

Lewisham Plus Credit Union Limited
Annual Report and Financial Statements
Year Ended 30 September 2020

Save As You Borrow Loan



Personal Loan



Lewisham Plus Credit Union Limited also trades as Bromley Plus Credit Union
Registered Office: 262 Kirkdale, Sydenham, London, SE26 4RS

Society No. 295C
FCA 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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Vision, Values and Objectives

To promote financial inclusion and be the trusted and preferred provider of local financial services in Lewisham and Bromley

Our Values

- Placing members' mutual interests first
- Operating in an ethical way in accordance with the Co-operative Principles
- Being at the forefront of financial inclusion and embracing the diversity of our community
- Working with integrity, respect and equality of opportunity
- Supporting, valuing, training, engaging and encouraging staff and volunteers, who will always strive to exceed expectations.

Our Objectives

- To increase membership and grow our organisation sustainably
- To support and serve the financial needs of the people of Lewisham and Bromley
- For the members, staff and Board to reflect the diversity of the community we serve
- To embrace innovation and technology, while maintaining face-to-face services through our branches
- To ensure good governance, oversight, management and regulatory compliance
- To develop partnerships with key stakeholders who support our vision.

Front cover: We were delighted to be awarded five star Fairbanking Marks for our Save as you Borrow and Personal Loan products in September 2020. The Mark is owned and awarded by the Fairbanking Foundation, a charity dedicated to encouraging and helping financial providers to improve the financial well-being of their customers and as a result the UK public.

President's Foreword

It's a pleasure to once more introduce the Annual Report of Lewisham Plus Credit Union and, in particular, to be able to report a profitable year during such a challenging time.

The reports of both the Treasurer and Board have much to say about the impact of the Covid pandemic so I will confine my remarks to thanking staff and my fellow directors for their efforts in keeping the service running. Our services could not have continued without the flexibility and hard work of our staff who were determined to ensure that we kept branches open. Our Chief Executive also worked extremely hard, together with members of the board, to ensure that systems were in place to deliver services remotely and to keep both staff and members of the public safe. In the context of events it's worth mentioning that the board has always maintained a risk register through which we detail possible negative impacts on our business and take steps to mitigate them. That helped us to cope with what has happened. We all of course hope to see better times in 2021.



As the Treasurer reports, at the end of the year we achieved a five-star rating for our two main loan products from the Fairbanking Foundation. This followed another survey of members which looked at their experience of those loan products and which has provided helpful information to us. One of the findings concerned the ability of members to save, with the survey showing that those able to make regular savings increased from 22% to 54% when they set up a loan. We know that around 10 million households in the UK have no savings to fall back on in times of difficulty and we have always aimed to encourage regular saving alongside any borrowing, so it's very encouraging to see evidence of that happening.

Two of the points above are linked in the sense of one being prepared as a business for negative events and the other being prepared as individuals. We want to do what we can to help our members become more financially resilient and better prepared for life events. That isn't always easy if you are on a low income, but regular budget planning of income and expenditure is a useful exercise and we will be doing more in the future to help our members to undertake this.

Our IT development has continued during the year and, as the Treasurer reports, we made a significant change to our loan decisioning software and will be going further with online improvements. It's a rapidly changing market with many new innovations coming along all the time but we have an IT strategy to help us through these changes and, as we have said previously, our aim is to enhance the online experience but still maintain a branch presence. Last year we extended the leases on our Bromley and Sydenham branches so members can be assured that we will continue with a face to face service.

Going into 2021, despite the negative backdrop of a recession and subsequent job losses, I have every confidence that the credit union will maintain its financial strength and continue to provide a valuable service to the community. The kind of service and support to people which we provide will probably be even more important in the months and years to come as households face some unique financial challenges. Providing help to people who may be facing financial pressures is the main reason why we exist and why, 28 years ago, we were conceived through the joint work of local churches; financial exclusion existed then and will continue to exist but we hope to alleviate it in our own small way.

Finally, can I again thank all of our members who have continued to support us and in so doing enabled us to remain strong as an organisation and able to help others in the community.

