

Lewisham Plus Credit Union Limited Annual Report and Financial Statements Year Ended 30 September 2021



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: New Cross Learning branch opened in January 2021.

President's Foreword

It is a pleasure to be able to introduce the Annual Report of Lewisham Plus Credit Union for the first time as President.

The Treasurer, CEO, Directors and Supervisory Committee reports all go into more interesting detail of the successes and challenges of the last financial year, so I will keep my remarks brief.

No one could have foreseen how deeply or for how long the Covid pandemic would affect so many people. Most of us have been touched in some way, whether from losing a loved one or knowing others who have lost family or friends, from seeing livelihoods destroyed, or from the more mundane changes in our lives of having to socialise and communicate in different ways or just learning to speak through facemasks. I have therefore been delighted to see how our credit union has risen to the challenge and has continued to support its members even more than ever throughout these difficult times.

This could not have been possible without the extraordinary dedication of our staff, CEO and our unpaid army of volunteers including the Board and Supervisory Committee, who all give so much of their time because they believe in our vision to support our members and the local community in which we all live. On behalf of all our members therefore, my sincere thanks to the whole team for simply being brilliant!

I also cannot let my comments pass without special thanks to Frank Whittle, who was our President until February 2021. Frank was one of the founding members of the credit union and has been a long and loyal supporter in many different guises. We wish him a speedy recovery back to full health. Thanks also to James Gardner, a former CEO of the credit union and a long-standing Board member, who retired at the end of September; and a warm welcome to our new Directors, Donna Davis, Bill Hackney, Jane Gregory, Fela Ajayi and Louisa Papadouri who all bring fresh talent and ideas to the Board.

Despite all the challenges of the last two years, Lewisham Plus Credit Union remains strong and is looking forward to supporting even more local people as we celebrate our Pearl (30th) Anniversary in March 2022.

