London Capital Credit Union
the savings & loans co-operative

Promoting Saving
Dealing With Debt

Annual Report
2021 - 2022

coop

Worldwide Information On Co-operatives

United States
Co-operatives in the USA had a combined turnover of over US$514,600,000 million.

Europe
Within the EU there are 250,000 co-operatives, owned by 163 million citizens (one third of the EU population).

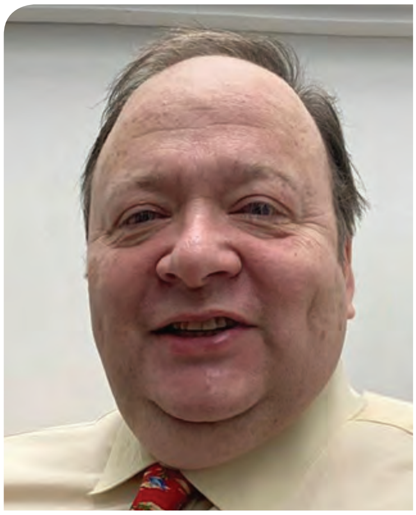
Jamaica
In Jamaica there are a total of 121 co-operatives. Credit unions in Jamaica have just over 1 million members, that's 35.7% of the population.

Nigeria
Nigeria has over 20,040 co-operative groups with over 5.2 million co-operative members nationwide.
Farmers with simultaneous access to credit and co-operative services also achieve significantly higher farm size and productivity than those who are without simultaneous access. Co-operatives boost farm productivity by providing crucial information, finance, and a higher market price for their members' farm products.

Brazil
There are over 6,000 Co-operatives in Brazil and they have 425,318 employees between them.

Continued inside back cover





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

Overview

The Credit Union is a democratically owned and controlled co-operative, run by and for its members on the basis of mutual self-help. This is the report of the Credit Union for the financial year to the end of September 2022. 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 like for like 17% increase in the value of our members savings during the year. However, there are times when it is necessary to borrow, to spread the cost of purchases or clear expensive existing debt. It is our member's savings that provide the money to lend to people in times of need.

In 2020 we first entered into discussions with the Enfield based North London Credit Union about a merger. The smaller credit union merged to form part of London Capital Credit Union in August 2022. Two long standing and experienced staff joined our team as a result, along with c1,500 active members and additional £1.9m in savings and £600,000 in loans. The process of combining policies, procedures and staff integration is ongoing. The successful sale of the property made the merger financially possible.

We are pleased to report that we have again returned a surplus, boosted by the allocation of a large grant from Fair4All Finance which was provided in 2021 to assist with costs arising from the Covid crisis where so many members needed forbearance on their loans. We plan to allocate funds to our dividend reserves so we can return dividends and loan rebates to our members in the local communities where the profits were generated.

	2020-21	2021-22	Variance
Surplus (Deficit)	£292,918	£337,349	+£44,431*
Membership	13,763	15,903	+16%**
Shares/Savings	£16,508,000	£19,367,000	+17%
Loans Issued	£5,182,000	£5,579,000	+8%
Loans Balance	£7,592,658	£8,794,365	+16%
Capital Asset Ratio	7%	8.3%	+9%

**includes £150,000 Covid lockdown related grant from Fair4All Finance.*

*** amended method of counting 'active' members during year. Now only include members with minimum £1 balance in saving, previously included anyone with balance of £1 or more and anyone having joined during the previous 12months (excludes Young Saver Accounts).*

The 2021-22 financial year was again impacted by Covid19 restrictions and associated impacts of the stop start reopening. Our office remained inaccessible to visitors for most of the financial year, whilst membership recruitment outreach was largely suspended. We improved member communication using SMS and email as well as regular newsletters and this increased the proportion of active members using our services. We were pleased to be able to reopen our office to members by appointment which is a great help to people who need support with forms or struggle with online access.

We have continued progress with automating most of our back-office services. While we believe this is still an objective for us, we see our priority is to provide a real 'human touch' in our contact with members and our lending decisions whilst minimising the time from application to disbursement of funds.

Our online services through the website and app continue to evolve 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 further increased loan interest income led to healthy underlying profit.

Ongoing financial support in the form of subordinated loans from Haringey Council and the Trust for London remain 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 six more employers, Enfield Council, Family Action, London Energy, Catch22, and Camden Council and Barnet & Southgate College 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 further rise in our capital asset ratio as a result of our retained surplus and, to a lesser extent, incoming reserves arising from the sale of the property owned by North London Credit Union. The year saw continued effort to activate dormant accounts and as a result many members started saving for the first time. Overall membership rose by 17% but active membership increased at a much greater level due to changes in the joining process and improved follow up of joiners.

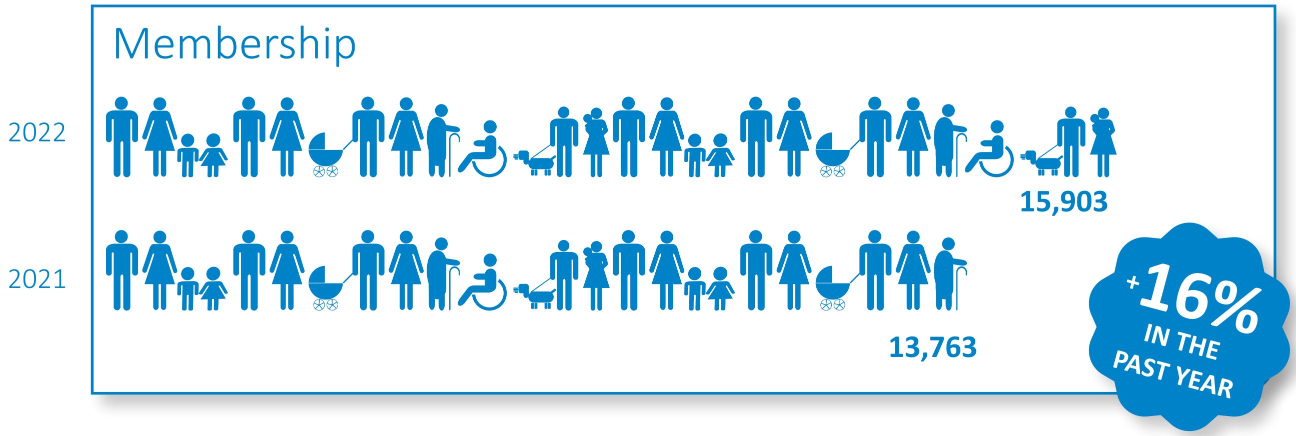
Our typical loan rate remains at 12.7% apr, significantly lower than most Credit Unions and compares very well with an average UK credit card rate of 23% Unlike other lenders we have not increased our loan interest rates and have no plans to do so. Success in lending is particularly important as it evidences 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 longer-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 or online only providers.

