

CO-OPERATIVE & COMMUNITY FINANCE

the lender for social purpose

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ANNUAL REVIEW 2011

About Co-operative & Community Finance



Co-operative & Community Finance provides sympathetic loan finance to help people take control of their economic lives and create social benefit.

We exclusively serve the co-operative and social enterprise sector, and for almost 40 years we have supported hundreds of businesses ranging from small community-run enterprises to large award-winning organisations. We have helped to create and preserve thousands of jobs within the social economy and supported the set up of many new and innovative co-operatives, employee buyouts and community enterprises.

Our rates are competitive, unlike many other lenders we don't require personal guarantees, and our profits are reinvested to enable us to continue our work.

We currently have over £4m of our own capital to lend, available to those that practise or support the principles of co-operation, social ownership and sustainable development. We also manage a number of other loan funds on behalf of other lenders.

When finance is needed to set-up a new venture, expand an existing one, turn a conventional business into a social one or a private business into an employee-owned business, we can help turn dreams into reality.

We can also replace existing finance packages. All our borrowers have the assurance that comes from receiving support from an organisation that is democratically owned and controlled by its borrower and investor members.

As well as providing sympathetic finance, we offer free business support to our borrowers throughout the terms of their loans.

We welcome the opportunity to discuss business proposals and answer enquiries, so for an informal discussion about how we may be able to help your enterprise succeed, contact us using the details given on the back page of this report.

Our structure

Co-operative & Community Finance is the trading name of ICOF Ltd which has two subsidiary companies, ICOF Guarantee Company Ltd and Industrial Common Ownership Fund plc (ICO Fund plc).

ICOF Community Capital Ltd (Community Capital) and Community Shares ICOF Ltd (CSI), which was set up in January 2012, are free standing industrial and provident societies for the benefit of the community. ICOF acts as fund manager for these societies. See diagram below.

Membership of ICOF Ltd is open to any individual or organisation who supports our aims and who pays a one-off membership fee (currently £30). All our borrowers automatically become members.

Membership of Community Capital is open to individuals or organisations who have bought shares in the society. The minimum investment is currently £250. Membership of CSI is open to organisations who have bought shares in the society. However, at present CSI is not seeking any further investment.

