

Lewisham Plus Credit Union Limited Annual Report 2014/15 – 24th Year



Credit Union No. 295C
Firm No. 213588
Registered 2 March 1992

*Authorised by the Prudential Regulation Authority
and regulated by the Financial Conduct Authority and
the Prudential Regulation Authority*

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Our Vision

- Local community will be strengthened where people belong to Lewisham Plus
- Every adult and child entitled to do so will save with Lewisham Plus and receive an attractive dividend on savings
- Members will borrow from Lewisham Plus in preference to other lenders
- The Christian churches will continue to regard the credit union as an important part of their ministry and be encouraged as they serve others together.
- Volunteer officers will extend their skills through training and supervision in order to provide a quality service
- Business will be conducted with due regard for confidentiality
- Integrity, respect and equality of opportunity are paramount.



Our Values

- Placing members' mutual interests first will always differentiate us from profit-motivated financial institutions

Our individual and friendly service is volunteer led but professionally managed. We work for a fair and inclusive local community.

President's Foreword

I am very pleased to introduce Lewisham Plus Credit Union's annual report and accounts for 2014 -2015. This year has proved to be another very busy one for our organisation. I feel proud that we have been able to maintain a good service to our members in a difficult economic climate.

An extract from a recent report on financial inclusion by the University of Birmingham gives an illustration of the challenging economic landscape in which we operate.

"More than a third of people would be unable to find £200 at short notice, new research shows. Twenty-two per cent admit they would have to borrow the money or sell a personal possession to fund such a one-off expense, with a further 12% saying they simply could not pay, according to data published in an annual financial-state-of-the-nation report by academics. The figure is up from last year, when 24% of people said they would be unable to find the £200."

There is a growing recognition of the impact of financial hardship on people's mental as well as social wellbeing, and of the part that credit unions can play in alleviating these pressures. Recently a number of credit unions have been asked to provide services specifically for war veterans, who seem to be a particular target for high cost lenders.

On the positive side there has been a big change in the perception of the work and value of credit unions, where the promotion of thrift and a culture of saving is encouraged. It is therefore gratifying to see in our accounts the number of our members building up their savings even while they are paying back their loans.

In past annual reports I have touched on some of the tensions facing credit unions between their desires to do good for their communities, while also operating on a sound financial footing. Maintaining this balance is never easy and the board is very aware that without a viable business there can be no social impact. We therefore sometimes have to make difficult decisions, as witnessed earlier this year by our having to close our New Cross Gate branch. We are fortunate to have recruited a number of new, experienced people to the board and the supervisory committee. We were very pleased to be one of the credit unions awarded a grant by the Lloyds Banking Group Credit Union Development Fund, which has strengthened our ability to meet regulatory requirements.

We are also fortunate to have people on our board who spearheaded the introduction a new Lewisham Plus website for us during the year. The website has generally been well received, with many new features which will support the business in the years to come.

We continue to work with our partners, Lewisham Council, Lewisham Homes, Phoenix Community Housing Association, Affinity Sutton and interact with other agencies to promote membership and facilitate the aims of the credit union within the community.

I would like to take this opportunity to thank all of our hard working staff for their continued dedication in providing services, and to thank all our members for their loyalty during the year as we look forward to 2015/16. *John McCarthy, President 2014/15*

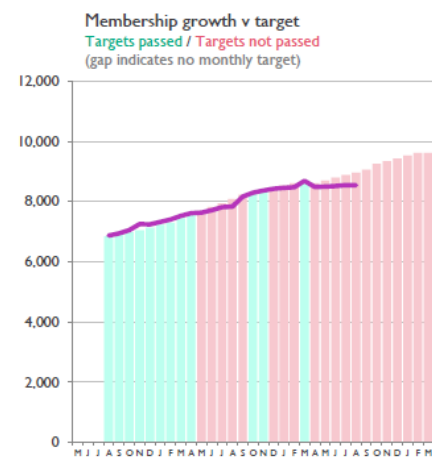


Progress against Business Plan

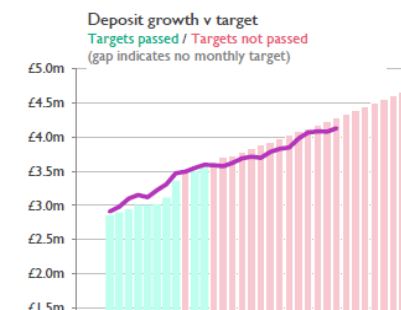
Lewisham Plus Credit Union had a successful year providing savings, current accounts and affordable loans for local people. Highlights for members are:

- Overall financial targets for the year were exceeded.
- Dividend of **0.5% for adults** (subject to AGM) and **1.5% for junior savers**.
- Engage Classic Pre-Paid Card launched, to replace the ABCUL Pre-Paid Card. The Engage card provides cash-back rewards, an online budget tool to help with Universal Credits and will become contactless by the end of 2015.
- New web site launched, following a decision not to proceed with the Credit Union Expansion Project transformation due to the cost and risks involved.