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.

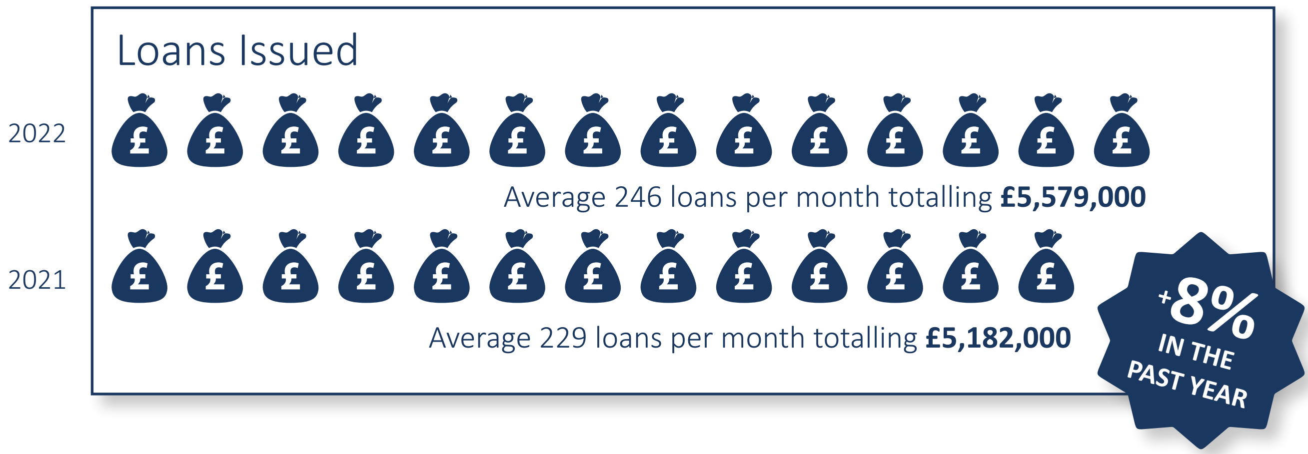
Our Growth



Membership
2022
15,903
2021
13,763
+16% IN THE PAST YEAR

Shares/Savings
2022
£19,366,972
2021
£16,508,207
+17% IN THE PAST YEAR

Loan Balance
2022
£8,794,365
2021
£7,592,658
+16% IN THE PAST YEAR



Loans Issued
2022
Average 246 loans per month totalling £5,579,000
2021
Average 229 loans per month totalling £5,182,000
+8% IN THE PAST YEAR

Loans Panel Report

The Board appoints a panel of members who are authorised to make decisions on loan applications. During the 2021-22 financial year an average 246 loans per month were issued (229 pcm 2020-21), totalling £ 5,579,000 (£5,182,000, 2020-21).

The average loan value rose slightly again this year however we continue to see huge demand for smaller loans from members as inflationary pressures have resulted in short term financial emergencies. Low value loans increase our costs disproportionately and makes the business less sustainable. Previous 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 return surplus to members, reduce the cost of borrowing and support our reserves.

The Loans Panel continues to balance the demand for loans with the essential role of protecting our member's savings by minimising risk. The cost of bad debt provisioning fell during the year, despite online fraud and the continuing activities of unscrupulous firms promoting inappropriate IVA's (individual voluntary arrangements). We have seen too many people struggling with the effects of rising prices and falling real value wages. Where members do struggle with payments our Loans Support Officers will offer a range of options, including, for instance, an offer to freeze interest on the member's loans until they are able to find another job. Whilst this increases the cost of bad debt provisioning in the short term it helps the members at the time when they need that level of understanding most. This maintains member loyalty, trust and reduces longer term losses.

Report of Supervisory Team

The role of the 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 2022 the elected supervisory members were Gordon Brown, Brenda Cossio (Chair), John Davies and Eugene McCrohan. 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 deemed greatest. Where issues have been raised then action has been taken to improve processes and policies.

One of the key roles of the supervisory team 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 supervisory team, all of whom are volunteers.

What Our Members Say

"You helped us out during the pandemic with money to pay my bills."

What Our Members Say

"I am a single parent, I have used your loans on many occasions, for home safety and improvements, replacement washing machine etc."

Member Satisfaction - Customer Service

8.8/10

Throughout the 2021-22 financial year we have 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 disappoint more members as we declined a slightly greater proportion of loan applications. On top of this we have had to limit access to our offices to appointment only 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 because our 'customers' are our members and they own the business. During 2022 we undertook the annual membership survey and asked our members how they rated us for customer service. Of particular note was that, once again, 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.

Just over 12% of members contacted responded to the survey. The survey shows a high overall level of member satisfaction with the services we provide, with an average score of 8.8 out of a possible 10, (an increase from 8.6 in the previous year). We know that this is a significant achievement and is a credit to our staff and volunteer team.

During the year we continued to upgrade our online services through the website and App for mobile devices. The membership survey showed that we still need to do more to communicate our services to members, with nearly 35%% not having downloaded our mobile App, and over 36% not having heard of our budgeting accounts (40% previous year). Whilst this was a further 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. In the survey 38% of members joined after a personal word of mouth recommendation, 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

"Helped me reduce significant interest rates on credit cards by consolidating my debts with a Saver Loan."

What Our Members Say

"Helped me to save money whilst paying back a loan. Also the prize saver account is a good incentivce to put a little aside."

What Our Members Say

"The financial freedom that the credit union has given me is amazing. No more worries for money."

What Our Members Say

"You gave me a loan to help with funeral costs when no one else would help."

Awards & Accreditations

Women in Finance Charter

We were one of the first financial institutions in the UK to sign up to the Women in Finance Charter in 2016. The charter, which was launched by HM Treasury, aims to improve gender diversity in senior positions in the financial sector. A balanced workforce is good for business, customers and workplace culture, so the charter commits financial services providers to work together to build a more balanced and fair industry. Equality is a core part of what co-operatives are 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. Women are now underrepresented at our Board level following the merger and addition of 3 director of the all-male North London Credit Union Board. We remain committed to achieving gender parity at this most senior level in our co-operative business.

