

Lewisham Plus Credit Union Limited Annual Report and Financial Statements Year Ended 30 September 2017



**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 and Values

Our Vision

- Local community will be strengthened where people belong to Lewisham Plus
- Every adult and child entitled to do so will save with Lewisham Plus and receive an attractive dividend on savings
- Members will borrow from Lewisham Plus in preference to other lenders
- The Christian churches will continue to regard the credit union as an important part of their ministry and be encouraged as they serve others together.

Our Values

- Placing members' mutual interests first will always differentiate us from profit-motivated financial institutions
- Volunteer officers will extend their skills through training and supervision in order to provide a quality service
- Business will be conducted with due regard for confidentiality
- Integrity, respect and equality of opportunity are paramount.

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

Lots of community-minded people are volunteers with Lewisham Plus Credit Union. There are many opportunities and usually something to suit each person's abilities and preferences. Volunteers give as much or as little time as they are able and help regularly or when the need arises. We arrange our own training for new volunteers and also participate in London-wide training events.

Please contact Tim Pagan, the HR Director or any member of staff to find out more about volunteering and to let us know when you might be available.

President's Foreword

It gives me great pleasure to introduce Lewisham Plus Credit Union's Annual Report for 2016/17. This year I was honoured to take on the role of President after John McCarthy stepped down from the position and I would like to extend my thanks, and those of the other directors, to John for his hard work over his many years as President. I'm delighted that he continues to serve as a director.

The Board has been fortunate to remain stable throughout the year with 10 volunteer directors who bring with them a diverse range of professional skills. Their work, and that of the Chief Executive, staff and volunteers, has ensured another successful year for the credit union.

We celebrated our 25th anniversary during the financial year and, thanks to some funding from the Big Lottery, we were able to invest in new promotional materials and hold a series of events. If you attended any of the big outdoor events, such as Lewisham Peoples' Day, you would hopefully have seen our new gazebo and met the staff.

There were a number of significant business developments during the year. Amongst them was our successful bid to Barclays Bank, which has provided us with a range of consultancy services aimed at further building our expertise in certain areas of the business. Additionally, we launched a Facebook page to enable us to improve our communication with members, and thanks go especially to certain members of staff for their work on this. We also reviewed our loan policy and expanded the product range with the aim of improving the options for our members. We arranged for a survey of members and, whilst feedback was very positive, members expressed concern about our telephone system and I'm pleased to say that it has since been renewed. We also participated in a BBC programme called "A Matter of Life and Debt" which has helped to spread the word about our services. Finally, we have opened a drop-in centre at New Cross Learning to help us reach those living in the north of Lewisham.

The Board recognises the need for the credit union to maintain a programme of continuous improvement and evolution in order to keep pace with the changing financial needs of its membership. The rapid changes that are now taking place within the financial world are a challenge to every organisation which is engaged in financial services. However, as we adapt to those changes, the credit union will not lose sight of the fundamental principles that underpinned its origins and will strive to continue providing an accessible and friendly service to its members.

If there is any note of concern that I would express, it's that, with just under 11,000 members, there are so many more people who live and work in Lewisham or Bromley who could join us but, for whatever reason, have not yet done so. With so many high interest loans being promoted either on-line or on the high streets, there is clearly more work to be done in making people aware of the more affordable options offered by the credit union.

Finally, I would like to thank all the staff and volunteers for their energy and commitment to the credit union. I know that they care deeply for the organisation and are driven by a desire to improve the financial security of our members. Without such commitment, we would not have become the successful organisation we are today.