Frank Whittle, President 2019/20

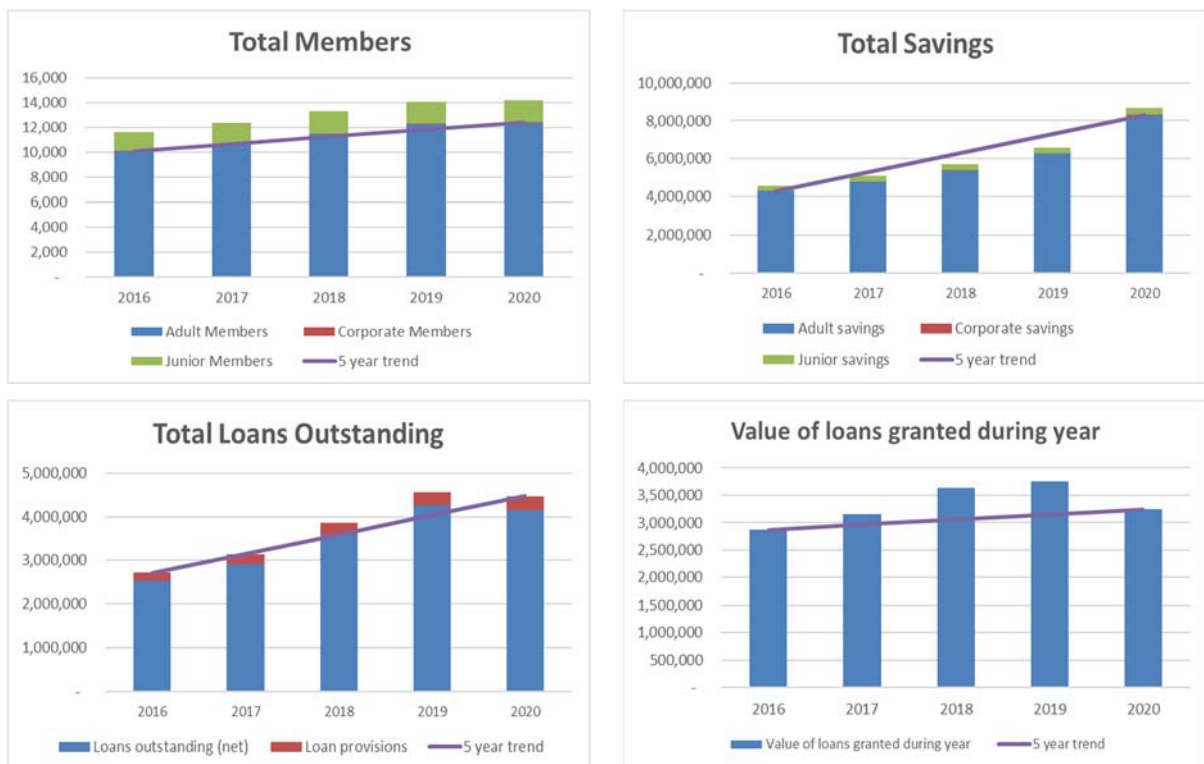
Progress against Business Plan

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

- Adult membership grew by 135 (1.1%) to 12,403 adults, plus 1,730 juniors and 42 corporate members. On average **121 adults joined the credit union each month**. We also closed 1,003 adult dormant accounts and 333 bad debtor accounts.
- Active adult membership was 10,118 members (81.5%) at year end.
- **Savings grew rapidly by £2.08m (31.5%)** to £8.26m for adults, £357k for juniors and £44k for corporate members. Saving during lockdown added over £1m of this total.
- Net loans (loans after provisions for doubtful debts) decreased by £118k (2.8%) to £4.14m. We issued 6,681 loans totalling £3.24m, down from 6,724 loans totalling £3.74m last year. We estimate a reduction of £900k was due to coronavirus lockdown.
- Dividend (subject to AGM) decreased to **0.25% for adult and corporate members** (0.75% in 2019) and **0.75% for juniors** (1.50% in 2019), retaining reserves for 2021.
- **Strong surplus** after tax and dividends of £306,347, increasing the key capital ratio to 10.6%. This includes a one-off £100k capital grant from Lloyds Banking Group and £78k from a Fair4All Finance Covid-19 financial support grant.

Five Year Trends

The credit union has grown steadily each year and was continuing to do so until February 2020. National coronavirus lockdown from March 2020 significantly reduced membership growth and lending in the rest of 2020, but also significantly increased saving. Members were less able to spend and therefore saved more and borrowed less. By the end of September 2020 there were signs of recovery, but with much uncertainty about the year ahead.



Lewisham Plus Credit Union is well capitalised to withstand the economic pressure and uncertainty ahead in 2021, and is planning to return to growth in 2022.

CEO's Report

Hello again,

This year has been one of two contrasting halves. We had an excellent first half, one of expansion, in which we grew our membership as well as our loan book and partnership activities. The second half was contraction, with remote working, virtual meetings and a lot of hand washing!

We managed to pack a lot into the first half. The main highlights were a meeting with the UK Treasury's consumer credit team, where we shared our wealth of experience supporting the work of Lewisham and Bromley councils' Homeless Prevention Activity. We obtained funding from England's Illegal Money Lending Team to promote our campaign against loan sharks. We ran a poster competition with eight participating Life Saver primary schools, which resulted in some amazing art, now displayed outside the schools. Our Bromley branch hosted a Halloween event for the local children, signing up over thirty young savers on the day! November saw the launch of a new savings initiative supported by the UK Treasury with a number of monthly prizes including a £5K first prize. We had one lucky £5K winner and several who won smaller prizes.

Our partnership activities with all the major housing associations including Clarion, Lewisham Homes, Phoenix, Peabody and others carried on as usual, supporting a number of residents with loans and savings. We also worked with the Money Advice and Citizens Advice services to engage with and help the wider community. Our latest partnership with London and South East Colleges brought to us some excellent young people who undertook work placements with us.

The second half of the year was very different, thanks to the Covid-19 pandemic. We had to quickly ensure all our branches were safe for members and staff, whilst making arrangements to set up phones and computers for home working. This involved a lot of activity in all our branches, ensuring staff were fully protected with screens, masks and sanitisers. Our Treasurer, who also looks after our IT requirements, quickly put arrangements into place so that several members of staff, some of whom are vulnerable, could work from home. This was excellent news for members as all our services continued to be available and they were able to access them seamlessly. Our two main branches at Kirkdale and Green Man remained open, whilst the Bromley branch had to go part-time and the New Cross branch had to close altogether as the library where it was located was forced to close. We had to suspend our Friday evening opening hours at Sydenham for a short period due to staffing issues. I am very grateful to all the board members who stepped in to support our operations in various ways, including support with ever-changing regulations and even cleaning! I must also applaud our other volunteers including three youngsters who stepped up to fill the places of colleagues who were forced to work from home.

I am pleased to say that we were able to continue supporting our members throughout the pandemic by issuing top up loans via email for those with existing loans. We also supported members further by issuing emergency loans as well as extending the household goods loan to cover other essentials such as uniforms and emergency supplies; and we created a new loan product (Covid Support Loan) with a lower interest rate to support young families particularly affected by the pandemic.

Additionally, this year we have worked on a number of in-house enhancements, including providing greater support to our Credit Control efforts and introducing a new system for assessing loans. We are sure these changes will improve our speed and efficiency.

Looking ahead to next year, we are working on additional service improvements to improve customer experience. The last year has shown the resourcefulness and the resilience of the LPCU team of staff and volunteers. We have emerged stronger and wiser, fulfilling the old saying 'When the going gets tough, the tough get going!'