London Living Wage Campaign

We are very proud to be an accredited London Living Wage employer and an early adopter of this important initiative. Far too many working people struggle to make ends meet, yet most of us agree that, wherever possible, work should be the best way out of poverty. This is why the Credit Union supports The Living Wage Campaign which was launched in 2001. The real Living Wage is an example of communities, business, campaigners and faith groups coming together to find practical ways to help families by addressing in-work poverty. This campaign is more important than ever with real wages declining in the face of high inflation rates. We are pleased to report that all of our employees are paid at rates above the London Living Wage levels.

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 in 2018 we were one of the first to have received permission to use this important quality mark by the FairLife Charity.

What Our Members Say

"The credit union has helped me save my child benefit instead of spending it. One day it will pay for their driving lessons."

London Capital Credit Union
the savings & loans co-operative

Social Performance-
Promoting Saving, Dealing With Debt

As a co-operative we have different reasons for existence. Whilst most financial institutions encourage people to borrow, 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. This is even more important than ever when so many families face the choice between heating or eating. 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 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. 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 201-22 we issued loans to the value of £5,579,000 to our members, 8% ahead of the previous year. Based on this formula our members are estimated to have saved £8,368,000 in interest by transferring their existing high-cost debts to the Credit Union. Over the next few years' we forecast a financial benefit to our members, and the wider community, well in excess of £100 million. and the wider community, in excess £100 million.

CU What Our Members Say

"You helped me buy a laptop and other necessary items when my daughter was going to university."

CU What Our Members Say

"The Young Savers accounts have been great for helping my children learn to save."

Who Are Our Members?

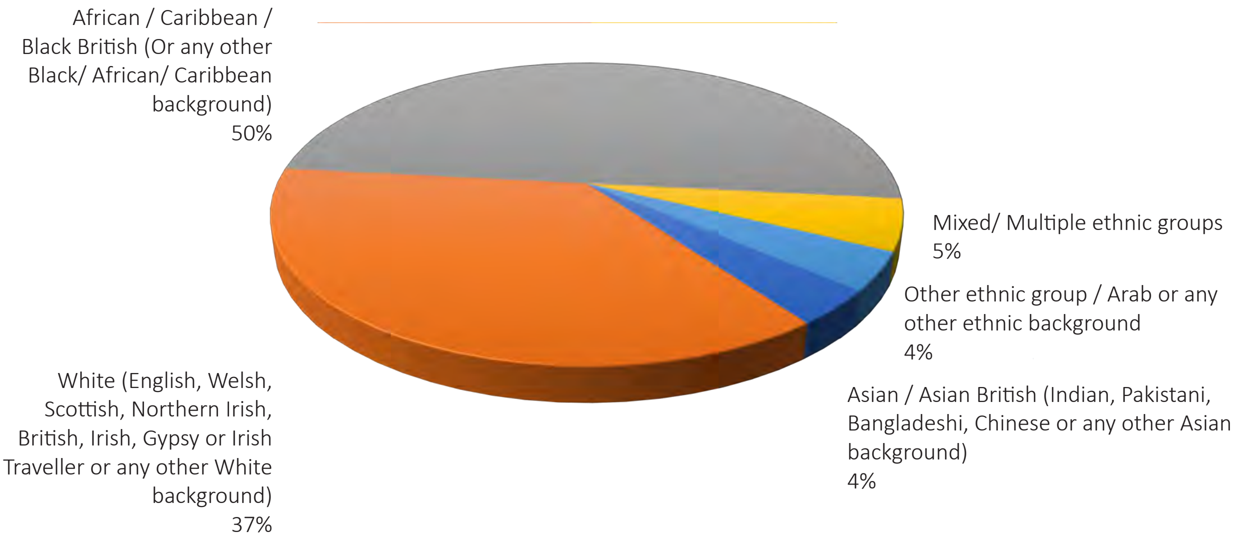
We strive to design our services and products to meet the needs of all people, regardless of their background, yet our services are of greatest help to those most often excluded from or exploited by some in the financial services industry. These are typically lone parents, people with long term health issues, people in insecure employment, on zero-hour contracts, have lost their job, or those that have gone through a personal crisis such as divorce/separation.

- The majority of our members are female, 63%.
- Nearly one in three, 32%, of all respondents said they were lone parents.
- Only 55% were in full time permanent employment,
- The large majority, 64%, describe themselves as something other than 'White British'.

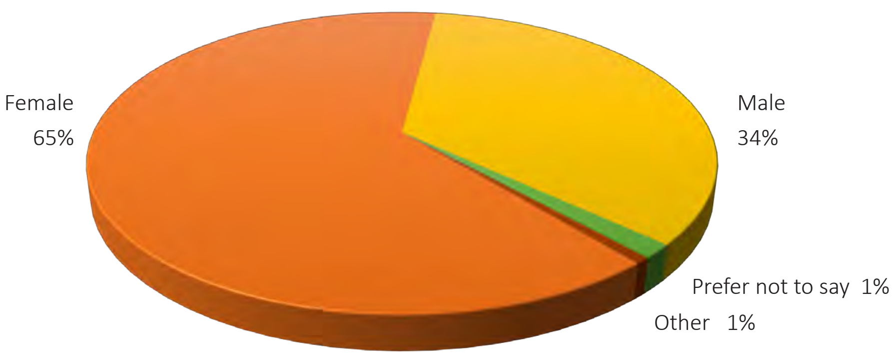
The most startling figure that 20% of members say that they have total household income of less than £15,000 and 57% of our members live in homes where the total household income is less than £30,000.

Here, in graphical form, is a snap shot of our membership at the end of the 202-22 financial year.