Frank Whittle

President 2016/17



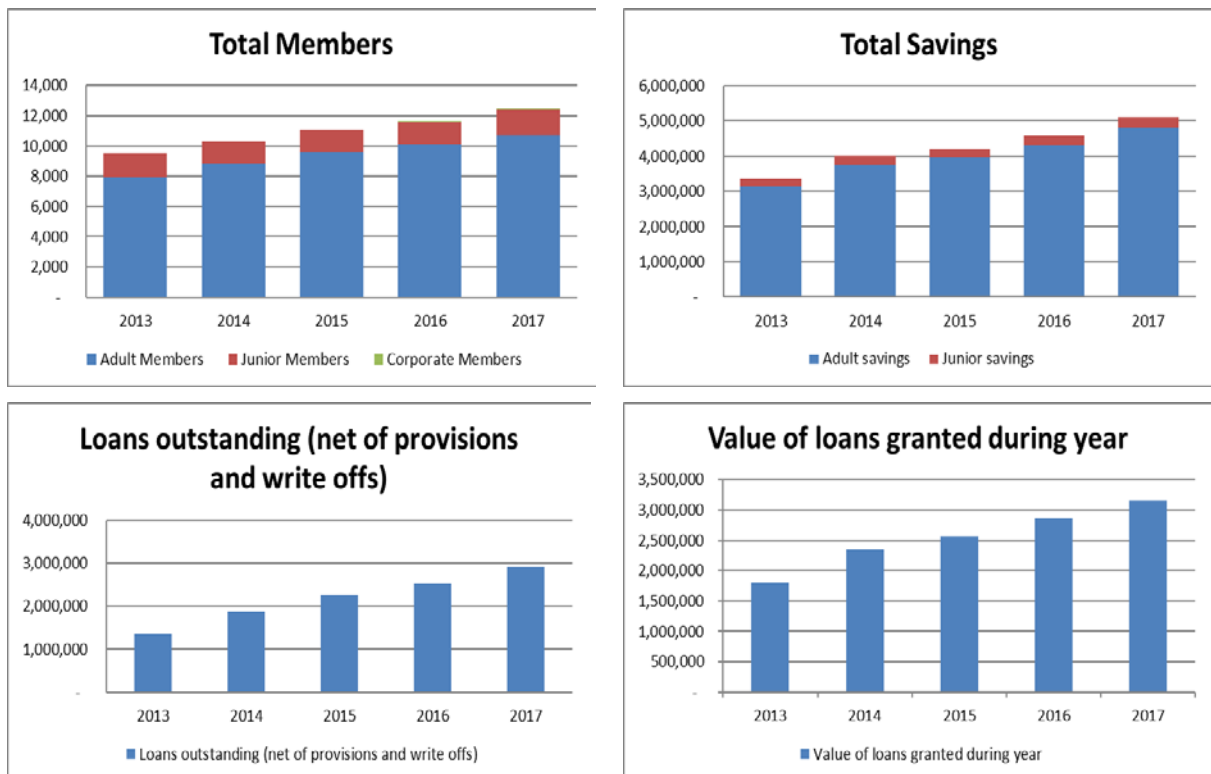
Progress against Business Plan

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:

- Membership grew by 804 (6.9%) to 10,724 adults, 1,672 juniors and 15 corporate members, increasing the rate of growth across all account types.
- Active adult membership was re-calculated as 8,950 members (83.5%) at year end.
- Savings increased by £522k (10.9%) to £4.79m for adults, £307k for juniors and £8k for corporate members.
- Loans increased by £419k (15.4%) to £3.14m, exceeding our target of £3.0m. We issued 5,776 loans totalling £3.16m, up from 5,165 loans totalling £2.87m last year.
- Our next target is to reach £3.4m in loans by 30 September 2018.
- Dividend (subject to AGM) of 0.25% for adults and 1.25% for junior savers.

Five Year Trends

The tables below show the growth of the credit union over the last five years:



CEO's Report

I am sure you are all aware this is our silver jubilee year by now. To mark the occasion we have been taking part in a number of events across the boroughs of Lewisham and Bromley. If you have been to any of the events, it would have been impossible to miss us as we had the most colourful, eye catching gazebo, flags and banners. I am grateful to the Big Lottery for supporting our celebrations. It has been an exciting twelve months, meeting members and establishing new partnerships and strengthening old ones, introducing new products and promoting our services to all.

This year we also won a place in the Barclays Credit Union development programme, sponsored by Barclays Bank and run in conjunction with Toynbee Hall, a charity working to eradicate poverty and improve financial inclusion. It has been a very positive experience for me and all my colleagues, learning new skills, and reviewing some of our processes with a critical eye, so that we can serve our members even better in the future.

I would like to thank all of you who took the time to fill in your surveys, both online and in branch. We greatly appreciate all those wonderful things you said about LPCU's services and staff and the improvements you suggested. We have taken your suggestions on board, the phone system has been updated and we are working on improving the Kirkdale branch!

We also had a prominent role in a BBC production called "A Matter of Life and Debt" where they featured some credit unions and other ethical lenders. Big thanks to all the staff and members who helped with the filming, enabling us to deliver a very positive message to the wider world.

Over the last year we have introduced some new products and improved some of the old ones. The save as you borrow loan remains very popular. I firmly believe that is the best product we have, as it helps our members to improve their financial situation by saving, while paying off their loans. We have also introduced a new Household and Furniture loan, partnering in the first instance with Co-op Electrical and the British Heart Foundation to help members purchase household goods cheaply. As these are available even if you already have a different loan, we hope this will help our members manage those unexpected expenditures, for example after a washing machine breakdown. We do really want to be the first point of contact for all your financial needs, and we hope we would be able to point you in the right direction, on those rare occasions we may not be able to provide financial support ourselves.

We have plans to expand our branch network in the New Year. We are hoping to have additional facilities at New Cross Learning, by extending the opening hours and introducing new services to help more of our members who live in Deptford and New Cross.

I am pleased to say that, in the past year, we have managed to support more people than ever before with loans and other financial help such as emergency support with eviction, homeless prevention, help with fuel and other emergencies. I am very grateful to all our partners at the London boroughs of Lewisham and Bromley, Phoenix, Lewisham Homes, Affinity Sutton Group and the Church of England.