I look forward to a year of growth and prosperity for all. *Ravi Ravindran, CEO for 2019/20*



Treasurer's Report

The credit union year ended very well, but it was a rollercoaster ride on the way due to impact of the national lockdown from March and ongoing uncertainty caused by coronavirus.

From October 2019 to February 2020 adult membership grew by 132 per month on average, on trend to pass 13,000 for the year. Lending was £750k higher in February 2020 than in February 2019, on trend to hit the £5.23m loan target for year end.

The Lloyds Banking Group capital grant of £100,000 received in December 2019 was intended to support accelerated growth in membership and lending, supported by increased hours at the New Cross Learning outreach and the PrizeSaver and JustBorrow initiatives.



However, it was immediately clear in March that we were in new territory, with an unprecedented £113k drop in lending. By year end, lending was £840k below where it should have been had the February 2020 trend continued, and just about holding steady. The number of loans issued picked up by year end, but the average value was £115 lower. This meant we issued £75k less in loans than would have been expected in September 2020.

While loans were depressed, savings really took off. Between April and July members added an additional £1m savings in just over three months, and over £2m for the year as a whole.

On the last day of the year, Lewisham Plus passed £10m assets for the first time.

Income from lending and bad debt recovery was understandably lower than planned. In April we were fortunately successful in obtaining a £100,000 Covid-19 income support grant from Fair4All Finance. £78k of this has been used as at the end of September 2020.

Bad and doubtful debts were a little higher at 6.1% at year end compared with 5.7% in 2019. That was despite agreeing around 50 payment holidays, and was contained due to a vigorous focus on working with our members to manage loan arrears throughout the year.

By careful management of our costs we were able to generate an earned profit for the year of £129k from all other sources. When combined with the £78k from Fair4All Finance and £100k from Lloyds Banking Group grants, our **total profit after tax was £306k for the year.**

The board decided that due to the large increase in assets, requiring increased capital reserves, and uncertainty ahead, we would recommend a reduced dividend of 0.25% for adult and corporate members and 0.75% for junior savers. This will allow us to strengthen reserves to a level that should be sufficient to ride-out the expected difficulties ahead in 2021.

The major IT project for the year was the work to replace the ABCUL Automated Lending Decisions system, originally expected to end in May 2020. After an extended period working with our selected replacement supplier, the Incuto loan decisioning system went live in September 2020. We are expecting to release online improvements for members using Incuto in the near future. We signed up with TransUnion (formerly Call Credit) and are now reporting credit performance and building member credit histories with two of the three CRAs.

The board decided to assess our Personal Loan and Save as You Borrow products against the Fairbanking Mark five-star standard, which is widely recognised and respected. This involved a detailed assessment and a professionally run survey of our members. We were delighted to be awarded the five star mark just before the end of the year.

Paul Treece

Treasurer 2019/20

Supervisory Committee Report

The Supervisory Committee is satisfied with the performance of the Directors and staff of Lewisham Plus Credit Union during the year 2019/2020.

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, the Committee comprised three members, Barney Wanstall (current chair), Donna Davis and Mark O’Connor. In December we were delighted to welcome Ash Saluja onto the Committee. Ash, a partner at the law firm CMS, brings deep experience on financial regulation and compliance matters and so is a great addition.



Members of the Committee have attended Board meetings as observers and have reviewed the agendas, minutes and papers of them closely. The Committee has also attended some of the meetings of the Board’s Loans and Credit Control Committee – where the crucial work of loan delinquency, credit control and loan policy is analysed and determined. As a result, the Committee can confirm that decisions made by the Board were in accordance with the rules and policies of the Credit Union, and management actions were in the interests of members. All loans made to Directors, staff and volunteers were reported to the Committee.

The Committee also conducts regular checks on the operations of the Credit Union, for instance in relation to the issuance of new loans, the acceptance of new members, the payment of staff and other matters to ensure the credit union is operating in an appropriate and compliant manner. At the beginning of the year, we were pleased that the Board agreed to the recruitment of a part-time individual to assist in our work (Mary Casey). During the year we have been consequently able to expand the volume of testing and checking we perform. For 2019/20 the scope has remained relatively unchanged, but we are currently in the process of revisiting our annual work plan to reassess the work performed.

The Committee has been particularly focussed on the Board’s response to COVID. We have been playing close attention to how LPCU has remained open for business and responded to the increased financial stress on many members whilst also ensuring that the financial soundness of the credit union is maintained. We are equally pleased as the Board at the recognition LPCU’s work has obtained through the year. We will continue to ensure that this recognition and funding is used in the interest of all members, and that the uniquely sustainable, human and competitive service that LPCU operates is maintained.

Barney Wanstall

Chair of Supervisory Committee 2019/20

Directors and Officers

The current members of the Board are as follows:



Geoff Cave (Member Services Director) | Appointed 2008. Geoff is a civil servant and is actively involved in the Sydenham community, particularly in his role as editor of Sydenham Life magazine.



Donna Davis (Risk Management and Compliance Director) | Appointed 2020. Donna retired recently after 25 years working for the Financial Conduct Authority and the Office of Fair Trading, where she held a variety of different roles, including interpretation and enforcement of consumer protection legislation and supervision of consumer credit firms. She joined the Supervisory Committee in 2016, before resigning that role to join the board.



James Gardner (AML Director) | Appointed 2008. James became the credit union's first Manager in 2003 and was invited to join the board when he retired. He has long experience of financial services, working in branch and regional management roles at the Woolwich Building Society and Barclays.



Gareth Hall (Strategy & Business Planning Director) | Appointed 2019. Gareth is a solicitor and recently retired as a partner in the law firm Devonshires. He has extensive experience in advising businesses (including housing associations) on a variety of matters including financial services regulation and commercial contracts.