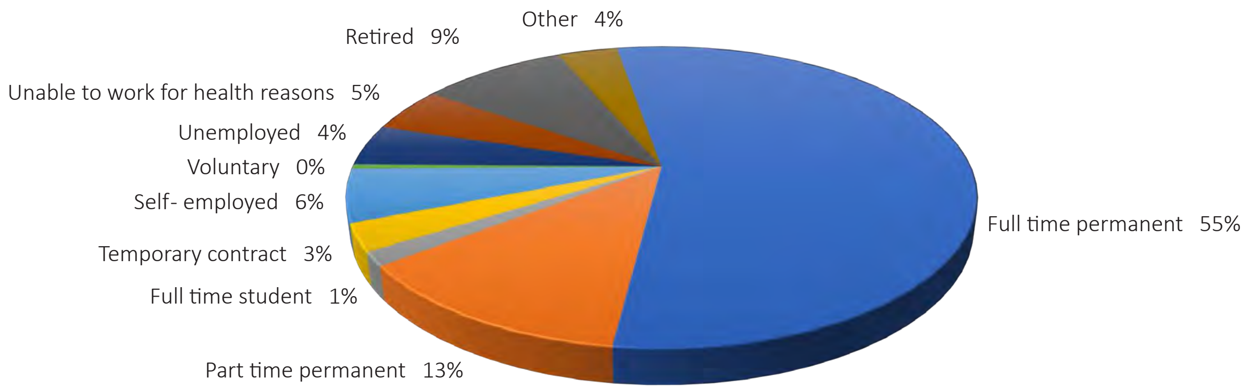
Ethnicity



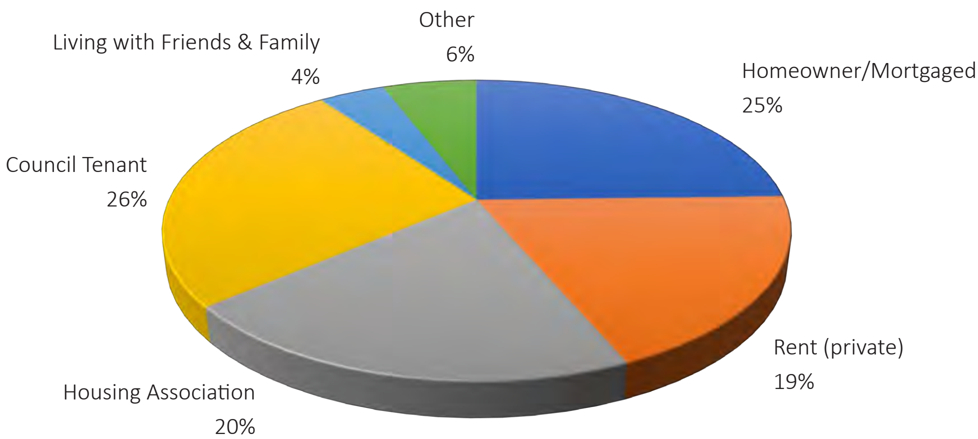
Gender



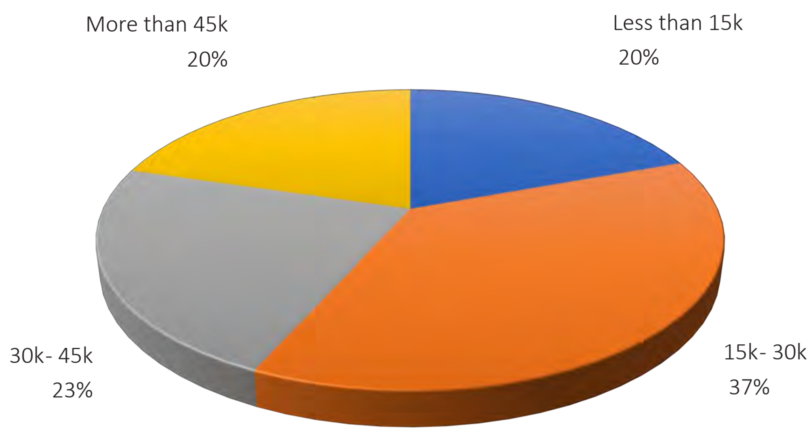
Employment



Housing Tenure



Total Household Income



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:

Directors' Attendance at Board Meetings 2021-2022

Director	28Oct	25Nov	16Dec	27Jan	24Feb	24Mar	28Apr	26May	23Jun	28Jul	25Aug	22Sep	No. of meetings attended
Mark Badcock	P	P	P	P	P	Ap	P	P	P	P	P	P	11
Shiwani Bansal	-	-	-	-	-	-	-	-	-	-	-	Co	1
Helen Baron	P	P	P	P	P	P	P	P	P	P	P	P	12
Elisabetta Bertero	P	Ap	P	P	P	P	P	P	P	P	Ap	P	10
Paul Campy	P	P	P	P	P	P	P	P	P	P	P	Ap	11
Chikezie Ekeanyanwu	-	-	-	-	-	-	-	Co	P	P	P	P	5
Elaine Greaves	P	P	P	Ap	Ap	P	P	Ap	P	P	Ap	P	8
Kerry Hallett	P	P	P	P	P	P	P	P	Ap	Ap	P	P	10
Jeff Hopwood	-	-	-	-	-	-	-	-	-	-	Co	Ap	1
François Jarrosson	P	P	P	P	P	P	Ap	P	P	P	P	P	11
Don Kehoe	P	P	P	P	P	P	Ap	P	P	P	P	P	11
Peter Lovell	-	-	-	-	-	-	-	-	-	-	Co	P	2
Michael Mlilo-Mabaso	P	P	Ap	P	P	P	P	P	P	Ap	P	P	10
Ed Pringle	-	-	-	-	-	-	-	-	-	-	Co	P	2
Barak Sas	P	P	Ap	P	P	P	Ap	P	P	P	P	P	10
TOTAL	10	9	8	9	9	9	7	10	10	9	12	13	

P = present
Co = Co-opted
Ap = apologies for absence received
Rs = Resigned
LoA = Leave of Absence agreed by the Board
- = Not a director at the time

The Board is comprised solely of unpaid members of the Credit Union who commit to volunteer on a regular basis. The Chief Executive Officer also attends Board meetings in a non-voting capacity.

We remain committed to ensuring that anyone serving on the Board must be suitably qualified and committed to fulfil these roles. During the financial year in question we co-opted Ms Shiwani Bansal as a director, having experience as a credit union employee, Mr Chikezie Ekeanyanwu with City experience, and Messrs Jeffrey Hopwood, Peter Lovell and Ed Pringle as serving directors of North London Credit Union. All co-optees are required to stand for election by the membership at the Annual General Meeting.

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 very significant amounts of time and effort in behind the scenes work that ensures the continuing success of the Credit Union in meeting the needs of our members.

