

CO-OPERATIVE & COMMUNITY FINANCE

ICOF COMMUNITY CAPITAL LIMITED



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ANNUAL REVIEW 2010

About ICOF Community Capital Limited

ICOF Community Capital Limited (ICC) was established as an industrial and provident society in 1994 by Co-operative & Community Finance - the lender for social purpose.

It is an investment society offering individuals and organisations withdrawable membership shares, and its capital is used to provide loan finance to a wide range of community businesses, local enterprise development companies, social enterprises and co-operatives.

ICC invests in social businesses that are viable and operate in a commercially effective manner. It is managed by Co-operative & Community Finance which recognises that the level of profitability of such enterprises may be constrained by the achievement of social or environmental goals and its investors share this recognition. It offers an ethical investment opportunity with a priority for people rather than profit.

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.

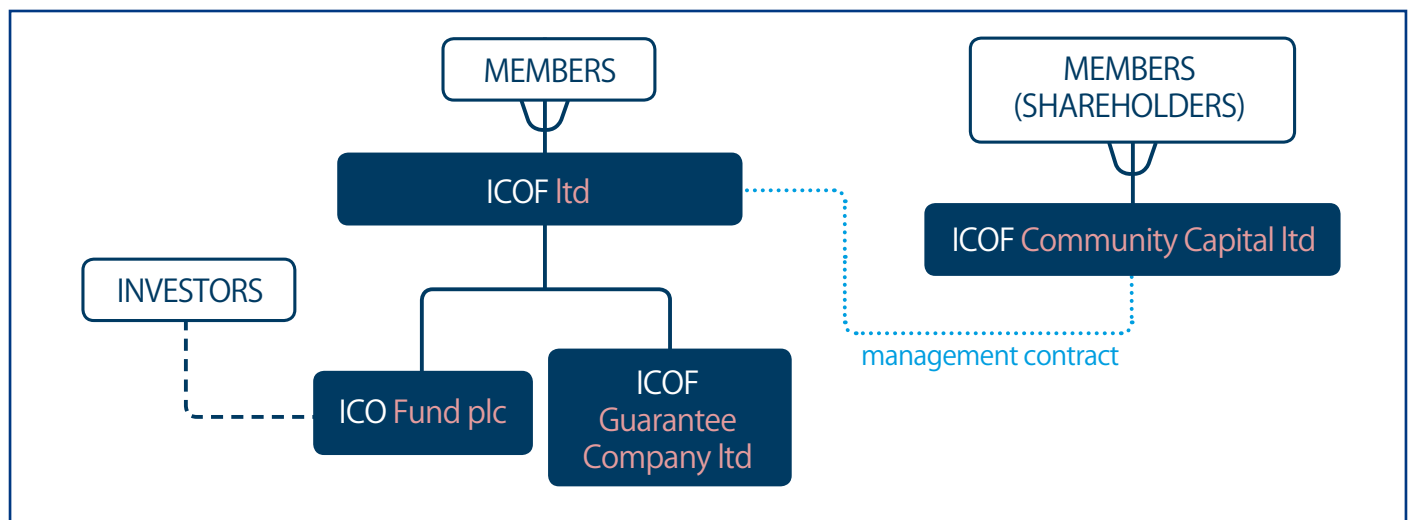
We exclusively serve the co-operative and social enterprise sector, and for almost 40 years we have supported hundreds of businesses ranging from small community-run enterprises to large award-winning organisations. Through the provision of accessible finance we have helped to create and preserve thousands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

Our structure

Co-operative & Community Finance is the trading name of a family of businesses which has two primary membership organisations (see diagram below):

Industrial Common Ownership Finance Limited (ICOF), which has two subsidiary companies; ICOF Guarantee Company Limited and Industrial Common Ownership Fund plc (ICO Fund plc) – together these form the ICOF Group.

ICOF Community Capital Limited (ICC), a free standing Society for the Benefit of the Community for which ICOF acts as fund manager.



Chair's report on behalf of the Directors



I am pleased to offer my second annual report as Chair of ICC, covering the financial and calendar year 2010. This 17th annual report is directed at the members of ICC.