We are very fortunate to have a proactive and dedicated board with a wide range of skills. Their help, guidance and support have been invaluable to all the LPCU staff and we are very grateful for their contributions. We are also very fortunate to have a team of dedicated employees with versatile skills, including managers and senior managers with a passion and desire to help our fellow members. It is truly amazing that some of the directors and staff still serving were also founder members of LPCU.

As we look ahead, I would really like to focus on how we can support the young people of Lewisham and Bromley to be better financial decision makers. In the last financial year we have been working with nine primary schools to establish the savings habit in our younger generation. We will be taking on more schools in the New Year, and if anybody would like their schools to be involved, please let us know and we will help to facilitate it. The key to achieving better decisions is better financial education, and I would like to see more of our young members actively participating with the many activities of the Credit Union, acquiring essential life skills. I would also welcome adult members to engage more readily with the team at LPCU for help and guidance to improve their financial position or to volunteer with us to help support our efforts.

I look forward to another year of growth and prosperity for all.

Ravi Ravindran

CEO for 2016/2017



Treasurer's Report

Lewisham Plus made a surplus of £2,506 for the year after the FRS102 adjustment for dividend paid following the March 2017 AGM. The underlying surplus was sufficient to recommend a 0.25% dividend for adults, and 1.25% for junior accounts paid in 2018.

This small surplus was partly a result of the final closure of the Credit Union Current Account, which kept us busy into December 2016 and cost £11,463 more than it earned in fees for the year. As CUCA income and expenses naturally both dropped substantially (see notes 5 and 6), for the rest of this report I have used income and expense figures that exclude the impact of the CUCA.



Income (excluding CUCA) increased by £28,940. A £40,654 increase in interest earned on loans reflected an operating result in line with our budget and continuing business plan to replace reducing grant income. There was a small further drop in interest on bank deposits. The £419k increase in our loan book to £3.14m was an important step towards the full financial sustainability we are aiming to achieve over the next four years, by September 2021.

Expenses (excluding CUCA) before tax and dividends increased by £61,403. Staff costs rose by £32,343, of which £8,741 was from the new pension enrolment scheme. The rest of the staff costs increase was for the London Living Wage and for the full year salary for our CEO (appointed Feb 2016). We did not take on any new staff in the year.

Bad debt provisions and write-offs increased by £34,875. However, these were offset by a £9,447 improvement in bad debt recoveries, leaving a net increase of £25,428. Within this figure, £11,683 was underwritten by partner funds and £13,745 was for our own account.

The bad debt percentages increased slightly from 5.8% to 5.9% of the loan book. This was despite efforts to contain loan arrears, which are ongoing. Given the increasing financial pressure on our members, due to 'austerity' benefit reductions, cost increases, and the rolling out of Universal Credit, improving the recovery of loans remains an area of focus for 2017/18. The board has set a target of 4.5% annual bad debt ratio to achieve within three years.

The Prudential Regulation Authority issued updated rules for credit unions in February 2016, affecting a number of costs and financial ratios. Lewisham Plus is compliant with these ratios and maintained a capital to assets ratio of just over 9% at 30 September 2017. This is well above the 5% required by the PRA for 10,000 adult members (8% at 15,000 members).

We have moved 68% of the credit union's cash and investments from the Co-operative Bank plc to Nationwide Building Society, due to a change in policy at Co-op Bank and to reduce the risk to member funds. The remaining investments will be moved on maturity by January 2018.

We were pleased to receive a grant from the BIG Lottery Celebrate England scheme towards celebrating our 25th anniversary, as well as ongoing support this year from Lewisham Council, Lewisham Homes and Bromley Council, and our tenancy at The Green Man with Phoenix Community Housing Association. We are grateful for all the support provided. This allows us to provide services to some of our most vulnerable members and to prevent evictions.

I would like to end by thanking the directors for the Founder Awards medals for myself and Lisa at the 2017 AGM. We have served the credit union in several capacities since 1992, and hope to see it continue for a long time, serving our community, promoting financial inclusion, and doing so in a way that is ethical and congruent with the example and teaching of Christ.

Paul Treece

Treasurer 2016/17

Supervisory Committee Report

The Supervisory Committee is satisfied with the performance of the Directors and staff of Lewisham Plus Credit Union during the year 2016/2017.

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



At the beginning of the year, the Committee comprised three members, Barney Wanstall (current chair), David Smith and David Blane. During the year, after many years of loyal voluntary service, David Smith decided to resign from his role as Chair of the Supervisory Committee. David Blane is also moving away from the area to another country so has also sadly tendered his resignation during December 2017. The credit union is enormously grateful for their contribution and wishes them well. Following these events, Barney Wanstall was elected chair of the Supervisory Committee by the Board and Donna Davis was also recruited as a member of the Supervisory Committee. Donna has extensive experience of financial services regulation and has already been volunteering with the Credit Union. We are lucky to benefit from her experience. The Supervisory Committee is currently recruiting a third member.