Barney Hearnden (Secretary) | Appointed 2016. Barney is a consultant in the London office of the law firm CMS. He specialises in advising financial services businesses on matters such as corporate governance, commercial contracts and regulation.

Keith Howick (Credit Control Director) | Appointed 2016. Keith is a patent and trademark attorney and retired from his firm in 2014 after 30 years, which included serving as senior partner and managing partner. He is a board member of the Intellectual Property Regulation Board, and chairman of the Board of Tulse Hill and Dulwich Hockey Club.



Tim Pagan (HR Director) | Appointed 2016. Tim retired after a 37 year career in the probation service, most recently as head of corporate services for the London wide service, with responsibility for HR, IT and property. He is a fellow of the Chartered Institute of Personal Development.

Mark Plummer (Vice President and Marketing & Communications Director) | Appointed 2015. Mark has worked in private banking for over 30 years, and has extensive experience of managing financial services business, particularly for personal customers.



Paul Treece (Treasurer and IT Director) | Appointed 1992. Paul was a founder member of the credit union, alongside his wife Lisa. He works professionally as a principal solution architect, and has over 30 years of experience in the IT industry. He is also secretary for the ABCUL London and South East Forum, and Treasurer for the Grove Centre Church.

Frank Whittle (President) | Appointed 2015. Frank was one of the founding directors of the credit union, and re-joined the board after retiring from a 41 year career in environmental health, most recently managing the private housing and disability adaptations service for a London council.



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

Director	No.	%	Director	No.	%
Geoffrey Cave	14/15	93%	Tim Pagan	11/15	73%
James Gardner	9/15	60%	Mark Plummer	8/15	53%
Gareth Hall	14/15	93%	Paul Treece	13/15	87%
Barney Hearnden	14/15	93%	Frank Whittle	15/15	100%
Keith Howick	15/15	100%			

The members of the Supervisory Committee for 2019/20 have been:



Barney Wanstall (Chair) | Appointed 2015. Barney is a chartered accountant. He has spent a number of years working for a Big Four accounting firm, advising insurance companies on a range of regulatory matters, and now works for a large insurance company.

Donna Davis | Appointed 2016. Donna resigned from the Supervisory Committee in November 2020, upon her appointment as Risk Management and Compliance Director (see above).

Mark O'Connor | Appointed 2018. Mark is a Chartered Accountant and Senior Associate at Pricewaterhouse Coopers LLP. He works with clients in the Investment Management sector. Mark lives in Brockley and helps coordinate many of the supervisory committee's regular checks and tests.

Ash Saluja | Appointed 2019. Ash is Head of Financial Services in the law firm CMS. He has over 20 years' experience of advising banks and other financial services

firms on regulatory and commercial issues.



Directors' Report for the Year Ended 30 September 2020

The Directors present their report and the financial statements for the year ended 30 September 2020.

Principal activity

The principal activity of the credit union continues to be that defined in the Credit Unions Act 1979. The credit union's common bond covers anyone living or employed in Bromley, Lewisham or the SE19 postcode area.

Directors of the Credit Union

The directors who held office during the year were as follows:

Geoffrey Cave, James Gardner, Gareth Hall, Barney Hearnden (Secretary), Keith Howick, John McCarthy (resigned 27/02/2020), Timothy Pagan, Mark Plummer, Paul Treece and Frank Whittle.

Fair review of the business

A total of ten directors, all unpaid volunteers, served on the board in 2019/2020. Unfortunately, due to an extended period of ill-health, John McCarthy stepped down during the year. The directors were pleased to be able to use the AGM to pay tribute to John's tremendous contribution to the credit union over an extended period.

Since 30 September 2020 we have recruited two additional directors: Donna Davis has joined the board as Risk Management and Compliance Director, and we are currently awaiting regulatory approval for the appointment of Bill Hackney as Complaints Director. Donna has therefore stepped down from her role on the Supervisory Committee, and Keith Howick has assumed responsibility for Credit Control (reflecting the board's desire to increase the resource devoted to this area, given the economic downturn that is expected to result from the Covid-19 pandemic).

The directors have met every month during the year, and have in addition held three weekend strategy meetings to cover long-term planning and other strategic matters. Five board committees, covering Loans & Credit Control, Operations, Finance & Development, Governance & Compliance and Nominations have operated during the year, providing a forum to develop initiatives and address issues outside the full board meetings. In addition, during the year the board appointed a temporary Covid-19 committee to deal with practical issues arising due to the pandemic.

The Covid-19 crisis has overshadowed everything else in the past year. While the first half of the year proceeded in line with our expectations, and showed good growth in lending to members, the advent of the pandemic resulted in significant changes to our business. Through rapid action by our Treasurer, we were able to equip staff to work from home where necessary; and thanks to the "can do" attitude and adaptability of our staff, we were able to keep our three main branches open to provide continuity of service to members. The board also created a Covid-19 Committee which met frequently to monitor government guidelines and help steer the credit union's response. Our first priority has at all times been the health and safety of our staff and members.

We have been assisted by two separate grants, each of £100,000, which we received during the year. The first, from the Lloyds Banking Group Credit Union Foundation, was designed to enable us to accelerate our growth in total members and lending, and to open our New Cross Learning outlet for at least 20 hours a week. Unfortunately, one consequence of the pandemic was that we had to close our New Cross Learning outlet, as the library building was and remains closed. We are currently working on re-configuring the premises so that we can open again, even if the library remains closed. The second grant, from Fair4All Finance, was awarded to assist us to manage the financial impact of the crisis. As at 30 September 2020, we had used £78,000 of this grant to support our income.

We expect that the credit union will feel the consequences of the pandemic for a number of years. One immediate impact has been an increase in saving by our members (taking our total assets to just above £10m as at the year end); and there has also been a reduction in the demand for lending, which is having an adverse impact on our income. However, we are pleased to report that, despite the pandemic, we have had another successful year overall in financial terms, as evidenced by our financial statements.

