

Annual Report and
Audited Accounts of
Southwark Credit Union
Limited

For the year ending
30th September 2009



Southwark Credit Union

Southwark Credit Union Limited

Registered Office: 79 Denmark Hill, Camberwell, London SE5 8RS

Telephone: 020 7787 0770

Fax: 020 7207 1444

E Mail: info@creditunion.co.uk

Website: www.creditunion.co.uk

Branches and Opening Times**79 Denmark Hill, London SE5 8RS**

Opening hours are: Monday to Thursday - 9.30AM to 4.30PM. Friday 11.00AM to 4.30 PM.

221 Rye Lane, Peckham, London SE15

Opening hours are: Monday to Thursday - 9.30AM to 4.30PM. Friday 11.00AM to 4.30 PM.

18 Pilgrimage St, Bermondsey, London SE1

Opening hours are: Monday to Wednesday - 9.30AM to 4.30PM.

Southwark Credit Union Limited is authorised and regulated by the Financial Services Authority Firm Reference Number (FRN) 213248 and is:

- An Industrial and Provident Society
- A Member of the Association of British Credit Unions Ltd
- Member of the Financial Services Compensation Scheme
- A Member of the Financial Ombudsman Service

Southwark Credit Union Ltd

The Common Bond

Southwark Credit Union has a common bond of "Residing in or being employed in the London Borough of Southwark and/or the postal area of SE1" and has 9424 members;

Membership during the year

	New Accounts	Accounts closed	Total at Year End
Adult Members	2028	489	9424
Junior Savers	191	74	1462

Balance Sheet highlights

Total Adult Savings	£5,142,651
Total out on loan	£5,929,245
Total Assets	£7,834,230

Capital and Liquidity Ratios

	SCU As at 30/09/08	FSA Requirement
Liquidity Ratio	41%	5 to 10%
Capital Ratio	9.97%	5%

28th Annual General Meeting of Southwark Credit Union Limited

The Board Room, King's College Hospital
Denmark Hill, London SE5

5th February 2010 at 6.00PM

AGENDA

1. Welcome and Introductions
2. Minutes of the AGM held Wednesday 20th February 2009
3. Report of the Board Directors
4. Treasurer's Report
5. Consideration of Accounts
6. Auditor's Report
7. Declaration and recommendation of dividend
8. Supervisory Committee Report
9. Appointment of Auditors
10. Honorarium for the Treasurer
11. Election of Officers
12. Consideration of Motions

Details of Nominations and minutes of the previous meeting will be available at the AGM

Entry to the meeting will be on production of membership book or proof of membership. You may be asked for proof of identity.

**SOUTHWARK CREDIT UNION LIMITED
MINUTES OF THE ANNUAL GENERAL MEETING
ON FRIDAY, 20th FEBRUARY 2009**

1.OPENING:

- 1.1. The President, Ann Brewster, opened the Meeting.
- 1.2. The President, Ann Brewster, welcomed the members and being quorate business commenced.
- 1.3. The Directors were introduced to the Meeting, also Richard Oswald of Appleby & Wood who are our Auditors. Special guests Andrew Matheson from Southwark Council, Chris Canham and Peter Bussy from ABCUL.

The President then chaired the Meeting.

2.MINUTES OF THE ANNUAL GENERAL MEETING OF THE 13th FEBRUARY 2008:

2.1.The Minutes were read, there being no queries Peter Bussy moved their acceptance, Anne Kirby seconded the Motion. The Minutes were accepted.

3.PRESIDENT'S REPORT:

3.1.Ann Brewster read the Report, there being no queries, Joan Drane moved its acceptance, Yvonne McDonald seconded the Motion. The Report was accepted.

3.1 Governance Report

Mufutau Durowoju gave details of the Governance Report, which Southwark Credit Union has adopted this year. To date we have achieved 73.33% of the Required Standard and 46.67% of the Gold Standard Principles of the Code. We have identified the remaining elements which are not yet being met and have prepared an action plan for implementing them in the new financial year.

4.TREASURER'S REPORT:

4.1.Roy McLeod went through the Report, their being no queries, Matthew Sweetlove moved its acceptance, Joan Drane seconded the Motion. The Report was accepted.

The Treasurer declared £48,591 had been reserved in order to pay a 1.25% dividend, but recommended that a vote be taken not to pay a dividend, but to set that amount aside in voluntary reserves. Young Savers would be paid interest of 5% on their savings.