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 £11.95p per hour. The ratio between hourly rates of pay of the highest and lowest paid employee in the Credit Union reduced slightly during the year at 2.7.

An additional salary increase was agreed by the Board in June 2022 in recognition of the impact inflation was having on staff. The increase was incremental with higher paid staff taking a lower increase.

Looking Forward

It is clear that the economic effects of the war in Ukraine, the Covid pandemic and the ending of British membership of the European Union will continue for a number of years and the need for our services is likely to be greater than ever. High inflation rates mean the real pay for those on low and modest incomes have fallen and this seems set to continue. This puts us in a good place to help many more people to reduce the cost of borrowing which will free up money to improve peoples' lives and keep 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 additional 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.

Crucial to our future success in promoting financial wellbeing is increasing the number of members using our salary savings schemes. We will continue to engage with the increasing number of employers working with us to publicise our services as an employee wellbeing benefit and encourage more people to take up use of such schemes. We will concentrate efforts on increasing membership penetration with existing employer partners by adding staff dedicated to this task.

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

What Our Members Say

"It has taught me financial discipline."

What Our Members Say

"Very kind and helpful staff. "

What Our Members Say

"Always helpful with saver loans when needed and happy to provide information on where to get specialist advice. I have given credit union leaflets to all my colleagues at work."

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

"Great assistance with starting my new business."

What Our Members Say

"Credit union has been a life saver. I love the fact you can't touch your saving whilst you have a loan outstanding. I don't know where I would be without credit union."

Thank You to Supporters

We wish to express our appreciation to those who have supported us during the year, first and foremost our members whose savings generate the lending capital and loan interest that pays our running costs. Our members are the very heart of our co-operative 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 Fair 4 All Finance for their grant towards the cost of helping borrowing members through the pandemic and Haringey Council for the ongoing subordinated loan has been indispensable to 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; the trade unions Unison and Unite whose partnerships are so useful in developing these schemes for the benefit of their members. Such schemes are crucial to encouraging ordinary working people to save rather than borrow, and in preventing debt problems in years to come. They also generate the savings that we are then able to lend to those in need of affordable credit. This is mutual self-help in action.

Volunteers and interns have, as ever, played a crucial part in running the organisation, from Directors to office volunteers, and members who 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

"Definitely would not have saved this much without the CU. It's taken from my salary before I receive it and that works for me because I don't really notice it."

What Our Members Say

"This year has been so hard but I'm so grateful for credit union as they have made it possible to have Christmas loan this year."

What Our Members Say

"Has helped me to budget/have a better sense of money management and also provided me with a loan in times of need."

What Our Members Say

"I am pleased that my savings can be used to lend ethically to other union members who need them. "

Alexander Sloan
Accountants and Business Advisers

LONDON CAPITAL CREDIT UNION LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

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	
	Ms Elaine Greaves	
	Ms Kerry Hallett	
	Mr François Jarrosson	
	Mr Don Kehoe	
	Mr Michael Mlilo-Mbasa	
	Mr Barak Sas	
	Ms Shiwani Bansal - Co-optee	(Appointed 22 September 2022)
	Mr Chikezie Ekeanyanwu - Co-optee	(Appointed 26 May 2022)
	Mr Jeffrey Hopwood - Co-optee	(Appointed 25 August 2022)
	Mr Peter Lovell - Co-optee	(Appointed 25 August 2022)
	Mr Ed Pringle - Co-optee	(Appointed 25 August 2022)
	Mr Michael McGowan - Co-optee	(Appointed 15 December 2022)
Secretary	Mr Don Kehoe	
Registered office	The Jeremy Hopgood Rooms Caxton House 129 St John's Way London N19 3RQ	
Auditor	Alexander Sloan Accountants and Business Advisers 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 2022

The Directors present their annual report and financial statements for the year ended 30 September 2022.

During the year a transfer of engagements took place, which saw North London Credit Union merge with London Capital Credit Union.

The transfer of the whole of the stock, property and other assets and all engagements of North London Credit Union to London Capital Credit Union in consideration of the issue of shares and loans in the books of North London on the effective date of 24th August 2022 took place.

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 6.

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	
Ms Elaine Greaves	
Ms Kerry Hallett	
Mr François Jarrosson	
Mr Don Kehoe	
Mr Michael Mlilo-Mbasa	
Mr Barak Sas	
Ms Shiwani Bansal - Co-optee	(Appointed 22 September 2022)
Mr Chikezie Ekeanyanwu - Co-optee	(Appointed 26 May 2022)
Mr Jeffrey Hopwood - Co-optee	(Appointed 25 August 2022)
Mr Peter Lovell - Co-optee	(Appointed 25 August 2022)
Mr Ed Pringle - Co-optee	(Appointed 25 August 2022)
Mr Michael McGowan - Co-optee	(Appointed 15 December 2022)

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.

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

D J Kehoe
....
Mr Don Kehoe
Secretary
Date: 16 Dec 2021

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 2022 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 2022 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.

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.

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.

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

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.
- reviewing correspondence with PRA and FCA.

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.

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 ....

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 2022

	Notes	2022 £	2021 £
Loan interest receivable and similar income	**3**	1,126,278	1,049,592
Interest payable and similar charges	**4**	(76,558)	(5,289)
Net interest receivable		1,049,720	1,044,303
Fees and commissions receivable	**5**	15,935	14,358
Fees and commissions payable	**6**	(37,926)	(29,960)
Net fees and commissions		(21,991)	(15,602)
Other operating income	**7**	206,256	75,278
Administrative expenses	**8**	(778,982)	(679,522)
Depreciation and amortisation		(10,262)	(10,806)
Other operating expenses	**9**	(57,568)	(53,863)
Impairment on loans for bad and doubtful debts	**15**	(43,230)	(63,619)
Surplus before taxation		343,943	296,169
Corporation tax	**12**	(6,594)	(3,251)
Surplus for the year		**337,349**	**292,918**

The Revenue Account has been prepared on the basis that all operations are continuing operations.
The notes on pages 11 to 29 form an integral part of these financial statements.

LONDON CAPITAL CREDIT UNION LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 £	2021 £
Surplus for the year		337,349	292,918
Other comprehensive income		-	-
Total comprehensive income for the year		337,349	292,918

The notes on pages 11 to 29 form an integral part of these financial statements.

