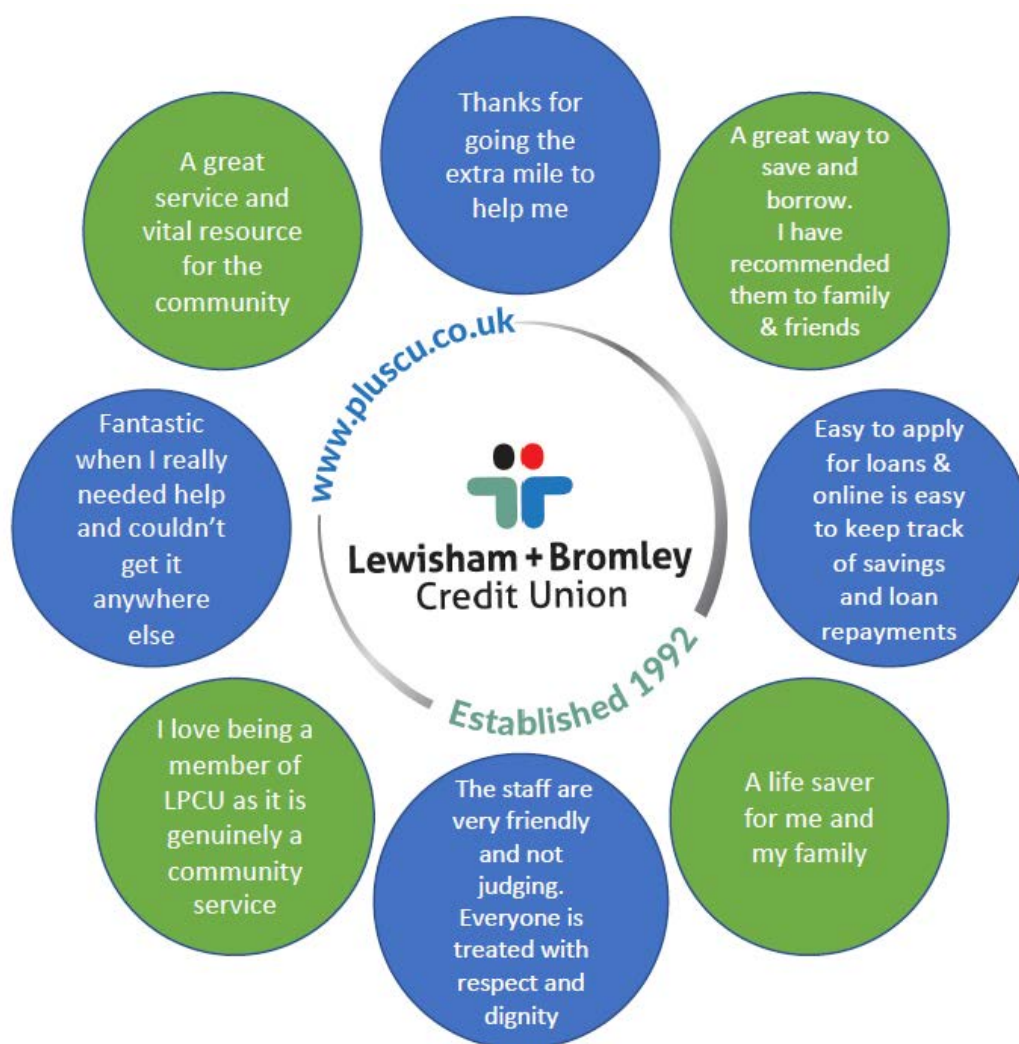




Lewisham Plus Credit Union Limited also trades as Bromley Plus Credit Union
Registered Office: 262 Kirkdale, Sydenham, London, SE26 4RS

Lewisham Plus Credit Union Limited Annual Report and Financial Statements Year Ended 30 September 2019



Society No. 295C
FCA No. 213588
Registered 2 March 1992

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

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Vision, Values and Objectives

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

Our Values

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

Our Objectives

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

Front cover: Selected feedback from more than 2,300 responses to our Members survey, conducted in June 2019 to complete our participation in the Barclays Credit Union Programme.

President's Foreword

I am once again honoured to introduce the Annual Report of Lewisham Plus Credit Union. It is a pleasure to be able to report another successful year for the credit union with growth in membership, lending and profits.

The Board of Directors has again been stable this year, with the addition of one new director, Gareth Hall, a solicitor by profession, who brings considerable experience to the Board. One of our long-standing directors has unfortunately been unwell for a large part of the year and we all wish him a full recovery. We continued our efforts to recruit an assistant treasurer, unfortunately without success, but we will explore other avenues during the coming year.



This year we undertook another survey of members and achieved a 25% response, which is extremely good. The results were very encouraging with 85% of respondents being either satisfied or very satisfied with the service provided, and 84% considering the service to be good value for money. We have spent time examining the individual comments made and hope to implement some of the suggestions that members have made. The feedback has been very helpful to us in identifying the areas where we could improve.

In a similar vein, external scrutiny can also be very positive and this year we had our first inspection visit by the Prudential Regulation Authority (PRA), a division of the Bank of England. They were generally satisfied with the manner in which the credit union was managed and how risks were handled. They made a number of recommendations for improvement, all of which have now been completed.