Mark Plummer, President 2020/21



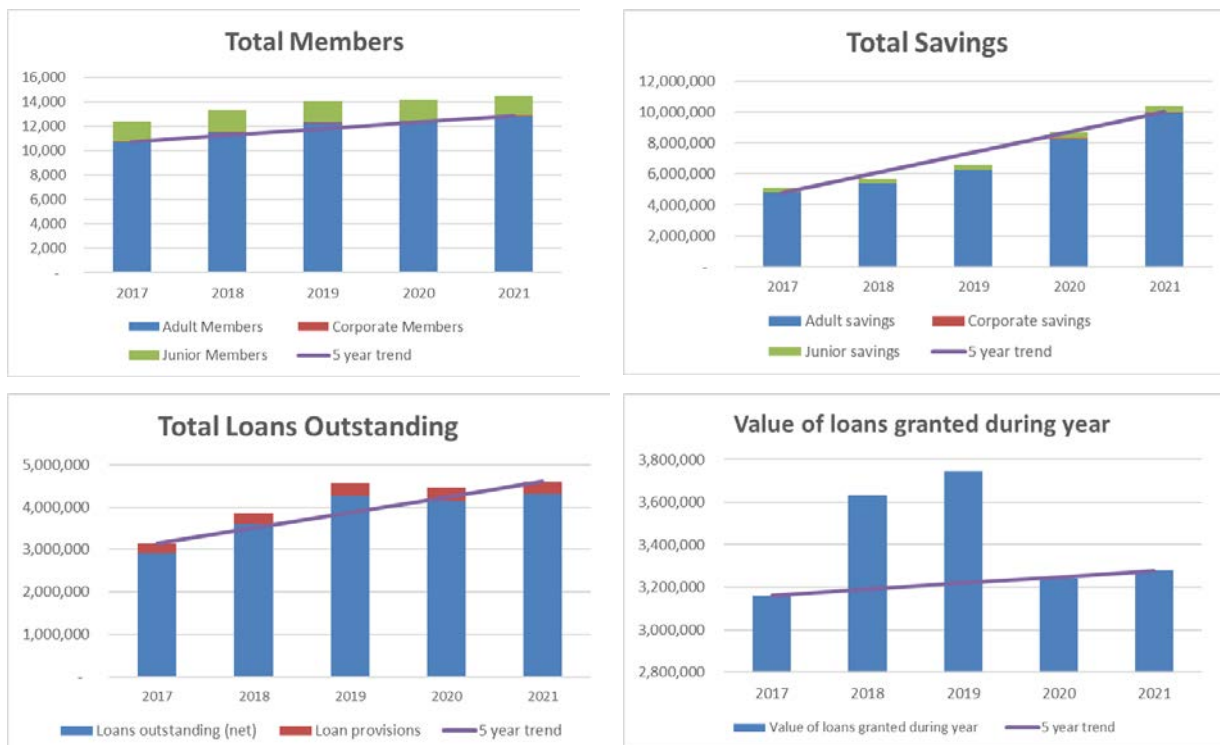
Progress against Business Plan

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 421 (3.4%) to 12,824 adults, plus 1,616 juniors and 45 corporate members. On average **138 adults joined the credit union each month**. We also closed 899 adult dormant accounts and 343 bad debtor accounts.
- Active adult membership was 10,665 members (83.2%) at year end.
- **Savings grew by £1.7m (20.0%)** to £9.95m for adults, £399k for juniors and £46k for corporate members. This was slower than in 2020 (31.5%), but still rapid growth.
- Net loans (loans after provisions for doubtful debts) increased by £168k (4.1%) to £4.31m. We issued 6,817 loans totalling £3.28m, slightly up from 6,681 loans totalling £3.24m last year. Lending has started to recover now that restrictions have ended.
- Dividend (subject to approval at AGM) of **0.25% for adult and corporate members** (0.25% in 2020) and **0.75% for juniors** (0.75% in 2020), retaining reserves for 2022.
- **Strong surplus** after tax and dividends of £221k, maintaining the key capital ratio at 10.7%. Income included a one-off £75k Covid-19 Community Led Organisations Recovery grant and £22k from a Fair4All Finance Covid-19 financial support grant.

Five Year Trends

The credit union has grown steadily over the years and was continuing to do so until February 2020. National coronavirus restrictions from March 2020 significantly reduced membership growth and lending in the rest of 2020 and 2021, but also increased saving. Members were less able or willing to spend and therefore saved more and borrowed less. There was a limited recovery in the value of loans issued towards the end of 2021, but overall lending was similar to 2020 and remained well below the 2018 and 2019 levels.



Lewisham Plus Credit Union is well capitalised to withstand the economic uncertainty and cost pressures still ahead, and hopes to return to stronger loan growth in 2022.

CEO's Report

Hello! It's good to catch up with you again. I am sure you've had an unusual year like most of us with lots of uncertainty about work, life, income, travel etc. However, we have to make the most of whatever's thrown at us and that's what my colleagues and I have been doing over the last year. We managed to support a greater number of our members, many of whom experienced fluctuations in income, periods of unemployment, changes to benefits, loss of a family member, and related costs, shortages of essential goods and in some cases mental health issues due to the pandemic. I am pleased to say my colleagues and I stood with our members, providing financial and emotional support, helping them to overcome their difficulties.



As an organization that provides an essential service, we remained open throughout the year. However, we also had our fair share of difficulties with some members of staff working from home and some isolating at various times during the year. I'm very proud to say the LPCU team of staff, volunteers, the Board and the Supervisory Committee stepped up to deliver as always! We used this period to refocus our strategy, vision and mission as well as our commitment to service all our members, and to review our range of products and the way we deliver them. I'm delighted that this has led to benefits for both staff and members, with a greater reach, better products, a versatile work force and a stronger business.

Some of the main highlights and key improvements are as follows:

- We opened a new branch during the year, thanks to the Covid-19 Community-Led Organisations Recovery Scheme (CCLORS) grant from Big Lottery. The new branch located within the New Cross Learning facility in the north of the borough will provide much needed support in an area where there are very few financial institutions.
- We have updated our online presence by revamping the website, adding some explanatory videos and additional helpful information from a number of valued partners.
- Our online facility for joining and borrowing has been updated, leading to a much smoother experience for all with a swift turnaround on loans provided we have all the necessary information.
- We have enabled electronic signing of loans, so that members can sign for their loans remotely.
- Loan applications are easier — instead of needing to provide reams of bank statements, now you can just click a button to allow open banking access.
- We have introduced some new loan products with our lowest interest rate of 4.9% APR on our larger loans of £10k - £15k, and a very attractive 5.9% APR for loans of £5k - £10k.
- We have created a very versatile workforce by training and cross-training colleagues to complete a variety of tasks across all branches and from home.
- In order to improve our online presence, we have engaged a marketing company to promote our range of products and services through social media platforms.
- We also experienced some staff changes with Michelle Talbot, our Bromley branch manager leaving after ten years of association with the credit union. We recruited a new member of staff, Sarah McCarthy, who is based at our New Cross branch.

I hope as life returns to normal, we get to meet and speak to more of our valued members and help improve more lives. March 2022 sees our 30th anniversary and we hope to be out and about meeting you, your family and friends. I very much look forward to a year of growth and prosperity for all.

Ravi Ravindran, CEO for 2020/21

Treasurer's Report

Overall the credit union reported a strong financial result for the year, achieved in challenging economic circumstances. A dividend of 0.25% for adults and 0.75% for juniors is proposed, anticipating a more difficult year in 2022 with reduced external support.