Patrick Scanlon asked how members' money was being protected, especially in the light of the current financial downturn. Peter Bussy from ABCUL advised that members' funds are covered by the FSA Protection Scheme (currently up to £50,000). The auditors, Supervisory Committee and Directors also oversee the activities of the credit union.

Questions were raised by members regarding an individual loan application and current account charges. Lucky Chandrasekera explained that these questions were outside the scope of this meeting and that he would talk to the individual members after the AGM.

5 & 6. CONSIDERATION OF THE ACCOUNTS & REPORT OF THE AUDITORS:

5.1. Richard Oswald went through the audited Accounts. He stated that the Treasurer's Report had dealt with the financial aspects and that he had nothing to add, apart from:

- Non-statutory Reserves are not particularly high for an organisation of the size of Southwark Credit Union
- The auditors agreed with the Treasurer that it would not be prudent to declare a dividend
- Bad debt provisions are adequate and an extra amount of £25,000 had been set aside to cover any possible impact of the economic downturn on members
- The cost of the Banking Project has been capitalised and is being written off over 10 years and it is expected that the Banking Project will be able to recoup some of its investment over the next 9 years as and when new credit unions join.

Richard Oswald was thanked for his Report, Patrick Scanlon moved its acceptance, and Wendy Pocknell seconded the Motion. The Report was accepted.

7. DECLARATION OF A DIVIDEND:

7.1. Roy McLeod, as explained on his report (Item 3 Dividends) moved that no dividend be declared this year and a vote was taken:

21 members voted in of the motion
1 member abstained
5 members didn't vote

8. REPORT OF THE SUPERVISORY COMMITTEE:

8.1. Heather Crawford of the Supervisory Committee read the Report. Karen Michael moved its acceptance, Joan Drane seconded the Motion. The Motion was accepted.

9. APPOINTMENT OF THE AUDITORS:

9.1. The Treasurer proposed that Appleby & Wood be retained for the Financial Year 2009/2010. Patrick Scanlon moved acceptance, Peter Bussy seconded the Motion. The Motion was accepted.

10. HONORARIUM FOR THE TREASURER:

10.1. Karen Michael proposed that an Honorarium of £12,747 be paid to the Treasurer. This will be the gross figure. Karen Michael expressed the Credit Union's thanks to the Treasurer for the amount of time and effort he devotes to the Credit Union. Margo Rolle moved acceptance of the proposal, Wendy Pocknell seconded. The Proposal was accepted.

11. Election of Officers

11.1. No officers are due to be re-elected this year. Roy McLeod stressed the importance of volunteers from the membership for appointment to one of the

committees, with a view to becoming members of the Board of Directors. Full training is given at all stages.

12.Consideration of Motions

12.1. There are no new Motions to be presented at this AGM.

13.CLOSE:

The Meeting closed at 19.20 hours

**SOUTHWARK CREDIT UNION LIMITED
ANNUAL GENERAL MEETING, 5th FEBRUARY 2010.**

REPORT OF THE BOARD OF DIRECTORS as at 30th SEPTEMBER 2009

On behalf of the Board of Directors, it is with great pleasure that I present this annual report as President of the Southwark Credit Union Limited (SCU).

We would like to report that Southwark Credit Union has weathered the recent recession with the help of our committed members who have maintained borrowing sensibly and paying their loans in a timely manner.

During the financial year our Directors have implemented the Credit Union Governance Programme and have undertaken various training in order to maintain their skills in running such a successful credit union.

The following projects are still ongoing as at 30th September 2009:

1. **Support for Lambeth Savers Credit Union** - As part of the cooperative principle, we consider it a good policy and our duty to help fellow member organisations, particularly in the early stages of development. It was agreed by members of Lambeth Savers Credit Union's Extraordinary General Meeting to transfer its engagements to Southwark Credit Union Limited. Although this credit union has negative reserves, this shortfall should be covered by grants from outside funders. Before this transfer can go through, however, it will need to be agreed to by the directors of Southwark Credit Union Ltd.
2. **Implementation of the Online Banking Platform** - Members are now able to check their balances, carry out transactions online, apply for loans and apply for membership. The opening of current accounts and fund transfers are also some of the main features of this new facility.
3. **Westminster** – Southwark Credit Union is taking the initiative in helping to develop credit union services in Westminster. Meetings were held with the Councillors, Council Officers and Housing Association representatives from Westminster. The feasibility report for this development is now available and the recommendations were that Westminster will join Southwark Credit Union in providing services for their residents.