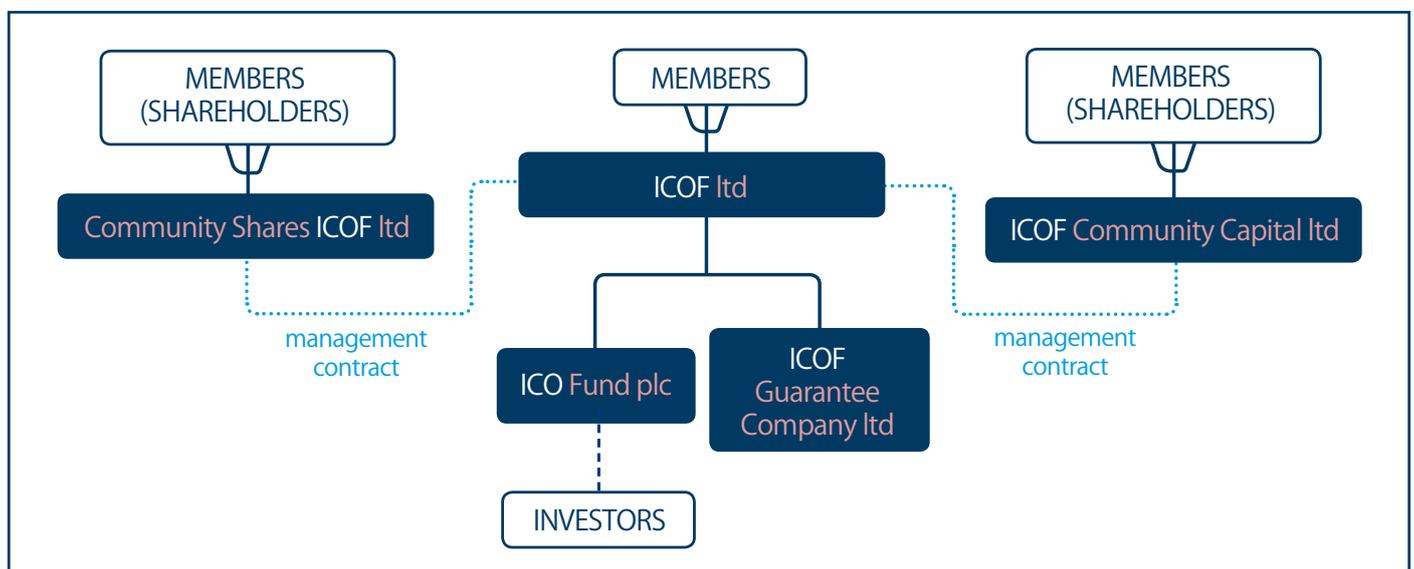
Our staff

Alain Demontoux, Operations and FSA Compliance Manager

Ian Rothwell, Development Manager

Mike Smyth, Financial Administrator

Ian Taylor, Investment Manager



Chair's report on behalf of the Trustees



I am pleased to present my first annual report as Chair of Co-operative & Community Finance. This is the 39th Annual Report and is directed at the members of ICOF and the co-operative shareholders of ICO Fund plc.

I felt very honoured to be elected by the Trustees as Chair and my thanks go to Guy Turnbull who, in his two years as Chair, steered Co-operative & Community Finance through the choppy waters of the current economic climate. Although the economy shows little sign of improving we continue to increase our lending and as a consequence provide the access to finance for co-operatives and mutuals that many other sectors do not have.

Group lending for the year totaled £619,000. This represented a striking increase on last year of £282,000 (82%). This was one of our busiest years in terms of lending since the company began in 1973. As mainstream banks continued to withdraw from the commercial lending market the need for working capital increased translating into a considerable rise in demand for our services.

Turnover for the year grew by 8% to £232,740. This reflected a 12% increase in loan interest as average rates improved along with the volume of lending. The results were also helped by a 23% uplift in bank interest as the ethical investment of cash balances were further diversified. Once again administrative expenses performed well falling 18% and were at their lowest for 10 years reflecting continued tight control of operating costs.

The Group made an operational surplus of £35,859, an improvement on 2010 of 275%. This was reduced to a trading loss of £33,182 loss before tax once provisions for loan losses were taken in to account.

Conditions remain incredibly tough for all businesses in the continued and drawn out recession. Co-operative and mutual structures have shown themselves to be more resilient than most.

Our loan services remain critical to help organisations through these tough times.

The Co-operative Loan Fund

In 2011 The Co-operative Loan Fund lent £325,000 to 10 co-operative enterprises.

Co-operative and Community Finance continued to manage the Fund that has representation on its board from the Co-operative Group, Midcounties Co-operative Society,

East of England Co-operative Society, Chelmsford Star Society and Co-operative Financial Services. The Co-operative Group and Chelmsford Star donated further lending resources to the Fund in 2011 that continued to promote lending to sound co-operative enterprises.

The London Development Agency Funding for Growth Fund Social Enterprise Loan Fund

Co-operative and Community Finance, in partnership with London Rebuilding Society continued to manage this £1.8 million fund.

Back Office

Co-operative and Community Finance continued to provide back-office services for Big Issue Invest and Radical Routes.

And finally...

I would like to thank Russell Gill of the Co-operative Group who stepped down as a co-opted trustee this year. I would also like to thank Giles Simon and Britta Werner, who represented the nominated bodies of Co-operatives UK and the Worker Co-operative Council and welcome their replacements, John Atherton and Sion Whellens.

I would also like to take this opportunity to express my thanks for the work of both the staff team and my fellow Trustees.

Jo White

Report of the ICO Fund plc Shareholders' Representative



The ICO Fund plc was launched in 1987 as a subsidiary of ICOF Ltd with the specific purpose of raising capital by public share issue. There was a clear identifiable need for a fund to help support and develop worker co-operatives and employee buyouts across the UK. This was a successful and pioneering approach to ethical investment. It enabled those who were concerned for their local communities to get involved.

The shares offered were 10 year redeemable preference shares and the success was repeated again in 1997 as the fund grew to over £1.1 million and again in 2007 when over £1.3 million was raised. Since inception the fund has lent almost £4 million to over 100 democratically owned and controlled businesses. 2011 proved a challenging year as the economic crisis continues. Despite this, £107,000 of loans were made from the fund.