Members of the Committee have attended most of the Directors’ meetings as observers and in addition received the agendas, minutes and papers for all Board meetings and have reviewed these closely. The Committee has also attended all meetings of the Board’s Loans and Credit Control Committee – where the crucial work of loan delinquency, credit control and loan policy is analysed and determined. As a result, the Committee can confirm that decisions made by the Board were in accordance with the rules and policies of the Credit Union, and management actions were in the interests of members. All loans made to Directors, staff and volunteers were reported to the Committee. The quarterly accounts and financial performance returns to the FCA have been reviewed against the bank records with satisfactory results throughout the year.

The Committee has been particularly concerned this year to update its annual workplan in accordance with requirements and good practice in the internal audit of credit unions. The Committee therefore has carried out a in-depth review of Credit Control. Management has accepted all of the observations from this work and is currently in the process of implementing them. The Committee and LPCU have also benefited from additional voluntary assistance from members of PwC, to whom we are grateful. The Committee plans to increase the frequency of regular controls work and also complete thematic reviews of suspense accounts and new products during the course of the coming months.

Barney Wanstall

Chair of Supervisory Committee 2016/17



Directors and Officers

The current members of the Board are as follows:

Geoff Cave | 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. (left, bottom row)

Peter Dulley | Appointed 2014. Peter is a chartered surveyor, having retired recently after running his own practice for more than 25 years. He is a trustee of Community Links Bromley, a Rotarian and churchwarden at his local church.



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

Barney Hearnden (Secretary) | Appointed 2016. Barney is a partner 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. (second from left, top row)

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

John McCarthy | Appointed 1992. John was a founder member of the credit union, and recently stepped down as President, having served in that role since 2003. He has practised as an architect for many years. (right, top row)

Tim Pagan | Appointed 2016. Tim recently 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. (middle, bottom row)

Mark Plummer | Appointed 2015. Mark has worked in private banking for over 30 years, and has extensive experience of managing financial services business, particularly for personal customers. (right, bottom row)



Paul Treece | Appointed 1992. Paul was a founder member of the credit union, alongside his wife Lisa. He works professionally as a principal solution architect, currently with DXC Technology Ltd, and has 30 years of experience in the IT industry. He is secretary for the ABCUL London and South East Forum, and church treasurer for the Grove Centre Church.

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

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

Director	No.	%	Director	No.	%
Geoffrey Cave	12/15	80%	Tim Pagan	13/15	87%
Peter Dullely	10/15	67%	Mark Plummer	13/15	87%
James Gardner	9/15	60%	Arun Prasad	0/5	0%
Barney Hearnden	14/15	93%	Paul Treece	13/15	87%
Keith Howick	11/15	73%	Frank Whittle	14/15	93%
John McCarthy	14/15	93%			

The members of the Supervisory Committee for 2016/17 have been:



David Blane | Appointed 2015. David has worked in audit functions for insurance companies and one of the Big Four accounting and professional services firms for over 10 years. (picture left) David stood down from this role during the year and has recently emigrated.



Donna Davis | Appointed 2016. Donna has extensive experience of financial services regulation and consumer protection with the Office of Fair Trading and the Financial Conduct Authority. This included interpretation and enforcement of consumer protection legislation and supervision of consumer credit firms. She was a volunteer with the Credit Union before joining the Supervisory Committee. (picture right)

Barney Wanstall | 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 has recently moved to work for a large insurance company. (picture right)



Auditors

Alexander Sloan
 38 Cadogan Street
 Glasgow
 G2 7HF

Directors' Report for the Year Ended 30 September 2017

The Directors present their report and the financial statements for the year ended 30 September 2017.

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 and Lewisham.

Directors of the Credit Union

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

Geoffrey Cave, Peter Dulley, James Gardner, Barney Hearnden (Secretary), Keith Howick, John McCarthy, Timothy Pagan, Mark Plummer, Arun Prasad Ganesan (resigned on 3 March 2017), Paul Treece (Treasurer) and Frank Whittle (President).

Fair review of the business

A total of 11 directors, all unpaid volunteers, served on the board in 2016/2017. During the year, Arun Prasad Ganesan resigned due to the pressure of his other commitments. We are very grateful for his contribution. Frank Whittle has taken over as President from John McCarthy, with Mark Plummer serving as Vice President.

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. Our four separate board committees, covering Loans & Credit Control, Operations, Finance & Development, and Governance & Compliance have continued to operate, providing a forum to develop initiatives and address issues outside the full board meetings.

