

HILLINGDON CREDIT UNION LTD T/A

LONDON COMMUNITY BANK

FINANCIAL STATEMENTS FOR THE

YEAR ENDED 30TH SEPTEMBER 2023

FCA registration number 213406

**LONDON COMMUNITY BANK**

**YEAR ENDED 30TH SEPTEMBER 2023**

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## **LONDON COMMUNITY BANK**

### **YEAR ENDED 30TH SEPTEMBER 2023**

#### **Administrative information**

<b>Status</b>	London Community Bank was incorporated under the co-operative and Community Benefit Societies Act 2014 and the Credit Union, Act 1979 on the 17th January 1991	
<b>Directors</b>	Neil Jones Moji Macaulay Mark Austin David Payling Richard Ashaye Kathryn Willis Sheetal Balani Tracey Iles David Dawson	Resigned October 2023  Appointed Chairman Oct 23 Retired March 2023  Appointed April 23 Appointed September 23
<b>President</b>	Neil Jones	Resigned October 2023
<b>Treasurer</b>	Moji Macaulay	
<b>Other officers</b>	Chair of Credit	RS Allen
<b>Bankers Registered Office</b>	The Co-operative Bank PO Box 250 Skelmersdale WN8 6WT	Lloyds Bank PLC 25 Gresham Street London EC2V 7HN
<b>Credit Union Registered Office</b>	Committee Room 1 Civic Centre Uxbridge UB8 1UW	
<b>Auditors</b>	PWH Accountancy Limited Chartered Accountants and Statutory Auditors The Counting House High St Lutterworth LE17 4AY	

**LONDON COMMUNITY BANK**  
**YEAR ENDED 30TH SEPTEMBER 2023**

**Directors' Report**

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

**Principal Activities**

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

**Results of Operations and Dividends**

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

**Directors' of Management**

The directors' during the year were:

Neil Jones (President) (Resigned October 2023)  
Moji Macaulay (Treasurer)  
Mark Austin  
Sheetal Balani  
David Payling (Appointed Chairman Oct 2023)  
Richard Ashaye (Retired March 2023)  
Kathryn Willis  
Tracey Iles (Appointed April 2023)  
David Dawson (Appointed September 2023)

**Directors' responsibilities**

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

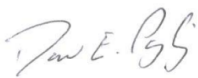
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare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

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

**Auditors**

The auditors, PWH Chartered Accountants and Statutory Auditors, have indicated their willingness to accept appointment under the provisions of the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

Signed on behalf of the directors' of management



D Payling

Date 1st March 2024

**LONDON COMMUNITY BANK**  
**YEAR ENDED 30 SEPTEMBER 2023**

**Independent Auditors' Report to the members of Hillingdon Credit Union Limited T/A London Community Bank**

**Opinion**

We have audited the financial statements of Hillingdon Credit Union Limited (the 'credit union') for the year ended 30th September 2023 which comprise the Revenue Account, Balance Sheet, Statement of Changes in Retained Earnings, Cash Flow Statement 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).

In our opinion, the financial statements:

give a true and fair view of the state of the Credit Union's affairs as at 30th September 2023 and of its income and expenditure for the period then ended; and have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and Credit Unions Act 1979.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

**Other information**

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

We have nothing to report in this regard.

Cont.

**LONDON COMMUNITY BANK**  
**YEAR ENDED 30 SEPTEMBER 2023**

**Independent Auditors' Report to the members of Hillingdon Credit Union Limited T/A London Community Bank**

(continued)

**Matters on which we are required to report by exception**

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

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

**Responsibilities of the Directors'**

As explained more fully in the Directors' responsibilities statement on page 4 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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



Date 1st March 2024  
**PWH Accountancy Limited, Statutory Auditors**  
The Counting House  
High Street  
Lutterworth  
Leicestershire  
LE17 4AY