Lending

ICC is still operating in a challenging environment. Interest rates remain at a historic low. Although technically out of recession, the 'spectre' of the budget deficit is omnipresent and has the potential to create difficult trading times for many of our borrowers. Despite this, loans released in 2010 amounted to £185,000, an increase of 37% on 2009, bringing total lending since 1994 to over £2.5m.

Village CORE Programme

Further to the extension of the Village CORE programme in 2009 rural communities continued to benefit from its support.

The programme was initially launched in 2006 in partnership with the Plunkett Foundation and the Esmee Fairbairn Foundation. It was scheduled to end in 2009 but was extended for a further three years. By August 2010 loans under the scheme had passed the £1m mark to over 70 community-owned shops.

The success of our partnership with the Plunkett and Esmee Foundations in developing village shop methodology has not only resulted in increased lending to a new market, but communities retaining valuable services. With partners we are looking to replicate its success to support the retention of other community assets such as pubs.

A diverse loan portfolio

With a remit to lend in a wider market than just workers co-operatives, ICC continues to develop a diverse loan portfolio. A notable example this year is that of East Lancashire Deaf Society which has been providing services to the deaf since 1884 and is the only major support organisation for the deaf in the area. The organisation aims towards real independence for deaf people in East Lancashire.

What is difficult is worth doing...

Although low interest rates and poor economic performance has proved heavy going for ICC, we continue to provide an incredibly valuable resource to co-operative enterprise, as co-operatives develop 'where needed' - **what is difficult is worth doing, and we will continue doing more of it.** Indeed, for ICC to improve profitability it must:

- Continue to make good lending decisions to strong co-operative enterprises
- Given continued low interest rates, lend more, and invest wisely, but ethically
- Allow for the impact of our 'interest collars' to flow through
- Continue to innovate and develop new lending and investment products with partners in specific sectors of the economy
- Actively explore further back-office functions
- Keep close control of our costs.

The above list is the outline business strategy generated and followed by directors and the staff team during the past year. At a time of increased policy interest in mutuals, and no doubt a continued array of initiatives to 'mutualise' various bits of our society, it is important that ICC keeps a clear focus on its commercial objectives and its social principles – that task is made possible by the energy, commitment and robust management information delivered by a talented staff team.

The strategy is working.

And finally

I would like to thank Sarah Kleuter of the Co-operative Group who stepped down as a co-opted trustee this year. I would also like to welcome her replacement, Russell Gill, Head of Membership for the Group.

Dr Guy Turnbull, ICC Chair

ICOF Community Capital Limited Directors

Elected directors

Tim Blanc, Co-opportunity & Essential Trading

George Conchie, Co-operative Consultant

David Hollings, CMS Co-operative

Jon McColl, Hackney Community Transport

Brian Titley, Co-operative Assistance Network

Guy Turnbull, Economic Partnerships

Jo White, Co-operative Futures

Bruce Wood, London Rebuilding Society

In accordance with the Rules of ICOF Community Capital Limited it is necessary for one third of the elected directors, or if their number is not divisible by three, the number nearest one third, to retire from office. Therefore Tim Blanc, Brian Titley and Guy Turnbull retire by rotation, which leaves up to six vacancies

Under the Rules adopted at the 2003 AGM Rule 53 states:

1. The composition of the board of directors shall be as follows:
 - (a) up to 11 persons elected by and from the membership; and
 - (b) up to four persons appointed by Industrial Common Ownership Finance Limited (or such body as may succeed to its functions);

provided that at no time shall the number of appointed directors exceed the number of elected directors.

ICOF Limited nominated directors

Russell Gill, The Co-operative Group

Giles Simon, Co-operatives UK

Britta Werner, Unicorn Grocery

Staff

ICC has no staff. Loan fund management is undertaken by contractual agreement with ICOF.

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2010.

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. Industrial and provident society law requires the directors to prepare financial statements for each financial year.