In my previous Forewords I have referred to the importance of IT development in a fast-moving business environment and we have continued to make progress in this regard. During the year, there was a change of ownership of the company which provides our main computer software system, and we have discussed potential future developments with the new owners. We are also in the process of reviewing our overall IT strategy, which may result in new partnerships as we seek to maximise the online and automation potential of systems. The Board is again grateful for the considerable amount of work that Paul Treece has undertaken during the year, which has included upgrading all the servers and installing new operating systems on PCs. Once again, I would stress that, against a backdrop of such IT developments, we remain committed to maintaining a branch structure and in fact, we are in the process of extending the leases on two of our buildings.

The credit union was in the media again this year with the third series of 'A Matter of Life and Debt' on BBC. There was also extensive media interest in a research paper on homeless prevention which Liam Carlisle contributed to and which documented the joint work between the credit union and local councils. This work had saved one of the councils approximately £1m and prevented 300 households from being made homeless.

I would like to thank my fellow directors who all volunteer a great deal of their own time in order to help make the credit union the success it is. Thanks also go to all the staff, volunteers and the Chief Executive who work incredibly hard in providing the day to day service and who are always keen to engage in any initiatives aimed at improving the service. Finally, our thanks go to you all as members for your continued support of a vital community service which has helped so many people over the years.

Frank Whittle, President 2018/19

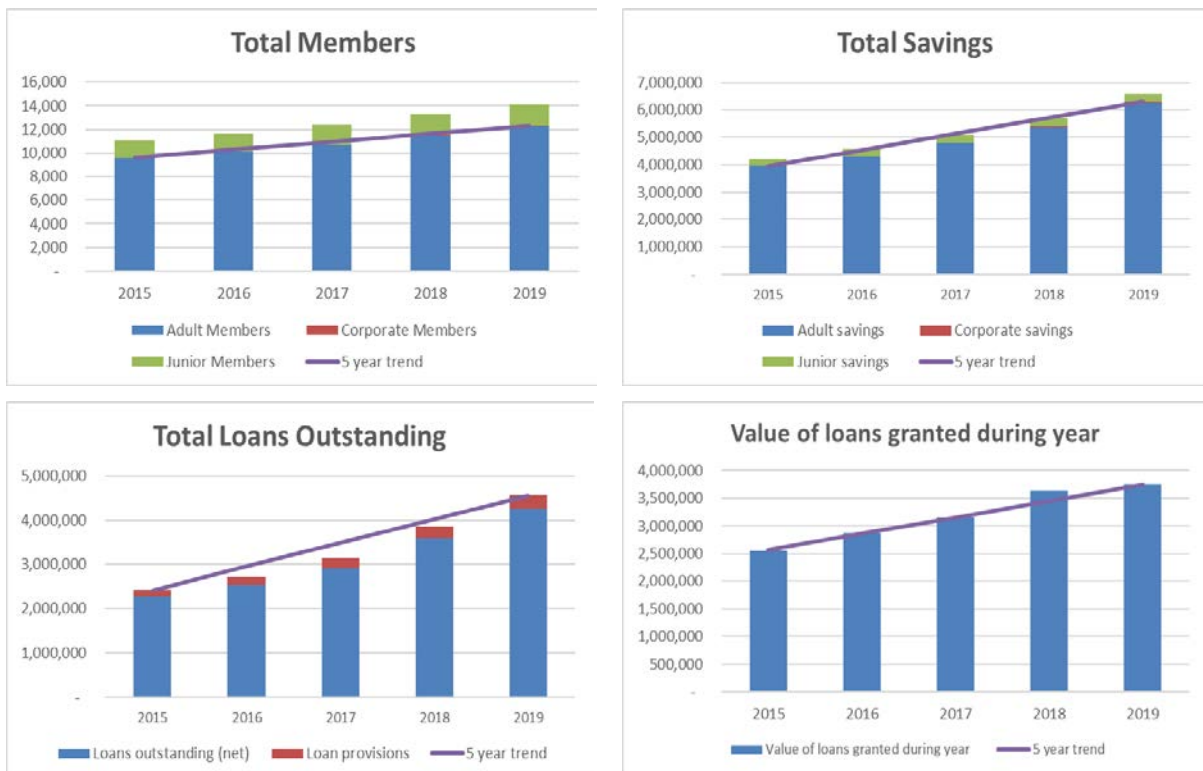
Progress against Business Plan

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

- Adult membership grew by 758 (6.6%) to 12,268 adults, plus 1,774 juniors and 38 corporate members. On average **nearly 170 adults joined the credit union each month**. We also closed 994 adult dormant accounts and 280 bad debtor accounts.
- Active adult membership was 10,122 members (82.5%) at year end.
- Savings grew strongly, by £886k (16.5%) to £6.26m for adults, £297k for juniors and £36k for corporate members.
- Net loans (loans after deducting provisions for doubtful debts) increased by £657k (18.2%) to £4.26m, exceeding our target of £4.17m. We issued 6,724 loans totalling £3.74m, up from 6,462 loans totalling £3.63m last year.
- Dividend (subject to AGM) increased to **0.75% for adult and corporate members** (0.50% in 2018) and **1.50% for junior savers** (1.25% in 2018).
- **Best ever earned surplus** after tax and dividends of £152,085, increasing the key capital ratio to 9.51%. The Prudential Regulation Authority requires a 5% capital ratio, rising to 10% for credit unions with over 15,000 members or over £10m in assets.