**LONDON COMMUNITY BANK**

**REVENUE ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER 2023**

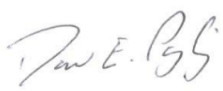
		2023	2022
		£	£
Loan interest receivable and similar income	Note 4	588,756	420,527
Interest Payable	5	(80,266)	(38,261)
Net Interest income		<u>508,490</u>	<u>382,266</u>
Fees and commissions receivable	6	30,823	9,083
Fees and commission payable		(5,594)	(9,015)
Net fees, Interest and commissions receivable		<u>533,719</u>	<u>382,334</u>
Other income	6a	8,259	8,687
Administrative Expenses	7a	(175,357)	(148,703)
Depreciation and amortisation	10	-	-
Other operative Expenses	7b	(20,150)	(16,805)
Impairment losses on loans to members	11c	17,285	(49,685)
Surplus before taxation		<u>363,756</u>	<u>175,829</u>
Taxation	9a	(42,658)	(11,941)
Surplus for the financial year		<u>321,098</u>	<u>163,888</u>
Total comprehensive income		<u>321,098</u>	<u>163,888</u>


**LONDON COMMUNITY BANK**


**BALANCE SHEET AS AT 30TH SEPTEMBER 2023**

	Note	2023 £	2022 £
<b>ASSETS</b>			
Cash, cash equivalents and Liquid deposits		1,045,484	1,312,622
Deposits held at UK Financial Institutions		4,997,736	5,021,182
		<u>6,043,220</u>	<u>6,333,804</u>
Loans and advances to members	11a	2,734,459	2,245,683
Tangible fixed assets	10	0	-
Other receivables		138,809	53,441
Prepayments and accrued income		0	-
Total Assets		<u>8,916,488</u>	<u>8,632,928</u>
<b>LIABILITIES</b>			
Share capital		6,306,958	6,640,803
Junior Savers		240,159	250,030
Brent Loan		461,265	185,888
Other payables	12	50,889	20,088
		<u>7,059,271</u>	<u>7,096,809</u>
Retained earnings	15	1,857,217	1,536,119
Total Liabilities		<u>8,916,488</u>	<u>8,632,928</u>

The financial statements were approved, and authorised for issue, by the Board on and signed on its behalf by:

Chairman   
.....  
1st March 2024

Treasurer   
.....  
1st March 2024

Director   
.....  
1st March 2024



**LONDON COMMUNITY BANK**

**STATEMENT OF CHANGES IN RETAINED EARNINGS**

**YEAR ENDED 30TH SEPTEMBER 2023**

		<b>2023</b>	<b>2022</b>
		<b>£</b>	<b>£</b>
	<b>Note</b>		
As at 1 October 2022		1,536,119	1,372,231
Transfer of engagements		-	-
Total comprehensive income for the year		321,098	163,888
As at 30 September 2023	<b>15</b>	<u>1,857,217</u>	<u>1,536,119</u>

**LONDON COMMUNITY BANK**

**CASH FLOW STATEMENT**

**YEAR ENDED 30TH SEPTEMBER 2023**

	2023 £	2022 £
<b>Cash flows from operating activities</b>		
<b>Surplus before taxation</b>	363,756	175,829
<i>Adjustments for non-cash items:</i>		
Depreciation	-	-
Impairment losses	(17,285)	49,685
	<u>346,471</u>	<u>225,514</u>
<i>Movements in:</i>		
Other receivables	(85,368)	11,388
Other payables	30,801	(36,655)
	<u>291,904</u>	<u>200,247</u>
<b>Cash flow from changes in operating assets and liabilities</b>		
Movement in other liabilities	275,377	(3,700)
Cash flow from subscribed capital	4,595,093	4,224,891
Cash flow from repaid capital	(5,361,372)	(4,143,683)
New loans to members	(2,384,071)	(2,016,356)
Repayment of loans by members	2,304,426	1,764,508
	<u>(278,643)</u>	<u>25,907</u>
Taxation paid	(11,941)	(8,996)
<b>Net cash flow from operating activities</b>	<u>(290,584)</u>	<u>16,911</u>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	-	-
	<u>(290,584)</u>	<u>16,911</u>
Net cash flow from managing liquid deposits	<u>(290,584)</u>	<u>16,911</u>
Net decrease in cash and cash equivalents	(290,584)	16,911
Cash and cash equivalents at beginning of year	6,333,804	6,316,893
<b>Cash and cash equivalents at end of year</b>	<u>6,043,219</u>	<u>6,333,804</u>

**LONDON COMMUNITY BANK**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30TH SEPTEMBER 2023**

1. Legal and regulatory framework

The Credit Union is a society established under the Industrial and Provident Societies Act 1965, superseded by the Co-operative and Community Benefit Societies Act 2014, whose principal activity is to operate as a credit union, within the Credit Union Act 1979. The Credit Union has registered with the Financial Conduct Authority (FCA) and is regulated by the Prudential Regulation Authority under the provisions of the Financial Services and Markets Act 2000.

