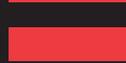




# AGM Papers 2018

 **London Community**  
 **Credit Union**

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# Notice, Agenda and Standing Orders

## Notice

Notice is hereby given that the eighteenth (18th) Annual General Meeting of London Community Credit Union Limited will be held at Stratford Old Town Hall 29 Broadway, London E15 4BQ on Thursday 12th April 2018.

Registration begins at 5:45pm and the AGM begins at 6:30pm.

## Agenda

- 1 Welcome
- 2 Reading of notice convening the 18th AGM
- 3 Credential (quorum) report
- 4 Adoption of standing orders
- 5 Minutes of the last annual general meeting
- 6 Report from the Chair
- 7 Report from the Board of Directors
- 8 Report from the Treasurer
- 9 Report from the Auditor
- 10 Approval of the 2016-17 Accounts
- 11 Nominations for the Board of Directors
- 12 Resolutions and Motions
- 13 AOB and Raffle
- 14 Thank you

## Standing Orders

- 1 A Member shall address all comments through the Chair.
- 2 A Member shall only address the Meeting when called upon by the Chair to do so and should raise their hand to indicate that they wish to address the floor.
- 3 Speeches are to be clear and relevant to the subject before the Meeting.
- 4 The person proposing the motion shall be allowed a maximum of five minutes to speak on the motion.
- 5 The person seconding the motion shall be allowed a maximum of three minutes to speak in support.
- 6 A Member may not speak twice on the same subject except he/she: (a) Is the Mover of a motion with the right of reply. (b) Wishes to object or to explain (with permission of the Chair).
- 7 The Mover of a "Procedural Motion" (Adjournment, Lay on the Table, Motion to postpone) shall have no right of reply.
- 8 Debate shall cease when the Chair decides sufficient debate has taken place.
- 9 No speeches or amendments are to be made after the "Motion" has been put and carried or negated.
- 10 A Member speaking on a "Point of Order" is to state the point clearly and concisely. (A "Point of Order" must have relevance to the "Standing Order".)
- 11 (a) A Member shall not "Call another Member to order" but may draw the attention of the Chair to a "Breach of Order". (b) In no event can a Member call the Chair to Order.
- 12 A "Question" shall not be put to the vote if a Member desires to speak on it or move an amendment to it, however the following may be moved at any time: a "Procedural Motion: The Previous Question" "Proceed to the Next Business" or the Closure: "That the Question be now Put."
- 13 Only one amendment should be before the Meeting at one and the same time.
- 14 When a motion is withdrawn, any amendment to it fails.
- 15 The Chair shall have the right to a "Casting Vote".
- 16 If there is equality of voting on an amendment and if the Chair does not exercise a Casting Vote, the amendment is lost.
- 17 Provision is to be made for protection of the Chair from vilification.
- 18 No Member shall impute improper motives against another Member.

### Conduct at General Meetings

Any person in breach of these Standing Orders, who interrupts the person speaking, who uses rude or abusive language, or disrupts the conduct of the Meeting, shall be warned that any repeat of such misconduct will result in his/her expulsion from the meeting.

### Elections

If the Chair is a candidate standing for election they shall hand over the chairing of the meeting to another officer or member of staff for that item.

## There is little sign of a let up in the pressure on living costs in London and your credit union aims to help members through good times and bad.

Over the last year LCCU has taken a series of steps to invest in technology, improve customer service and communication and tighten controls so your money is always kept safe.

We have also responded to changes in the economic and regulatory environment while ensuring members are at the heart of everything we do.

As we hold our 18th AGM it is also my sad duty to report the departure of our chief executive, Colin Eddy, who has served with diligence and unswerving dedication for nearly 20 years.

Today we report our results for the 12 months to 30 September 2017 and I am pleased to report the credit union has continued to grow its membership and loan book.

The business posted a profit of just over £70,000 for the year. This is up from around £20,000 in 2015/16 and reflects the fact we have issued more loans to more customers as well as reaping the benefits from an investment in controls.

While the financial performance for the year is encouraging I also want to make clear to you that we are incurring significant costs in 2017/18 as we roll-out an integrated debit card alongside the new current account platform, which was introduced after the Co-operative Bank withdrew the service it had provided in this area for credit unions.

And, of course, our impact is not just measured in pounds and pence. The credit union exists to serve the community and, as well as growing our loan book, we have increased support for Moneyworks, the affordable credit and financial advice service which is run by our partners Newham Council.

We have also delivered on our promise to appoint a communications and engagement manager. The credit union knows it can improve how it talks to its members – the lifeblood of the organisation – and the work of Kuldip Bajwa will ensure more local residents hear about the work we are doing and consider applying for a loan or choose to save with us. We are confident his contribution is already feeding through to our bottom line.

Finally, the AGM is our chance to record the credit union's enormous gratitude towards Colin Eddy, who has stepped down as chief executive. Colin steered the credit union from its foundation with a single branch in 2000 to what it is today. I saw at first-hand Colin's dedication to LCCU and there is no doubt he was admired and respected by members, staff and volunteers, and will be much missed. We hope to appoint a new chief executive by late summer or early autumn.

Colin's legacy should be a vibrant and growing credit union – so please consider taking out a loan and also spread the word about the great work we are doing to your friends, colleagues and neighbours.

To all the members, staff and volunteers who help power LCCU, let me express the board's gratitude for your continued support.



**Peter Edwards**

Chair, London Community Credit Union

# Report from the Board of Directors

## Chair:

- Peter Edwards

## Executive Committee Members:

- Anna Jones – Vice Chair
- David Morgan – Treasurer
- Matthew Gaskin – Secretary

## Members:

- Stephen Backes
- Suzette Barry
- Diana Collins
- Ian Moseley
- Peter Costello
- Malcolm Swallow
- Baraka Rumamba
- Grenville Bingham

The board is responsible for the financial health, growth and strategic direction of the credit union. This means we are responsible for making sure the credit union is operating well, delivering benefits to members, and growing in alignment with the credit union's core values.

The board is also the way that regular members just like you, control and run LCCU.

The hours required can be long, and the work that many board members contribute to the credit union is significant. We would therefore like to start by thanking our fellow board members for their time, energy, passion and dedication over the past year.

Following the 2017 AGM, the board elected the following members to serve in key leadership positions on the executive committee:

- Peter Edwards – Chair
- Anna Jones – Vice Chair
- Matthew Gaskin – Secretary
- David Morgan – Treasurer

The board met monthly alongside a range of regular committee meetings and sessions for specific projects.