We can also reflect on a number of other initiatives and achievements during the year, including: the introduction of the PrizeSaver account, sponsored by HM Treasury; the

successful implementation of the first phase of our new loan decision and loan processing system, which is being provided by Incuto and TransUnion; the five star rating award from the Fairbanking Foundation; and the establishment of a new Nominations Committee, and development of a formal succession plan for the board.

The directors would like to express their appreciation for the exceptional dedication and enthusiasm of all of our staff, led by our CEO, Ravi Ravindran. They are vital to the successful operation of the credit union. The credit union also depends on the support of volunteers, who perform a wide range of valuable services. The board would like to take this opportunity to thank each member of staff and volunteer for their commitment in the past year, especially given the additional challenges of keeping the credit union operating despite the pandemic. We have also benefitted this year from pro-bono support provided by staff at PwC, Legal & General and CMS.

Principal risks and uncertainties

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

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

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

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

Disclosure of information to the auditors

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

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual 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 period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the credit union's transactions and disclose with reasonable accuracy at any time the financial position of the credit union and enable them to ensure that the financial statements comply with the Credit Unions Act 1979 and the Co-operative and Community

Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the credit union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Reappointment of auditors

A resolution for the re-appointment of Alexander Sloan as auditors of the credit union is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 12th January 2021 and signed on its behalf by:



Barney Hearnden, Secretary

Director participation in the various board committees is shown below:

Director	Loans & Credit Control	Finance & Development	Operations	Governance & Compliance	Nominations	Covid-19
Geoffrey Cave			M			
James Gardner	M			M		
Gareth Hall		M				
Barney Hearnden				M	M	M
Keith Howick				M	M	
Tim Pagan			M		M	M
Mark Plummer		M				
Paul Treece		M	M			
Frank Whittle	M	M			M	M

As CEO, Ravi Ravindran attends all committees other than the Nominations Committee, and certain members of staff and/or the Supervisory Committee participate as members of the Loans & Credit Control Committee.

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

Opinion

We have audited the financial statements of Lewisham Plus Credit Union Ltd (the 'Credit Union') for the year ended 30 September 2020, which comprise the Revenue Account, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Credit Union's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as at 30 September 2020 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 Benefits Societies Act 2014 and the Credit Unions Act 1979.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's

report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities (as set out on page 10), 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.


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Credit Union audit. We remain solely responsible for our audit opinion.

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



.....
Alexander Sloan

180 St Vincent Street

Glasgow

G2 5SG

Date: 16 January 2021

Revenue Account for the Year Ended 30 September 2020

	Note	2020 £	2019 £
Loan interest receivable and similar income	3	961,053	870,484
Interest payable and similar charges	4	(46,247)	(27,269)
Net interest income		<u>914,806</u>	<u>843,215</u>
Fees and commissions receivable	5	33,541	34,268
Fees and commissions payable	6	(39,531)	(39,741)
Net fees and commissions		(5,990)	(5,473)
Other operating income	7	288,816	124,768
Administrative expenses	8	(526,343)	(477,848)
Depreciation and amortisation		(33,405)	(32,459)
Other operating expenses	9	(106,176)	(99,865)
Impairment on loans for bad and doubtful debts		(220,414)	(196,997)
Surplus before tax		311,294	155,341
Corporation Tax	13	(4,947)	(3,256)
Surplus for the financial year		<u>306,347</u>	<u>152,085</u>
Total comprehensive income for the year		<u>306,347</u>	<u>152,085</u>

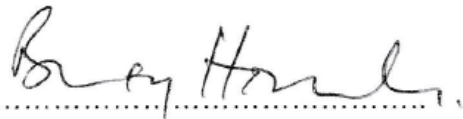
The revenue account has been prepared on the basis
that all operations are continuing operations.

The notes on pages 18 to 28 form an integral part of these financial statements.

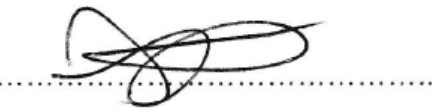
Balance Sheet as at 30 September 2020

	Note	2020 £	2019 £
Assets			
Cash and balances at central banks	14	26,590	37,913
Loans and advances to banks	14	5,730,483	3,228,462
Loans and advances to customers	15	4,138,161	4,256,279
Tangible fixed assets	17	83,124	107,982
Prepayments and accrued income		41,628	32,451
Total assets		10,019,986	7,663,087
Liabilities			
Customer accounts	18	8,664,617	6,589,085
Other liabilities	19	37,096	31,337
Accruals and deferred income	20	236,871	267,610
		8,938,584	6,888,032
Other reserves	22	469,680	383,900
General reserve	22	611,722	391,155
Total reserves		1,081,402	775,055
Total liabilities		10,019,986	7,663,087

Approved and authorised by the Board on 12th January 2021 and signed on its behalf by:



Barney Hearnden
Secretary



Frank Whittle
Director



Paul Treece
Director

The notes on pages 18 to 28 form an integral part of these financial statements

Statement of Changes in Equity for the Year Ended 30 September 2020

	Other reserve £	Appropriation reserve £	General reserve £	Total £
At 1 October 2019	338,000	45,900	391,155	775,055
Surplus for the year	112,000	-	194,347	306,347
Other reserve movements	-	(26,220)	26,220	-
At 30 September 2020	450,000	19,680	611,722	1,081,402

	Other reserve £	Appropriation reserve £	General reserve £	Total £
At 1 October 2018	314,000	27,965	281,005	622,970
Surplus for the year	24,000	-	128,085	152,085
Other reserve movements	-	17,935	(17,935)	-
At 30 September 2019	338,000	45,900	391,155	775,055