As Southwark Credit Unions membership increases, so does the work in administering the credit union. The current administration centre located at 79 Denmark Hill is bursting at the seams in coping with the ever increasing business and staff to manage the growth. We are actively seeking to acquire larger premises to accommodate the future expansion of the credit union.

The following statistics demonstrates the growth of the Credit Union over the past year. Membership now stands at 9,424, members savings now stand at £5.1 million with loans of £5.6 million and we continue to service £1,499 junior savers accounts. This year, we will be paying an interest of 5% to those young savers. Our work with the young savers continues in 13 schools within Southwark, two of

which are secondary schools. These young savers are learning the necessary financial skills to enable them to become adept at managing their own money.

As you know the year was challenging and we would like to extend our thanks and appreciation to our members, business partners and staff for their continuing loyalty and hard work and look forward to being successful in the coming year.

Ann Brewster
President

Governance Report

Elected Members

Board of Directors			Meetings	
Name	Position	Year Elected	Possible Attendances	Actual Attendances
Ann Brewster	Chairperson	1998	14	14
Karen Michael	Secretary	2006	14	12
Louis R McLeod	Treasurer	1996	14	14
Anthony Chesterfield Anthrobus		2004	14	11
Mufutau Presley Durowoju		2007	14	13
Albert Eze		2006	14	11
Heather Crawford		Jul-09	3	3

Supervisory Committee			Meetings	
Name	Position	Year Elected	Possible Attendances	Actual Attendances
David Sokoya		2002	4	1
Millicent Myrie	Chairperson	Jul-09	3	3
Karen Griffiths		2002	Resigned in July 2009	
Heather Crawford		2008	11	11

The training undertaken by elected members in the year to September 2009 included:

Name	Training received	Date
Ann Brewster	ABCUL AGM - 2009	Mar-09
Mufu Durowoju	ABCUL AGM - 2009	Mar-09
Tony Anthrobus	ABCUL AGM - 2009	Mar-09
Karen Michael	ABCUL AGM - 2009	Mar-09
Mufu Durowoju	ABCUL Autumn Conference 2008	Nov-08
Tony Anthrobus	ABCUL Autumn Conference 2008	Nov-08
Karen Michael	ABCUL Autumn Conference 2008	Nov-08
Lucky	ABCUL Autumn Conference 2008	Nov-08
Ann Brewster	one day training from ABCUL - Board Development & Performance	Jun-09
Roy McLeod	one day training from ABCUL - Board Development & Performance	Jun-09
Mufu Durowoju	one day training from ABCUL - Board Development & Performance	Jun-09
Tony Anthrobus	one day training from ABCUL - Board Development & Performance	Jun-09
Karen Michael	one day training from ABCUL - Board Development & Performance	Jun-09
Albert Eze	one day training from ABCUL - Board Development & Performance	Jun-09
Heather Crawford	One day Supervisory & Internal Audit from ABCUL	May-09
Heather Crawford	one day training from ABCUL - Board Development & Performance	Jun-09
Millicent Myrie	One day Supervisory & Internal Audit from ABCUL	Sep-09

Southwark Credit Union is committed to broadening the knowledge of its elected members and officers. They are therefore offered training opportunities and encouraged to attend conferences and seminars which are organised by the Association of British Credit Unions (ABCUL). The conferences have enabled them to network with leaders in the Credit Union movement, the Financial Services Authority and Legal experts advising on personnel and credit control matters and many more. The knowledge gained in the area of marketing and Information Technology has enabled SCU to be at the forefront of a number of innovations and to remain one of the most successful and prominent Credit Unions in the UK.

Governance Report

Southwark Credit Union Limited is committed to achieving the requirements of the Code of Good Governance and Best Practice for Credit Unions.

The Board is responsible for good governance in the credit union and adheres to the principles of good governance outlined in the Governance Code for Credit Unions.

The code of Governance was introduced into UK credit unions by the Association of British Credit Unions in November 2008 at their Autumn Conference. It is a voluntary code that all credit unions are recommended to embrace. It shows the transparency of managing the affairs of the credit union and at the same time helps strengthen both internal structures and accountability to the members and stakeholders of Southwark Credit Union.