These papers reference the financial year, October 2016 - September 2017. However, because board members are nominated at each AGM, the board attendance record refers to May 2017 - March 2018.

Name	Present	Absent
Stephen Backes	12	0
Suzette Barry	11	1
Grenville Bingham	12	0
Diana Collins*	4	8
Peter Costello	10	2
Peter Edwards	11	1
Matthew Gaskin	10	2
David Morgan	10	2
Ian Moseley	9	3
Ripon Ray**	3	3
Baraka Rumamba***	9	3
Anna Jones (née Smith)	10	2
Malcolm Swallow	10	2
Nadine Tapping****	3	3

\* Diana Collins Authorised leave

\*\* Ripon Ray Resigned 12th November 2017

\*\*\* Baraka Rumamba Appointed 4th May 2017

\*\*\*\* Nadine Tapping Resigned 10th November 2017

## Audit Committee

- Malcolm Swallow
- Diana Collins
- Suzette Barry
- Baraka Rumamba

The audit committee meets regularly to support the board fulfil its oversight responsibilities. This includes the financial reporting process, the system of internal control, the audit process, processes for monitoring compliance with UK laws and regulations, and our own code of conduct.

During the year the audit committee considered a fraud carried out by two members, and out of the investigation required management to improve security controls around cashier procedures to reduce the risk of fraudulent activity recurring.

The audit committee is pleased that the arrangements in the finance department have increased the quality of controls and management, but resource constraints impact management options at times. The finance department continues to work under significant pressure. It is also the audit committee's view that the credit union needs to invest greater resources in the credit control function on an ongoing basis, as this will reduce the cost of bad debts.

We met with the external auditor as part of our work, and we were pleased to hear that he has noted significant progress in the systems and controls of LCCU.

In the coming year the audit committee will monitor progress in areas where improvements have been requested. In particular, the committee is aware that the banking and card platforms will require close monitoring.

## Property Committee

- Stephen Backes
- Peter Costello
- David Morgan
- Nadine Tapping

2016-17 was another busy year for the property committee. Throughout the course of the year the committee met either in person or through email exchanges.

**225 Mare Street, Hackney:** The lease for our branch premises at 225 Mare Street was up for renewal last year and we are pleased to share with members that a new five year lease has been signed, protecting our branch presence for members living in Hackney.

**16 Vesey Path, Poplar:** Our branch at 16 Vesey Path branch in Chrisp St market will at some point be relocated to a premises opposite our existing branch while Poplar Harca, who own the building, undertake to redevelop the estate. We do not know exactly when this move will take place because the development is still in the planning stages but we are committed to retaining a branch in Chrisp Street market to serve our members in the Poplar area.

**1 Water Lane, Stratford:** Last year we reviewed our current branch and head office facilities at 1 Water Lane, Stratford. We have decided to commission GRR Architects to undertake a feasibility study to find the best way to redevelop a property we own at 72-74 The Broadway, Stratford into a new head office and branch. Pending the outcome of this feasibility study work would commence in autumn 2018 and be completed by summer 2019.

## Governance and Policy Committee

- Matthew Gaskin
- Grenville Bingham
- Ripon Ray

Throughout the course of the year the committee met either through email exchanges or via tele-conference.

The governance and policy committee agreed the following priorities in September 2017 which have been taken forward by the committee in 2017-18:

- 1** Undertake a review of board governance standards within London Community Credit Union to ensure they are fit for purpose for the future.
- 2** Write a modern slavery statement for London Community Credit Union.
- 3** Write a terms of reference for a new human resources committee to support London Community Credit Union with its recruitment, retention and staff benefits package.
- 4** Write a new board of directors nominations strategy and procedure to make sure our board continues to represent our community.

The governance and policy committee has continued to work on these priorities and will be pleased to update members on our progress at the next AGM.

## Credit Committee

- Nethliee Scarborough
- Lena Pamphile
- Suzette Barry

The credit committee helps oversee LCCU's loan and credit control policies and ensures compliance with legal and regulatory requirements.

The committee works closely with the internal auditor, and since August 2017, with the new loans manager. Committee members meet regularly to review loan appeals and to consider loan applications from employees and directors.

### Loan Performance

4,306 loans were made to members in 2016-17, amounting to a sum of £5,562,807 in new lending. Nearly four out of five of these loans were for sums of up to £1,500. But these smaller loans only accounted for 52% (£2,882,663) of the total sum advanced.

Holidays remain the most popular reason for borrowing. 815 loans accounted for a fifth of total loan value. Another fifth of loan value was accounted for by 681 loans made for home improvements. As ever, Christmas proved to be a busy time for the credit union with 757 loans being agreed, making up 13% of total loan sum.

With the recruitment of a Loans Manager towards the end of the financial year and additional resources for marketing, we hope to grow the loan book substantially in 2017-18.

# Report from the Treasurer

The credit union has grown substantially during the last five years, we have more members, higher levels of savings and a larger loan book. This is testament to the hard work of management and staff, and shows that the general public value having the option of a local cooperative banking alternative.

However, this increased level of activity has put strains on the credit union. We need to continue to invest in new systems, improve our internal controls and strive towards paying the London Living Wage. This is expensive to achieve.

To help towards closing these gaps the credit union increased staff costs by over £200,000 during the year. These extra costs were incurred due to a mix of the creation of new roles, upskilling of existing roles and a

focus on increasing salaries for our lower paid staff.

The credit union makes its income through loan interest. Interest income grew by 7% during the year. On its own this is a good result, but as usual we failed to meet our targets for loan growth. Our loan book made £200,000 less than we planned for.

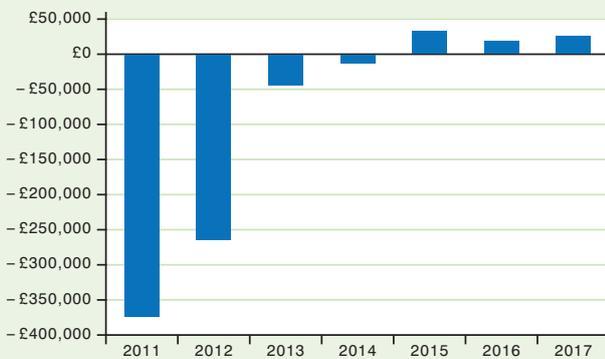
This lower than expected loan performance means that we again made a limited surplus for the year. I must stress to members that they help the credit union by borrowing as well as saving with the credit union.