Five Year Trends

The tables below show the growth of the credit union over the last five years. These demonstrate consistent steady growth in membership, saving and lending.



Loans Outstanding grew by more than loans granted in 2019 due to the average loan being a little larger and with a longer period for repayment.

CEO's Report

It gives me great pleasure to give you an update on what we have been doing in the last financial year. In a sentence, we had another productive and profitable year at LPCU with our loan book, assets and membership growing again.

We started the year in a reflective, soul searching mood, reviewing our organisational structure, values, systems and direction of travel. We found, though the core values we put in place many years ago, still remained relevant, there was a need to modernise and innovate in order to survive and thrive. We have been reviewing our processes and technology to improve efficiency. We have implemented some changes and will continue to make more positive changes to services and systems to improve member experience.

Whilst our three main branches remained busy, more members have taken to using our online facilities to transact. Our part time branch at New Cross is beginning to see increased foot fall also. It is our intention to increase the opening hours in the new year.

We have pushed forward with providing state of the art technology to our members to save time and effort by launching an “app” for your phone, so that you can access your accounts on the move. The more members we have using the app, the fewer phone calls we will get for routine transfers. This is really important as it releases staff to deal with complicated issues.

We launched an online loan product recently, Just Borrow, which will deliver cash to you within minutes of applying, if eligible. Just Borrow competes with the payday lenders in their own territory, but at a fraction of the cost! At times of need this will be a much cheaper alternative.

The continuing demand for our services has prompted us to recruit three more members of staff. We have recruited Liz Holmes, Peggy Liao and Mary Casey, all of whom volunteered with us before becoming employees. We welcome back Roxanne Franks from her maternity leave, supporting the Bromley branch and the online team. My sincere thanks to all of you who took the time to fill in your surveys again as part of the Barclays credit union development programme. Thanks for all those wonderful things you said about LPCU and the improvements you suggested. We take your feedback seriously and hope to implement some of your suggestions in 2020.

We are participating in the prize linked savings scheme sponsored by HM Treasury to encourage saving by those who normally do not. The scheme offers a monthly maximum prize of £5,000, as well as other smaller prizes. Sign up for a chance to win.

Our campaign against loan sharks (supported by England's Illegal money lending team) is going wider, involving our partner schools to increase awareness. Our partners continue to support us. I am particularly grateful to Phoenix, Clarion, Lewisham Homes, The London Borough of Bromley, The London Borough of Lewisham and all our technology partners without whom we would not be able to deliver the service our members deserve.

We have been on TV again, for the third consecutive year, with “A Matter of Life and Debt”! I am grateful to all the members and staff who helped with the filming. BBC obviously thinks we have star quality! For me, the real stars are our volunteers, from primary school children who run the savings clubs to the board of directors who set our vision and mission. We are fortunate to have an amazing board and supervisory team. Their depth of knowledge and breadth of experience and their day to day support has enabled the LPCU staff to deliver an exceptional service.

Finally, I am grateful to all my colleagues for their dedication and hard work in delivering an excellent service to our members. Our journey to be the most trusted and valued financial service provider in the boroughs of Lewisham and Bromley continues. I look forward to another year of growth and prosperity for all.

Ravi Ravindran, CEO for 2018/19



Treasurer's Report

Lewisham Plus made a surplus of £152,085 for the year, the largest we have ever earned. This is enough to improve our key regulatory capital ratio from 9.18% to 9.51%, even with an increase in our total assets from £6.5m to nearly £7.7m during the year.

On the basis of this strong performance, the directors are very pleased to be able to recommend an increased 0.75% dividend for adult and corporate members, and 1.50% for junior accounts, to be paid in March 2020.

The improved result was achieved mainly from interest earned on lending. There was a reduced £24,000 contribution drawn from the legacy Growth Fund capital (2018: £36,000), and these funds will tail off to zero as the credit union is now able to stand on its own results without ongoing subsidy.

While income overall increased by 17.7% to just over £1m, expenses (before tax and dividends) increased by just 8.8% to £846,910.

Staff costs rose to cover the London Living Wage, and most other costs were subject to modest increases. An exceptional cost of around £15,000 was incurred for Microsoft IT upgrades, to bring the credit union's server and desktop software up to date. The primary server and fourteen PCs were replaced and all remaining PCs were migrated to Windows 10. The IT infrastructure upgrades were a major project for me during the year and consumed around 250 hours effort over ten months, now completed.

The credit union did well with recovery of bad debts, achieving £61,689 recovered with the assistance of solicitors and a lot of work from our credit control team (£47,619 in 2018).

Provisions for doubtful debts and bad debts written off increased to £258,686 (£211,766 in 2018). The ratio of delinquency costs to the outstanding loan balance increased from 5.5% to 5.7%, representing a small increase in the risk of lending, but more than offset by the additional income generated.