We saw an immediate reduction in lending from the first lockdown in March 2020 and this continued throughout 2021. There were signs of recovery in October 2020 and in June 2021, both short lived, and just the beginning of a return to growth in September 2021. That was helped by the launch of our new online loans service and our summer newsletter announcing lower interest rates on larger loans.

The credit union's loan balance of £4.6m at 30 September 2021 was just above the 2020 figure of £4.47m. However, the average balance across the year was lower, so interest income from loans was lower at £900k compared to £935k in 2020. Interest rates on investments also continued to be very low.

Other operating income was a very welcome £176k in 2021, but still £112k lower than in 2020. The 2020 year included a £100k capital grant from Lloyds Banking Group and £78k from a Fair4All Finance Covid-19 grant, of which a further £22k (making £100k in total) was applied in 2021. In the 2021 year the credit union benefitted from a £75k COVID-19 Community-Led Organisations Recovery Scheme grant delivered by Power to Change in partnership with The National Lottery Community Fund, and additional grants from Bromley Council to distribute Covid-19 winter payments and emergency funds. Sadly, the Lewisham Council Local Support Fund providing small loans to people in crisis or returning to work ended in March 2021 after eight years, due to the reductions in council budgets. Homelessness prevention activity was very low due to the moratorium on evictions, but remains in place for 2022. Lewisham Homes continued their support for the credit union and that was very much appreciated. We also received a one-off £15,650 insurance claim payment against loan fraud losses from 2020.

Staff costs are our largest expense by far. We continued our policy of paying at least the London Living Wage for all employees and added to staff time to cover the extra hours for opening the New Cross Learning branch and for Bromley Covid-19 grant distribution.

During the year we invested in a major upgrade to our online lending system and improving electronic services for our members. These included the launch of a popular new CU app, enabling e-signatures for loans, Open Banking, improved identity verification for online joiners and postcode lookup for addresses. Member service improvements add to running costs, but also enable our staff to work more efficiently. We also strengthened IT security and continue to defend our systems and member data from ever-present cyber threats.

The biggest surprise for the year was that we were able to reduce write-offs and provisions for doubtful debts from £220k to £117k, due to a marked and unexpected improvement in the quality of our loan book. Our staff have been working with improved loan decision support since September 2020, which combined with careful lending policies and additional focus on credit control to make a big difference to our results. Recovery of bad debts was also improved to £83k within this figure (34.5% of debt write-offs), up from £53k in 2020 (21.7% of write-offs).

Despite another large increase in member savings, up by £1.7m to £10.4m, the surplus of £221k after dividends and tax meant the credit union was able to maintain a capital ratio of 10.7% (10.6% in 2020). That provides a strong start for 2022, which we will need as we re-grow our loan book and manage with much lower grant income in the year ahead.

Paul Treece

Treasurer for 2020/21



Supervisory Committee Report

The Supervisory Committee is satisfied with the performance of the Directors and staff of Lewisham Plus Credit Union during the year 2020/21.

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, Donna Davis resigned to join the Board, and consequently for most of the year the Committee comprised three members: Barney Wanstall (current chair), Ash Saluja and Mark O’Connor.



Members of the Committee have attended Board meetings as observers and have reviewed the Board agendas, minutes and other papers. The Committee has also closely followed changes in loan policy and any developments with respect to Credit Control and loan delinquency. As a result, the Committee can confirm that in its opinion 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. Much of this work is performed by a part-time member of staff who is dedicated to this task, and reports to the Committee.

As in 2019/20, the Committee has particularly focused on the Board’s response to Covid. We have been paying close attention to how LPCU has continued to deliver services and responded to the increased financial stress on many members, whilst ensuring that the financial soundness of the credit union is maintained. As part of this, we have performed some additional monitoring on how Council Covid grants directed at specific members have been issued.

We also continue to monitor LPCU expenditure, both routine and “strategic”, to ensure that this expenditure serves members’ interests appropriately and that LPCU is delivering its uniquely sustainable, human and competitive service.

Barney Wanstall

Chair of Supervisory Committee 2020/21

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

Director	No.	%	Director	No.	%
Oluwafela Ajayi	2/3	67%	Barney Hearnden	15/15	100%
Geoff Cave	15/15	100%	Keith Howick	15/15	100%
Donna Davis	13/13	100%	Tim Pagan	13/15	87%
James Gardner	13/15	87%	Louisa Papadouri	1/2	50%
Jane Gregory	3/3	100%	Mark Plummer	11/15	73%
Bill Hackney	9/11	82%	Paul Treece	15/15	100%
Gareth Hall	13/15	87%	Frank Whittle	1/5	20%

Directors and Officers

The current members of the Board are as follows:



Oluwafela Ajayi (Health and Safety Director) | Appointed 2021. Fela has over 20 years' experience as a health and safety professional and works for an international firm of architects. He has been involved in a number of other voluntary roles within the local community in Lewisham.