Our CEO, Ravi Ravindran, has continued to lead the executive team, who have overseen another successful year of operation. They have also worked closely with our directors to implement a range of different projects this year. We have, among other things, completed the closure of the CUCA account, and the introduction of the Engage suite of products; increased our participation in the Life Savers programme for primary schools; revised our lending policy, including the introduction of a new loan for furniture and white goods; revised our credit control policies and procedures; introduced procedures to comply with the regulators' new Senior Managers and Certification Regime; opened a new outlet within New Cross Learning; successfully applied to participate in Barclays' support programme for credit unions; played an active part in our trade association, ABCUL; upgraded our telephony system; and organised a series of events to celebrate our 25th Anniversary. More detail on these various achievements is contained elsewhere in this Annual Report and Financial Statements.

The directors would like to express their appreciation for the exceptional dedication and enthusiasm of all of our staff, which makes such an enormous contribution to the successful operation of the credit union.

The credit union remains reliant on the support of volunteers, who perform a wide range of valuable services. We would like to take this opportunity to thank each of them for their commitment in the past year, and to emphasise that there are continuing opportunities for all who may be interested. We have again benefitted this year from pro-bono support provided by staff at PwC (to support the work of the Supervisory Committee) and CMS (on legal and secretarial matters).

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 Credit Union's 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 dividends each period.

Disclosure of information to the auditors

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

Statement of Directors' Responsibilities

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Credit Union's transactions and disclose with reasonable accuracy at any time the financial position of the Credit Union and enable them to ensure that the financial statements comply with the Credit Unions Act 1979 and the Co-operative and Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Reappointment of auditors

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

Approved by the Board on 9 January 2018 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 2017, which comprise the Revenue Account, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information

and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities (as set out on page 10), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Credit Union or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those

risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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



Alexander Sloan
38 Cadogan Street
Glasgow
G2 7HF

Date: 15 January 2018

Revenue Account for the Year Ended 30 September 2017

	Note	2017 £	2016 £
Loan interest receivable and similar income	3	651,068	616,158
Interest payable and similar charges	4	(22,836)	(21,182)
Net interest income		628,232	594,976
Fees and commissions receivable	5	21,642	112,811
Fees and commissions payable	6	(52,432)	(157,650)
Net fees and commissions		(30,790)	(44,839)
Other operating income	7	155,433	166,199
Administrative expenses	8	(451,768)	(418,123)
Depreciation and amortisation		(25,742)	(26,294)
Other operating expenses	9	(93,927)	(94,541)
Impairment on loans for bad and doubtful debts		(175,712)	(150,284)
Surplus before tax		5,726	27,094
Corporation Tax	13	(3,220)	(6,019)
Surplus for the financial year		2,506	21,075
Total comprehensive income for the year		2,506	21,075

The notes on pages 17 to 27 form an integral part of these financial statements

Balance Sheet as at 30 September 2017

	Note	2017 £	2016 £
Assets			
Cash and balances at central banks	14	41,498	35,329
Loans and advances to banks	14	2,730,737	2,938,432
Loans and advances to customers	15	2,919,410	2,536,935
Tangible fixed assets	17	110,241	124,384
Prepayments and accrued income		35,622	40,571
Total assets		5,837,508	5,675,651
Liabilities			
Customer accounts	18	5,103,869	4,813,623
Other liabilities	19	27,503	55,847
Accruals and deferred income	20	162,552	265,103
		5,293,924	5,134,573
Other reserves	22	328,240	337,752
General reserve	22	215,344	203,326
Total reserves		543,584	541,078
Total liabilities		5,837,508	5,675,651

Approved and authorised by the Board on 9 January 2018 and signed on its behalf by:



Barney Hearnden
Secretary



Frank Whittle
Director



Paul Treece
Director

The notes on pages 17 to 27 form an integral part of these financial statements

Statement of Changes in Equity for the Year Ended 30 September 2017

	Other reserve £	Appropriation reserve £	General reserve £	Total £
At 1 October 2016	314,000	23,752	203,326	541,078
Surplus for the year	-	-	2,506	2,506
Other reserve movements	-	(9,512)	9,512	-
At 30 September 2017	314,000	14,240	215,344	543,584

	Other reserve £	Appropriation reserve £	General reserve £	Total £
At 1 October 2015	314,000	21,296	203,326	520,003
Surplus for the year	-	-	21,075	21,075
Other reserve movements	-	2,456	(2,456)	-
At 30 September 2016	314,000	23,752	203,326	541,078

Statement of Cash Flows for the Year Ended 30 September 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Surplus for the year		2,506	21,075
<u>Adjustments to cash flows from non-cash items</u>			
Depreciation and amortisation	10	25,742	26,294
Corporation tax expense	13	3,220	6,019
Provision movement		213,391	176,481
Interest income on loans		(634,556)	(593,902)
Distribution on member shares		22,836	21,182
		(366,861)	(342,851)
<u>Working capital adjustments</u>			
Decrease/(increase) in other receivables and prepayments		4,949	(12,112)
Decrease in trade and other payables	19	(27,113)	(17,691)
Decrease in deferred income, including government grants		(102,551)	(79,632)
		(124,715)	(109,435)
Cash flows from changes in operating assets and liabilities			
Loan repayments less loans advanced		38,690	147,148
Customer balance cash movement		267,410	117,327
Movement on funds on deposit		(25,910)	(153,054)
		(130,467)	111,421
Income taxes paid	13	(4,451)	(24,139)
Net cash flow from operating activities		(626,494)	(365,004)
Cash flows from investing activities			
Acquisitions of property plant and equipment		(11,599)	(1,709)
Net decrease in cash and cash equivalents		(638,093)	(366,713)
Cash and cash equivalents at 1 October		1,207,843	1,574,556
Cash and cash equivalents at 30 September		980,407	1,207,843