Statement of Cash Flows for the Year Ended 30 September 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Surplus for the year		306,347	152,085
<u>Adjustments to cash flows from non-cash items</u>			
Depreciation and amortisation	10	33,405	32,459
Corporation tax expense	13	4,947	3,256
Provision movement		220,414	196,997
Interest income on loans		(935,019)	(853,349)
Distribution on member shares		46,247	27,269
		(323,659)	(441,283)
<u>Working capital adjustments</u>			
(Increase)/decrease in other receivables and prepayments		(9,179)	5,829
Increase/(decrease) in trade and other payables	19	4,068	(4,749)
Decrease in deferred income, including government grants		(30,738)	149,267
		(35,849)	150,347
Cash flows from changes in operating assets and liabilities			
Loan repayments less loans advanced		832,724	(776)
Customer balance cash movement		2,029,286	860,437
Movement on funds on deposit		(2,021,178)	386,924
		840,832	1,246,585
Income taxes paid	13	(3,256)	(2,549)
Net cash flow from operating activities		478,068	953,100
Cash flows from investing activities			
Acquisitions of property plant and equipment		(8,547)	(39,605)
Net increase in cash and cash equivalents		469,521	913,495
Cash and cash equivalents at 1 October		1,944,764	1,031,269
Cash and cash equivalents at 30 September		2,414,285	1,944,764

The notes on pages 18 to 28 form an integral part of these financial statements

Notes to the Financial Statements for the Year Ended 30 September 2020

1. General information

Lewisham Plus 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 Unions Act 1979. The Credit Union is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The address of its registered office is:

262 Kirkdale, Sydenham, London, SE26 4RS

2. Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The accounts are presented in UK Sterling and rounded to the nearest pound.

Going concern

The Credit Union has prepared financial projections taking into account the expected impact of Covid-19 on the Credit Union's financial reserves. While it is unknown how long the pandemic will last or the extent of the impact on the economy, 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.

Key sources of estimation uncertainty

Impairment of Financial Assets: The Credit Union assesses at each reporting date, whether 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.

Revenue recognition

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. The recognition of interest is covered in the Finance Income and Costs Policy.

Grants

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

Notes to the Financial Statements for the Year Ended 30 September 2020

Other grants

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 are 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.

Finance income and costs policy

Interest receivable on loans to members and bank interest is recognised using the effective interest rate basis, and is calculated and accrued on a daily basis.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, 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.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Tangible fixed assets

Tangible fixed assets is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible fixed assets includes directly attributable incremental costs incurred in their acquisition and installation.

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

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Office equipment	33% straight line or 20% straight line for longer life assets
Tenant's improvements	Straight line over lower of the life of the asset or the lease

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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.

Notes to the Financial Statements for the Year Ended 30 September 2020

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Credit Union has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

Classification

Loans to members are a debt instrument measured at amortised cost using the effective interest rate.

Recognition and measurement

Loans to members are financial assets with fixed or determinable payments, and are not quoted in an active market. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest rate method. Loans are derecognised when the rights to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

Impairment

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 single loan is 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 loan and the net present value of the expected cash flows.

3. Interest receivable and similar income

	2020	2019
	£	£
Interest income on loans	935,019	853,349
Interest income on bank deposits	26,034	17,135
	961,053	870,484

4. Interest payable and similar charges

As non-deferred shares are classed as a liability, the dividend on these shares is classed as interest for accounting purposes under FRS 102:

	2020	2019
	£	£
Ordinary share dividend	41,912	23,741
Juvenile share distribution	4,335	3,528
Total distributions to customers	46,247	27,269

Notes to the Financial Statements for the Year Ended 30 September 2020

The distributions on member's shares represent distributions paid in the year which were approved at the last Annual General Meeting. The dividend rates approved at the 2019 and 2018 AGMs were:

	2020	2019
	%	%
Distributions paid during the period		
Juvenile distribution	1.50	1.25
Ordinary share dividend	<u>0.75</u>	<u>0.50</u>

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

	2020	2019
	%	%
Proposed distributions in respect of the period		
Proposed distribution on juvenile shares	0.75	1.50
Proposed dividend on ordinary shares	<u>0.25</u>	<u>0.75</u>

5. Fees and commissions receivable

	2020	2019
	£	£
Insurance commission	548	592
Annual service charges	9,495	11,039
Transfer of aged balances from suspense a/c	17,000	17,000
Cash over	3,213	924
Entrance fees	<u>3,285</u>	<u>4,713</u>
Fees and commissions receivable	<u>33,541</u>	<u>34,268</u>

Included within Annual Service Charges are £6,226 relating to Engage commission (2019 £6,938).

6. Fees and commissions payable

	2020	2019
	£	£
Bank charges	28,922	29,714
Trade association dues	<u>10,609</u>	<u>10,027</u>
Fees and commissions payable	<u>39,531</u>	<u>39,741</u>

7. Other operating income

	2020	2019
	£	£
Other income	15,961	15,278
Growth fund	<u>12,000</u>	<u>24,000</u>
	27,961	39,278
Lloyds Bank plc capital grant	100,000	-
Government grants receivable	<u>160,855</u>	<u>85,490</u>
	<u>288,816</u>	<u>124,768</u>

Included within Government grants are £78,273 from Fair4All Finance (2019 £0).