Based on the financial result I again propose no dividend. While members will be disappointed, I would urge everyone to think for the long term.

## Surplus made by the credit union

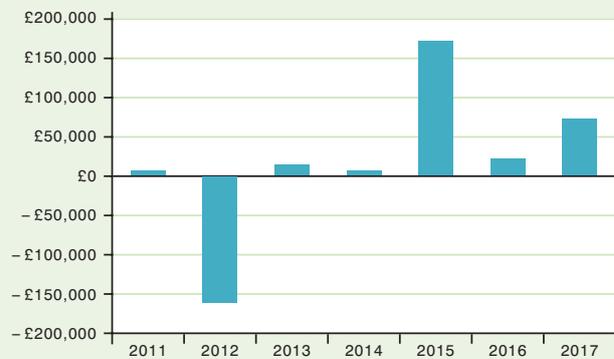
Since 2011 the credit union has made substantial progress in becoming a self sustaining organisation that is not reliant on grant income. For the last three years the credit union has been profitable

### Surplus Excluding Grants



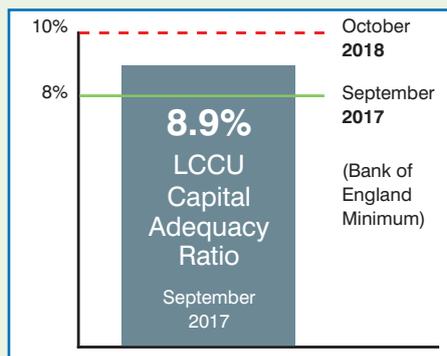
even excluding grant income. The challenge for the credit union is to significantly increase the profitability of the organisation.

### Surplus Reported in Accounts



## Bank of England regulation of our financial position

The credit union is regulated by the Bank of England. This requires us to be well governed and restricts the types of activity we can undertake. In particular the credit union has to meet certain financial ratios which include a need to meet a capital adequacy ratio of 8%.



This will raise to 10% in October 2018. As at the end of September 2017 the ratio was 8.9% and the board is still considering how the credit union will meet the new requirements. The credit union is confident that this issue can be resolved satisfactorily.

## Administrative Information

For the Year Ended 30th September 2017

<b>Status</b>	London Community Credit Union Ltd was incorporated under the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979 on the 1st December 2000.	
<b>Directors</b>	Peter Edwards (Chair) Anna Jones (Vice Chair) David Morgan (Treasurer) Matthew Gaskin (Secretary) Ian Moseley Malcolm Swallow Nadine Tapping – resigned 10 Nov 2017 Peter Costello Ripon Ray – resigned 12 Nov 2017 Stephen Backes Suzette Barry	Baraka Rumamba – appointed 4 May 2017 David Pack – resigned 18 March 2017 Diana Collins Grenville Bingham
<b>Company Secretary</b>	Matthew Gaskin	
<b>Other Officers</b>	<b>Credit Committee</b> Nethliee Scarborough – Chair Lena Pamphile – Secretary Suzette Barry – Board Appointee	<b>Audit Committee</b> Malcolm Swallow – Chair Suzette Barry – Member Diana Collins – Member Baraka Rumamba – Member
<b>Bankers Registered Office</b>	The Co-Operative Bank PO Box 250 Skelmersdale WN8 6WT	The National Westminster Bank Plc 135 Bishopsgate London EC2M 3UR
<b>Credit union Registered Office</b>	473 Bethnal Green Road London E2 9QH	
<b>Prudential Regulation Authority No.</b>	213743	
<b>Auditors</b>	Appleby & Wood Registered Auditors 40 The Lock Building 72 High Street Stratford London, E15 2QB	

## Directors' Report

**The directors present their annual report on the affairs of the credit union, together with the accounts and auditors' report for the year.**

### Principal Activities

The principal activities of the credit union are those of a credit union, accepting deposits from and lending sums to its members, with the objects of promoting thrift amongst its members and providing credit for their benefit at a fair and reasonable rate of interest.

### Results of Operations and Dividends

The results for the year are as shown in the attached accounts, as are movements in the credit union's fixed assets.

### Directors of Management

The directors' during the year were as shown on the administrative information page of the accounts.

### Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Co-operative and Community Benefit Societies Act and credit union law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the credit union and of the excess of income over expenditure of the credit union for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the society and to enable them to ensure that the financial statements comply with 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.

The directors confirm that so far as they are aware, there is no relevant audit information of which the credit union's auditors are unaware. They have taken all the steps that they ought to have taken as directors 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.

### Auditors

The auditors, Messrs Appleby & Wood, have indicated their willingness to accept re-appointment under the provisions of the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

Signed on behalf of the board of directors



Secretary

13th December 2017

## Independent Auditor's Report to the members of London Community Credit Union Limited

### Opinion

We have audited the financial statements of London Community Credit Union Limited (the 'society') for the year ended 30th September 2017 which comprise the Revenue Account and Balance Sheet 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 society's members, as a body, in accordance with section 83 of the Cooperative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society'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 society and the society'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 30th September 2017 and of its income and expenditure for the period then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and 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 society 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 society'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 directors' 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:

- a satisfactory system of internal control over transactions has not been maintained;  
or
- the society has not kept proper accounting records;  
or
- the financial statements are not in agreement with the books of account;  
or
- we have not received all the information and explanations we need for our audit.

## **Responsibilities of the Directors**

As explained more fully in the directors responsibilities statement 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 they 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 society'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 society 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.

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

Appleby & Wood, Statutory Auditor  
40 The Lock Building  
72 High Street  
Stratford  
London E15 2QB



13th December 2017

# Financial Statements

## Revenue Account

For the Year Ended 30th September 2017

	Note	2017 / £	2016 / £
Loan interest receivable and similar income	4	1,387,186	1,298,986
Interest payable	5	( 3,184 )	( 2,845 )
<b>Net interest income</b>		1,384,002	1,296,141
Fees and commissions receivable	6	375,496	363,774
Fees (including CUCA) and commissions payable		( 225,912 )	( 178,577 )
<b>Net fees and commissions income</b>		149,584	185,197
<b>Net fees, interest and commissions receivable</b>		1,533,586	1,481,338
Administrative expenses	7a	( 1,232,009 )	( 1,051,017 )
Depreciation and amortisation	10	( 60,874 )	( 42,914 )
Other operating expenses	7b	( 168,235 )	( 206,931 )
Impairment losses on loans to members	11c	21,052	( 142,827 )
<b>Surplus before taxation</b>		93,520	37,649
Taxation	9a	( 21,864 )	( 17,106 )
<b>Surplus for the financial year</b>		71,656	20,543
<b>Total comprehensive income</b>		71,656	20,543