The notes on pages 17 to 27 form an integral part of these financial statements

Notes to the Financial Statements for the Year Ended 30 September 2017

1. General information

Lewisham Plus Credit Union Ltd is registered in the UK as a society under the Co-operative and Community Benefit Societies Act 2014, whose principal activity is to operate as a Credit Union, within the meaning of the Credit Unions Act 1979. The Credit Union is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The address of its registered office is:

262 Kirkdale, Sydenham, London, SE26 4RS

2. Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

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

Basis of preparation

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

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

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 2017

Other grants

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

Finance income and costs policy

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

Tax

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

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

Tangible fixed assets

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

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

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

Depreciation

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

Asset class	Depreciation method and rate
Office equipment	33% straight line
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.

Notes to the Financial Statements for the Year Ended 30 September 2017

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

	2017 £	2016 £
Interest income on loans	634,556	593,902
Interest income on bank deposits	16,512	22,256
	651,068	616,158

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:

	2017 £	2016 £
Ordinary share dividend	19,673	17,574
Juvenile share distribution	3,163	3,608
Total distributions to customers	22,836	21,182

The distributions on member's shares represents distributions paid in the year which were approved at the last Annual General Meeting. The dividend rates approved at the 2017 and 2016 AGMs were:

Notes to the Financial Statements for the Year Ended 30 September 2017

	2017 %	2016 %
Distributions paid during the period		
Juvenile distribution	1.50	1.50
Ordinary share dividend	0.50	0.50

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.

	2017 %	2016 %
Proposed distributions in respect of the period		
Proposed distribution on juvenile shares	1.25	1.50
Proposed dividend on ordinary shares	0.25	0.50

5. Fees and commissions receivable

	2017 £	2016 £
Insurance commission	630	712
Annual service charges	9,555	3,809
Credit Union Current Account charges	7,580	103,545
Entrance fees	3,877	4,745
Fees and commissions receivable	21,642	112,811

Included within Annual Service Charges are £6,701 relating to Engage commission (2015 - £1,440).

6. Fees and commissions payable

	2017 £	2016 £
Bank charges	22,713	18,380
Credit Union Current Account	19,041	127,755
Trade association dues	10,678	11,515
Fees and commissions payable	52,432	157,650

7. Other operating income

	2017 £	2016 £
Other income	33,220	37,250
Growth fund	48,000	60,000
Credit Union expansion project	2,592	6,525
	83,812	103,775
Government grants receivable	71,621	62,424
	155,433	166,199

Notes to the Financial Statements for the Year Ended 30 September 2017

8. Administrative expenses

	2017 £	2016 £
Employee remuneration	374,602	342,259
Auditors' remuneration	5,635	4,700
Member communication and advertising	25,435	31,909
Legal, professional and credit reference agency costs	19,863	15,041
Computer costs	6,516	8,583
Other admin costs	19,717	15,631
Administrative expenses	<u>451,768</u>	<u>418,123</u>

9. Other operating expenses

	2017 £	2016 £
Regulatory costs (inc. LP/LS insurance)	36,512	34,796
Office costs	57,415	59,745
Other operating expenses	<u>93,927</u>	<u>94,541</u>

10. Operating surplus

Arrived at after charging/(crediting)

	2017 £	2016 £
Depreciation expense	25,742	26,294
Operating lease expense – property	<u>27,736</u>	<u>27,000</u>

11. Staff costs

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

	2017 £	2016 £
Wages and salaries	342,473	321,126
Social security costs	22,143	19,888
Pension costs, defined contribution scheme	9,986	1,245
	<u>374,602</u>	<u>342,259</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:

	2017 No.	2016 No.
Directors	12	13
Administration and support	20	20
	<u>32</u>	<u>33</u>

12. Auditors' remuneration

	2017 £	2016 £
Audit of the financial statements	<u>5,250</u>	<u>4,700</u>

Notes to the Financial Statements for the Year Ended 30 September 2017

13. Corporation tax

Tax charged/(credited) in the revenue account	2017	2016
	£	£
Current taxation		
UK corporation tax	3,220	6,019
UK corporation tax adjustment to prior periods	-	-
	<u>3,220</u>	<u>6,019</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2016 - the same as the standard rate of corporation tax in the UK) of 19.5% (2016 - 20%).

