

CO-OPERATIVE & COMMUNITY FINANCE

ICOF COMMUNITY CAPITAL LIMITED

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ANNUAL REVIEW 2011

About ICOF Community Capital Limited

ICOF Community Capital Ltd (Community Capital) 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.

Community Capital 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.

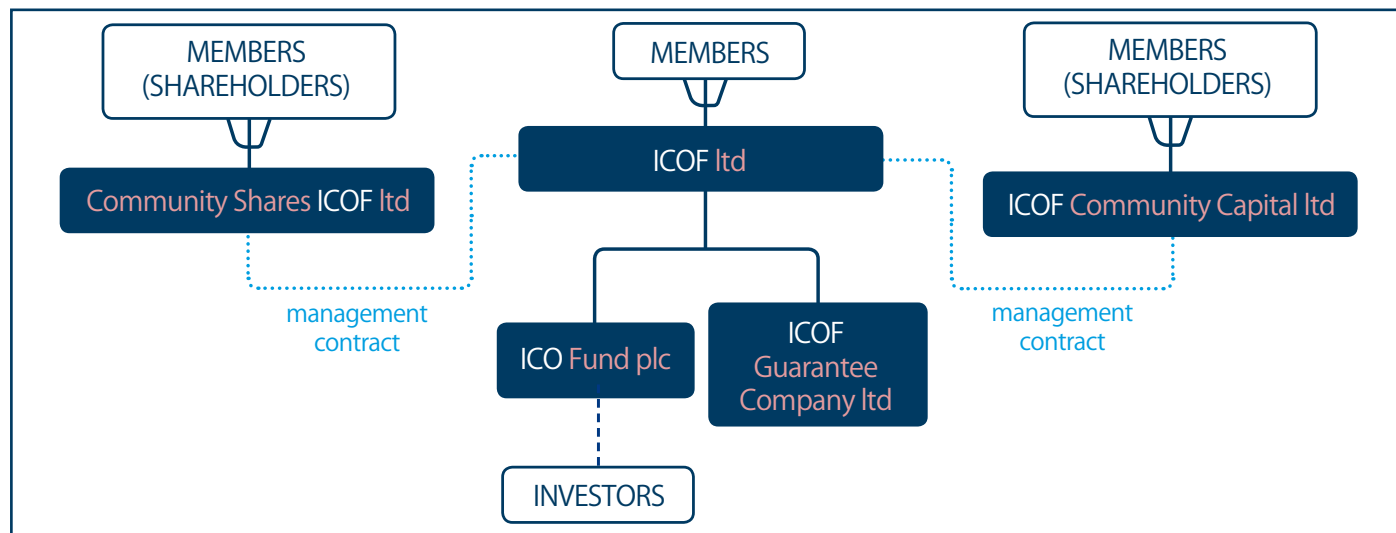
We exclusively serve the co-operative and social enterprise sector, and for almost 40 years we have supported hundreds of businesses ranging from small community-run enterprises to large award-winning organisations. We have helped to create and preserve thousands of jobs within the social economy and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

Our structure

ICOF Community Capital Ltd is a free standing industrial and provident societies for the benefit of the community for which ICOF acts as fund manager.

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 also acts as fund manager for a new industrial and provident society, Community Shares ICOF Ltd, which was set up in January 2012.



Chair's report on behalf of the Directors



I am pleased to present my first annual report as Chair of ICC, covering the financial and calendar year 2011. This 18th Annual Report is directed at the members of ICC.

A solid performance

ICC is still operating in a challenging environment. Interest rates remain at a historic low. Despite this lending in 2011 amounted to £140,000, representing 19% of the fund with loan balances now standing at £465,000.

Turnover for the year grew by 4% to £34,563. This was reflected by a 6% increase in loan interest income and as average rates improved. The results were further helped by 55% uplift in bank interest as the ethical investment of cash balances was further diversified. Once again administrative expenses performed well falling by 6% reflecting continued tight control of operating costs.

As a consequence the Society made an operational surplus of £4,377, a significant improvement on 2010. After a corporation tax liability of £734 the Society made a profit for the financial year of £3,643.