The society's financial statements are required by law to present fairly the financial position and the performance of the society. In preparing those financial statements directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the society will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position and performance of the society and enable them to ensure the financial statements comply with the Industrial and Provident Societies Acts. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Principal activity

The principal activity of the society is to provide loans to social economy businesses.

Borrower Profiles

Point Europa

Point Europa is a training and education charity providing a range of services including international youth projects, community support and childcare, operating in the Rame Peninsula in south east Cornwall.

The loan from Co-operative & Community Finance helped to support Point Europa's newest venture, the Rame Business Centre, which provides advice and business support, as well office services for local businesses, such as phone answering, book keeping and training. It has given the remote Cornish community better access to professional services by offering a one-stop shop for business needs.

Point Europa's manager said, "Co-operative & Community Finance did what banks wouldn't - they looked at what we were doing as a business, and saw how the business centre will benefit as a community organisation, rather than merely looking at our potential profit margins.

"In our village there is a population of about 900, and this is what Rame Business Centre addresses: rural isolation and the ability to link services to each other. Everybody we work with is local."



Community-owned shops

In August 2010 we were very proud to announce that we had reached the milestone of £1m lent to community-owned shops (from our funds and the Co-operative Loan Fund).



A recent example and success story of a community shop we helped is Market Overton, which is a small village in Leicestershire with a population of around 500. In only four months following the December 2009 announcement of the closure of the old shop that had served the village for over 20 years, the residents succeeded in opening a new community-owned shop.

The villagers raised their own funds and took a loan from us as part of the Village CORE Programme. This scheme provides a package of specialist advice and finance to villages looking to set up a community-owned shop. In addition to free advice and a grant, the loan we offer will match the money raised from the community up to £20,000.

One of the first users of the Village CORE programme was Radley Village Shop located on the outskirts of Oxford. Following the closure of the general store in 2005, the community banded together in raising their own funds and took a loan from us two years later. We are pleased to report that this year Radley Village Shop has repaid their original loan and has taken out a new, larger loan to facilitate the purchase of the premises; a testament to the success of the community-ownership model.

Profit and Loss Account

ICOF Community Capital Limited Summary Profit and Loss Account for the year ended 31 December

	2010	2009
	£	£
Turnover	33,189	33,263
Administrative expenses	(33,475)	(67,905)
Other operating income	500	10,000
Operating profit/(loss)	<u>214</u>	<u>(26,642)</u>
Interest receivable	560	862
Interest payable and similar charges	(485)	(607)
Profit/(loss) on ordinary activities before taxation	<u>289</u>	<u>(24,387)</u>
Tax on profit on ordinary activities	nil	5,706
Profit/(loss) for the financial year	<u>289</u>	<u>(18,681)</u>

The financial information presented in this report has been taken from the audited financial statements for the year ended 31 December 2010. It does not constitute the society's statutory accounts for the year ended 31 December 2010, or 31 December 2009. If you would like a copy of the audited Directors' Report and Financial Statements for the year ended 31 December 2010 they are available from Co-operative & Community Finance, Brunswick Court, Brunswick Square, Bristol BS2 8PE.

Balance Sheet

ICOF Community Capital Limited Summary Balance Sheet as at 31 December

	2010	2009
	£	£
Fixed assets		
Investments	117,000	97,000
Current assets		
Debtors	485,142	517,791
Cash at bank and in hand	235,804	225,052
	<u>720,946</u>	<u>742,843</u>
Creditors: amounts falling due within one year	<u>(6,748)</u>	<u>(4,789)</u>
Net current assets	714,198	738,045
Total assets less current liabilities	813,198	835,045
Creditors: amounts falling due after more than one year	<u>(97,000)</u>	<u>(97,000)</u>
Net assets	<u>734,198</u>	<u>738,045</u>
Funding and reserves		
Funding	751,191	755,327
Profit and loss account	(16,993)	(17,282)
	<u>734,198</u>	<u>738,045</u>
Equity shareholders' funds	<u>734,198</u>	<u>738,045</u>

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ICOF COMMUNITY CAPITAL LIMITED

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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 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.