## Balance Sheet

London Community Credit Union Limited as at 30th September 2017

	Note	2017 / £	2016 / £
<b>ASSETS</b>			
Cash, cash equivalents and liquid deposits		2,901,761	1,374,302
Deposits held at UK Financial Institutions (Treasury Bills)		3,308,000	4,504,300
		<u>6,209,761</u>	<u>5,878,602</u>
Loans and advances to members	<b>11a</b>	7,737,469	7,498,119
Tangible fixed assets	<b>10</b>	2,679,357	2,580,399
Other receivables		90,548	68,067
Prepayments and accrued income		89,398	129,802
<b>Total assets</b>		<u>16,806,533</u>	<u>16,154,989</u>
<b>LIABILITIES</b>			
Share capital		14,205,676	13,642,833
Junior Savers		725,808	635,921
Other payables	<b>12</b>	380,269	453,111
		<u>15,311,753</u>	<u>14,731,865</u>
Subordinated loan	<b>5</b>	600,000	600,000
Retained earnings	<b>16</b>	894,780	823,124
Total liabilities		<u>16,806,533</u>	<u>16,154,989</u>

The financial statements were approved,  
and authorised for issue, by the board on: 13th December 2017

and signed on its behalf by:



Director



Director

## Statement of Changes in Retained Earnings

For the Year Ended 30th September 2017

	2017 / £	2016 / £
As at 1 October 2016	823,124	802,581
Total comprehensive income for the year	71,656	20,543
<b>As at 30 September 2017</b>	<b>894,780</b>	<b>823,124</b>

## Cash Flow Statement

For the Year Ended 30th September 2017

	Note	2017 / £	2016 / £
<b>Cash flows from operating activities</b>			
Surplus/(deficit) before taxation		93,520	37,649
<i>Adjustments for non-cash items:</i>			
Depreciation	<b>10</b>	60,874	42,914
Impairment losses	<b>11c</b>	( 21,935 )	121,924
		132,459	202,487
<i>Movements in:</i>			
Other receivables		17,923	( 31,936 )
Other payables		( 77,600 )	230,159
		72,782	400,710
<b>Cash flows from changes in operating assets and liabilities</b>			
Transfer from NEWCRED		–	–
Transfer from NEWCRED re Bad Debt Provision		–	–
Increase in Capital Funding		–	–
Cash inflow from subscribed capital		48,079,609	59,975,376
Cash outflow from repaid capital		( 47,426,879 )	( 58,916,799 )
New loans to members		( 6,064,178 )	( 6,035,564 )
Repayment of loans by members		5,846,763	4,644,439
		508,097	68,162
Taxation paid		( 17,106 )	( 13,041 )
		490,991	55,121

	Note	2017 / £	2016 / £
<b>Net cash flows from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	<b>10</b>	( 159,832 )	( 134,012 )
Net cash flow from managing liquid deposits		331,159	( 78,891 )
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year		5,878,602	5,957,493
<b>Cash and cash equivalents at end of year</b>		<b>6,209,761</b>	<b>5,878,602</b>

## For the Year Ended 30th September 2017

### 1 Legal and regulatory framework

The credit union is a society established under the Industrial and Provident Societies Act 1965, whose principal activity is to operate as a Credit Union, within the meaning of the Credit Unions Act 1979. The credit union has registered with the Financial Conduct Authority and is regulated by the Prudential Regulation Authority under the provisions of the Financial Services and Markets Act 2000.

In accordance with the regulatory environment for credit unions, deposits from members can be made by subscription for redeemable shares, deferred shares and interest-bearing shares.

At present the credit union has only issued redeemable shares.

### 2 Accounting policies

#### Basis of preparation

These financial statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are prepared on the historical cost basis.

#### Going concern

The financial statements are prepared on the going concern basis.

#### Income

Loan interest receivable and similar income: Interest on loans to members is recognised using the effective interest method, and is calculated and accrued on a daily basis.

Fees and commissions receivable: Income relating to individual transactions is recognised when the transaction is completed.

Other income: Other income is recognised when receivable.

#### Taxation

The tax charge for the year reflects current tax payable. Current tax is the expected corporation tax payable for the year, using tax rates in force for the year. The credit union is not liable to corporation tax payable on its activities of making loans to members. However, corporation tax is payable on investment income.

As a result of the limited activities of the credit union from which profits are chargeable to corporation tax, it is unlikely that deferred tax will arise.

#### Fixed assets tangible/intangible

Fixed assets comprises items of property, plant and equipment, which are stated at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value, on a straight line basis over its estimated useful life. The categories of property, plant and equipment are depreciated as follows:

• Computers	25%
• Fixtures, fittings and equipment	15%
• Refurbishment of Bethnal Green Office	6 years
• Intangible fixed assets	20%

Non-current assets subject to depreciation or amortisation are reviewed for impairments whenever events or other changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is either an asset's fair value less costs to sell or the value in use whichever is the higher. LCCU impair its property based on changes in circumstances and depreciate other fixed assets at 15% on a reducing balance basis.

### **Cash and cash equivalents**

Cash, cash equivalents and liquid deposits comprise cash on hand and investments with a maturity of less than or equal to 8 days.

### **Financial assets – loans and advances to members**

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 method.

Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member. The credit union does not transfer loans to third parties.

### **Impairment of financial assets**

The credit union assesses, on a monthly basis, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised.

Any impairment losses are recognised in the revenue account, as the difference between the carrying value of the loan and the net present value of the expected cashflows.

### **Financial liabilities – subscribed capital**

Members' shareholdings in the credit union are redeemable and therefore are classified as financial liabilities, and described as subscribed capital. They are initially recognised at the amount of cash deposited and subsequently measured at amortised cost.

### **Employee benefits**

The credit union's chosen pension scheme provider is NEST. This pension scheme is currently offered to all employees.

Other employee benefits: Other short and long term employee benefits, including holiday pay, are recognised as an expense over the period they are earned.

### **Reserves**

Retained earnings are the accumulated surpluses to date that have not been declared as dividends returnable to members.

## **3 Use of estimates and judgements**

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The preparation of financial statements requires the use of certain accounting estimates. It also requires the directors to exercise judgement in applying the credit union's accounting policies.

The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed.