Notes to the Financial Statements for the Year Ended 30 September 2020

8. Administrative expenses

	2020	2019
	£	£
Employee remuneration	414,428	379,124
Auditors' remuneration	6,758	7,046
Member communication and advertising	25,881	24,176
Legal, professional and credit reference agency costs	28,069	23,639
Computer software and maintenance costs	16,490	27,165
Other admin costs	<u>34,717</u>	<u>16,698</u>
Administrative expenses	<u>526,343</u>	<u>477,848</u>

9. Other operating expenses

	2020	2019
	£	£
Regulatory costs (inc LP/LS insurance)	39,954	35,847
Office costs	<u>66,222</u>	<u>64,018</u>
Other operating expenses	<u>106,176</u>	<u>99,865</u>

10. Operating surplus

Arrived at after charging/(crediting)

	2020	2019
	£	£
Depreciation expense	33,405	32,459
Operating lease expense – property	<u>31,070</u>	<u>29,777</u>

11. Staff costs

The aggregate remuneration (including key management remuneration) was as follows:

	2020	2019
	£	£
Wages and salaries	379,528	341,883
Social security costs	20,215	25,955
Pension costs, defined contribution scheme	<u>14,685</u>	<u>11,286</u>
	<u>414,428</u>	<u>379,124</u>

The average number of persons employed by the Credit Union (including key management) during the year and the number of Directors, analysed by category was as follows:

	2020	2019
	No.	No.
Directors	9	10
Administration and support	<u>20</u>	<u>19</u>
	<u>29</u>	<u>29</u>

12. Auditors' remuneration

	2020	2019
	£	£
Audit of the financial statements	<u>6,758</u>	<u>7,046</u>

Notes to the Financial Statements for the Year Ended 30 September 2020

13. Corporation tax

Tax charged/(credited) in the revenue account

	2020	2019
	£	£
Current taxation		
UK corporation tax	4,947	3,256
UK corporation tax adjustment to prior periods	-	-
	<u>4,947</u>	<u>3,256</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK of 19% (2019 – lower than the standard rate of corporation tax in the UK 19%).

The differences are reconciled below:

	2020	2019
	£	£
Surplus before tax	<u>311,989</u>	<u>155,341</u>
Corporation tax at standard rate	59,278	29,515
Effect of transactions exempt from taxation	<u>(54,331)</u>	<u>(26,259)</u>
Total tax charge	<u>4,947</u>	<u>3,256</u>

14. Loans and advances to banks

	2020	2019
	£	£
Cash at bank	2,387,695	1,906,851
Short-term deposits	<u>3,342,788</u>	<u>1,321,611</u>
Loans and advances to banks	5,730,483	3,228,462
Cash balances	<u>26,590</u>	<u>37,913</u>
Total cash and bank balances and deposits	5,757,073	3,266,375
Less amounts maturing more than 8 days	<u>(3,342,788)</u>	<u>(1,321,611)</u>
Cash and cash equivalents in statement of cash flows	<u>2,414,285</u>	<u>1,944,764</u>

15. Loans and advances to customers

	2020	2019
	£	£
Loan movement in the period		
Opening balance	5,143,554	4,411,661
Interest accrued on loans during period	935,020	853,349
Loans advanced during the period	3,241,352	3,748,002
Repayments received during period	(4,074,076)	(3,747,226)
Loans de/re-recognised	<u>(19,510)</u>	<u>(122,232)</u>
	5,226,340	5,143,554
Loan impairment	<u>(1,088,179)</u>	<u>(887,275)</u>
	<u>4,138,161</u>	<u>4,256,279</u>

Notes to the Financial Statements for the Year Ended 30 September 2020

	2020 £	2019 £
Loan repayments		
Loans repayments due within one year	3,519,520	3,361,216
Due after one year	1,706,820	1,742,220
Loan impairment	(1,088,179)	(847,157)
	4,138,161	4,256,279
Classification of loans		
Loans to individual members	4,138,161	4,256,279
	4,138,161	4,256,279

16. Loan impairment

	Provision for written off debts	Doubtful debt provision	Total provision
Opening impairment	585,638	301,637	887,275
Charge to Revenue Account	245,196	28,560	273,756
Bad debt recovered	(53,342)	-	(53,342)
Loans de/re-recognised	(19,510)	-	(19,510)
Closing provision	757,982	330,197	1,088,179

Under Financial Reporting Standard 102 (FRS 102), the criteria for writing off a loan is different from the Board writing off the loan for internal purposes. As a result, for the financial statements loans written off by the Board that do not meet the criteria in FRS 102 for being written off are moved into the Provision for Written Off Debts. There is no net effect on the surplus or net assets of the Credit Union from this reallocation.

17. Tangible fixed assets

	Land and buildings £	Furniture, fittings and equipment £	Total £
Cost or valuation			
At 1 October 2019	309,470	70,721	380,191
Additions	2,385	6,162	8,547
Disposals	0	(0)	(0)
At 30 September 2020	311,855	76,883	388,738
Depreciation			
At 1 October 2019	223,361	48,848	272,209
Charge for the year	23,152	10,253	33,405
Disposals	0	(0)	(0)
At 30 September 2020	246,513	59,101	305,614
Carrying amount			
At 30 September 2020	65,342	17,782	83,124
At 30 September 2019	86,109	21,873	107,982

Notes to the Financial Statements for the Year Ended 30 September 2020

18. Customer accounts

	2020 £	2019 £
Customer balance movement in the period		
Opening balance	6,589,085	5,701,379
Deposited during the period	15,222,972	14,156,980
Withdrawn during the period	<u>(13,147,440)</u>	<u>(13,269,274)</u>
	8,664,617	6,589,085
Classification of Customer balances		
Individual member shares	8,263,117	6,255,976
Corporate shares	<u>44,020</u>	<u>35,753</u>
Member balances	8,307,137	6,291,729
Juvenile deposits	<u>357,480</u>	<u>297,356</u>
	8,664,617	6,589,085

19. Other liabilities

	Note	2020 £	2019 £
Due within one year			
Accrued expenses		32,149	28,081
Corporation tax liability	13	<u>4,947</u>	<u>3,256</u>
		37,096	31,337

20. Accruals and deferred income

	Growth Fund 2020 £	Other 2020 £	Total 2020 £	Total 2019 £
Deferred income brought forward	28,922	238,688	267,610	118,343
Deferred income received	-	258,077	258,077	274,035
Deferred income released	<u>(12,000)</u>	<u>(276,816)</u>	<u>(288,816)</u>	<u>(124,768)</u>
Deferred income	16,922	219,949	236,871	267,610

21. Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Within one year	27,500	7,500
Later than one year and not later than five years	102,500	30,000
Later than five years	<u>80,000</u>	<u>7,500</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £31,070 (2019 - £29,777).