At the November 2008 Board Meeting the Board of Directors of Southwark Credit Union decided to take part in the programme and appointed a Director and the CEO to be responsible for implementing and monitoring the Governance programme for Southwark Credit Union.

The code of governance requires that the credit union reaches compliance in elements of:

1. **COMPLIANCE AND CONTINUITY** – The credit union strives to ensure compliance and transparency within the requirements of the law, the regulator and members of the credit union and take steps to safeguard the future of the credit union.
2. **INTEGRITY & ACCOUNTABILITY** -The credit union strives to maintain the integrity of elected individuals, staff and the credit union as a financial provider and an ethical co-operative business and in doing so aims to maintain accountability to all of its stakeholders.
3. **SKILLS AND ABILITY** - The Board and Senior Management must ensure that all those involved in the operation of the credit union will have the opportunity to develop the skills and knowledge necessary to operate the credit union successfully.
4. **STRUCTURE AND THE PRINCIPLES OF GOOD GOVERNANCE** -The credit union must develop and maintain an accessible, clear and co-operative structure.

Under the 4 categories listed above, there are 45 individual elements to be achieved continuously. They are divided into 30 required standards and 15 gold standards

As per table below we are pleased to inform you that during the last financial year we have achieved 86.7% (73.33% - 2008) of the required standards and 73.3% (46.67% - 2008) of the Gold standards for Southwark Credit Union.

Principles of the Code	REQUIRED STANDARD				GOLD STANDARD			
	Achieved			%	Achieved			%
Compliance & Continuity	8	from	8	100	1.5	from	3	50
Integrity & Accountability	6	from	8	75	4	from	5	80
Skills & Ability	5.5	from	6	91.7	2	from	3	16.67
Structure and Good Governance	6.5	from	8	81.3	3.5	from	4	87.5
TOTALS - 2009	26	from	30	86.7	11	from	15	73.3
TOTALS - 2008	22	from	30	73.3	7	from	15	46.67

We have identified the remaining elements which are not yet being met and have prepared an action plan for implementing them in the new financial year. We intend to report our progress at the next Annual General Meeting in 2010.

SOUTHWARK CREDIT UNION LIMITED

ANNUAL GENERAL MEETING 5th FEBRUARY 2010

TREASURER'S REPORT FOR THE YEAR ENDING 30TH SEPTEMBER 2009

The Southwark Credit Union (SCU) is pleased to announce another successful year of trading. SCU is constantly fine-tuning its products and services and the delivery of those services to the membership from three branches in Southwark.

I am pleased to report another clean audit for the year ending 30th September 2009. The details below exhibits a good year of trading with increased income, Assets, Reserves and Capital. I therefore present the following report:

1 Income

The overall income increased by 16% (£209,517) from **£1,086,523 in 2008 to £1,296,040**. Most of this income came from increase in interest derived from loans to members £236,000. Credit Union Current Account fees £62,000. And Growth Fund bad debt recovered of £44,000. Income on Deposit & Current account interest received on funds held fell by -£56,000 due to the Credit Crunch and the fall in base rate. Grants and donations in the year also fell by -£73,000

It should be noted that grants received would have covered the staffing cost and some of the related operational costs. We were delighted to learn that the **Big Lottery Fund (restricted fund)** has renewed their grant for another year totalling £53,128 for our community outreach and worklessness project. This project will be terminating in August 2010. SCU is very grateful for the Big Lottery Fund generosity. We were also grateful to the **Department of Works and Pension** for the capital and revenue grants received during the financial year.

- 1.2 SCU core business income is interest derived from loans to members, which increased by 13% (£759,000) taking our loan portfolio to 5.9 million demonstrating continued growth in the various loan products on offer.

2. Expenses

The overall expenses increased by 13% (£150,000) from **£1,009,000 in 2008 to £1,159,143 in 2009**. The main areas of cost contributing to this increase were:

1) Banking Project

This is the third year of the Banking cost which has increased by 56% (£105,748) from £81,803 to £187,551 in 2010. To help offset this cost we make a charge of .95p per week to each member who has a CUCA and this has generated £62,253 as indicated in the income above. The ATM & VISA banking services we provide to members is a crucial component of our strategy to deliver full banking services for the membership as we compete for business in the financial market and try to service a growing number of members in very small offices. Members can now access their CUCA/VISA to withdraw funds from any ATM outlet worldwide. Total withdrawals since we have gone live amounted to £23.5 million.