## 4 Loan interest receivable and similar income

	2017 / £	2016 / £
Loan interest receivable from members	1,379,345	1,284,818
Bank interest receivable on cash and liquid deposits	7,841	14,168
<b>Total loan interest receivable and similar income</b>	<b>1,387,186</b>	<b>1,298,986</b>

## 5 Interest expense

Interest expense is the dividend paid to members for the prior year. The dividend is formally proposed by the Directors after the year end and is confirmed at the following AGM. As a result it does not represent a liability at the balance sheet date.

	2017 / £	2016 / £
<b>Interest paid during the year</b>	<b>3,184</b>	<b>2,845</b>
<i>Dividend rate:</i>		
<b>Interest proposed, but not recognised</b>	<b>0</b>	<b>0</b>
<i>Dividend rate:</i>	0.5%	0.5%

## 6 Fees and commissions receivable

	2017 / £	2016 / £
Grants	47,667	42,835
CUCA Members charges	158,839	146,449
Rental Income	104,300	78,769
Other fees and commissions	64,690	95,721
<b>Total fees and commissions receivable</b>	<b>375,496</b>	<b>363,774</b>

## 7a Administrative expenses

	Note	2017 / £	2016 / £
Employment costs	8a	893,061	695,046
Temporary staff costs		40,364	48,602
Other staff costs (including volunteer expenses)		10,735	13,117
Staff training		4,351	6,611
Travel costs		1,036	1,360
Auditors' remuneration	7c	12,607	12,006
Telephone		30,479	26,124
Computer maintenance		23,152	31,718
Legal and professional		111,042	101,924
Debt Collection Costs		13,497	35,725
General expenses		13,796	10,588
Advertising and Marketing		35,109	36,249
Printing, postage and stationery		35,801	27,197
General Insurance		6,979	4,750
Total administrative expenses		1,232,009	1,051,017

## 7b Other operating expenses

	2017 / £	2016 / £
Rent, Rates and Utilities	96,237	144,057
Property Maintenance and Dilapidations	20,667	8,065
Equipment lease	3,979	13,003
	120,883	165,125

### Regulatory and financial management costs

Financial Conduct Authority and Prudential Regulation Authority fees	9,181	8,421
Fidelity insurance	6,511	5,499
Loan protection and life savings insurance	31,660	27,886
	168,235	206,931

## 7c Auditors' remuneration

Fees payable for audit	12,607	12,006
Total auditors' remuneration	12,607	12,006

## 8 Employees and employment costs

### 8a Number of employees

The average monthly number of employees during the year were:	Number	Number
Office staff	49	53

No member of the key management personnel earned over £60,000 in the year. Staff had a total share holding of £89,384 (2016 £46,153) and loans of £88,970 (2016 £94,919).

## 8b Directors' remuneration

No remuneration is paid to the directors. At the year end, directors held total shares of £55,190 (2016 £46,122) and total loans of £6,964 (2016 £9,451).

All members of the committee are members of the credit union. They receive no remuneration for services and participate in the activities of the credit union on the same terms as other members. They received reimbursement of expenses in the year of £Nil (2016 £Nil).

## 9 Taxation

### a) Recognised in the Revenue Account

The taxation charge for the year, based on the small profits rate of Corporation Tax of 20% (2016: 20%) taking into account marginal relief comprised:

	2017 / £	2016 / £
Current tax		
UK Corporation tax	21,864	17,106
Total current tax recognised in the Revenue Account	21,864	17,106

b) The credit union is not liable to corporation tax payable on its activities of making loans to members. However, corporation tax is payable on investment income and rental income.

## 10 Tangible fixed assets

Tangible fixed assets comprise the following property, plant and equipment:

	<b>Office Equipment and Computers 2017 / £</b>	<b>Land and Buildings 2017 / £</b>	<b>Total 2017 / £</b>	<b>Total 2016 / £</b>
<b>Cost</b>				
At 30th September 2016	716,099	2,319,271	3,035,370	2,901,358
Additions	145,170	14,662	159,832	134,012
Disposal	–	–	–	–
<b>At 30th September 2017</b>	<b>861,269</b>	<b>2,333,933</b>	<b>3,195,202</b>	<b>3,035,370</b>
<b>Depreciation</b>				
At 30th September 2016	454,971	–	454,971	412,058
Charge for the year	60,874	–	60,874	42,913
Disposal	–	–	–	–
<b>At 30th September 2017</b>	<b>515,845</b>	<b>–</b>	<b>515,845</b>	<b>454,971</b>
<b>Net book value</b>				
<b>At 30th September 2017</b>	<b>345,424</b>	<b>2,333,933</b>	<b>2,679,357</b>	
At 30th September 2016				2,580,399

## 11a Credit risk disclosures

The credit union does not offer mortgages and as a result all loans to members are unsecured, except that there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding.

The carrying amount of the loans to members represents the credit union's maximum exposure to credit risk. Where loans are not impaired it is expected that the amounts repayable will be received in full.

	2017 / £	2016 / £
<b>Not impaired:</b>		
Not in arrears	7,737,469	7,498,119
<b>Sub-total: loans not impaired</b>	<b>7,737,469</b>	<b>7,498,119</b>
<b>Individually impaired:</b>		
Up to 3 months past due	25,000	–
Between 3 and 6 months past due	74,110	48,313
Between 6 months and 1 year past due	58,451	44,705
Over 1 year past due	1,480,389	1,566,867
<b>Total loans</b>	<b>9,375,419</b>	<b>9,158,004</b>
<b>Impairment allowance</b>	<b>( 1,637,950 )</b>	<b>( 1,659,885 )</b>
<b>Total carrying value</b>	<b>7,737,469</b>	<b>7,498,119</b>

## 11b Provision for impairment losses

	Note	2017 / £	2016 / £
As at 1 October 2016		1,659,885	1,537,961
Allowance for losses made during the year		774	260,686
Allowances reversed during the year		( 22,709 )	( 138,762 )
Decrease/Increase in allowances during the year	<b>11c</b>	( 21,935 )	121,924
<b>As at 30 September 2017</b>		<b>1,637,950</b>	<b>1,659,885</b>

## 11c Impairment losses recognised for the year

	2017 / £	2016 / £
Impairment of individual financial assets	22,709	138,762
Decrease / Increase in impairment allowances during the year	( 21,935 )	121,924
	774	260,686
Reversal of impairment where debts recovered	( 21,826 )	( 117,859 )
Total impairment losses recognised for the year	<u>( 21,052 )</u>	<u>142,827</u>

## 12 Other payables

	2017 / £	2016 / £
UK Corporation Tax	21,864	17,106
Unallocated Credits	83,499	119,171
Accruals and deferred income	268,877	313,989
Junior Dividend	6,029	2,845
	<u>380,269</u>	<u>453,111</u>

## 13 Additional financial instruments disclosures

### 13a Financial risk management

The credit union manages its subscribed capital and loans to members so that it earns income from the margin between interest receivable and interest payable.