In accordance with the regulatory environment for credit unions, deposits from members can be made by subscription for redeemable shares, deferred shares and interest-bearing shares. At present the Credit Union has only issued redeemable Shares.

2. Accounting policies

Basis of preparation

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

The Financial Statements are prepared on the historical costs basis.

Going concern

The Financial statements are prepared on the going concern basis.

**LONDON COMMUNITY BANK**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30TH SEPTEMBER 2023**

**Income**

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

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

Other income: Other income is recognised when the transaction is completed.

**Taxation**

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

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

**Tangible fixed assets**

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

Building Work	33.30%
Office equipment	20.00%
Information Systems	33.30%

**Cash and cash equivalent**

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

## **LONDON COMMUNITY BANK**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **YEAR ENDED 30TH SEPTEMBER 2023**

Financial assets - loans and advances to members

Loans to members are financial assets with fixed or determinable payments, and are not quoted in an active market. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

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

#### **Impairment of financial assets**

The Credit Union assesses, on a monthly basis, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. 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.

#### **Financial Liabilities - subscribed capital**

Members' shareholding in the Credit Union are redeemable and therefore are classified as financial liabilities, and described as subscribed capital. They are initially recognised at the amount of cash deposited.

#### **Employee benefits**

A pension is currently offered to Hillingdon Credit Union employees. The starting date for the Credit Union was August 2017 when a defined contribution plan was offered to all employees via NEST.

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

#### **Reserves**

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

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

The preparation of financial statements requires the use of certain accounting estimates. The areas requiring a higher degree of judgement, or complexity and are most significant to the financial statements, are disclosed.

**LONDON COMMUNITY BANK**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30TH SEPTEMBER 2023**

	Note	2023 £	2022 £
<b>4. Loan interest receivable and similar income</b>			
Loan interest receivable from members		414,351	357,679
Bank interest receivable on cash and liquid deposits		174,405	62,848
Total loan interest receivable and similar income		<u>588,756</u>	<u>420,527</u>
<b>5. Interest expense</b>			
<p>Interest expense is the dividend paid to members for the prior year. The dividend is formally proposed by the directors after the year end and is confirmed at the following AGM. As a result it does not represent a liability at the balance sheet date.</p>			
Interest paid during the year		<u>80,266</u>	<u>38,261</u>
Dividend proposed, but not recognised		<u>2.4%</u>	<u>1.20%</u>
Dividend rate:		<u>1.20%</u>	<u>0.60%</u>
<b>6. Fees and commissions receivable</b>			
Loan Lenders fees - Brent		24,620	3,700
Commissions received - Engage		-	7
Service Charge		6,203	5,376
Total fees and commissions receivable		<u>30,823</u>	<u>9,083</u>
<b>6a. Other Income</b>			
Government Furlough income		-	1,289
Other income		8,259	7,398
		<u>8,259</u>	<u>8,687</u>
<b>7a. Administrative expenses</b>			
Employment costs	8a	132,306	109,189
Staff training		578	1,013
Directors' expenses		0	-
Auditor's remuneration	7c	3,300	3,300
Telephone		2,994	3,312
Computer maintenance		30,781	27,990
Legal and professional		0	933
General expenses		2,703	673
Printing, postage and stationery		2,696	2,293
Total administrative expenses		<u>175,357</u>	<u>148,703</u>

**LONDON COMMUNITY BANK**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30TH SEPTEMBER 2023**

	2023	2022
	£	£
<b>7b. Other operating expenses</b>		
Regulatory and financial management costs		
Association of British Credit Union Limited dues	6,484	4,122
Fidelity Bond insurance	5,173	5,133
Loan protection insurance	7,719	7,202
PRA, FCA & FSCS fees	774	348
	<u>20,150</u>	<u>16,805</u>
<b>7c. Auditors' remuneration</b>		
Fees payable for audit	<u>3,300</u>	<u>3,300</u>
Total Auditor's remuneration	<u>3,300</u>	<u>3,300</u>
<b>8. Employees and employment costs</b>		
Wages and salaries	128,256	100,297
Social security	9,777	7,771
Pension costs	1,511	1,121
	<u>132,306</u>	<u>109,189</u>
<b>8b. Number of employees</b>		
Average monthly number of employees during the year:	Number	Number
Office Staff	<u>6</u>	<u>5</u>