While the income and expenses of the credit union are largely determined by lending, it was good to see member savings increasing by nearly £900,000 too. The credit union is looking forward to participating in an HM Treasury pilot scheme for "prize linked savings" in the year ahead. This is to try out an idea that has been successful in the USA, encouraging members to save by entering their savings into a free draw for monthly prizes. More details will be available to members through our website and newsletter as the year proceeds.

The other main change in the balance sheet was the renewal of funds to enable homelessness prevention loans, provided both by Lewisham Council and Bromley Council. The credit union is very pleased to be able to continue this important service to support members at risk of losing their homes, reducing the disruption and pain that would otherwise follow from eviction.

I have also been proud to serve the wider credit union movement once again this year as the Secretary of the Association of British Credit Unions London & South East Forum. This has organised regional events to promote collaboration and sharing of best practices across credit unions, training for new directors and a well-attended one day regional conference to celebrate International Credit Union Day, held in October. The international theme in 2019 was "*Local Service, Global Reach*". Lewisham Plus is focussed on "Local Service", but we are part of a global movement for co-operation that reaches out to serve ordinary people across the planet.

Paul Treece

Treasurer 2018/19



Supervisory Committee Report

The Supervisory Committee is satisfied with the performance of the Directors and staff of Lewisham Plus Credit Union during the year 2018/2019.

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 four members, Barney Wanstall (current chair), Donna Davis, Catherine Shelley and Mark O’Connor. Catherine Shelley has recently resigned from the Committee to concentrate on the responsibilities she has in her local Parish as a Priest. We thank Catherine for her service, especially for her efforts in promoting the work of the Credit Union in Motttingham and wish her well in her valuable community work. The Committee is currently considering the addition of a new member.

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

The Committee also conducts regular checks on the operations of the Credit Union, for instance in relation to the issuance of new loans, the acceptance of new members, the payment of staff and other matters to ensure the credit union is operating in a appropriate and compliant manner. Recognising the growth of the Credit Union, the Supervisory Committee is pleased that the Board have agreed to the recruitment of a part-time individual to assist in this work, rather than the sole reliance on volunteers. Mary Casey has recently joined us to do this work, and is making good progress at expanding the scale of compliance activity we perform.

The Committee continues to focus particularly on the strategic direction, growth and product launches / development that the Board has been progressing. We are pleased to see the Board balancing the need to innovate and remain relevant whilst also proceeding with caution to safeguard member funds and be faithful to the Common Bond, purpose and local community which we serve.

Barney Wanstall

Chair of Supervisory Committee 2018/19



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. (right, front row)

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. (left, front row)

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

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

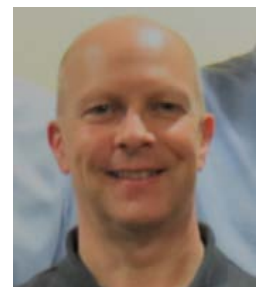
Keith Howick | Appointed 2016. Keith is a patent and trademark attorney and retired recently from his firm after 30 years, which included serving as senior partner and managing partner. He is a board member of the Intellectual Property Regulation Board, and chairman of the Board of Tulse Hill and Dulwich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

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. (second from left, front 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.



Paul Treece (Treasurer) | Appointed 1992. Paul was a founder member of the credit union, alongside his wife Lisa. He works professionally as a principal solution architect, and has 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. (second from right, front row)

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

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

Director	No.	%	Director	No.	%
Geoffrey Cave	12/15	80%	John McCarthy	5/15	33%
James Gardner	11/15	73%	Tim Pagan	13/15	87%
Gareth Hall (as observer)	3/3	100%	Mark Plummer	12/15	80%
Barney Hearnden	15/15	100%	Paul Treece	15/15	100%
Keith Howick	12/15	80%	Frank Whittle	14/15	93%

Director participation in the various board committees is shown below:

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

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

The members of the Supervisory Committee for 2018/19 have been:

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 now works for a large insurance company.



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 before joining the Supervisory Committee.



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



Auditors

Alexander Sloan
 180 St Vincent Street | Glasgow | G2 5SG

Directors' Report for the Year Ended 30 September 2019

The Directors present their report and the financial statements for the year ended 30 September 2019.

Principal activity

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

Directors of the Credit Union

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

Geoffrey Cave, Gareth Hall (appointed 24/09/19), James Gardner, Barney Hearnden (Secretary), Keith Howick, John McCarthy, Timothy Pagan, Mark Plummer, Paul Treece and Frank Whittle

Fair review of the business

A total of ten directors, all unpaid volunteers, served on the board in 2018/2019. In addition, at the end of the year, Gareth Hall, a solicitor with extensive experience of commercial law and housing associations, has joined the board and agreed to take board-level responsibility for business and strategic planning and health and safety matters. Unfortunately, due to an extended period of ill-health John McCarthy was unable to attend a number of board meetings during the year but we are hopeful that he will return very shortly.

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. The four long standing board committees, covering Loans & Credit Control, Operations, Finance & Development, and Governance & Compliance have continued to operate during the year, providing a forum to develop initiatives and address issues outside the full board meetings. In addition, during the year the board appointed a fifth committee, to be known as the Nominations Committee, which (in line with corporate governance best practice) will concentrate on succession planning for board and Supervisory Committee members, as well as senior staff.