The differences are reconciled below:

	2017	2016
	£	£
Surplus before tax	<u>5,726</u>	<u>27,094</u>
Corporation tax at standard rate	1,145	5,419
Effect of transactions exempt from taxation	<u>2,075</u>	<u>600</u>
Total tax charge	<u>3,220</u>	<u>6,019</u>

14. Loans and advances to banks

	2017	2016
	£	£
Cash at bank	938,909	1,172,514
Short-term deposits	<u>1,791,828</u>	<u>1,765,918</u>
Loans and advances to banks	2,730,737	2,938,432
Cash balances	<u>41,498</u>	<u>35,329</u>
Total cash and bank balances and deposits	2,772,235	2,973,761
Less amounts maturing more than 8 days	<u>(1,791,828)</u>	<u>(1,765,918)</u>
Cash and cash equivalents in statement of cash flows	<u>980,407</u>	<u>1,207,843</u>

15. Loans and advances to customers

	2017	2016
	£	£
Loan movement in the period		
Opening balance	2,971,907	2,534,543
Interest accrued on loans during period	634,556	593,902
Loans advanced during the period	3,160,681	2,870,485
Repayments received during period	(3,199,371)	(3,017,633)
Loans de/re-recognised	-	(9,390)
	<u>3,567,773</u>	<u>2,971,907</u>
Loan impairment	<u>(648,363)</u>	<u>(434,972)</u>
	<u>2,919,410</u>	<u>2,536,935</u>

Notes to the Financial Statements for the Year Ended 30 September 2017

Loan repayments

Loans due within one year	2,358,996	2,139,757
Due after one year	1,208,777	832,150
Loan impairment	(648,363)	(434,972)
	<u>2,919,410</u>	<u>2,536,935</u>

Classification of loans

Loans to individual members	<u>2,919,410</u>	<u>2,536,935</u>
	<u>2,919,410</u>	<u>2,536,935</u>

16. Loan impairment

	Provision for written off debts	Doubtful debt provision	Total provision
Opening impairment	255,761	179,211	434,972
Charge to Revenue Account	135,392	40,320	175,712
Bad debt recovered	37,679	-	37,679
Closing provision	<u>428,832</u>	<u>219,531</u>	<u>648,363</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 2016	277,320	61,656	338,976
Additions	4,352	7,247	11,599
Disposals	0	(13,639)	(13,639)
At 30 September 2017	<u>281,672</u>	<u>55,264</u>	<u>336,936</u>
Depreciation			
At 1 October 2016	156,003	58,589	214,592
Charge for the year	20,920	4,822	25,742
Disposals	0	(13,639)	(13,639)
At 30 September 2017	<u>176,923</u>	<u>49,772</u>	<u>226,695</u>
Carrying amount			
At 30 September 2017	<u>104,749</u>	<u>5,492</u>	<u>110,241</u>
At 30 September 2016	<u>121,317</u>	<u>3,067</u>	<u>124,384</u>

Notes to the Financial Statements for the Year Ended 30 September 2017

18. Customer accounts

	2017 £	2016 £
Customer balance movement in the period		
Opening balance	4,813,623	4,675,114
Deposited during the period	11,757,359	10,971,329
Withdrawn during the period	(11,235,681)	(10,614,811)
Movement on Credit Union Current Account (CUCA)	(231,432)	(218,009)
	<u>5,103,869</u>	<u>4,813,623</u>
Classification of Customer balances		
Individual member shares	4,787,962	4,310,857
Corporate shares	8,404	1,358
Credit Union Current Account	-	231,432
	<u>4,796,366</u>	<u>4,543,647</u>
Member balances	4,796,366	4,543,647
Juvenile deposits	307,503	269,976
	<u>5,103,869</u>	<u>4,813,623</u>

19. Other liabilities

	Note	2017 £	2016 £
Due within one year			
Accrued expenses		24,283	51,396
Corporation tax liability	13	3,302	4,451
		<u>27,585</u>	<u>55,847</u>

20. Accruals and deferred income

	Note	Growth Fund 2017 £	Other 2017 £	Total 2017 £	Total 2016 £
Deferred income brought forward		136,922	128,180	265,102	344,735
Deferred income received		-	50,291	50,291	82,041
Deferred income released		(48,000)	(104,841)	(152,841)	(161,673)
Deferred income		<u>88,922</u>	<u>73,630</u>	<u>162,552</u>	<u>265,103</u>

21. Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2017 £	2016 £
Later than one year and not later than five years	<u>22,500</u>	<u>22,500</u>

The Credit Union also has a Protected Tenancy at an annual commitment of £20,000 (2016 - £20,000). The amount of non-cancellable operating lease payments recognised as an expense during the year was £27,736 (2016 - £27,000).

Notes to the Financial Statements for the Year Ended 30 September 2017

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:

	2017 %	2016 %
Regulatory Requirement		
Minimum capital to asset ratio	5.00	5.00
Actual Capital to Asset Ratio	9.07	9.13

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.