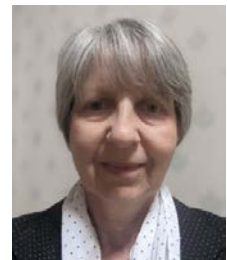


Geoff Cave (Member Services Director) | Appointed 2008. Geoff is a civil servant and is actively involved in the Sydenham community, particularly in his role as editor of Sydenham Life magazine.



Donna Davis (Risk Management and Compliance Director) | Appointed 2020. Donna retired 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.



Jane Gregory (Assistant Treasurer) | Appointed 2021. Jane is a chartered accountant and management consultant, who has spent most of her career working in the charitable sector, with responsibility for finance, governance and operations matters. She was a trustee and treasurer for the Upper Norwood Library Trust for six years and remains a regular volunteer.

Bill Hackney (Complaints Director) | Appointed 2021. Bill has over 30 years of experience in the investment management industry, during which time he has held a variety of different roles, involving responsibility for multiple matters including risk management, IT, insurance and finance.



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 was a board member of the Intellectual Property Regulation Board, and is 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.



Louisa Papadouri (Loans Director) | Appointed 2021. Louisa is Head of Finance and Operations for LP Squared, a company providing consultancy services to companies in the financial services sector. With three decades of involvement in the sector, she has a wealth of experience in the fields of finance, banking and business strategy.



Mark Plummer (President and Marketing & Communications Director) | Appointed 2015 (appointed President 2021). 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.

Director participation in Board committees is shown below (“C” denotes Chair):

Finance & Technology	Gareth Hall (C), Jane Gregory, Mark Plummer, Paul Treece
Governance & Compliance	Donna Davis (C), Gareth Hall, Barney Hearnden
Loans & Credit Control	Keith Howick (C), Bill Hackney, Louisa Papadouri
Marketing & Member Engagement	Mark Plummer (C), Oluwafela Ajayi, Geoffrey Cave, Louisa Papadouri
Nominations	Barney Hearnden (C), Keith Howick, Tim Pagan
Operations	Geoffrey Cave (C), Oluwafela Ajayi, Jane Gregory, Bill Hackney, Tim Pagan, Paul Treece

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

The current members of the Supervisory Committee are:



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.



Mark O'Connor | Appointed 2018. Mark is a Chartered Accountant and recently joined an infrastructure fund after a number of years with PwC. 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 2021

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

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:

Oluwafela Ajayi (appointed 11/08/2021), Geoffrey Cave, Donna Davis (appointed 17/11/2020), James Gardner (resigned 30/09/2021), Jane Gregory (appointed 27/07/2021), William Hackney (appointed 26/01/2021), Gareth Hall, Barney Hearnden (Secretary), Keith Howick, Timothy Pagan, Louisa Papadouri (appointed 26/08/2021), Mark Plummer, Paul Treece and Frank Whittle (resigned 24/02/2021).

Fair review of the business

A total of 14 Directors, all unpaid volunteers, served on the Board in 2020/21. Sadly, due to an extended period of ill-health, our President Frank Whittle was forced to resign from the Board at our AGM in February. Frank was a founding member of the credit union in 1992, and acted as Assistant Treasurer until 2007. He then re-joined the Board in 2015, becoming President in 2017. In his modest and selfless way, Frank led the credit union with tremendous skill, commitment and enthusiasm, keeping us focused on our core mission.

In addition, our long serving Director James Gardner stepped down at the end of the financial year. James has made a huge contribution to the credit union, first with his appointment as the first paid manager in 2003, and then through his 12 years on the Board from 2009 to 2021. Among other things, James oversaw the introduction of ELDS, and was integral to steering the credit union through the Growth Fund period. We are delighted that James will continue to make his experience available as a member of the Loans and Credit Control Committee.

During the course of the 2020/21 financial year, we appointed five additional Directors, comprising (in chronological order) Donna Davis (Risk Management and Compliance Director), Bill Hackney (Complaints Director), Jane Gregory (Assistant Treasurer), Fela Ajayi (Health and Safety Director), and Louisa Papadouri (Loans Director). These appointments bring the Board up to its full complement of 12 under the Rules, improve the diversity of the Board, and bring a valuable range of skills and experience.

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. We now have six Board committees, covering Loans & Credit Control, Operations, Finance & Technology, Governance & Compliance, Marketing & Member Engagement, and Nominations. These committees meet at least four times a year, and they provide formal reports to the Board on a quarterly basis. This has enabled us to discuss issues and develop ideas in more depth, and has allowed the main Board to achieve more in its meetings.