LONDON CAPITAL CREDIT UNION LTD

BALANCE SHEET

AS AT 30 SEPTEMBER 2022

	Notes	2022 £	2021 £
Assets			
Cash and balances at central banks	**13**	126	450
Loans and advances to banks	**13**	12,213,836	10,093,355
Loans and advances to customers	**14**	8,794,365	7,592,658
Investments	**16**	500,000	500,000
Intangible assets	**17**	(198,248)	10,462
Tangible assets	**19**	8,538	7,313
Other receivables	**20**	1,626	-
Prepayments		60,545	25,181
Total assets		**21,380,788**	**18,229,419**
Liabilities and reserves			
Customer accounts	**21**	19,366,972	16,508,207
Other liabilities	**22**	65,494	63,237
Deferred income	**24**	52,998	150,000
Subordinated loans	**23**	565,000	565,000
		20,050,464	17,286,444
General reserve	**30**	673,267	510,710
Other reserves	**30**	657,057	432,265
Total reserves		1,330,324	942,975
Total liabilities and reserves		**21,380,788**	**18,229,419**

The financial statements were approved by the Board of Directors and authorised for issue on .16 Dec 2022..... and are signed on its behalf by:

M.D Badcock
....
Mr Mark Badcock
Director

Helen Baron
....
Ms Helen Baron
Director

D J Kehoe
....
Mr Don Kehoe
Secretary

The notes on pages 11 to 29 form an integral part of these financial statements.

LONDON CAPITAL CREDIT UNION LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Lloyds Reserve	IT & Property Reserve	Other Reserve	Appropriation Reserve	Dividend Reserve	General Reserve	Total
	£	£	£	£	£	£	£
Balance at 1 October 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**
Year ended 30 September 2022:							
Surplus and total comprehensive income for the year	-	-	-	-	-	337,349	337,349
Restricted fund acquired on transfer of engagements	50,000	-	-	-	-	-	50,000
Other movements	-	50,000	-	24,792	100,000	(174,792)	-
Balance at 30 September 2022	**50,000**	**362,265**	**120,000**	**24,792**	**100,000**	**673,267**	**1,330,324**

The notes on pages 11 to 29 form an integral part of these financial statements.

LONDON CAPITAL CREDIT UNION LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	£	2022 £	£	2021 £
Cash flows from operating activities					
Surplus for the period			337,349		292,918
Depreciation and amortisation	**10**	7,102		10,806	
Corporation tax expenses	**12**	6,594		3,251	
Provision movement	**15**	337,025		66,936	
Interest income on loans	**3**	(1,119,419)		(1,031,434)	
Distribution on members shares	**4**	104,403		5,289	
			(664,295)		(945,152)
Working capital adjustments					
Change in other receivables and prepayments		(34,306)		(6,548)	
Change in other liabilities		(59,887)		9,756	
Change in deferred income		(97,002)		150,000	
			(191,195)		153,208
Cash flows from changes in operating assets and liabilities					
Loan repayments less loans advanced	**14**	185,111		1,016,459	
Customer balance cash movement		964,335		1,557,718	
Movement on funds on deposit	**13**	878,150		8,004	
			2,027,596		2,582,181
Corporation tax paid			(3,122)		(3,787)
Net cash flow from operating activities			1,506,333		2,079,368
Investing activities					
Cash acquired on acquisition		1,494,946		-	
Purchase of intangible assets	**17**	(420)		(9,644)	
Purchase of tangible fixed assets	**19**	(2,552)		(3,233)	
Net cash generated from/(used in) investing activities			1,491,974		(12,877)
Net increase in cash and cash equivalents			2,998,307		2,066,491
Cash and cash equivalents at beginning of year			8,987,946		6,921,455
Cash and cash equivalents at end of year	**32**		**11,986,253**		**8,987,946**

The notes on pages 11 to 29 form an integral part of these financial statements.

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

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.

During the year a transfer of engagements took place, which saw North London Credit Union merge with London Capital Credit Union.

The transfer of the whole of the stock, property and other assets and all engagements of North London Credit Union to London Capital Credit Union in consideration of the issue of shares and loans in the books of North London on the effective date of 24th August 2022 took place.

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 Business combinations

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

1.3 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 Accounting policies **(Continued)**

1.4 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.

1.5 Intangible fixed assets - goodwill

Negative Goodwill represents the excess of the fair value of the net assets acquired over the cost of acquisition. It is initially recognised as a negative asset in the Balance Sheet. As the non-cash assets acquired are realised the negative goodwill is released to the Revenue Account.

1.6 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

1.7 Tangible fixed assets

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

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

Fixtures and fittings	25% straight line

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

1.8 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.

1 Accounting policies (Continued)

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.

1.9 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.

1.10 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.

The investment held with Meteor Asset Management of £500,000 is treated as a basic financial instrument as it is a capital protected product which the Directors intend to hold to maturity date.

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.

1 Accounting policies **(Continued)**

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the credit union transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Basic financial liabilities

Basic financial liabilities, including members deposits are classified as debt and are initially recognised at transaction price. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through the revenue account. Debt instruments may be designated as being measured at fair value though the revenue account to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.11 Taxation

The tax expense for the period comprises current tax. Tax is recognised in the revenue account, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax

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

1.12 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.

1.13 Retirement benefits

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

1.14 Leases

1 Accounting policies **(Continued)**

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.

1.15 Government grants

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

2 Judgements and key sources of estimation uncertainty

In the application of the credit union's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Loan Impairment

The credit union assesses, at each reporting date, if there is objective evidence that any of its loans to customers are impaired. The loans are assessed collectively in groups that share similar credit-risk characteristics. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised. Any impairment losses are recognised in the Revenue Account, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

3 Interest receivable and similar income

	2022 £	2021 £
Interest income on loans	1,119,419	1,031,434
Interest rebate to members	(27,845)	-
Interest income on bank deposits	34,704	18,158
	1,126,278	1,049,592

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:

	2022	2021
Interest and similar charges paid during the period	**£**	**£**
Dividend on dividend bearing shares	76,558	5,289
	76,558	5,289

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:

	2022	2021
Dividend rates paid during year	**%**	**%**
Ordinary share dividend	0.50	-
Juvenile share dividend	0.50	2.00
Interest rebate	3.00	-

At the forthcoming Annual General Meeting the Directors will propose the following dividends based on the results for the current year. If approved these dividends will be included as a cost in next year's financial statements once they have been paid.