Some notable examples of lending this year were R-Eco whose head office is on the site of Cornwall's last tin mine in Mount Wellington. They install ground and roof mounted solar photovoltaic systems for domestic, commercial and community clients.

Also of note were Ecosulis, an environmental and ecological consultancy based near Bath. Ecosulis offer all elements of ecological survey and assessment.

This is all made possible by our past and present investors. On behalf of ICO Fund plc I would like to thank everyone for their continued support and for participating in the success of the fund particularly in these difficult economic times.

**Andy Love MP,
Shareholders' Representative, ICO Fund plc**

Shareholders' Representative

Andy Love was re-elected as the representative by shareholders on 29 June 2011. In accordance with the Articles of Association, he retires under article 32b and ICO Fund plc Article 6 (3). He offers himself for re-election in 2012.



We helped the Renewable Energy Co-operative in Cornwall to scale up and take on larger contracts including the installation of solar photovoltaic systems at a major redevelopment of a former tin mining site into a £35m cultural and community centre.



Oxford Wood Recycling collects waste wood, timber and pallets from building sites, businesses and colleges and sells it for reuse as DIY timber or as fire wood. The social enterprise provides training and work opportunities for disadvantaged people. We provided a loan to buy new equipment.



Loans from ICOF and the Co-operative Loan Fund financed the building of a new business centre for co-operatives and social enterprises in Sunderland made from recycled shipping containers.

Co-operative & Community Finance Trustees



The Twist Partnership

Trustees' Report

The Trustees present their report and financial statements for the year ended 31 December 2011.

Trustees

John Atherton, Co-operatives UK
Tim Blanc, Co-opportunity & Essential Trading Limited
George Conchie, Co-operative Consultant
David Hollings, CMS Co-operative
Andy Love MP, ICO Fund plc Shareholders' Elected Representative
Jon McColl, Hackney Community Transport
Brian Titley, Co-operative Assistance Network
Guy Turnbull, Care & Share Associates Limited
Jo White, Co-operative Futures
Bruce Wood, London Rebuilding Society
Sion Wellens, Calverts

Principal activities

The Group's principal activity during the year continued to be providing loans to common ownership companies and co-operatives and also to be a vehicle for channeling loans from public funds to such enterprises.

Trustees

None of the Trustees had any significant interest in the share capital of the company during the year.

Elected Trustees

George Conchie (elected 26.06.09)
Tim Blanc (elected 25.06.11)
Dave Hollings (elected 26.06.09)
Jon McColl (elected 30.06.10)
Brian Titley (elected 25.06.11)
Guy Turnbull (elected 25.06.11)
Jo White (elected 30.06.10)
Bruce Wood (elected 30.06.10)

In accordance with the Articles of Association: George Conchie, Dave Hollings and Jon McColl retire by rotation under Article 34. Under Article 32a as revised by adopted resolution at the 2003 AGM the Board of Trustees should be: not more than nine persons elected by and from the membership at the Annual General Meeting, at least three of whom must be members of common ownership or co-operative enterprises which are members of the Company; therefore there are four elected vacancies.

Nominated Bodies

Sion Wellens, Co-operatives UK – Worker Co-operative Council (nominated 22/02/12)

John Atherton, Co-operatives UK (nominated 14/10/2011)

In accordance with the Articles of Association: the above retire under Article 35. The nominated body will be asked to provide support for a further year.

Co-opted Trustees

Russell Gill (retired 29/06/11). There were no further co-opted Trustees during 2011

Statement of Trustees' Responsibilities

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

Trustees are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company and group at the end of the financial year and of the profit or loss of the company and group for the period ending on that date. In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently.
- make judgments 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 accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements accounts comply with the Companies Act 2006. They have general responsibility for taking such steps that are reasonably open to them to safeguard assets of the company and group and to detect fraud and other irregularities.