Notes to the Financial Statements for the Year Ended 30 September 2017

Market Risk

Market risk generally comprises of interest rate risk, currency risk and other price risk. The main risks impacting the Credit Union are set out below:

Interest rate risk: The main interest rate risk for 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:

	2017 £	2016 £
Security for loans		
Attached Shares	715,223	666,433

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.

	2017 £	2016 £
Loans not individually impaired		
Not past due	2,939,790	2,544,308
Individually impaired		
Not past due	-	-
Up to 3 months past due	-	-
Between 3 months and 6 months due	77,758	86,792
Between 6 months and 1 year past due	68,424	48,152
Over 1 year past due	52,969	36,894
Impaired and written off for internal purposes	428,832	255,761
	<u>627,983</u>	<u>427,599</u>
	3,567,773	2,971,907
Impairment allowance	<u>(648,363)</u>	<u>(434,972)</u>
	<u>2,919,410</u>	<u>2,536,935</u>

Notes to the Financial Statements for the Year Ended 30 September 2017

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:

	2017 Amount £	2017 Rates received in year %	2016 Amount £	2016 Rates received in year %
Financial assets				
Loans to members	2,919,410	21.74	2,536,935	23.41
	2017 Amount £	2017 Rates paid in year %	2016 Amount £	2016 Rates paid in year %
Financial liabilities				
Juvenile deposits	307,503	1.20	269,976	1.34
Member shares	4,796,366	.39	4,312,215	.41
CUCA	0	-	231,432	-
	5,103,869	.45	4,813,623	.44

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

	2017 £	2016 £
Salaries and other short term employee benefits	154,862	128,746
Post-employment benefits	3,593	665
	158,455	129,411

Summary of transactions with other related parties

Loans to key management are issued on standard terms and conditions. At the year end £31,078 (2016 - £33,560) was owed by Directors, staff, and their close family, in respect of loans from the Credit Union, and they held shares totalling £101,938 (2016 - £113,640).

The following pages do not form part of the statutory accounts

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

Detailed Revenue Account for the Year Ended 30 September 2017

	Note	2017 £	2016 £
Income			
Interest income on loans		634,556	593,902
Interest income on bank deposits		16,512	22,256
Interest Received		651,068	616,158
Fees and commissions receivable	5	21,642	112,811
Other operating income	7	155,433	166,199
		828,143	895,168
Expenditure			
Employee remuneration		374,602	342,259
Auditors' remuneration		5,635	4,700
Bank charges		22,713	18,380
Credit Union Current Account		19,041	127,755
Trade association dues		10,678	11,515
Regulatory costs		8,218	9,144
LP/LS insurance		28,294	25,652
Office costs		57,415	59,745
Other admin costs		19,717	15,631
Member communication and advertising		25,435	31,909
Legal, professional and credit reference agency costs		19,863	15,041
Computer software and maintenance costs		6,516	8,583
Depreciation and amortisation		25,742	26,294
Impairment on loans for bad and doubtful debts		175,712	150,284
		799,581	846,892
Operating Surplus/(Deficit)		28,562	48,276
Surplus before tax		28,562	48,276
Corporation Tax	13	(3,220)	(6,019)
Surplus for the financial year before dividend		25,260	42,257
Ordinary share dividend		(19,673)	(17,574)
Juvenile share distribution		(3,163)	(3,608)
Surplus for the financial year before dividend		2,506	21,075

Barclays Credit Union Programme

Barclays has been a supporter of the credit union sector since 2004, giving over £4m to community finance in the UK, supporting over 100 credit unions and other community based organisations.

In 2014 Barclays announced a further £1m of support to the credit union sector over the next four years focussing on increasing the capacity, skills and resilience of credit unions so they can grow and become more effective and sustainable organisations benefitting even more households.

This year LPCU was selected to participate in this three year programme, and we have been working with a number of experts from the credit union world as well as Toynbee Hall, a charity working towards eradicating poverty. We have been concentrating on “capacity building” and “financial capability” to make us more effective and sustainable.

Capacity Building helps directors and staff to improve core skills, capabilities and operational practices across risk management, financial planning, governance, lending operations, customer service and many other areas of business.

Financial Capability will help to improve financial capability and resilience for our members. The Barclays programme is providing financial guidance skills training for credit union staff and volunteers. LPCU can then target those segments of our membership who are struggling with their finances and may be more likely to default or be rejected for lending.

As part of this programme, we have now established a media presence, both on Facebook and Twitter, and we hope to promote good financial habits to improve the financial wellbeing of our members and the wider community.

Over the next three years, we hope to improve financial inclusion for our community by identifying barriers to financial capability, working actively to develop financial capability and finding more effective ways to communicate with our members.

We also hope to deliver better financial education and money guidance support for members whose loan applications are declined.



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