No member of the Key management personnel earned over £60,000 in the year. Staff and their close family had a total share holding of £113,086 (2022 £148,749) and loans of £6,345 (2022 £1,709)

**8c. Directors' Remuneration**

No remuneration is paid to the Directors. At the year end, Directors held total shares of £3,165 (2022 £15,803) and total loans of £0,00 (2022 £2,815)

All members of the board are Credit Union members. They receive no remuneration for services and participate in the activities of Credit Union on the same terms as other members. They did not receive any reimbursement of expenses in the year.

**LONDON COMMUNITY BANK**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30TH SEPTEMBER 2023**

**9. Taxation**

a) Recognised in the Revenue Account

The taxation charge for the year, based on the small profits rate of Corporation Tax 19% (2022: 19%)

	<b>2023</b>	<b>2022</b>
Current tax	<b>£</b>	<b>£</b>
UK Corporation Tax	42,658	11,941
Total tax recognised in the Revenue Account	<u>42,658</u>	<u>11,941</u>

b) The Credit Union is not liable to corporation tax payable on its activities of making loans to members. However, corporation tax is payable on investment income.

**10. Tangible fixed assets**

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

	Office Equipment & computers	Office Equipment & computers
	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Cost</b>		
At 1st October 2022	10,440	10,440
Additions	-	-
Disposal	-	-
<b>At 30th September 2023</b>	<u>10,440</u>	<u>10,440</u>
<b>Depreciation</b>		
At 1st October 2022	10,440	10,440
Charge for the year	-	-
Disposal	-	-
<b>At 30th September 2023</b>	<u>10,440</u>	<u>10,440</u>
<b>Net book value</b>		
<b>At 30th September 2022</b>	<u>-</u>	<u>-</u>
<b>At 30th September 2023</b>	<u>-</u>	<u>-</u>

**11a. Credit Risk Disclosures**

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

The carrying amount of loans to members represent the Credit Union's maximum exposure to credit risk.



**LONDON COMMUNITY BANK**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30TH SEPTEMBER 2023**

	Note	2023 £	2022 £
Not impaired			
Not in arrears		2,734,458	2,245,683
Sub-total: loans not impaired		2,734,458	2,245,683
Individually impaired:			
Up to 3 months past due		87,715	120,991
Between 3 and 6 months past due		31,251	16,864
Between 6 and 12 months past due		11,974	15,801
Over 1 year past due		136,458	175,316
Total loans		3,001,857	2,574,656
Impairment allowance		(267,398)	(328,973)
Total carrying over		2,734,459	2,245,683
 11b. Provision for impairment losses			
As at 1st October 2022		328,973	301,526
Allowance for losses made during the year		(10,504)	53,345
Allowances reversed during the year		(51,071)	(25,898)
Increase in allowances during the year	11c	267,398	328,973
As at 30th September 2023		267,398	328,973
 11c. Impairment losses recognised for the year			
Impairment of individual financial assets		51,071	25,898
(Decrease)/increase in impairment allowances during the year		(61,575)	27,447
		(10,504)	53,345
Reversal of impairment where debts recovered		(6,781)	(3,660)
Total impairment losses recognised for the year		(17,285)	49,685
 12. Other payables			
UK Corporation Tax		42,658	11,941
Other payables		-	-
Accruals and deferred income		8,231	8,147
		50,889	20,088

**LONDON COMMUNITY BANK**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30TH SEPTEMBER 2023**

13. Additional financial instruments disclosures

13a. Financial risk management

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

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

**Credit risk:** Credit risk is the risk that a borrower will default on their contractual obligations relating to the payments to the Credit Union, resulting in financial loss to the Credit Union. In order to manage this risk the Board approves the Credit Union lending policy and all changes to it. All loans applications are assessed with deference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed.