The Board has also taken steps to assess the effectiveness of the Board and, more broadly, the governance of the credit union. We carried out an assessment of our compliance with the recommended standards contained in the Code of Governance promulgated by our trade association, ABCUL. Lewisham Plus fully meets all 30 of the essential standards in the Code, as well as 12 out of 15 of the so-called "gold" standards in the Code. We partially comply with the remaining three gold standards, and the Board does not consider the residual elements of those three standards to be material for the operation of the credit union. We are also introducing processes for self-evaluation of the effectiveness of the Board, and will report further on that next year.

For the first time, we held our AGM online, and while it was a shame not to have the social benefits that come from meeting in person, the new format did allow more members to participate than in previous years. We plan to use a hybrid format for our 2022 AGM, in the hope that this will give us the best of both worlds.

The Covid-19 crisis has continued to affect the business in the past year. We have been pleased that we have been able to maintain opening hours for our branches, including the new branch in New Cross which is now open five days a week and enabling us to reach this part of Lewisham which is woefully underserved by mainstream banks. Savings levels have remained high, and with subdued demand for lending, our loans to assets ratio remains below target. However, we have experienced lower than expected delinquency rates, which have helped the credit union to achieve a successful financial result for the year as a whole. Nevertheless, given the wider economic picture including higher living costs and a squeeze on benefits, the Board remains cautious about the outlook for the next couple of years. Fortunately we can face this challenge with the benefit of a strong capital position.

We have been assisted this year by a grant from the COVID-19 Community Led Organisations Recovery Scheme (CCLORS) which funded improvements to the premises in New Cross, enabling us to deliver better services to members at that location. We conducted a detailed review of lending policy, resulting in the introduction of new products, with lower rates for larger loans. We also introduced a significantly improved online process for joining the credit union and applying for a loan, and consequently we discontinued the JustBorrow loan product, which had not proved popular with members. Other improvements to our online services during the year include introducing a new app with increased functionality, enabling members to sign loan agreements remotely using e-signatures, and utilising Open Banking to enable better credit assessment of loan applications.

During the year we also successfully completed a number of other initiatives, including the following: an overhaul of our social media presence, so that we are now actively represented on Linked In and Instagram as well as FaceBook and Twitter; joining up with 13 other credit unions to maintain the PrizeSaver scheme, following the withdrawal of support by HM Treasury; partnering with Bromley Council to deliver winter payments on their behalf to a large number of local residents; and forging a valuable relationship with the 170 Community Project, to whom we can refer members for financial and other guidance. We also received a virtual inspection from our lead regulator, the Prudential Regulation Authority, which did not identify any matters of concern to the Board.

The Directors would once again 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 thank each member of staff and volunteer for their commitment in the past year, especially given the additional challenges of maintaining face-to-face services despite the pandemic. We have again benefited this year from pro-bono support provided by staff at PwC 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 have 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 11th January 2022 and signed on its behalf by:



Barney Hearnden, Secretary

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 2021 which comprise the revenue account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2021 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Credit Unions Act 1979 and the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the credit union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the credit union or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

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

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

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

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

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

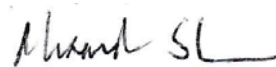
There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Alexander Sloan

180 St Vincent Street

Glasgow

G2 5SG

Date: 11 January 2022

Revenue Account for the Year Ended 30 September 2021

	Note	2021 £	2020 £
Loan interest receivable and similar income	3	922,316	961,053
Interest payable and similar charges	4	(19,235)	(46,247)
Net interest income		<u>903,081</u>	<u>914,806</u>
Fees and commissions receivable	5	29,814	33,541
Fees and commissions payable	6	(42,600)	(39,531)
Net fees and commissions		(12,786)	(5,990)
Other operating income	7	176,846	288,816
Administrative expenses	8	(577,492)	(526,343)
Depreciation and amortisation		(40,434)	(33,405)
Other operating expenses	9	(106,552)	(106,176)
Impairment on loans for bad and doubtful debts		(117,544)	(220,414)
Surplus before tax		225,119	311,294
Corporation Tax	13	(4,214)	(4,947)
Surplus for the financial year		<u>220,905</u>	<u>306,347</u>
Total comprehensive income for the year		<u>220,905</u>	<u>306,347</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 2021

	Note	2021 £	2020 £
Assets			
Cash and balances at central banks	14	28,988	26,590
Loans and advances to banks	14	7,507,091	5,730,483
Loans and advances to customers	15	4,306,814	4,138,161
Tangible fixed assets	17	82,407	83,124
Prepayments and accrued income		48,517	41,628
Total assets		11,973,817	10,019,986
Liabilities			
Customer accounts	18	10,393,507	8,664,617
Other liabilities	19	43,857	37,096
Accruals and deferred income	20	234,144	236,871
		10,671,508	8,938,584
Other reserves	22	486,948	469,680
General reserve	22	815,361	611,722
Total reserves		1,302,309	1,081,402
Total liabilities		11,973,817	10,019,986

