/>
	8,535,318	2,058,487	10,593,805
Borrowings excluding overdrafts	(565,000)	-	(565,000)
	<hr/>	<hr/>	<hr/>
	7,970,318	2,058,487	10,028,805
	<hr/>	<hr/>	<hr/>

31 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.

32 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:

	2021 £	2020 £
Within one year	9,998	9,998
Between two and five years	14,044	23,220
	<hr/>	<hr/>
Total lessee operating lease commitment	24,042	33,218
	<hr/>	<hr/>

33 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.

	2021 £	2020 £
Wages and salaries	81,032	77,411
	<hr/>	<hr/>

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.

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

33 Related party transactions

(Continued)

	2021	2020
	£	£
Loans to key management and their close family	2,716	2,589
Shares held by key management and their close family	41,571	64,044
	<u> </u>	<u> </u>

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 £11,701 (2020: £11,529).

LONDON CAPITAL CREDIT UNION LTD

DETAILED REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 £	2020 £
Income			
Interest income on loans	3	1,031,434	1,176,898
Interest income on bank deposits	3	18,158	19,930
Fees and commissions receivable	5	14,358	9,753
Other income	7	75,278	101,987
		<u>1,139,228</u>	<u>1,308,568</u>
Expenditure			
Staff costs	11	483,817	535,097
Auditors remuneration		8,149	8,355
Member communication and advertising	8	70,742	63,126
Legal, professional and credit control costs	8	46,290	26,948
Computer and software expenses	8	31,509	26,072
Travel costs	8	7,577	6,933
Bank charges	6	29,960	25,058
General administration costs	8	31,438	31,255
Regulatory costs	9	6,104	7,003
Costs of occupying offices	9	47,759	47,749
Depreciation and amortisation	10	10,806	18,090
Impairment on loans for bad and doubtful debts	15	63,619	580,563
		<u>837,770</u>	<u>1,376,249</u>
Surplus before taxation		301,458	(67,681)
Corporation tax	12	(3,251)	(3,857)
		<u>298,207</u>	<u>(71,538)</u>
Distributions		(5,289)	(5,122)
Surplus/(deficit) for the year		<u><u>292,918</u></u>	<u><u>(76,660)</u></u>

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

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