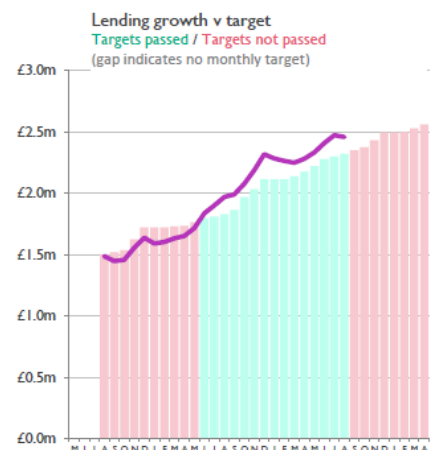
Key Indicators of Growth



Membership grew by 722 (7%) to 9,596 adults, and 1,453 juniors. Active adult membership grew from 8,165 (92%) to 8,555 (89%) (see graph).



Savings increased by £640k (17%) to £4.39m for adults (including CUCA) and £0.26m for juniors.
(The graph shows savings growth excluding CU current account balances)



Loans increased by £406k (20%) to £2.39m, beating our target of £2.33m. Our loan to asset ratio rose from 43% to 45%, and should rise again in 2016.
Our next target is to reach £2.8m in loans by 30th September 2016.

Manager's Report

It has been a real pleasure to work for the Credit Union over the past six years, and I have enjoyed it enormously. However this is the right time for me to step down as the Chief Executive and take on a management role to support the Credit Union.

LPCU has gone from strength to strength and we are now on course to becoming fully sustaining in the long term. This is quite an achievement.

As a people focused organisation, we believe that all members are equal. I firmly believe that this sets us apart from many other financial organisations.

We now have a team of eighteen staff to serve over 9,500 adult members. This gives an indication of the challenges staff face daily when dealing with telephone calls, loan applications and enquiries.

As our membership continues to grow, we hope that the use of new technology will allow us to become more efficient. Our new website is proving very popular, despite initial teething problems. We will need to continue to change the way we work if we are to flourish.

I would like to take this opportunity to thank our partners, especially Lewisham Homes, Affinity Sutton and Phoenix. Their support has been invaluable, and has helped contribute towards our success.

Janet Greenwood

Credit Union Manager 2014/15



CU Current Account (CUCA)

Lewisham Plus launched the Credit Union Current Account in 2008, with support from partner organisations and The Growth Fund administered by DWP.

It has been a very successful service for our members, with more than 2,000 accounts at the peak. In addition to standing order, bill payment and direct debit facilities, our members use their CUCA ATM cards to make more than 11,000 cash withdrawals per month, far more than we could deal with across the counter in our branches.

However, we were informed in 2015 that the national agreement which allows us to offer the CUCA, between the Association of British Credit Unions Limited and Co-operative Bank plc, will be ending on 30th Sept 2016. This is a consequence of the Co-op Bank's well publicised financial troubles and their withdrawal from some market sectors. The Co-op remain fully committed to provide credit unions with banking services, but are ceasing CUCA support.

Lewisham Plus introduced the Engage Classic Pre-Paid Card provided by Contis Financial Services as a step towards a replacement CUCA product. We will also be launching the Contis Engage Current Account Card in 2016.

We will write to and assist all our CUCA members to migrate their accounts, either to one of the Engage products or to another bank account of their choice.

There will be much more communication about the CUCA during the year ahead as we work through this major change.

Paul Treece, Treasurer 2014/15

Treasurer's Report

Lewisham Plus made a profit of £70,621 for the year as a whole, sufficient to recommend a 0.5% dividend for adults, and 1.5% for junior saver accounts. This is an improvement on last year, and on the way towards putting the credit union into a sustainable position. However our goal to replace the deferred income from our Growth Fund legacy is still several years away.

Income was up £178,491 overall. This was almost entirely due to interest earned on loans – both from the higher overall loan balance and 3% pm interest charged on SAYB loans since April 2014. Income from the homeless rent deposit scheme also helped for the year, though this has not been continued.

The increase in income was offset by a drop in CUCA accounts and fees and the planned reduction of £18,000 in funds drawn from ex-Growth Fund capital.

The credit union needed to grow to cover the higher overheads and staff costs from the investment we have made in opening The Green Man branch, and will need to continue to do so.

Bad debts write-offs were higher than expected at £130,733, including £14,200 fully underwritten by homeless and emergency loans. This is 5.5% of loan balances, up from 4.5% last year. Loan provisions increased by £34,332.

Capital held in reserves improved from 7.2% to 7.4% from operational profits, but was boosted to 9.3% by a £100,000 capital grant award from Lloyds Banking Group. Risk-adjusted capital is at 10.0%, well over the 8% minimum for 10,000 adult members.

Adult membership grew by 762 to 9,596 members, a good result.

The directors made a careful assessment of the IT transformation offered by the Credit Union Expansion Project, but decided not to proceed due to the high cost commitment over ten years, lack of debit card facilities and concerns about the risks involved in the project.

We decided instead to invest in a new website with online joining and an improved online loan form. Though the web site went live in July, the online forms were delayed until September. There has been a noticeable increase in members and lending since the online forms went live, which will positively impact on growth in the year ahead.

We decided to launch the new Engage Classic Prepaid Card service in the summer. An Engage Current Account Card will be made available in 2016 to offer a replacement for the CUCA.