Approved and authorised by the Board on 11th January 2022 and signed on its behalf by:



Barney Hearnden
Secretary



Mark Plummer
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 2021

	Other reserve £	Appropriation reserve £	General reserve £	Total £
At 1 October 2020	450,000	19,680	611,722	1,081,402
Surplus for the year	12,000	24,502	184,403	220,905
Other reserve movements	-	(19,234)	19,234	-
At 30 September 2021	462,000	24,948	815,359	1,302,307

	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

Statement of Cash Flows for the Year Ended 30 September 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Surplus for the year		220,905	306,347
<u>Adjustments to cash flows from non-cash items</u>			
Depreciation and amortisation	10	40,434	33,405
Corporation tax expense	13	4,214	4,947
Provision movement		117,545	220,414
Interest income on loans	15	(900,140)	(935,019)
Distribution on member shares		19,235	46,247
		(497,807)	(323,659)
<u>Working capital adjustments</u>			
(Increase)/decrease in other receivables and prepayments		(6,888)	(9,179)
Increase/(decrease) in trade and other payables	19	7,494	4,068
Decrease in deferred income, including government grants		(2,727)	(30,738)
		(2,121)	(35,849)
Cash flows from changes in operating assets and liabilities			
Loan repayments less loans advanced		613,943	832,724
Customer balance cash movement		1,709,655	2,029,286
Movement on funds on deposit		(2,021,988)	(2,021,178)
		301,610	840,832
Income taxes paid	13	(4,947)	(3,256)
Net cash flow from operating activities		(203,265)	478,068
Cash flows from investing activities			
Acquisitions of property plant and equipment		(39,717)	(8,547)
Net increase in cash and cash equivalents		(242,982)	469,521
Cash and cash equivalents at 1 October		2,414,285	1,944,764
Cash and cash equivalents at 30 September		2,171,303	2,414,285

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 2021

1. General information

Lewisham Plus Credit Union Limited 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 2021

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:

<i>Asset class</i>	<i>Depreciation method and rate</i>
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 2021

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

	2021 £	2020 £
Interest income on loans	900,140	935,019
Interest income on bank deposits	22,176	26,034
	922,316	961,053

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:

	2021 £	2020 £
Ordinary share dividend	17,010	41,912
Juvenile share distribution	2,225	4,335
Total distributions	19,235	46,247

Notes to the Financial Statements for the Year Ended 30 September 2021

The distributions on members' shares represent distributions paid in the year which were approved at the last Annual General Meeting. The dividend rates approved at the 2021 and 2020 AGMs were:

	2021 %	2020 %
Distributions paid during the period		
Juvenile distribution	0.75	1.50
Ordinary share dividend	0.25	0.75

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.

	2021 %	2020 %
Proposed distributions in respect of the period		
Proposed distribution on juvenile shares	0.75	0.75
Proposed dividend on ordinary shares	0.25	0.25

5. Fees and commissions receivable

	2021 £	2020 £
Insurance commission	528	548
Annual service charges	8,707	9,495
Transfer of aged balances from suspense a/c	17,964	17,000
Cash over	-	3,213
Entrance fees	2,615	3,285
Fees and commissions receivable	29,814	33,541

Included within Annual Service Charges is £5,897 relating to Engage commission (2020: £6,226).

6. Fees and commissions payable

	2021 £	2020 £
Bank charges	30,313	28,922
Trade association dues	12,287	10,609
Fees and commissions payable	42,600	39,531

7. Other operating income

	2021 £	2020 £
Other income	105,956	15,961
Growth fund	12,000	12,000
	117,956	27,961
Lloyds Bank plc capital grant	-	100,000
Government grants receivable	58,890	160,855
	176,846	288,816

Included within Other Income is £75,000 from a COVID-19 Community-Led Organisations Recovery Scheme grant by Power to Change in partnership with The National Lottery Community Fund. Included within Government Grants is £21,727 from Fair4All Finance (2020: £78,273).

Notes to the Financial Statements for the Year Ended 30 September 2021

8. Administrative expenses

	2021 £	2020 £
Employee remuneration	442,208	414,428
Auditors' remuneration	6,772	6,758
Member communication and advertising	35,370	25,881
Legal, professional and credit reference agency costs	23,496	28,069
Computer software and maintenance costs	38,598	16,490
Other admin costs	<u>31,048</u>	<u>34,717</u>
Administrative expenses	<u>577,492</u>	<u>526,343</u>

9. Other operating expenses

	2021 £	2020 £
Regulatory costs (including LP/LS insurance)	42,477	39,954
Office costs	<u>64,075</u>	<u>66,222</u>
Other operating expenses	<u>106,552</u>	<u>106,176</u>

10. Operating surplus

Arrived at after charging/(crediting)