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

ICOF Group

Summary Profit & Loss Account and Balance Sheet



Group Summary Profit and Loss Account for the year ended 31 December

	2011	2010
	£	£
Turnover	267,638	241,899
Administrative expenses	(231,779)	(262,284)
Operating profit/(loss)	<u>35,859</u>	<u>(20,385)</u>
Provisions for loan losses	(69,041)	(102,321)
Loss on ordinary activities before taxation	<u>(33,182)</u>	<u>(122,706)</u>
Tax on profit on ordinary activities	nil	nil
Loss for the financial year	<u><u>(33,182)</u></u>	<u><u>(122,706)</u></u>

Group Summary Balance Sheet as at 31 December

	2011	2010
	£	£
Fixed assets		
Tangible assets	4,048	4,625
Investments	177,862	137,530
	<u>181,910</u>	<u>142,155</u>
Current assets		
Debtors under one year	213,125	210,945
Debtors over one year	1,191,250	970,312
Cash at bank and in hand	3,127,493	2,397,976
	<u>4,531,868</u>	<u>3,579,233</u>
Creditors: amounts falling due within one year	<u>(1,625,740)</u>	<u>(591,468)</u>
Net current assets	<u>2,096,128</u>	<u>2,987,765</u>
Total assets less current liabilities	3,088,038	3,129,920
Creditors: amounts falling due after more than one year	<u>(1,759,934)</u>	<u>(1,768,634)</u>
Net assets	<u><u>1,328,104</u></u>	<u><u>1,361,286</u></u>
Capital and reserves		
Other reserves	657,851	657,851
Profit and loss account	670,253	703,435
Equity shareholders funds	<u><u>1,328,104</u></u>	<u><u>1,361,286</u></u>

The financial information presented in this report has been taken from the audited financial statements for the year ended 31 December 2011. It does not constitute the company/group's statutory accounts for the year ended 31 December 2011, or 31 December 2010. If you would like a copy of the audited Directors' Report and Financial Statements for the year ended 31 December 2011 they are available from Co-operative & Community Finance, Brunswick Court, Brunswick Square, Bristol BS2 8PE.

ICO Fund plc

Summary Profit & Loss Account and Balance Sheet



ICOF Fund plc Summary Profit and Loss Account for the year ended 31 December

	2011	2010
	£	£
Turnover	26,890	46,131
Administrative expenses	(27,573)	(33,779)
Interest receivable	4,132	2,016
Operating profit	8,449	14,368
Provisions for loan losses	(32,970)	(15,180)
Loss on ordinary activities before taxation	(29,521)	(812)
Tax on profit on ordinary activities	nil	nil
Loss for the financial year	(29,521)	(812)

ICOF Fund plc Summary Balance Sheet as at 31 December

	2011	2010
	£	£
Fixed assets		
Investments	40,250	20,250
Current assets		
Debtors	296,408	404,409
Cash at bank and in hand	971,130	919,652
	1,267,538	1,324,061
Creditors: amounts falling due within one year	(23,591)	(23,493)
Net current assets	1,243,947	1,300,568
Total assets less current liabilities	1,284,197	1,320,818
Creditors: amounts falling due after more than one year	(1,284,034)	(1,291,134)
Net assets	163	29,648
Capital and reserves		
Called up share capital	100	100
Profit and loss account	63	29,584
Shareholders funds	163	29,648

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Registered Office

Brunswick Court, Brunswick Square
Bristol BS2 8PE
tel 0117 916 6750
fax 0117 916 6751
email: info@coopfinance.coop

Wales Office

Llandyfan House, Llandyfan
Carmarthenshire SA18 2TU
tel 01269 851 211
email: iant@coopfinance.coop

Southampton Office

19 Dover Street, Southampton SO14 6GG
tel/fax 023 8023 1123
email: ianr@coopfinance.coop

For more information or to make an online loan application, please visit our website

www.coopfinance.coop

Co-operative & Community Finance is the trading name of Industrial Common Ownership Finance Limited, which is authorised and regulated by the FSA in the conduct of investment business.

Industrial Common Ownership Finance Limited Company No. 1109141, Registered in England and Wales
Industrial Common Ownership Fund plc Company No. 2137647
ICOF Guarantee Company Limited Company No. 2904326
ICOF Community Capital Limited Society No. 27915R

This report has been designed and printed by worker co-operatives Alpha Communication and Upstream.
It is available in large print format on request.

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