	2022	2021
Dividend rates to be proposed at the Annual General Meeting	**%**	**%**
Juvenile share dividend	1.00	-
Interest rebate	2.00	-

5 Fees and commissions receivable

	2022	2021
	£	**£**
Service charges	15,935	14,358

6 Fees and commissions payable

	2022	2021
	£	**£**
Bank charges	37,926	29,960

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

7 Other operating income

	2022 £	2021 £
Other income	54,329	58,903
Grant income	150,000	14,541
Donations received	1,927	1,834
	206,256	75,278

8 Administrative expenses

	Notes	2022 £	2021 £
Staff costs	11	544,428	483,817
External auditor's remuneration		9,696	8,149
Member communication and advertising		96,870	70,742
Legal, professional and credit control costs		42,450	46,290
Computer and software expenses		43,678	31,509
Travel costs		3,394	7,577
General administration costs		30,446	31,438
Subcontract labour		11,180	-
Negative release of goodwill		(3,160)	-
		778,982	679,522

9 Other operating expenses

	2022 £	2021 £
Regulatory costs	8,935	6,104
Costs of occupying offices	48,633	47,759
	57,568	53,863

10 Operating surplus

	2022 £	2021 £
Operating surplus for the year is stated after charging/(crediting):		
Fees payable to the credit union's external auditor for the audit of the financial statements	9,696	8,149
Depreciation of owned tangible fixed assets	1,327	7,469
Amortisation of intangible assets	5,775	3,337
Release of negative goodwill	(3,160)	-
Operating lease charges	47,391	46,887

11 Employees

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

	2022 Number	2021 Number
Staff	18	17

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	479,757	430,491
Social security costs	44,792	36,463
Pension costs	19,879	16,863
	544,428	483,817

12 Corporation tax

	2022 £	2021 £
Current tax		
UK corporation tax on taxable surplus for the current period	6,594	3,251

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:

	2022 £	2021 £
Surplus before taxation	343,943	296,169
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	65,349	56,272
Tax effect of income/expenditure not taxable in determining taxable surplus	(58,755)	(53,021)
Taxation charge for the year	6,594	3,251

LONDON CAPITAL CREDIT UNION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

13 Loans and advances to banks

	2022 £	2021 £
Cash held at banks	11,986,127	8,987,496
Bank deposits	227,709	1,105,859
Loans and advances to banks	12,213,836	10,093,355
Cash in hand	126	450
Total cash and bank balances	12,213,962	10,093,805
Loans split by repayment period		
Cash and cash equivalents	11,986,253	8,987,946
Amounts maturing in over 8 days	227,709	1,105,859
	12,213,962	10,093,805

14 Loans and advances to customers

	Notes	2022 £	2021 £
Loan movement			
Opening balances		10,352,113	10,384,975
Interest on loans		1,119,419	1,031,434
Loans transferred		926,745	-
Loans advanced during the period		5,604,132	5,087,879
Loans repaid during the period		(6,111,564)	(6,104,338)
Loans derecognised		(33,684)	(47,837)
		11,857,161	10,352,113
Loan impairment provisions	**15**	(3,062,796)	(2,759,455)
		8,794,365	7,592,658
Loans split by repayment period			
Capital repayments due within 1 year		468,203	4,375,144
Capital repayments due after 1 year		11,388,958	5,976,969
Loan impairment provisions	**15**	(3,062,796)	(2,759,455)
		8,794,365	7,592,658
Loans split by type			
Loans to members		11,857,161	10,352,113
Loan impairment provisions	**15**	(3,062,796)	(2,759,455)
		8,794,365	7,592,658

15 Loan impairment

	Write off Provision £	Arrears Provision £	Total Provisions £
Loan impairment provision			
Opening balances	238,744	2,520,711	2,759,455
Provision acquired in transfer of engagements	-	291,266	291,266
Provision movement	(32,189)	44,264	12,075
Closing balances	206,555	2,856,241	3,062,796

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	2022 £	2021 £
Impairment revenue account charge			
Impairment provision movement		12,075	19,099
Bad debts derecognised	**14**	33,684	47,837
Bad debts recovered		(2,529)	(3,317)
		43,230	63,619

16 Investments

	2022 £	2021 £
Unlisted investments	500,000	500,000

17 Intangible fixed assets

	Negative goodwill	Software	Total
	£	£	£
Cost			
At 1 October 2021	-	68,745	68,745
Additions - separately acquired	(203,355)	420	(202,935)
Transfers	-	16,837	16,837
At 30 September 2022	(203,355)	86,002	(117,353)
Amortisation and impairment			
At 1 October 2021	-	58,283	58,283
Amortisation charged for the year	(3,160)	8,935	5,775
Transfers	-	16,837	16,837
At 30 September 2022	(3,160)	84,055	80,895
Carrying amount			
At 30 September 2022	(200,195)	1,947	(198,248)
At 30 September 2021	-	10,462	10,462

18 Acquisition of a business

On 24 August 2022 the company acquired the business of North London Credit Union.

	Fair Value
	£
Loans to members	604,424
Other debtors	2,684
Cash and cash equivalents	1,494,946
Other creditors	(58,672)
Restricted reserve	(50,000)
Total identifiable net assets	1,993,382
Goodwill	(203,355)
Total consideration	1,790,027

Satisfied by:	£
Issue of shares	1,790,027

Contributions by the acquired credit union for the reporting period since acquisition can not be obtained as the two credit unions have amalgamated their businesses.

19 Tangible fixed assets

	Fixtures and fittings
	£
Cost	
At 1 October 2021	110,006
Additions	2,552
Transfers	2,944
At 30 September 2022	115,502
Depreciation and impairment	
At 1 October 2021	102,693
Depreciation charged in the year	1,327
Transfers	2,944
At 30 September 2022	106,964
Carrying amount	
At 30 September 2022	8,538
At 30 September 2021	7,313

20 Other receivables

	2022	2021
Amounts falling due within one year:	£	£
Other debtors	1,626	-

21 Customer accounts

	2022	2021
	£	£
Deposit movement		
Opening balances	16,508,207	14,945,200
Deposited during the period	15,507,268	12,447,548
Withdrawn during the period	(12,648,503)	(10,884,541)
	19,366,972	16,508,207
Deposits split by type		
Standard dividend bearing member shares	18,832,511	16,081,905
Corporate dividend bearing shares	366,628	115,986
Juvenile member deposits	167,833	310,316
	19,366,972	16,508,207

22 Other liabilities

	2022 £	2021 £
Corporation tax	6,922	3,450
Other creditors	7,981	3,981
Accruals and deferred income	50,591	55,806
	65,494	63,237

23 Loans and overdrafts

	2022 £	2021 £
Subordinated loans	565,000	565,000
Payable after one year	565,000	565,000

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.