	2021 £	2020 £
Depreciation expense	40,434	33,405
Operating lease expense – property	<u>30,108</u>	<u>31,070</u>

11. Staff costs

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

	2021 £	2020 £
Wages and salaries	399,688	379,528
Social security costs	26,477	20,215
Pension costs, defined contribution scheme	<u>16,043</u>	<u>14,685</u>
	<u>442,208</u>	<u>414,428</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:

	2021 No.	2020 No.
Directors	11	9
Administration and support	<u>21</u>	<u>20</u>
	<u>32</u>	<u>29</u>

12. Auditors' remuneration

	2021 £	2020 £
Audit of the financial statements	<u>6,772</u>	<u>6,758</u>

Notes to the Financial Statements for the Year Ended 30 September 2021

13. Corporation tax

Tax charged/(credited) in the revenue account	2021 £	2020 £
Current taxation		
UK corporation tax	4,214	4,947
UK corporation tax adjustment to prior periods	-	-
	<u>4,214</u>	<u>4,947</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK of 19% (2020 – lower than the standard rate of corporation tax in the UK 19%).

The differences are reconciled below:

	2021 £	2020 £
Surplus before tax	<u>225,119</u>	<u>311,294</u>
Corporation tax at standard rate	42,772	59,145
Effect of transactions exempt from taxation	<u>(38,558)</u>	<u>(54,198)</u>
Total tax charge	<u>4,214</u>	<u>4,947</u>

14. Loans and advances to banks

	2021 £	2020 £
Cash at bank	2,142,315	2,387,695
Short-term deposits	<u>5,364,776</u>	<u>3,342,788</u>
Loans and advances to banks	7,507,091	5,730,483
Cash balances	<u>28,988</u>	<u>26,590</u>
Total cash and bank balances and deposits	7,536,079	5,757,073
Less amounts maturing more than 8 days	<u>(5,364,776)</u>	<u>(3,342,788)</u>
Cash and cash equivalents in statement of cash flows	<u>2,171,303</u>	<u>2,414,285</u>

15. Loans and advances to customers

	2021 £	2020 £
Loan movement in the period		
Opening balance	5,226,340	5,143,554
Interest accrued on loans during period	900,140	935,020
Loans advanced during the period	3,279,934	3,241,352
Repayments received during period	<u>(3,893,877)</u>	<u>(4,074,076)</u>
Loans de/re-recognised	<u>(139,547)</u>	<u>(19,510)</u>
	5,372,990	5,226,340
Loan impairment	<u>(1,066,176)</u>	<u>(1,088,179)</u>
	<u>4,306,814</u>	<u>4,138,161</u>

Notes to the Financial Statements for the Year Ended 30 September 2021

	2021 £	2020 £
Loan repayments		
Loans repayments due within one year	3,482,738	3,519,520
Due after one year	1,890,252	1,706,820
Loan impairment	<u>(1,066,176)</u>	<u>(1,088,179)</u>
	<u>4,306,814</u>	<u>4,138,161</u>
Classification of loans		
Loans to individual members	<u>4,306,814</u>	<u>4,138,161</u>
	<u>4,306,814</u>	<u>4,138,161</u>

16. Loan impairment

	Provision for written off debts	Doubtful debt provision	Total provision
Opening impairment	757,982	330,197	1,088,179
Charge to Revenue Account	238,994	(38,879)	200,115
Bad debt recovered	(82,571)	-	(82,571)
Loans de/re-recognised	<u>(139,547)</u>	<u>-</u>	<u>(139,547)</u>
Closing provision	<u>774,858</u>	<u>291,318</u>	<u>1,066,176</u>

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 2020	311,855	76,883	388,738
Additions	34,649	5,068	39,717
Disposals	0	(2,476)	(2,476)
At 30 September 2021	<u>346,504</u>	<u>79,475</u>	<u>425,979</u>
Depreciation			
At 1 October 2020	246,513	59,101	305,614
Charge for the year	30,081	10,353	40,434
Disposals	0	(2,476)	(2,476)
At 30 September 2021	<u>276,594</u>	<u>66,978</u>	<u>343,572</u>
Carrying amount			
At 30 September 2021	<u>69,910</u>	<u>12,497</u>	<u>82,407</u>
At 30 September 2020	<u>65,342</u>	<u>17,782</u>	<u>83,124</u>

Notes to the Financial Statements for the Year Ended 30 September 2021

18. Customer accounts

	2021 £	2020 £
Customer balance movement in the period		
Opening balance	8,664,617	6,589,085
Deposited during the period	16,201,808	15,222,972
Withdrawn during the period	<u>(14,472,918)</u>	<u>(13,147,440)</u>
	10,393,507	8,664,617
Classification of Customer balances		
Individual member shares	9,948,264	8,263,117
Corporate shares	<u>46,290</u>	<u>44,020</u>
Member balances	9,994,554	8,307,137
Juvenile deposits	<u>398,953</u>	<u>357,480</u>
	10,393,507	8,664,617