Our CEO, Ravi Ravindran, has continued to lead the executive team, and they have collectively overseen another positive year of operation. Our initiatives and achievements this year, in addition to a successful year of financial growth, include the following: improvements to our risk management framework; new loan agreements, permitting (among other things) remote top ups to increase efficiency; the introduction of our Just Borrow online loan product; a new app for members; a new partnership with Lewisham Homes to support some of their residents; a further expansion of the number of schools participating in our savings programme; a major upgrade to our IT infrastructure; and the adoption of new Rules and new HR policies.

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. It is not surprising that the credit union achieved such positive feedback in our latest member survey, and was once again featured by the BBC in its latest series of "A Matter of Life and Debt".

The credit union relies also 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 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 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 7th January 2020 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 2019, 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 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014.

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

180 St Vincent Street
Glasgow
G2 5SG

Date: 30 January 2020

Revenue Account for the Year Ended 30 September 2019

	Note	2019 £	2018 £
Loan interest receivable and similar income	3	870,484	742,860
Interest payable and similar charges	4	(27,269)	(14,240)
Net interest income		<u>843,215</u>	<u>728,620</u>
Fees and commissions receivable	5	34,268	16,366
Fees and commissions payable	6	(39,741)	(35,180)
Net fees and commissions		(5,473)	(18,814)
Other operating income	7	124,768	115,171
Administrative expenses	8	(477,848)	(453,719)
Depreciation and amortisation		(32,459)	(28,321)
Other operating expenses	9	(99,865)	(96,856)
Impairment on loans for bad and doubtful debts		(196,997)	(164,146)
Surplus before tax		155,341	81,935
Corporation Tax	13	(3,256)	(2,549)
Surplus for the financial year		<u>152,085</u>	<u>79,386</u>
Total comprehensive income for the year		<u>152,085</u>	<u>79,386</u>

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

Balance Sheet as at 30 September 2019

	Note	2019 £	2018 £
Assets			
Cash and balances at central banks	14	37,913	51,328
Loans and advances to banks	14	3,228,462	2,688,477
Loans and advances to customers	15	4,256,279	3,599,151
Tangible fixed assets	17	107,982	100,836
Prepayments and accrued income		32,451	38,280
Total assets		7,663,087	6,478,072
Liabilities			
Customer accounts	18	6,589,085	5,701,379
Other liabilities	19	31,337	35,380
Accruals and deferred income	20	267,610	118,343
		6,888,032	5,855,102
Other reserves	22	383,900	341,965
General reserve	22	391,155	281,005
Total reserves		775,055	622,970
Total liabilities		7,663,087	6,478,072

Approved and authorised by the Board on 7th January 2020 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 2019

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

	Other reserve £	Appropriation reserve £	General reserve £	Total £
At 1 October 2017	314,000	14,240	215,344	543,584
Surplus for the year	-	-	79,386	79,386
Other reserve movements	-	13,725	(13,725)	-
At 30 September 2018	314,000	27,965	281,005	622,970

Statement of Cash Flows for the Year Ended 30 September 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Surplus for the year		152,085	79,386
<u>Adjustments to cash flows from non-cash items</u>			
Depreciation and amortisation	10	32,459	28,321
Corporation tax expense	13	3,256	2,549
Provision movement		196,997	164,146
Interest income on loans		(853,349)	(729,442)
Distribution on member shares		27,269	14,240
		(593,368)	(440,800)
<u>Working capital adjustments</u>			
Decrease/(increase) in other receivables and prepayments		5,829	(2,658)
Decrease in trade and other payables	19	(4,749)	8,548
Decrease in deferred income, including government grants		149,267	(44,209)
		150,347	(38,319)
Cash flows from changes in operating assets and liabilities			
Loan repayments less loans advanced		(776)	(114,446)
Customer balance cash movement		860,437	583,270
Movement on funds on deposit		386,924	83,293
		1,246,585	552,117
Income taxes paid	13	(2,549)	(3,220)
Net cash flow from operating activities		953,100	69,778
Cash flows from investing activities			
Acquisitions of property plant and equipment		(39,605)	(18,916)
Net decrease in cash and cash equivalents		913,495	50,862
Cash and cash equivalents at 1 October		1,031,269	980,407
Cash and cash equivalents at 30 September		1,944,764	1,031,269

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 2019

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 2019

Other grants

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

Finance income and costs policy

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

Tax

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

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

Tangible fixed assets

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

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

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

Depreciation

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

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

Cash and cash equivalents

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

Leases

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

Notes to the Financial Statements for the Year Ended 30 September 2019

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

	2019 £	2018 £
Interest income on loans	853,349	729,442
Interest income on bank deposits	17,135	13,418
	870,484	742,860

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:

	2019 £	2018 £
Ordinary share dividend	23,741	11,283
Juvenile share distribution	3,528	2,957
Total distributions to customers	27,269	14,240

Notes to the Financial Statements for the Year Ended 30 September 2019

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 2019 and 2018 AGMs were:

	2019 %	2018 %
Distributions paid during the period		
Juvenile distribution	1.25	1.25
Ordinary share dividend	0.50	0.25

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.