The main financial risks arising from the credit union's activities are credit risk, liquidity risk and interest rate risk. The board reviews and agrees policies for managing each of these risks, which are summarised below.

**Credit risk:** Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to the credit union, resulting in financial loss to the credit union. In order to manage this risk the board

approves the credit union lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed.

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

**Market risk:** Market risk is generally comprised of interest rate risk, currency risk and other price risk.

The credit union conducts all its transactions in sterling and does not deal in derivatives or commodity markets. Therefore it is not exposed to any form of currency risk or other price risk.

**Interest rate risk:** The credit union's main interest rate risk arises from differences between the interest rate exposures on the receivables and payables that form an integral part of a credit union's operation and considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital. The credit union does not use interest rate options to hedge its own positions. The risk is monitored on a regular basis by the board.

### 13b Interest rate risk disclosures

The following table shows the average interest rates applicable to relevant financial assets and financial liabilities.

	2017 / £		2016 / £	
	Amount	Average Interest Rate	Amount	Average Interest Rate
<b>Financial assets</b>				
Loans to members	7,737,469	18.1%	7,498,119	18.7%
<b>Financial liabilities</b>				
Share capital	14,205,676		13,642,833	

The interest rates applicable to loans to members are fixed and range from 4.79% to 36%. The interest payable on share capital is determined at the AGM. As a result, the surplus for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

### 13c Liquidity risk disclosures

Excluding short-term other payables, as noted in the balance sheet, the credit union's financial liabilities, the subscribed capital, are repayable on demand.

### 13d Fair value of financial instruments

The credit union does not hold any financial instruments at fair value.

## 14 Post balance sheet events

There are no material events after the balance sheet date to disclose.

## 15 Subordinated Loan

	2017 / £	2016 / £
Subordinated Loans	600,000	600,000
	600,000	600,000
Due within one year - transfer to current liabilities	–	–
Due after more than one year	600,000	600,000
	600,000	600,000

The subordinated loan of £600,000 to the Credit Union is repayable on or before 30 January 2025. The subordinated loan is from the London Borough of Newham.

## 16 Reserves

	Reserves		Other reserves			2017	2016
	Others	Statutory	Lloyds	Forest Gate	Growth Fund	Total	Total
	£	£	£	£	£	£	£
At 1st October 2016	199,208	117,511	100,000	14,800	391,605	823,124	802,581
Comprehensive surplus for the year	71,656	–	–	–	–	71,656	20,543
Transfer between funds	( 14,331 )	14,331	–	–	–	–	–
Balance carried forward at 30th September 2017	256,533	131,842	100,000	14,800	391,605	894,780	823,124

## 17 Contingent liabilities

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The credit union participates in the Financial Services Compensation Scheme (FSCS) and therefore has a contingent liability, which cannot be quantified, in respect of contributions to the FSCS, as required by the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) had provided details of how the calculation of next year's contribution towards the FSCS will be calculated and full provision has been included for this liability. However this is subject to future changes in interest rates and levels of deposits held by UK deposit takers. Therefore there is inherent uncertainty regarding the totality of the levy that the credit union will have to pay. In the last two years no additional payment has been required.

## 18 Related party transactions

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During the year – members of the board and their close family members had loans with the credit union of £6,964 (2016 £9,451). These loans were approved on the same basis as loans to other members. None of the directors or their close family members, have any preferential terms on their loans. They also had share values of £55,190 (2016 £46,122).

During the year – staff members had loans with the Credit Union of £88,970 (2016 £94,919). Staff members, have preferential terms on their loans. Staff are given loans with a 50% reduction in the interest rate compared to the credit union's members. They also had share values of £89,384 (2016 £46,153).

## 19 Employee benefits

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Under the UK accounting standards, the credit union did make a provision for holiday pay £15,000 (2016 £Nil). FRS 102 requires the cost of holiday pay to be recognised when employees render the service that increases their entitlement.

## Members:

- Anna Jones
- Diana Collins
- Matthew Gaskin – Recused as standing for re-election
- Grenville Bingham

In accordance with the rules of the credit union, the nominating committee invited nominations for the following vacant positions:

## Board of Directors:

- 1 Matthew Gaskin – retired, seeking re-election
- 2 Ian Moseley – retired, seeking re-election
- 3 Peter Costello – retired, seeking re-election
- 4 Ripon Ray – resigned
- 5 Nadine Tapping – resigned

## Credit Committee:

- 1 Nethliee Scarborough – retired, seeking re-election

## Three applications were received for vacancies on the Board of Directors:

- 1 Matthew Gaskin
- 2 Ian Moseley
- 3 Peter Costello

## One application was received for the vacancy on the credit committee:

- 1 Nethliee Scarborough

The nominating committee would therefore wish to propose that these candidates are accepted for the vacant positions on the board of directors and the credit committee.

## Biography of Nominees for the Board of Directors

### Matthew Gaskin

Matthew Gaskin is a civil servant and has previous experience working in community development for a large housing association and policy research at the Centre for Responsible Credit and Toynbee Hall. Matthew attended Brighton University and the School of Oriental and African Studies, and in his spare time is a keen cyclist and reader of political history. Matthew has served on the board of directors and executive committee of London Community Credit Union as secretary since 2015.

### Ian Moseley

Ian is a graduate with additional qualifications in trading standards. He has served the London Borough of Tower Hamlets for over thirty years as a senior trading standards officer. Ian held the position of president of the credit union from inception until he stepped down in 2014. Ian has gained experience both paid and unpaid in a variety of voluntary initiatives including National Trust, Gateway Club and Tower Hamlets CDA, which has equipped Ian for this role. He has a working knowledge of quality assurance methods and consumer credit legislation, which are useful tools in the running of the credit union. He has participated in several credit union training programmes. He was also chair of the Inner London Metrology Liaison Group, which means he has contact with national and governmental bodies.