24 Deferred income

	2022 £	2021 £
Opening balance	150,000	-
Received in period	88,800	150,000
Release in period	(185,802)	-
	52,998	150,000

The opening balance of £150,000 relates to grant funding received from Fair4All Finance by way of a Covid-19 Resilience Grant. This was received and has been applied to provide financial forbearance support and bad debt provisioning. This was targeted towards vulnerablee customers who have seen a market impact on their ability to repay a loan due to the effects of the Covid-19 crisis.

Grant income was received in the financial year from Mercer. £73,000 was received towards supporting the development of a loan scheme for families facing eviction. At the year end, balance of £52,998 was outstanding and confirmation received from Mercer that this could be deferred into 2022/23 financial year. It will be released (to income) as it is utilised or otherwise repaid to the funder.

Additional grants received in the year included smaller grants of £10,000 from Birmingham City Council and £3,000 from EVA for Tenant's Projects. Both grants were spent within the year.

25 Retirement benefit schemes

	2022	2021
Defined contribution schemes	**£**	**£**
Charge to revenue account in respect of defined contribution schemes	19,879	16,863

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.

26 Credit risk on lending

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

	2022	2021
	£	**£**
Security for loans		
Attached shares	3,679,951	3,391,648

The carrying amount of the loans to members represents the credit union's maximum exposure to credit risk with respect to loans to members. 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.

	2022	2021
	£	**£**
Loans not individually impaired		
Not past due	8,894,296	7,048,513
Up to 3 months past due	245,350	284,283
	9,139,646	7,332,796
Loans individually impaired		
Between 3 and 6 months past due	52,368	133,682
Between 6 months and 1 year past due	56,335	186,040
Over 1 year past due	2,402,257	2,460,851
Individually impaired and written off for internal purposes	206,555	238,744
	2,717,515	3,019,317
Total loans	11,857,161	10,352,113
Impairment allowance	(3,062,796)	(2,759,455)
	8,794,365	7,592,658

27 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2022

28 Credit risk on bank and investments

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

	2022	2021
	£	£
Bank accounts	11,986,127	8,987,496
Bank term deposits	227,709	1,105,859
Investments	500,000	500,000
	12,713,836	10,593,355

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

29 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.

	2022		2021	
	Amount	Rates received in year	Amount	Rates received in year
	£	%	£	%
Financial assets				
Loans to members	11,857,161	10.08%	10,352,113	9.95%
Investments	500,000	-	500,000	-
Loans and advances to banks	12,213,836	0.31%	10,093,355	0.20%
	24,570,997		20,945,468	
Financial liabilities				
Juvenile deposits	(167,833)	-	(310,316)	-
Dividend bearing shares	(19,199,139)	0.43%	(16,197,891)	0.03%
Loans to the credit union	(565,000)	-	(565,000)	-
	(19,931,972)		(17,073,207)	

30 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.

Dividend
The Dividend reserve represents reserves allocated to future dividend payments.

Lloyds
Lloyds donated money to the Credit Union Foundation to boost capital for Credit Unions.

31 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:

	2022	**2021**
	%	**%**
Actual capital to asset ratio	8.30%	8.01%
Regulatory requirement		
Base capital requirement	6.60%	6.35%
Total capital requirement	6.60%	6.35%

32 Analysis of changes in net funds

	1 October 2021	Cash flows	30 September 2022
	£	£	£
Cash and cash equivalents	8,987,946	2,998,307	11,986,253
Bank deposits maturing in over 8 days	1,105,859	(878,150)	227,709
	10,093,805	2,120,157	12,213,962
Borrowings excluding overdrafts	(565,000)	-	(565,000)
	9,528,805	2,120,157	11,648,962

33 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.

34 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:

	2022	2021
	£	£
Within one year	8,321	9,998
Between two and five years	7,398	14,044
Total lessee operating lease commitment	15,719	24,042

35 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.

	2022	2021
	£	£
Wages and salaries	84,415	81,032

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.

	2022	2021

35 Related party transactions (Continued)

	£	£
Loans to key management and their close family	1,435	2,716
Shares held by key management and their close family	43,944	41,571

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 £12,402 (2021: £11,701).

The following page does not form part of the statutory accounts

LONDON CAPITAL CREDIT UNION LTD

DETAILED REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 £	2021 £
Income			
Interest income on loans	3	1,119,419	1,031,434
Interest income on bank deposits	3	34,704	18,158
Fees and commissions receivable	5	15,935	14,358
Other income	7	206,256	75,278
		1,376,314	1,139,228
Expenditure			
Staff costs	11	544,428	483,817
Auditors remuneration		9,696	8,149
Member communication and advertising	8	96,870	70,742
Legal, professional and credit control costs	8	42,450	46,290
Computer and software expenses	8	43,678	31,509
Travel costs	8	3,394	7,577
Bank charges	6	37,926	29,960
General administration costs	8	30,446	31,438
Subcontract labour		11,180	-
Negatvie release of goodwill		(3,160)	-
Regulatory costs	9	8,935	6,104
Costs of occupying offices	9	48,633	47,759
Depreciation and amortisation	10	10,262	10,806
Impairment on loans for bad and doubtful debts	15	43,230	63,619
		927,968	837,770
Surplus before taxation		448,346	301,458
Corporation tax	12	(6,594)	(3,251)
		441,752	298,207
Distributions		(104,403)	(5,289)
Surplus for the year		337,349	292,918

Continued from inside front cover

Pakistan

There are 43,533 cooperatives in Pakistan with 440,287,000 members between them. Co-operatives in Pakistan have helped a significant number of issues like housing sector. Co-operatives continue to help improve social conditions, particularly within the financial and agricultural economy.

Phillipines

In the Philippines there are 7m co-operative members and 91% of members believe that their co-operative helps them in making decisions that are fundamental to their economic security. Surveys showed that 88% of cooperative members responding said that they can depend on their co-operative for support in times of emergency.

London Capital Credit Union Ltd

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