Notes to the Financial Statements for the Year Ended 30 September 2020

22. 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.

Appropriation Reserve

The appropriation reserve represents funds allocated by the Board for the future payment of dividends.

Other reserve

The other reserve represents reserves not allocated to any specific purpose.

23. Capital

Lewisham Plus Credit Union Ltd classes all of its reserves as capital. The Credit Union manages its reserves through its financial and budgeting policies and procedures. 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:

	2020 %	2019 %
Regulatory Requirement		
Minimum capital to asset ratio	5.01	5.00
Actual Capital to Asset Ratio	10.60	9.51

24. Financial Risk Management

Lewisham Plus Credit Union Ltd 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 Lewisham Plus Credit Union Ltd 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 Lewisham Plus Credit Union Ltd, resulting in financial loss to the Credit Union. In order to manage this risk the Board approves the lending policy of Lewisham Plus Credit Union Ltd 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 Lewisham Plus Credit Union Ltd 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:

Notes to the Financial Statements for the Year Ended 30 September 2020

Interest rate risk: The main interest rate risk for Lewisham Plus Credit Union Ltd arises between the interest rate exposure on loans, bank deposits and shares that form an integral part of a Credit Union's operations. Lewisham Plus Credit Union Ltd 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.

Other price risk: The Credit Union does not hold any listed investments.

25. Credit Risk Disclosure

The Credit Union holds the following security against its loans to members:

	2020	2019
	£	£
Security for loans		
Attached Shares	931,602	897,382

The carrying amount of the loans to members represents the Credit Union's maximum exposure to risk. The following table provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full. The status 'past due' includes any loan where payments are in arrears. The amount included is the entire loan amount and not just the overdue amount.

	2020	2019
	£	£
Loans not individually impaired		
Not past due	3,879,753	4,054,787
Individually impaired		
Not past due	-	-
Up to 3 months past due	309,030	239,108
Between 3 months and 6 months due	107,859	98,066
Between 6 months and 1 year past due	90,337	90,335
Over 1 year past due	81,379	75,620
Impaired and written off for internal purposes	757,982	545,520
	<u>1,346,587</u>	<u>1,048,649</u>
	5,226,340	5,103,436
Impairment allowance	<u>(1,088,179)</u>	<u>(847,157)</u>
	<u>4,138,161</u>	<u>4,256,279</u>

Notes to the Financial Statements for the Year Ended 30 September 2020

26. Interest Rate Disclosure

The following table shows the interest received during the year divided by the closing loan balance and the dividend paid during the year divided by the closing share balance:

	2020 Amount £	2020 Rates received in year %	2019 Amount £	2019 Rates received in year %
Financial assets				
Loans to members	4,138,161	22.60	4,256,279	20.05
	2020 Amount £	2020 Rates paid in year %	2019 Amount £	2019 Rates paid in year
Financial liabilities				
Juvenile deposits	357,480	1.16	297,356	1.19
Member shares	8,307,137	0.50	6,291,729	0.38
	8,664,617	0.53	6,589,085	0.41

27. 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.

28. Related party transactions

Key management personnel

The Credit Union classes Directors and members of the Senior Management team as Key Management.

The wife of the Treasurer is an employee of the Credit Union and she is also a member of Key Management.

Key management compensation

	2020 £	2019 £
Salaries and other short term employee benefits	176,646	172,949
Post-employment benefits	23,015	20,654
	199,661	193,603

Summary of transactions with other related parties

Loans to key management are issued on standard terms and conditions. At the year-end £50,328 (2019 - £16,435) was owed by Directors, staff, and their close family, in respect of loans from the Credit Union, and they held shares totalling £151,520 (2019 - £108,420).

The following pages do not form part of the statutory accounts

This page does not form part of the statutory financial statements.

Detailed Revenue Account for the Year Ended 30 September 2020

	Note	2020 £	2019 £
Income			
Interest income on loans		935,019	853,349
Interest income on bank deposits		<u>26,034</u>	<u>17,135</u>
Interest Received		961,053	870,484
Fees and commissions receivable	5	33,541	34,268
Other operating income	7	<u>288,816</u>	<u>124,768</u>
		<u>1,283,410</u>	<u>1,029,520</u>
Expenditure			
Employee remuneration		414,428	379,124
Auditors' remuneration		6,758	7,046
Bank charges		28,922	29,714
Trade association dues		10,609	10,027
Regulatory costs		5,678	5,875
LP/LS insurance		34,276	29,972
Occupancy costs		66,222	64,018
Other admin costs		34,717	16,698
Member communication and advertising		25,881	24,176
Legal, professional and credit reference agency costs		28,069	23,639
Computer software and maintenance costs		16,490	27,165
Depreciation and amortisation		33,405	32,459
Impairment on loans for bad and doubtful debts		<u>220,414</u>	<u>196,997</u>
		<u>925,869</u>	<u>846,910</u>
Operating Surplus/(Deficit)		<u>357,541</u>	<u>182,610</u>
Surplus before tax		357,541	182,610
Corporation Tax	13	<u>(4,947)</u>	<u>(3,256)</u>
Surplus for the financial year before dividend		352,594	179,354
Ordinary share dividend		(41,912)	(23,741)
Juvenile share distribution		<u>(4,337)</u>	<u>(3,528)</u>
Surplus for the financial year after dividend		<u>306,347</u>	<u>152,085</u>