Following up on an AGM commitment, we have introduced Corporate Member accounts. These are intended to help local organisations and charities to safely manage funds using the credit union.

Efforts to support members leaving the CUCA will be a major focus in 2016, while we continue to seek a sound financial result for all our members.

Paul Treece, Treasurer 2014/15



Supervisory Committee Report

The Supervisory Committee is satisfied with the performance of the Directors and staff of Lewisham Plus Credit Union during the year 2014/2015.

The Supervisory Committee is “the eyes and ears of the membership” of a credit union, sometimes called the “members’ watchdog”. Its responsibilities are discharged by monitoring the actions of the Board of Directors and by undertaking reviews of specific areas of the organisation’s work.

At the beginning of the year, following a period with just one member, David Smith (current Chair) was joined by David Blane. Once he obtained Approved Person status, David was elected to the Committee at the last AGM. More recently, Barney Wanstall has become an observer and is seeking Approved Person status. He will be nominated for election at the next AGM. Both David Blane and Barney Wanstall are Chartered Accountants with extensive relevant experience, including in audit in financial services institutions.

Members of the Committee have attended most of the Directors’ meetings as observers and in addition received the agendas, minutes and papers for all Board meetings and have

reviewed these closely. As a result, the Committee can confirm that decisions made by the Board were all in accordance with the rules and policies of the Credit Union.



All loans made to Directors, staff and volunteers were reported to the Committee. The Chair has reviewed the accounts and financial performance returns to the PRA each quarter against the bank records with satisfactory results throughout the year.

At the beginning of the year, the Board and Committee commissioned an internal audit review examining a comprehensive range of internal financial controls. Twenty one very helpful recommendations were made by the auditors, all of which were accepted by LPCU management and Board. The Committee expects implementation to be complete early in the year ahead.

*David Smith
Chair of Supervisory 2014/15*

Director attendance at board meetings over the year is shown below:

Director	Attended	%	Director	Attended	%
Nene Addo	3	50	James Gardner	5	42
Liz Ballaster	11	92	John McCarthy	11	92
Geoffrey Cave	9	70	Mark Plummer	5	83
Peter Dulley	9	75	Paul Thompson	0	0
David Frederick	0	0	Paul Treece	13	100
Frank Whittle	6	100			

The Directors’ Report

The directors have pleasure in presenting their report and the financial statements of the credit union for the year ended 30th September 2015.

Principal Activities and Business Review

The principal activities of the credit union are the promotion and encouragement of regular saving and prudent borrowing by its members, as defined in the Credit Unions Act 1979.

Review of the year

Eleven directors, all unpaid volunteers, served on the board in 2014/15, and we are working steadily towards filling all vacancies. We have said a sad farewell this year to Paul Thompson and to David Frederick and are grateful for their loyal service. We welcomed Nene Addo and Mark Plummer, valuable new members with banking and other management expertise, both of whom have already played a useful role in enhancing the operation of the credit union. We were also extremely pleased to welcome back Frank Whittle, who formerly served the credit union in a number of capacities and has re-joined the board on his retirement from full time work. His experience and commitment are much appreciated. We also continue to seek a new Secretary for the Board.

Directors have met regularly over the year and held two strategy meetings to discuss matters such as business planning and risk management.

Directors have promoted the credit union and have overseen the continued development and professionalism of our services, by for example introducing new training for staff and volunteers.

We are, as always indebted to our loyal and hardworking staff, led so ably by our CEO, Jan Greenwood, without whom none of this would be possible. Many of our staff work beyond their contracted hours, when this is necessary to provide timely member services. All credit union members are indebted to them for their skill and dedication.



The Green Man office has gone from strength to strength this year. Following the closure of the former Deptford and New Cross office in January many former DNX members now use the Green Man or our new outreach post at The Albany in the heart of Deptford. We are still committed to serving our customer base in this area of the borough.

We are constantly seeking to improve our online offer, supported by our staff in all four branches. We hope that members are impressed by our new website, which took a lot of work. Special thanks to Mark Plummer, one of our new directors, for leading on this. The web site also helps members who have difficulty accessing our branches.

As ever, the growth in business and the constant change in the credit union sector continue to put pressure on staff, volunteers, equipment and premises.

Whilst I have mentioned some of the improvements in services brought in this year, recruiting more volunteers, not just

for the board, but also to support work in branches, remains an important objective and I am always happy to hear from potential volunteers on volunteer@pluscu.co.uk. I am grateful for the support of voluntary organisations in the borough, particularly the Volunteer centres in Lewisham and Bromley for promoting our search for suitable volunteers.

We as directors are proud to work on behalf of such a valuable and successful organisation and continue in our efforts to treat all our customers fairly and to improve your credit union.

Results and Dividends

The Surplus for the year, after taxation but before distributions, amounted to £170,621 (2014 - £11,504).

The Directors recommend the payment of a 0.50% dividend at the year end. This will be voted upon at the AGM.

Board of Directors

The directors who served during the year were as follows:

John McCarthy (President), David Frederick (Secretary, resigned 2/3/2015), Paul Treece (Treasurer), Liz Ballaster (Acting Secretary), Nene Addo (appointed 27/10/14), Geoffrey Cave, Peter Dulle, James Gardner, Mark Plummer (appointed 3/3/2015), Paul Thompson (resigned 2/3/2015) and Frank Whittle (appointed 8/5/2015).