2) Provision for bad debts

Bad debt provisions have increased by 42% (£74,260). An amount of £175,373 was set aside to cover bad and doubtful debts, which is a substantial amount of our surplus. It is necessary to adequately provide for bad or doubtful debts to keep our credit union safe.

Our lending is based on the member's ability to service the amount of loan requested. Loan granting procedures are reviewed regularly and credit control measures revisited to ensure robust controls are in place, in order to manage our bad debts portfolio.

Last year 5,751 loans were granted valuing £5.1million and a further 438 loan applications were rejected valuing £663,875. We also took steps to spread the risk by granting smaller loans by reducing larger loan requests in accordance with the member's ability to service the loan requested.

3) Loans and Savings Insurance

This cost also increased by 11% (£4.560) on the previous year. However this is a very important cost which protects the members and the credit union if a member becomes deceased, (at no extra cost to the member)

4) Other Areas of Expenditure

The other areas of expenditure may show very modest increases which are not significant and are more or less in line with budget. However it should be noted that a number of other cost centres were well below budget. Areas where savings occurred included:

Staff cost – £13k **Occupancy Cost** – £8k
Marketing/Promo - £8k **Depreciation Cost** - £4k

3 Balance Sheet

The net loan portfolio has increased by over £600,000 from £4.9 million to £5.5 million, an increase of 11.47%, which is a good increase over and above the previous year's performance.

Current Assets are constant at £1.9million.

Current Liabilities showing an increase of £151,194 on sundry creditors. This relates to the Credit Union Current Account, indicating the balances held at the end of the financial year.

Total **Current Assets** are up by 4.56% from £7.4 million to £7.8 million an increase of £357,576 reflecting a good increase in the balance sheet of the credit union.

The increase is mainly due to:

Increased savings from members shares amounting to £321,713 and
Increase in general reserve of £141,766.

2.4 Dividends

On behalf of the Board of Directors I am delighted to announce the declaration of a 1.5% dividend for which we have set aside a sum of £64,000, to facilitate this. We have also included £4830 towards Junior Savers interest; this represents a 5% return on their savings.

2.5 Capital and Liquidity Ratio

As at September our capital stood at 9.76% with a liquidity ratio of 41.34%. Both are above the ratios required to conform to the FSA regulations.

2.6 Vote of thanks

I would like to thank our members for their continued support and loyalty throughout the year and of course to our dedicated staff and volunteers and Officers who helped to achieve yet another successful year of trading.

Louis R McLeod OBE

Director / Treasurer

SOUTHWARK CREDIT UNION LIMITED
ANNUAL GENERAL MEETING, 05th February 2010.

Supervisory Committee Report

During the financial year the Credit Union has been extremely hard-working. The Directors and staff of the Credit Union have been diligent in the quality of the services offered to the members.

Since joining the Supervisory Committee in July 2009 I am pleased to be part of a professional and committed group of volunteers ensuring continuity and compliance of the rules of governance as set by ABCUL the credit union governing body and the FSA, in a year that has been particularly difficult for the financial sector.

In accordance with the duties of the Supervisory Committee the quarterly returns have been examined and completed in a timely fashion throughout the year.

The Board of Directors invites a member of the supervisory committee to attend each Board Meeting and I have been attending these meetings on a regular basis.

I am pleased to report there have been no complaints to the Supervisory Committee requiring investigation.

The Board of Directors together with the Supervisory Committee is committed to the expansion and development of the Southwark Credit Union for the benefit of our members and stakeholders.

Millicent Myrie

Chair of the Supervisory Committee

Auditor's report1

Auditors report 2

Auditors report 3

Auditors report 4

Auditors report 5

Auditors report 6

Auditors report 7
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Auditors report 8

Auditors report 9

Item 12

The motions to the Southwark Credit Union Limited AGM on the 5th February 2010

1) Extension to the Common Bond:

This Annual General Meeting agrees, subject to approval from the Regulator, to register a complete amendment to rules that will incorporate a new 'appropriate membership qualification' which will read as:

The qualification for admission to membership of the credit union shall be those residing in, or being employed in the London Boroughs of Southwark and Lambeth as delineated on the attached map in black so that in consequence thereof, there shall be a common bond between all the members.

2) Change of Credit Union name:

This Annual General Meeting agrees, subject to approval from the Regulator, to register a change of name from Southwark Credit Union Limited to London Mutual Credit Union Limited.

For Notes

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