19. Other liabilities

	Note	2021 £	2020 £
Due within one year			
Accrued expenses		39,643	32,149
Corporation tax liability	13	<u>4,214</u>	<u>4,947</u>
		43,857	37,096

20. Accruals and deferred income

	Growth Fund 2021 £	Other 2021 £	Total 2021 £	Total 2020 £
Deferred income brought forward	16,922	219,949	236,871	267,610
Deferred income received	-	158,469	158,469	258,077
Deferred income released	<u>(12,000)</u>	<u>(149,196)</u>	<u>(161,196)</u>	<u>(288,816)</u>
Deferred income	4,922	229,222	234,144	236,871

21. Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2021 £	2020 £
Within one year	27,500	27,500
Later than one year and not later than five years	95,000	102,500
Later than five years	<u>60,000</u>	<u>80,000</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £30,108 (2020 - £31,070).

Notes to the Financial Statements for the Year Ended 30 September 2021

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:

	2021 %	2020 %
Regulatory requirement		
Minimum capital to asset ratio	5.49	5.01
Actual capital to asset ratio	10.67	10.60

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 2021

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:

	2021	2020
	£	£
Security for loans		
Attached shares	1,002,805	931,602

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.

	2021	2020
	£	£
Loans not individually impaired		
Not past due	4,011,084	3,879,753
Individually impaired		
Not past due	-	-
Up to 3 months past due	323,906	309,030
Between 3 months and 6 months due	74,243	107,859
Between 6 months and 1 year past due	64,516	90,337
Over 1 year past due	124,383	81,379
Impaired and written off for internal purposes	774,858	757,982
	<u>1,361,906</u>	<u>1,346,587</u>
	5,372,990	5,226,340
Impairment allowance	<u>(1,066,176)</u>	<u>(1,088,179)</u>
	<u>4,306,814</u>	<u>4,138,161</u>

Notes to the Financial Statements for the Year Ended 30 September 2021

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:

	2021 Amount £	2021 Rates received in year %	2020 Amount £	2020 Rates received in year %
Financial assets				
Loans to members	4,306,814	20.90	4,138,161	22.60
	2021 Amount £	2021 Rates paid in year %	2020 Amount £	2020 Rates paid in year %
Financial liabilities				
Juvenile deposits	398,953	0.56	357,480	1.16
Member shares	9,994,554	0.17	8,307,137	0.50
	10,393,507	0.19	8,664,617	0.53

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

	2021 £	2020 £
Salaries and other short term employee benefits	240,581	192,595
Post-employment benefits	8,833	7,066
	249,414	199,661

Nine members of staff were considered Key Management during the year (2020 – seven).

Summary of other transactions with related parties

Loans to related parties are issued on standard terms and conditions. At the year-end £54,527 (2020 - £50,328) was owed by Directors, staff, and their close family, in respect of loans from the Credit Union, and they held shares totalling £165,928 (2020 - £151,520).

The following pages do not form part of the statutory financial statements

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

Detailed Revenue Account for the Year Ended 30 September 2021

	Note	2021 £	2020 £
Income			
Interest income on loans		900,140	935,019
Interest income on bank deposits		<u>22,176</u>	<u>26,034</u>
Interest received		922,316	961,053
Fees and commissions receivable	5	29,814	33,541
Other operating income	7	<u>176,846</u>	<u>288,816</u>
		<u>1,128,976</u>	<u>1,283,410</u>
Expenditure			
Employee remuneration		442,208	414,428
Auditors' remuneration		6,772	6,758
Bank charges		30,313	28,922
Trade association dues		12,287	10,609
Regulatory costs		5,958	5,678
LP/LS insurance		36,519	34,276
Occupancy costs		64,075	66,222
Other admin costs		31,048	34,717
Member communication and advertising		35,370	25,881
Legal, professional and credit reference agency costs		23,496	28,069
Computer software and maintenance costs		38,598	16,490
Depreciation and amortisation		40,434	33,405
Impairment on loans for bad and doubtful debts		<u>117,544</u>	<u>220,414</u>
		<u>884,622</u>	<u>925,869</u>
Operating Surplus/(Deficit)		<u>244,354</u>	<u>357,541</u>
Surplus before tax		244,354	357,541
Corporation Tax	13	<u>(4,214)</u>	<u>(4,947)</u>
Surplus for the financial year before dividend		240,140	352,594
Ordinary share dividend		(17,010)	(41,912)
Juvenile share distribution		<u>(2,225)</u>	<u>(4,335)</u>
Surplus for the financial year after dividend		<u>220,905</u>	<u>306,347</u>