### Peter Costello

Peter is a qualified chartered surveyor with considerable experience of dealing with commercial and residential property throughout London. Peter is currently employed as a chartered surveyor at Strettons in east London which is probably the largest firm of independent chartered surveyors in east and north London. He became an associate director 12 months ago. He has taken up roles within the company which assist junior members of staff including mentoring and helping them to get qualified. Peter currently serves on the board of directors and property committee of London Community Credit Union.

## Distribution of Surplus

The board is dedicated to delivering a surplus to members in a sustainable way. This year, with concern for the increasing Capital Adequacy Ratio and significant investment in improving the credit union's operations and controls, and based on the advice of the auditors and the management team, we wish to resolve that no dividend payment should be made to adult members for the period under review.

We however wish to propose a dividend payment of 0.5% for junior savers.

## Auditors

Be it resolved that the firm of Appleby & Wood be retained as auditors for the next financial year.

## Held on Thursday 4th May 2017 at Stratford Circus – Theatre Square, London E15 1BX.

### AGENDA ITEM

#### 1 Welcome and apologies

Anna Smith (Co-Secretary) introduced herself and opened the meeting at 6.40pm. The agenda for the meeting was displayed on screen. She apologised for the delay in the arrival of the Annual Reports and introduced the Chairman, Peter Edwards. Peter Edwards introduced the members of the LCCU board of Directors present and it was noted that apologies had been received from Peter Costello, Malcolm Swallow and Matthew Gaskin. The meeting would provide members with an overview of the past year and provide information which LCCU was obliged to provide for members by law. The keynote speaker was Councillor Sirajul Islam who would talk about LCCU's relationship with Tower Hamlets and, more generally, about the work of the Council.

#### 2 Reading of the notice convening the 17th AGM and adoption of Standing Orders

The Chairman referred to the formal notice convening the 17th AGM as set out in the Annual Report. He asked members to abide by the Standing Orders, keep the meeting polite and constructive, and only raise questions during the allotted times.

#### 3 Credential (Quorum) Report

The Chairman advised that sixty-eight members and one guest had signed the attendance register on arrival and confirmed that the meeting was quorate.

#### 4 Minutes of the 2016 Annual General Meeting

The Chairman stated that the minutes of the 2016 AGM were included in the Annual Report. No questions about or objections to the minutes were raised.

#### 5 Chair's Report

The Chairman highlighted the key points of his report. It had been a constructive year for LCCU with membership growing to 16,000 and increased loan book. The board had decided to invest in staff and better internal controls to make LCCU stronger and safer for members in the future. A new Finance Manager, Errol D'Lima, had been appointed bringing City banking experience and

recruitment of a new Communications and Engagement Manager was underway to spearhead further growth particularly in the loan book.

A new current account had been launched during the year and it was acknowledged that this had not gone as smoothly as was hoped but it was part of our journey to provide a better service. Members were a vital part of LCCU and were encouraged to participate and provide support.

#### 6 Board of Directors' Report

Anna Smith (Co-secretary) presented the board of Directors Report which gave members information about board activities, priorities and achievements. All board members were volunteers and unpaid, giving up their time to make sure LCCU was run properly and achieved the best return for members. Highlights for the year (2015-2016) included two new board members, Nadine Tapping and Ripon Ray who had each brought new skills to the board. The board had spent considerable time considering strategic direction and had invested in staff and improved systems to strengthen LCCU in the long-term.

#### 7 Treasurer's Report

The Chair introduced David Morgan, Treasurer who provided a high level outline of the results for 2015-2016. LCCU made a surplus of £20,543 for the year which was below expectation due mainly to loan income being below target and to extra costs incurred in improving the control environment within the Finance Department. Board focus continued to be on sustainability and generating a surplus without grant income. The period 2011-2016 showed how much LCCU had improved in achieving surpluses and the Treasurer thanked all LCCU staff for their assistance.

The Treasurer briefly outlined the changes which had been required due to the new accounting standard (FRS 102) which had the effect of reducing the 2015-2016 surplus. The challenge now was to capitalise on what had been achieved and the internal investment in staff and systems. LCCU had also purchased the freehold of 72-74 The Broadway in Stratford and this asset would be developed to provide offices for LCCU in the future.

At the moment LCCU members save more than they borrow which leaves LCCU with cash to invest. Investment returns are low and therefore it is more profitable to use the cash to provide loans to members. This will also help LCCU meet the new, higher capital

requirements being brought in by the Bank of England. The Treasurer encouraged members to consider LCCU if they were thinking about getting a loan. Things were going well but it was wise to be prudent about paying dividends. Although a small dividend had been paid to adult savers last year it was being proposed that only junior savers receive a dividend this year and that this should be 0.5%.

## 8 Keynote Speaker – Councillor Sirajul Islam

Deputy Mayor and Cabinet Member for Housing Management and Performance – London Borough of Tower Hamlets

The Chair and members gave a warm welcome to Councillor Islam who thanked LCCU for inviting him. Councillor Islam spoke of the challenging but exciting times the Council worked in. Tower Hamlets was facing government cuts but prioritising the protection of residents, tackling poverty and keeping council tax relatively low. The financial crisis of 2008 forced everyone to change the way they think about banking and money. The call from the public has been for a system that works for everyone not just the wealthy and powerful. Credit unions are vital, transformative institutions that answer this call and put members in control.

LCCU started in Tower Hamlets and the Council is delighted to continue working in partnership with the credit union as the borough implements its Strategic Plan for 2016-19. The priorities are to create opportunity, create a vibrant and successful place to live and work, and work smarter with partners and the growing community. Credit unions provide a place for people to turn to when they hit hard times. LCCU is one of the largest credit unions and its members are helping their neighbours to access ethical financial services. Thanks should also go to LCCU staff for all their hard work and commitment.

The Chair thanked Councillor Islam for his address and Tower Hamlets and the other boroughs which LCCU works in partnership with.

## 9 Audit Committee Report

The Chair invited David Morgan (Treasurer) to present the Audit Committee report. The Audit Committee had met regularly during the year and its meetings

were attended by the Internal Auditor to make sure his recommendations for improvements in controls were carried out. The Committee had also met with the External Auditor in relation to the audit of the financial statements. There had been improvement in controls during the year in finance and management but there was more to be done. Resource constraints did limit what could be done at any one time. Greater resources were needed in credit control to reduce bad debts. The Audit Committee was aware of the need to monitor the new current account.

## 10 Questions from the Floor

The Chair invited questions from the floor. There were a number of questions from members which covered a range of topics including the following:

**Property:** There was a question about why LCCU had acquired the freehold of 72-74 Broadway, Stratford and Stephen Backes (board member) explained that renting did not provide security and acquiring the Broadway property meant LCCU gained a valuable asset which had good potential as a future branch location.