Financial risk management objectives and policies

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and interest-rate risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below:

- Credit Risk: All loan applications are assessed with reference to the Credit Union's lending policy. Changes to policy are approved by the Board.

- Interest Rate Risk: The main interest rate risk arises from differences between interest rate exposures on assets and on liabilities that form an integral part of the credit union's operations. The Credit Union considers interest rates when deciding on the dividend rates to propose on share accounts.

- Liquidity Risk: The Credit Union's policy is to maintain sufficient funds in a liquid form at all times to ensure that the Credit Union can meet its liabilities as they fall due. The objective of liquidity is to help smooth mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and apply them consistently;

- make judgements and 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 Co-operative and Community Benefit Societies Act 2014 and with the Credit Union Act 1979. They are also responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information (information needed by the Credit

Independent Auditors' Report to the Members of Lewisham Plus Credit Union Limited

We have audited the financial statements of Lewisham Plus Credit Union Limited for the year ended 30 September 2015 which comprise the Revenue Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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


Union's auditors in connection with preparing their report) of which the Credit Union's auditors are unaware, and

- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Credit Union's auditors are aware of that information.

Auditors

The auditors, Alexander Sloan, Chartered Accountants will be proposed for reappointment at the AGM.

This report was approved by the Board on 12th January 2016 and signed on its behalf by



*Elizabeth Ballaster
Acting Secretary.*

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 auditors' 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.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors'

Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the credit union's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of

Alexander Sloan
Chartered Accountants and
Statutory Auditors
12th January 2016

the credit union's affairs as at 30 September 2015 and of its surplus 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 Co-operative and Community Benefit Societies Act 2014 and the Credit Union Act 1979.

Other Matters

The financial statements for the year ended 30 September 2014 were audited by another firm of auditors. Their audit report, which was dated 24 February 2015, gave an unmodified audit report.

Matters on which we are required to report by exception

In respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- proper books of account have not been kept by the credit union in accordance with the requirements of the legislation; or
- a satisfactory system of control over transactions has not been maintained by the credit union in accordance with the requirements of the legislation; or
- the revenue account and balance sheet are not in agreement with the books of account of the credit union; or
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.

38 Cadogan Street
Glasgow
G2 7HF

Revenue Account for year ended 30th September 2015

	Continuing operations		2015		2014	
	Notes	£	£	£	£	£
INCOME						
Loan interest			569,536			366,428
Bank interest receivable			23,262			22,190
Other income	2		279,742			287,431
Grants receivable	3		100,000			-
Release of Growth Fund deferred income			<u>72,000</u>			<u>90,000</u>
			1,044,540			766,049
EXPENDITURE						
Operating wages and salaries	4	303,214		283,119		
Other administration expenses	5	316,114		284,035		
Occupancy costs	5	62,373		56,928		
Regulatory costs	5	10,654		6,409		
Bad debts	5	140,498		96,101		
			<u>832,853</u>			<u>726,592</u>
Operating surplus	7		211,687			39,457
Taxation	8		<u>(22,571)</u>			<u>(55)</u>
Surplus for the year after tax before distributions			189,116			39,402
Distribution paid in the year	9		<u>(18,495)</u>			<u>(27,898)</u>
Surplus for the financial year	16		<u>170,621</u>			<u>11,504</u>
			=====			=====
There are no recognised gains or losses other than the surplus or deficit for the above two financial years.						
Surplus for the financial year			170,621			11,504
Prior year adjustment (Note 20)			<u>18,770</u>			<u>-</u>
Total recognised gains since last annual report			<u>189,391</u>			<u>11,504</u>
			=====			=====

The notes on pages 14 to 21 form part of these financial statements



The Albany, in Deptford – the location for our new north of Lewisham outreach point

Balance Sheet at 30th September 2015

	Notes	2015 £	2014 £
ASSETS			
Tangible fixed assets	10	148,969	192,060
Loans to members	11	2,248,277	1,876,942
Other debtors	12	46,844	44,220
Current asset investments		1,612,864	1,591,174
Cash at bank and on hand		<u>1,574,556</u>	<u>1,104,707</u>
Total Assets		<u>5,631,510</u>	<u>4,809,103</u>
LIABILITIES			
Other creditors	13	352,002	299,663
Members' shares	14	4,412,821	3,745,690
Accruals and deferred income	15	<u>344,735</u>	<u>412,419</u>
Total Liabilities		<u>5,109,558</u>	<u>4,457,772</u>
Net Assets		<u>521,952</u>	<u>351,331</u>
Reserves			
Other Reserves	16	335,296	209,268
General Reserve	16	<u>186,656</u>	<u>142,063</u>
		<u>521,952</u>	<u>351,331</u>

These financial statements were approved by the directors and authorised for issue on 12th January 2016, and are signed on their behalf by:

John McCarthy President
Elizabeth Ballaster Secretary
Paul Treece Treasurer

Cash Flow Statement for year ended 30th September 2015

	Notes	2015 £	2014 £
Operating Activities			
Operating Surplus		211,687	39,457
Depreciation		48,401	48,559
Release of deferred grant		(182,034)	(90,000)
Provisions and write offs		165,065	118,001
Change in debtors		(2,624)	101,005
Change in creditors		32,103	(206,362)
Grants received		<u>114,350</u>	<u>-</u>
		386,948	10,660
Net Cashflow from Trading Activities			
Transfer of funds to bank deposits		(21,690)	(120,118)
Credit Union Current Account movement		61,009	(3,910)
Change in juvenile deposits		(2,335)	39,549
Change in members' shares		587,627	576,322
Loans made to members		(2,564,361)	(2,351,516)
Capital repayment of loans		<u>2,027,961</u>	<u>1,720,344</u>
		<u>88,211</u>	<u>(139,329)</u>
Net cash outflow from operating activities		475,159	(128,669)
Taxation			
Corporation tax paid		-	(1,941)
		-	(1,941)
Capital expenditure			
Payments to acquire tangible assets		<u>(5,310)</u>	<u>(193,048)</u>
		(5,310)	(193,048)
Change in cash in the year	17	<u>469,849</u>	<u>(323,658)</u>

Notes to the Financial Statements

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements have been prepared in accordance with the accounting standards issued by the Financial Reporting Council.

The financial statements are prepared under the historical cost convention.

1.2 Income

Loan and bank interest is recognised on an accruals basis.

Other income is predominately fees and charges that either arise in connection with a specific transaction, or accrue evenly over the year. Income in relation to individual transactions is recognised when the transaction is completed.

The notes on pages 14 to 21 form an integral part of these financial statements

1.3 Tangible fixed assets and depreciation

It is the policy of the Credit Union to expense software development costs as well as the costs of running and maintaining the website.

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Tenant's improvements - Straight line over lower of the life of the asset or the lease
Office equipment - 33% straight line

1.4 Investments

Current asset investments are at the lower of cost and net realisable value.

1.5 Bad and doubtful debts

Specific provisions are made for loans which are recognised to be bad or doubtful. A general provision to cover loans which are bad or doubtful but not yet identified as such is also maintained for use in appropriate circumstances. Movements in bad debt provisions during the year are charged to the Revenue Account.

1.6 Leasing

Rentals payable under operating leases are charged against income in accordance with Statement of Standard Accounting Practice 21.

1.7 Taxation

Current tax is the expected tax payable for the year, using tax rates in force during the year. The Credit Union is not liable for corporation tax payable on its activities of making loans to members. Corporation tax is payable on investment income. As a result of the limited activities of the Credit Union from which profits are chargeable to corporation tax, it is unlikely that deferred tax will arise.

1.8 Grants and funding

Grants are credited to deferred income. Grants towards capital expenditure are released to the Revenue Account over the expected useful life of the assets. Grants towards revenue expenditure are released to the Revenue Account as the related expenditure is incurred.

The Credit Union has received funding to lend to members for specific projects from local authorities. The loan funding less outstanding loans, bad debts and bad debt provisions will be returned to the local authority at the end of the respective projects. The current balance at the year end which is due to the local authority, at this date, is included within creditors. Any bad debts on these loans is included as a cost within the Revenue Account. The amount of the creditor to the local authority which is released to cover the cost of the bad debts is recognised within the Revenue Account as income.

1.9 Growth Fund

Under the original Growth Fund Project, the Credit Union received funding to provide loans to members who met certain criteria. The Credit Union releases Growth Fund funding as costs are incurred under the Growth Fund project.

Growth Fund funding is issued under EU rules and may become repayable in certain circumstances such as if the Credit Union makes excessive profits from the contract.

1.10 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the

contractual arrangement, as either financial assets, financial liabilities or equity instruments, as defined in FRS 25, Financial Instruments: Disclosure and Presentation.

2. OTHER INCOME

	£ 2015	£ 2014
Entrance fees	4,770	5,900
Other services and dormant charges	3,040	2,827
Insurance commission	524	718
CUCA fees and charges	146,236	153,972
Lewisham emergency loan service	40,553	41,485
Local authority and housing association funding	52,763	45,225
Homeless Support Scheme funding for bad debts	16,734	14,982
Credit Union Expansion Project funding	<u>15,122</u>	<u>22,322</u>
	<u>279,742</u>	<u>287,431</u>

3. GRANTS RECEIVABLE

	£ 2015	£ 2014
Lloyds Banking Group Credit Union Development Fund	<u>100,000</u>	<u>-</u>
This represents a grant to boost the Capital Reserves of the Credit Union and is not available for distribution to the members.		