	2019 %	2018 %
Proposed distributions in respect of the period		
Proposed distribution on juvenile shares	1.50	1.25
Proposed dividend on ordinary shares	0.75	0.50

5. Fees and commissions receivable

	2019 £	2018 £
Insurance commission	592	618
Annual service charges	11,039	10,444
Transfer of aged balances from suspense a/c	17,000	-
Cash over	924	-
Entrance fees	4,713	5,304
Fees and commissions receivable	34,268	16,366

Included within Annual Service Charges are £6,938 relating to Engage commission (2018 - £7,142).

6. Fees and commissions payable

	2019 £	2018 £
Bank charges	29,714	24,981
Trade association dues	10,027	10,199
Fees and commissions payable	39,741	35,180

7. Other operating income

	2019 £	2018 £
Other income	15,278	19,549
Growth fund	24,000	36,000
	39,278	55,549
Government grants receivable	85,490	59,622
	124,768	115,171

Notes to the Financial Statements for the Year Ended 30 September 2019

8. Administrative expenses

	2019 £	2018 £
Employee remuneration	379,124	359,280
Auditors' remuneration	7,046	5,640
Member communication and advertising	24,176	36,210
Legal, professional and credit reference agency costs	23,639	23,484
Computer software and maintenance costs	27,165	10,512
Other admin costs	<u>16,698</u>	<u>18,593</u>
Administrative expenses	<u>477,848</u>	<u>453,719</u>

9. Other operating expenses

	2019 £	2018 £
Regulatory costs (inc LP/LS insurance)	35,847	33,251
Office costs	<u>64,018</u>	<u>63,605</u>
Other operating expenses	<u>99,865</u>	<u>96,856</u>

10. Operating surplus

Arrived at after charging/(crediting)

	2019 £	2018 £
Depreciation expense	32,459	28,321
Operating lease expense – property	<u>29,777</u>	<u>30,720</u>

11. Staff costs

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

	2019 £	2018 £
Wages and salaries	341,883	319,872
Social security costs	25,955	24,295
Pension costs, defined contribution scheme	<u>11,286</u>	<u>15,113</u>
	<u>379,124</u>	<u>359,280</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:

	2019 No.	2018 No.
Directors	10	11
Administration and support	<u>19</u>	<u>19</u>
	<u>29</u>	<u>30</u>

12. Auditors' remuneration

	2019 £	2018 £
Audit of the financial statements	<u>7,046</u>	<u>5,640</u>

Notes to the Financial Statements for the Year Ended 30 September 2019

13. Corporation tax

Tax charged/(credited) in the revenue account

	2019 £	2018 £
Current taxation		
UK corporation tax	3,256	2,549
UK corporation tax adjustment to prior periods	-	-
	<u>3,256</u>	<u>2,549</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK of 19% (2018 – lower than the standard rate of corporation tax in the UK 19%).

The differences are reconciled below:

	2019 £	2018 £
Surplus before tax	<u>155,341</u>	<u>68,210</u>
Corporation tax at standard rate	29,515	12,960
Effect of transactions exempt from taxation	<u>(26,259)</u>	<u>(10,411)</u>
Total tax charge	<u>3,256</u>	<u>2,549</u>

14. Loans and advances to banks

	2019 £	2018 £
Cash at bank	1,906,851	979,942
Short-term deposits	<u>1,321,611</u>	<u>1,708,535</u>
Loans and advances to banks	3,228,462	2,688,477
Cash balances	<u>37,913</u>	<u>51,328</u>
Total cash and bank balances and deposits	3,266,375	2,739,805
Less amounts maturing more than 8 days	<u>(1,321,611)</u>	<u>(1,708,535)</u>
Cash and cash equivalents in statement of cash flows	<u>1,944,764</u>	<u>1,031,270</u>

15. Loans and advances to customers

	2019 £	2018 £
Loan movement in the period		
Opening balance	4,411,661	3,567,773
Interest accrued on loans during period	853,349	729,442
Loans advanced during the period	3,748,002	3,633,034
Repayments received during period	(3,747,226)	(3,518,588)
Loans de/re-recognised	<u>(122,232)</u>	<u>-</u>
	5,143,554	4,411,661
Loan impairment	<u>(887,275)</u>	<u>(812,510)</u>
	<u>4,256,279</u>	<u>3,599,151</u>

Notes to the Financial Statements for the Year Ended 30 September 2019

Loan repayments

Loans repayments due within one year	3,361,216	2,902,643
Due after one year	1,742,220	1,509,018
Loan impairment	(847,157)	(812,510)
	<u>4,256,279</u>	<u>3,599,151</u>

Classification of loans

Loans to individual members	<u>4,256,279</u>	<u>3,599,151</u>
	<u>4,256,279</u>	<u>3,599,151</u>