**Investment:** There was a question as to why LCCU invested in Treasury Bills and not in developing countries. David Morgan (Treasurer) explained that credit unions were limited by legislation and regulation to investing only in UK treasury bills and with banks.

**Dividends:** A number of members queried why there was no dividend for adult savers; why the emphasis was being put on loans; and whether it was the intention to continue paying dividends to junior savers. David Morgan (Treasurer) explained that in order to be in a position to pay a dividend LCCU needed to make money and it did this through interest on loans and investments. At the moment LCCU was not making enough money and was operating in a loans market where there were many competitors. LCCU always tried to support junior savers and so a dividend of 0.5% was being proposed at this AGM. Members commented that not much money was needed to pay a dividend to adult savers and that perhaps if LCCU had stopped using the current account pre-paid card this would have saved enough money to pay a dividend.

**Loans:** One member queried how giving people loans helped them when they had to pay them back and that you can not have more loans than savers. David Morgan (Treasurer) replied that at LCCU it was actually the other way round – the issue was that there was not enough income coming in from loans. Some members raised specific issues about their individual experiences with obtaining a loan and with the administration of loans. Directors suggested that members with individual queries raise these with members of staff at the end of the meeting.

**New Current Account:** Many members expressed discontent with the way the new current account had been brought in, planned for and communicated; and raised specific problems with using the pre-paid card. They questioned why they should be charged for the card. Directors acknowledged that there had been problems some of which had arisen because of the tight timetable for transition imposed by the Co-operative Bank, a common problem for many credit unions who offered current accounts. LCCU had invested in an interim solution rather than close down the current account. Efforts were continuing to improve communication with members about when the integrated card would be available.

### **11 Auditor's Report and Approval of the Accounts**

The Chair invited the External Auditor, Ray Williams of Appleby and Wood to say a few words about the Auditors Report and the Accounts. Ray Williams noted that members had copies of the accounts in the Annual Report and highlighted that there had been a surplus of £20,543. Total expenditure was mainly attributable to employment costs and an increase in advertising, utilities and write-offs. He outlined the way the external auditor checked to see that books and records were in good order.

Mr Williams referred to the Report of the Auditors on page 14 of the Annual Report and confirmed that Appleby and Wood's opinion was that the accounts gave a true and fair statement of the credit union's affairs and of income and expenditure; and that they had been prepared according to accounting standards (United Kingdom Generally Accepted Accounting Practice) and legislation (the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979). The auditor was also required to report certain things by exception but there was nothing to report as the accounts were satisfactory and there was evidence of good controls. The auditor had received all the information and explanations required.

The Chair thanked Mr Williams (External Auditor) and proposed that members formally accept the accounts for the year ended 30th September 2016. A vote was called for and the accounts were formally accepted. There were two votes against.

### **12 Nominating Committee Report and Election of Officers**

Anna Smith (Co-Secretary) referred to the Nominations Committee Report on page 29 of the Annual Report and stated that there were five vacancies on the board of Directors. Four existing directors were standing for re-election and there was one new nomination (Baraka Rumamba). Biographies of each candidate were given in the report. In response to a question from the floor, the Co-Secretary listed all those standing and their current positions. She also explained that anybody interested in joining the board could put themselves forward and apply through the formal application process. Board members could be co-opted during the year to fill vacancies.

The Co-Secretary proposed that all five nominations be put to the members as one vote. This was seconded by Ruth Gabriel. The motion was carried unanimously.

The Co-Secretary informed members that Lena Pamphile, an existing member of the Credit Committee, was up for re-election. Lena Pamphile's biographical details were set out on page 29 of the Annual Report and the work of the Credit Committee was described on pages 27-28 of the Annual Report. In response to a question from the floor, the Co-Secretary confirmed that Lena Pamphile was not a member of the board, and that the board representative on the Credit Committee was currently Suzette Barry. The Co-Secretary formally proposed that Lena Pamphile be re-elected to the Credit Committee and this was seconded by Ruth Gabriel and carried.

### **13 Resolutions and Motions**

The Chair stated that there were two resolutions, one relating to the distribution of surplus and the other to the appointment of the Auditors; and these were set out on page 30 of the Annual Report.

The Chair proposed that no dividend payment should be made to adult members but that a dividend payment of 0.5% be paid to junior savers. This was seconded by David Morgan and carried. There was one vote against.

The Chair proposed that the firm of Appleby and Wood be retained as Auditors for the next financial year. A member queried whether the Auditor's fees had risen significantly and the Treasurer replied that their fees had gone down slightly in 2016 (page 21 of the Annual Report) but were expected to rise by about £1,000 from next year. The proposal was put to the vote and was carried with one vote against.

#### **14 General Business – Questions from the floor**

The Chair stated that the formal business of the meeting was concluded and invited any final questions from the floor. A number of members raised questions or offered comments which focused on the following areas:

**LCCU's Future Growth:** Members asked about the future of LCCU, how it intended to grow, raise its profile and attract the next generation. Many people were shut out from access to financial services and LCCU could target that potential market. Peter Edwards (Chair) confirmed that the board was aware of the capacity for growth and a communications manager was currently being recruited to spearhead increasing membership. LCCU was only 16/17 years old and had tripled in size in three years. It needed to grow incrementally and it had been doing that. Members could play their part by recommending LCCU to friends and family particularly as a first choice for loans.

**Staff pay:** Members commended staff for their hard work but thought that they may be poorly paid and asked what was being done to avoid low morale and poor performance. Peter Edwards (Chair) stated that LCCU was investing in its people and did provide training and pension benefits. LCCU aspired to pay the London Living Wage but was conscious that more income needed to be generated so that staff could be paid more. Anna Smith (Co-secretary) confirmed that there was not an HR specialist on the board at the moment but would welcome a member who had professional HR experience.

**The AGM:** Members asked that AGMs start on time and that the Annual Report should be circulated in advance of the meeting.

**Finance:** David Morgan (Treasurer) answered a specific question on impairment losses; and also one on reserves.

#### **15 Member's Raffle**

The AGM concluded with a prize draw for members. Daniel Nducwe won a voucher for Jamies restaurant, Nediwe Chiwara won an M&S voucher, and Diane Henry Fraser won a Picture House voucher.

The Chair thanked members for coming and the board and LCCU staff for their work.

The meeting concluded at 8.40pm

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