4. EMPLOYEES

Number of employees	2015	2014
The average monthly number of employees during the year were (full time equivalents):	<u>15.5</u>	<u>14.5</u>
Employment costs	£ 2015	£ 2014
Wages and salaries	285,522	267,324
Social security costs	<u>17,692</u>	<u>15,795</u>
	<u>303,214</u>	<u>283,119</u>

5. ADMINISTRATION COSTS

Other administrative costs	£ 2015	£ 2014
Printing and stationery	16,192	17,998
Auditors remuneration	4,700	3,000
Training and recruitment	1,537	-
Marketing and sundry expenses	2,439	280
Telephone and internet services	9,909	12,666
Computer software and maintenance costs	21,010	6,433
Travel	1,035	-
Leaflet delivery, mailing and postage	15,708	9,319
Trade association dues	10,601	9,566
CUCA services and other bank charges	141,290	132,967
Loan Protection/Life Savings insurance	23,317	20,499
Legal, profession and credit check fees	15,224	11,353
General expenses	1,072	3,628

Other administrative costs	£	2015	£	2014
continued ...				
Member balances and control a/c differences written off		3,679		7,767
Depreciation		<u>48,401</u>		<u>48,559</u>
		<u>316,114</u>		<u>284,035</u>
Occupancy costs				
Rent		30,020		32,875
Business rates and utilities		14,095		20,328
Maintenance, service charges and office costs		<u>18,258</u>		<u>3,725</u>
		<u>62,373</u>		<u>56,928</u>
Regulatory costs				
Fidelity bond and general insurance		6,522		4,655
Regulators' dues and charges		<u>4,132</u>		<u>1,754</u>
		<u>10,654</u>		<u>6,409</u>
Bad debts				
Bad debts written off		130,733		88,728
Change in bad debt provision		34,332		29,273
Bad debt recovered		<u>(24,567)</u>		<u>(21,900)</u>
		<u>140,498</u>		<u>96,101</u>

6. AUDITORS' REMUNERATION

	£	2015	£	2014
Auditors' remuneration – audit of the financial statements		<u>...4,700</u>		<u>3,000</u>

7. OPERATING SURPLUS

Operating surplus is stated after charging:	£	2015	£	2014
Depreciation and other amounts written off tangible assets		48,401		48,559
Operating lease rentals				
- Land and buildings		30,020		32,875
Auditors' remuneration		<u>...4,700</u>		<u>3,000</u>
and after crediting:				
Growth Fund release to income		72,000		90,000
Grant income (Lloyds Banking Group)		<u>100,000</u>		<u>-</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in period	£	2015	£	2014
Current tax				
UK corporation tax		4,652		-
Adjustments in respect of previous periods		<u>17,919</u>		<u>55</u>
Grant income (Lloyds Banking Group)		<u>22,571</u>		<u>55</u>

Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (20.00 per cent). The differences are explained below: *(see next page)*

	£	2015	£	2014
Surplus on ordinary activities before taxation after distributions		<u>174,697</u>		<u>(16,339)</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (30 September 2014 : 20.00%)		34,939		(3,268)
Effects of:				
Adjustments to tax charge in respect of previous periods		17,919		55
Trading with members		<u>(30,287)</u>		<u>3,268</u>
Current tax charge for period		<u>22,571</u>		<u>55</u>
Adjustment in respect of previous periods relates to a correction of the treatment relating to Capital Expenditure and Junior Investments.				

9. DISTRIBUTION TO MEMBERS

	£	2015	£	2014
Dividend on members' ordinary shares paid in the year		14,920		24,308
Distribution on juvenile deposits		<u>3,575</u>		<u>3,590</u>
Total distribution to members		<u>18,495</u>		<u>27,898</u>

As required by Financial Reporting Standard 21 only the dividend that the Credit Union is committed to paying as at the year end, on non-deferred shares, is recognised within the Revenue Account. This means that the dividend that was paid in the year of £18,495 on ordinary shares relates to what was agreed based on the 30 September 2014 results.

Based on the results for the year ended 30 September 2015, the Board of Directors will propose a dividend of 0.50% at the forthcoming Annual General Meeting for adult shares. A dividend of 1.50% will be proposed for juvenile deposits.

10. TANGIBLE FIXED ASSETS

	Tenant's Improvement £	Office Equipment £	Total £
Cost			
At 1 October 2014	277,320	54,637	331,957
Additions	<u>-</u>	<u>5,310</u>	<u>5,310</u>
At 30 September 2015	<u>277,320</u>	<u>59,947</u>	<u>337,267</u>
Depreciation			
At 1 October 2014	96,730	43,167	139,897
Charge for the year	<u>39,220</u>	<u>9,181</u>	<u>48,401</u>
At 30 September 2015	<u>135,950</u>	<u>52,348</u>	<u>188,298</u>
Net book values			
At 30 September 2015	<u>141,370</u>	<u>7,599</u>	<u>148,969</u>
At 30 September 2014	<u>180,590</u>	<u>11,470</u>	<u>192,060</u>

11. LOANS TO MEMBERS

	Total £	2015	Total £	2014
As at 1 October 2014		1,989,108		1,446,664
Advanced during the year		2,564,361		2,351,516
Interest charged		551,151		366,428
Repaid during the year		<u>(2,579,112)</u>		<u>(2,086,772)</u>
		2,525,508		2,077,836
Written off in year		<u>(130,733)</u>		<u>(88,728)</u>
		2,394,775		1,989,108
Bad debt provision		<u>(146,498)</u>		<u>(112,166)</u>
As at 30 September 2015		<u>2,248,277</u>		<u>1,876,942</u>

Of the loan balance of £2,394,775 at the year-end, £1,930,948 is due to be repaid within twelve months.