16. Loan impairment

	Provision for written off debts	Doubtful debt provision	Total provision
Opening impairment	548,165	264,345	812,510
Charge to Revenue Account	221,394	37,292	258,686
Bad debt recovered	(61,689)	-	(61,689)
Loans de/re-recognised	(122,232)	-	(122,232)
Closing provision	<u>585,638</u>	<u>301,637</u>	<u>887,275</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 2018	295,892	54,960	350,852
Additions	13,578	26,027	39,605
Disposals	0	(10,266)	(10,266)
At 30 September 2019	<u>309,470</u>	<u>70,721</u>	<u>380,191</u>
Depreciation			
At 1 October 2018	200,685	49,331	250,016
Charge for the year	22,676	9,783	32,459
Disposals	0	(10,266)	(10,266)
At 30 September 2019	<u>223,361</u>	<u>48,848</u>	<u>272,209</u>
Carrying amount			
At 30 September 2019	<u>86,109</u>	<u>21,873</u>	<u>107,982</u>
At 30 September 2018	<u>95,207</u>	<u>5,629</u>	<u>100,836</u>

Notes to the Financial Statements for the Year Ended 30 September 2019

18. Customer accounts

	2019 £	2018 £
Customer balance movement in the period		
Opening balance	5,701,379	5,103,869
Deposited during the period	14,156,980	12,716,629
Withdrawn during the period	<u>(13,269,274)</u>	<u>(12,119,119)</u>
	6,589,085	5,701,379
Classification of Customer balances		
Individual member shares	6,255,976	5,369,821
Corporate shares	<u>35,753</u>	<u>31,905</u>
Member balances	6,291,729	5,401,726
Juvenile deposits	<u>297,356</u>	<u>299,653</u>
	6,589,085	5,701,379

19. Other liabilities

	Note	2019 £	2018 £
Due within one year			
Accrued expenses		28,775	32,831
Difference in paid dividend/correction		(694)	-
Corporation tax liability	13	<u>3,256</u>	<u>2,549</u>
		31,337	35,380

20. Accruals and deferred income

	Growth Fund 2019 £	Other 2019 £	Total 2019 £	Total 2018 £
Deferred income brought forward	52,922	65,421	118,343	162,552
Deferred income received	-	274,035	274,035	70,962
Deferred income released	<u>(24,000)</u>	<u>(100,768)</u>	<u>(124,768)</u>	<u>(115,171)</u>
Deferred income	28,922	238,688	267,610	118,343

21. Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2019 £	2018 £
Later than one year and not later than five years	<u>7,500</u>	<u>7,500</u>

The Credit Union also has a Protected Tenancy at an annual commitment of £20,000 (2018 - £20,000). The amount of non-cancellable operating lease payments recognised as an expense during the year was £29,777 (2018 - £30,720).

Notes to the Financial Statements for the Year Ended 30 September 2019

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:

	2019 %	2018 %
Regulatory Requirement		
Minimum capital to asset ratio	5.00	5.00
Actual Capital to Asset Ratio	9.51	9.18

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 2019

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:

	2019	2018
	£	£
Security for loans		
Attached Shares	897,382	780,941

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.

	2019	2018
Note	£	£
Loans not individually impaired		
Not past due	4,054,787	3,342,767
Individually impaired		
Not past due	-	-
Up to 3 months past due	239,108	292,709
Between 3 months and 6 months due	98,066	76,179
Between 6 months and 1 year past due	90,335	84,153
Over 1 year past due	75,620	67,688
Impaired and written off for internal purposes	545,520	548,165
	<u>1,048,649</u>	<u>1,068,894</u>
	5,103,436	4,411,661
Impairment allowance	<u>(847,157)</u>	<u>(812,510)</u>
	<u>4,256,279</u>	<u>3,599,151</u>

Notes to the Financial Statements for the Year Ended 30 September 2019

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:

	2019 Amount £	2019 Rates received in year %	2018 Amount £	2018 Rates received in year %
Financial assets				
Loans to members	4,256,279	20.05	3,599,151	20.27
	2019 Amount £	2019 Rates paid in year %	2018 Amount £	2018 Rates paid in year
Financial liabilities				
Juvenile deposits	297,356	1.19	299,653	0.99
Member shares	6,291,729	0.38	5,401,726	0.20
	6,589,085	0.41	5,701,379	0.24

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

	2019 £	2018 £
Salaries and other short term employee benefits	172,949	159,367
Post-employment benefits	20,654	13,977
	193,603	173,344

Summary of transactions with other related parties

Loans to key management are issued on standard terms and conditions. At the year-end £16,435 (2018 - £35,584) was owed by Directors, staff, and their close family, in respect of loans from the Credit Union, and they held shares totalling £108,420 (2018 - £109,259).

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 2019

	Note	2019 £	2018 £
Income			
Interest income on loans		853,349	729,442
Interest income on bank deposits		<u>17,135</u>	<u>13,418</u>
Interest Received		870,484	742,860
Fees and commissions receivable	5	34,268	16,366
Other operating income	7	<u>124,768</u>	<u>115,171</u>
		<u>1,029,520</u>	<u>874,397</u>
Expenditure			
Employee remuneration		379,124	359,280
Auditors' remuneration		7,046	5,640
Bank charges		29,714	24,981
Trade association dues		10,027	10,199
Regulatory costs		5,875	5,868
LP/LS insurance		29,972	27,383
Occupancy costs		64,018	63,605
Other admin costs		16,698	18,593
Member communication and advertising		24,176	36,210
Legal, professional and credit reference agency costs		23,639	23,484
Computer software and maintenance costs		27,165	10,512
Depreciation and amortisation		32,459	28,321
Impairment on loans for bad and doubtful debts		<u>196,997</u>	<u>164,146</u>
		<u>846,910</u>	<u>778,222</u>
Operating Surplus/(Deficit)		<u>182,610</u>	<u>96,175</u>
Surplus before tax		182,610	96,175
Corporation Tax	13	<u>(3,256)</u>	<u>(2,549)</u>
Surplus for the financial year before dividend		179,354	93,626
Ordinary share dividend		(23,741)	(11,283)
Juvenile share distribution		<u>(3,528)</u>	<u>(2,957)</u>
Surplus for the financial year after dividend		<u>152,085</u>	<u>79,386</u>