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

**Market risk:** Market risk is generally comprised of interest rate risk, current risk and other price risk. The Credit Union conducts all its transactions in sterling and does not deal in derivatives or commodity markets. Therefore it is not exposed to any form of current risk or other price risk.

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

13b. Interest the rate risk closures

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

**LONDON COMMUNITY BANK**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30TH SEPTEMBER 2023**

	2023		2022	
	Amount £	Average Interest rate %	Amount £	Average Interest rate %
<b>Financial assets</b>				
Loans to members	2,734,459	15.15%	2,245,683	15.93%
<b>Financial liabilities</b>				
Share Capital	6,547,118	1.2%	6,640,805	0.60%

The interest rates applicable to loans are fixed and range from 5% to 36%. The interest payable on share capital is determined at the AGM. As a result, the surplus for the year is not particularly sensitive to interest rate risk therefore no sensitivity analysis is presented.

**13c. Liquidity risk disclosures**

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

**13d. Fair value of financial instruments**

The Credit Union does not hold any financial instruments at fair value.

**14. Post balance sheet events**

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

**15. Reserves**

	Voluntary Reserve £	Statutory Reserve £	Total £
At 1st October 2022	631,350	904,769	1,536,119
Comprehensive surplus for the year	321,098	-	321,098
Transfer between funds	(100,000)	100,000	-
Balance carried forward at 30th September 2023	852,448	1,004,769	1,857,217

## **LONDON COMMUNITY BANK**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **YEAR ENDED 30TH SEPTEMBER 2023**

#### **16. Contingent liabilities**

The Credit Union Participates in the Financial Services Compensation Scheme (FSCS) and therefore has a contingent liability, which cannot be qualified, in respect of contributions to the FSCS as required by the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) had provided details of how the calculation of next year's contribution towards the FSCS will be calculated and full provision has been included for this liability. However this is subject to future changes in interest rates and levels of deposits held by UK deposit takers. Therefore there is inherent uncertainty regarding the totality of the levy that the Credit Union will have to pay.

#### **17. Related party transactions**

During the year - members of the board, staff and their close family members had loans with the Credit Union of £6,345 (2022 £4,524). These loans were approved on the same basis as loans to other members. None of the directors, staff or closed family members have any preferential terms on their loans. They also had shares of £116,251 (2022 £164,552)

#### **18. Loan interest**

The Credit Union is now required to ensure that all members loan interest is on a receivable basis.

**The following page does not form part of the statutory accounts**

**LONDON COMMUNITY BANK**

**Detailed Revenue account for the year ended 30th September 2023**

	Notes	2023 £	2022 £
<b>Income</b>			
Interest income on loans		414,351	357,679
Interest income on bank deposits		174,405	62,848
Total interest received		<u>588,756</u>	<u>420,528</u>
Service charge		6,203	5,376
Commissions receivable Engage		-	7
Loan Lender fees		24,620	3,700
Bad debts recovered		6,781	3,660
Other income		8,259	8,687
		<u>634,620</u>	<u>441,958</u>
<b>Expenditure</b>			
Staff costs		132,306	109,189
Auditor remuneration		3,300	3,300
Bank charges		5,594	9,015
Fidelity bond insurance		5,173	5,133
PRA, FCA & FSCS fees		774	348
Rent & occupancy & Room Hire		-	-
LP/LS insurance		7,719	7,202
Training		578	1,013
Sundry expenses		2,688	673
ABCUL Dues		6,484	4,122
Telephone		2,994	3,312
Office supplies/ Printing / Copying		1,056	1,075
Marketing		1,325	540
Postage		-	-
Credit agency fees		315	679
Legal/ Consultancy		0	934
Software maintenance/ support		30,781	27,989
Travel costs		15	-
Depreciation and amortisation		-	-
Impairment on loans for Bad and doubtful debts		(10,504)	53,345
Total expenses		<u>190,598</u>	<u>227,868</u>
Operating surplus/ (Deficit)		<u>444,022</u>	<u>214,090</u>
Surplus before tax		444,022	214,090
Corporation tax		42,658	11,941
Surplus for the year before dividend		401,364	202,149
Dividend distribution		80,266	38,261
Interest rebate		-	-
Surplus for the financial year after dividend		<u>321,098</u>	<u>163,888</u>