12. OTHER DEBTORS

Prepayments and accrued income	£	2015	£	2014
		<u>46,844</u>		<u>44,220</u>

13. OTHER CREDITORS

Corporation tax	£	2015	£	2014
		22,571		-
Other creditors		1,396		-
Juvenile account balances		262,293		264,628
Accruals and deferred income		<u>65,742</u>		<u>35,035</u>
		<u>352,002</u>		<u>299,663</u>

14. MEMBERS' SHARES

	Dividend bearing shares	Current Account balances	2015 Total	2014 Total
	£	£	£	£
As at 1 October 2014	3,357,258	388,432	3,745,690	3,145,380
Movement in year	<u>606,122</u>	<u>61,009</u>	<u>667,131</u>	<u>600,310</u>
As at 30 September 2015	<u>3,963,380</u>	<u>448,441</u>	<u>4,412,821</u>	<u>3,745,690</u>

15. ACCRUALS AND DEFERRED INCOME

	Growth Fund	Other	2015 Total	2014 Total
	£	£	£	£
Deferred Income				
As at 1 October 2014	268,923	143,496	412,419	502,419
Increase in year	-	<u>114,350</u>	<u>114,350</u>	-
	268,923	257,846	526,769	502,419
Released in year	<u>(72,000)</u>	<u>(110,034)</u>	<u>(182,034)</u>	<u>(90,000)</u>
As at 30 September 2015	<u>196,923</u>	<u>147,812</u>	<u>344,735</u>	<u>412,419</u>

16. RESERVES

	General reserve	Appropriation reserve	Other reserve	Total
	£	£	£	£
At 20 September 2014				
As previously stated	142,561	-	190,000	332,561
Prior year adjustment (Note 20)	-	<u>18,770</u>	-	<u>18,770</u>
At 1 October 2014 (restated)	142,561	18,770	190,000	351,331
Profit for the year	46,621	-	124,000	170,621
Other movements	<u>(2,526)</u>	<u>2,526</u>	-	-
As at 30 September 2015	<u>186,656</u>	<u>21,296</u>	<u>314,000</u>	<u>521,952</u>

17. ANALYSIS OF CHANGES IN NET FUNDS

	Opening balance	Cash flows	Closing balance
	£	£	£
Cash at bank and in hand	1,104,707	469,849	1,574,556
Cash on deposit	<u>1,591,174</u>	<u>21,690</u>	<u>1,612,864</u>
Net funds	<u>2,695,881</u>	<u>491,539</u>	<u>3,187,420</u>

18. FINANCIAL COMMITMENTS

At 30 September 2015 the credit union had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			
	£	2015	£	2014
Expiry date:				
Between one and five years		<u>7,500</u>		<u>7,000</u>

The Credit Union also has a Protected Tenancy at an annual commitment of £20,000 (2014 £20,000).

19. RELATED PARTY TRANSACTIONS

A number of staff and directors of the Credit Union hold shares within the Credit Union and have loans with the Credit Union. Loans are issued on standard terms and conditions.

20. PRIOR YEAR ADJUSTMENTS

The financial statements have been updated to incorporate the requirements of Financial Reporting Standard 21. As a result the proposed dividend is shown in the year paid as opposed to being shown in the year to which the proposal relates. As a result the reserves as at 1 October 2014 have increased by £19,268. The additional reserves are shown in the appropriation reserve which is the reserve for the proposed dividend.

In addition, shares and deferred grants have been reallocated from Capital and Reserves on the Balance Sheet to creditors. This change is required to comply with SSAP 9 and UITF 39. This is only a presentational change and does not affect the reserves or surplus of the Credit Union.

21. Interest rate repricing table for the year ended 30 September 2015

The credit union's primary source of net income arises from the management of the differences in the exposures arising from financial instruments and the margins earned on them. The credit union does not use interest rate options to hedge its own positions. The credit union conducts all its transactions in sterling and does not deal in derivatives or commodity markets. The credit union is not exposed to any form of hedge, market price or currency risk on its financial instruments.

The Interest rate repricing table set out below is based on the earlier of the loan maturity date and the next interest rate repricing date. The loan maturity date is subject to a number of factors.

	After 3 months	After 6 months	After 1 year	After 5 years	Non- Interest bearing funds	Total
	Within 3 months	but within 6 months	but within 1 year	but within 5 years	After 5 years	
	£	£	£	£	£	£
Assets						
Fixed assets	-	-	-	-	- 148,969	148,969
Cash at bank	1,550,945	-	-	-	-	- 1,550,945
Bank deposits	283,221	853,753	475,890	-	-	- 1,612,864
Loans to members	120,843	118,843	741,208	1,401,727	12,154	- 2,394,775
Bad debt provision	-	-	-	-	- (146,498)	(146,498)
Other debtors	-	-	-	-	- 46,844	46,844
	<u>1,955,009</u>	<u>972,596</u>	<u>1,217,098</u>	<u>1,401,727</u>	<u>12,154</u>	<u>49,315</u>
						<u>5,607,899</u>
Liabilities						
Other creditors	262,293	-	-	-	- 89,709	352,002
Deferred income	-	-	-	-	- 344,735	344,735
Members' shares	4,389,210	-	-	-	-	- 4,389,210
Reserves	-	-	-	-	- 521,952	521,952
	<u>4,651,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>- 956,396</u>	<u>5,607,899</u>
Interest rate sensitivity gap	(2,696,494)	972,596	1,217,098	1,401,727	12,154	(907,081)
Cumulative interest rate sensitivity gap	(2,696,494)	(1,723,898)	(506,800)	894,927	907,081	

The following pages do not form part of the credit union's audited accounts.