Fantastic response to Members Survey

Over 2,360 members replied to our email survey in June – **an incredible response rate of nearly 25%**. **Thank you** – your replies give us valuable feedback and insight into member concerns. They will help us to ensure we continue to deliver what you want in the future.

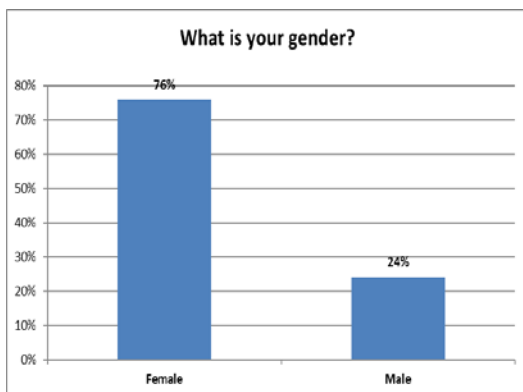
We ran a similar survey in 2017 and this repeat was part of the Barclays Credit Union support programme.

Nearly 85% of respondents were either satisfied or very satisfied with the service we provide. Additionally, 70% were actively saving and 51% had a loan from us. Only 10% had installed our new **Incuto app**, but more than half were definitely interested in app-based services.



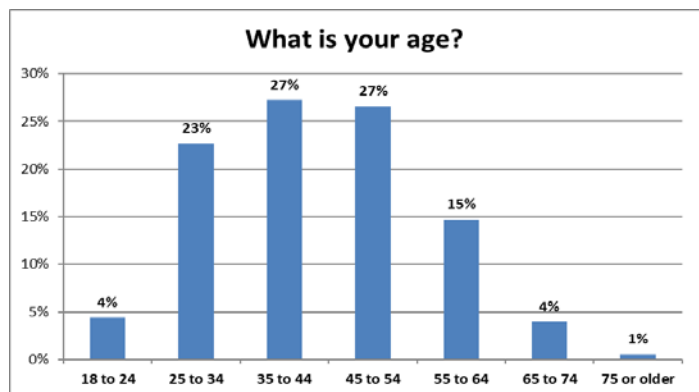
Nearly 1,000 members gave us specific comments, most of which were highly complimentary about the credit union and our staff – again **thank you**. *Some of these are featured on the front cover of this year's Annual Report.*

Here are a few of the responses from our members:



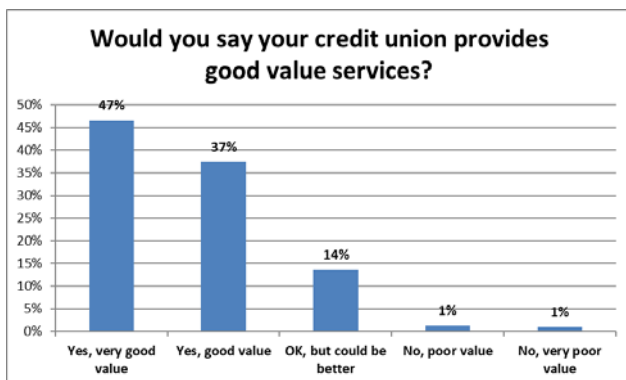
76% of members reported as female.

We are looking to recruit suitably qualified women to re-balance our board.

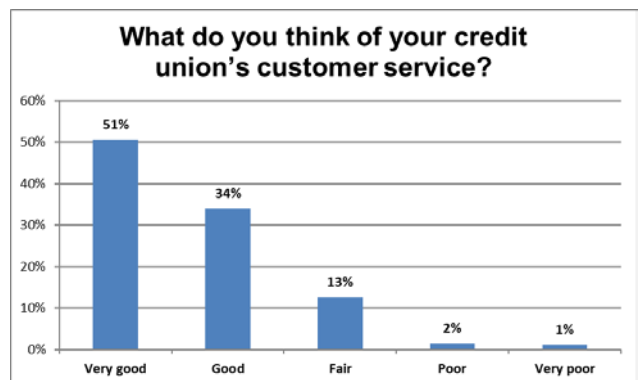


77% of members are aged 25 to 54.

The average member responding to the survey had belonged to the credit union for 5.5 years.



84% of members say the credit union provides good or very good value services.



85% of members say the credit union provides good or very good customer service.

We took action on feedback from the last survey, for example making improvements to our phone lines and the carpets at Sydenham.

We will listen again. As just one example, there were numerous comments that we should improve our on-line capabilities, especially for loan applications. This is something we are actively working on and aim to deliver in 2020.