Analysis of Income and Expenditure to 30th September 2015

CREDIT UNION SUMMARY	2015		2014	
	£	£	£	£
Income				
Credit Union Core		409,359		290,430
Homeless and Emergency Loans		74,684		61,398
Growth Fund Loans		314,261		260,249
Credit Union Current Account		<u>146,236</u>		<u>153,972</u>
		944,540		766,049
Expenses				
Credit Union Core		367,650		265,275
Homeless and Emergency Loans		67,017		61,207
Growth Fund Loans		220,606		225,166
Credit Union Current Account		<u>176,260</u>		<u>174,944</u>
		832,853		726,592
Operating Profit(Loss) inc Investments		<u>111,687</u>		<u>39,457</u>
Credit Union Core		41,709		25,155
Homeless and Emergency Loans		7,667		191
Growth Fund Loans		93,655		35,083
Credit Union Current Account		<u>(31,344)</u>		<u>(20,972)</u>
CREDIT UNION CORE		2015		2014
	£	£	£	£
Credit Union Core Income				
Interest on loans		327,275		195,223
Membership fees		4,770		5,900
Other income		3,580		3,545
Credit Union Expansion Project		15,122		22,322
Grants – LBL/LBB/HAS		35,350		41,250
Bank interest receivable		<u>23,262</u>		<u>22,190</u>
		409,359		290,430
Credit Union Core Expenses				
Staff costs for core operations		108,329		100,199
Premises, equipment & depreciation		96,155		80,859
Other administrative expenses		63,053		54,249
Less GF2 business dev contribution		-		(12,000)
Bad debts written off		79,706		37,405
Less recovery of bad debts		(9,656)		(8,568)
Provision for doubtful debts		<u>30,064</u>		<u>13,131</u>
		367,650		265,275
Operating Profit(Loss)		<u>41,709</u>		<u>25,155</u>

HOMELESS AND EMERGENCY LOANS	2015		2014	
<i>Homeless and Emergency Loans Income</i>	£	£	£	£
Bromley Homeless Support services		8,231		15,956
Lewisham Homeless Support services		25,900		3,001
Lewisham Emergency Loans & UC pilot service		<u>40,553</u>		<u>42,441</u>
		74,684		61,398
<i>Homeless and Emergency Loans Expenses</i>				
Staff costs contribution	47,920		32,920	
Other administrative expenses	1,320		1,320	
Bad debts written off	14,200		16,667	
Provision for doubtful debts	<u>3,577</u>		<u>10,300</u>	
	67,017		61,207	
<i>Operating Profit(Loss)</i>		<u>7,667</u>		<u>191</u>
GROWTH FUND LOANS	2015		2014	
<i>Growth Fund Loans Income</i>	£	£	£	£
Interest on loans		242,261		170,249
Growth Fund Capital Release		<u>72,000</u>		<u>90,000</u>
		314,261		260,249
<i>Growth Fund Loans Expenses</i>				
Staff costs contribution	102,000		102,000	
Premises contribution	48,000		48,000	
Administrative expenses & development	48,000		48,000	
Bad debts written off	36,826		34,656	
Less recovery of bad debts	(14,911)		(13,332)	
Provision for doubtful debts	<u>691</u>		<u>5,842</u>	
	220,606		225,166	
<i>Operating Profit(Loss)</i>		<u>93,655</u>		<u>35,083</u>
CREDIT UNION CURRENT ACCOUNT	2015		2014	
<i>CUCA Income</i>	£	£	£	£
Account £1.25 per week fees		129,154		140,818
Other charges and VISA income		<u>17,082</u>		<u>13,154</u>
		146,236		153,972
<i>CUCA Expenses</i>				
Bank transaction fees (ATMs, etc.)	100,032		97,712	
Staff expenses for CUCA service	48,000		48,000	
Other direct services costs	16,761		13,217	
Shared services costs	9,946		9,841	
CUCA balance write-offs	<u>2,841</u>		<u>6,173</u>	
	177,580		174,944	
<i>Operating Profit(Loss)</i>		<u>(31,344)</u>		<u>(20,972)</u>

Two Friends '+' Logo



During 2015 we developed a credit union logo.

It represents friends standing back to back – helping each other. We aspire to be first and foremost **a people organisation**, working across two boroughs for the good of our members.

The shape of the logo is also a plus sign, and a cross, reminding us we are here to **add to the local community**. The credit union was founded by local churches in Sydenham and Forest Hill and aims to work within an ethic rooted in a Christian understanding that love is expressed in service. The logo also reflects, in slightly different shades, the Bromley (green) and Lewisham (blue) colours adopted by our two local authorities. Both councils support the credit union's work with local people

Our individual and friendly service is volunteer led but professionally managed. We work for a fair and inclusive local community.