Village CORE Programme

Further to the extension of 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 Fairburn Foundation. It was scheduled to end in 2009 but was extended for a further three years. By the end of 2011 over £1.5 million had been lent to over 100 community owned shops.

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 Radley Village Shop who originally applied and were successful under the Village Core programme but returned to ICC for help with the purchase of new premises as the business expanded.

Another example was Phoenix Housing Co-operative in London who provide homes for single people on low incomes who are homeless or at risk of homelessness.

Looking forward....

Not surprisingly, the economic climate continues to dominate our thoughts at ICC. Despite this challenging environment those organisations that we have lent to are showing considerable resilience, a fact for which we are very grateful. We will continue to search out new markets that can benefit from our services and carry on delivering the quality service that our borrowers have come to expect.

And finally

I would like to thank Russell Gill of the Co-operative Group who stepped down as a nominated director 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 to the staff team and my fellow trustees. In particular, my thanks go to Guy Turnbull, who has been the Chair for the last two years.

A handwritten signature in black ink that reads "White".

Jo White, 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 George Conchie, Dave Hollings and Jon McColl 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

John Atherton, Co-operatives UK

Sion Wellens, Calverts

Staff

The Society has no staff. Loan Fund management is undertaken by contractual agreement with ICOF Limited.

Directors' report

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

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 societies 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 appropriate to presume that the company 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 company is to provide loans to social economy businesses.

Borrower Profiles

Radley Village Shop Association

In 2011 we made the largest loan ever from Community Capital to help Radley Village Shop Association purchase the premises it had been using for the last four years.

The people of Radley, near Oxford, set up the community-owned shop after the last store in the village closed in 2006. It was one of the first to benefit from the Village Core programme which supported the creation of community-owned shops with a combination of advice and finance. Co-operative & Community Finance provided a loan in 2007 to match the investment raised by the 170 members of the association.

The shop has been so successful that it managed to repay the loan in three years (instead of the five years offered). The 500 ft² shop sells everything you would expect from a general store and a lot more including fresh bakery goods, meat, local fruit and vegetables and hand-made soups. It's open seven days a week staffed by a large pool of volunteers and one full-time manager. Over 60 volunteers help to run the shop in various ways.

The shop occupies the ground floor of a small block of flats built in 2006. The freehold of the new development is owned by the parish council. Before the shop opened the members of the association were understandably cautious about making a long-term financial commitment but now, with help from Community Capital, they've taken on a 999 year lease



Phoenix Community Housing Co-operative

Loans from Community Capital and the Co-operative Loan Fund helped Phoenix Community Housing Co-operative to refurbish nine flats in Tower Hamlets. In return the housing association that owns the property has given Phoenix a seven-year lease on the flats and a reduced licence fee.

The flats had been empty for nearly 10 years and required a complete refit including new kitchens, bathrooms, damp proofing and heating systems. The work was done by volunteers from the co-operative and external trainees who were seeking to develop their professional skills and experience.

Phoenix, which was set up in 1980, provides low cost rental accommodation to about 300 people in Hackney and Tower Hamlets. Most of the accommodation is in properties awaiting redevelopment but Phoenix also owns 16 permanent properties.

Phoenix is a fully mutual housing co-operative which means that every tenant is a member and major decisions are made on the basis of one member, one vote. The day-to-day running of the co-operative is undertaken by four employees who report to a voluntary management committee. Phoenix encourages tenants to be active members and get involved in the co-operative.

Profit and Loss Account

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

	2011	2010
	£	£
Turnover	34,563	33,189
Administrative expenses	(31,499)	(33,475)
Other operating income	nil	500
Operating profit	<u>3,064</u>	<u>214</u>
Interest receivable	1,798	560
Interest payable and similar charges	(485)	(485)
Profit on ordinary activities before taxation	<u>4,377</u>	<u>289</u>
Tax on profit on ordinary activities	(734)	nil
Profit for the financial year	<u><u>3,643</u></u>	<u><u>289</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 society'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.

Balance Sheet

ICOF Community Capital Limited Summary Balance Sheet as at 31 December

	2011	2010
	£	£
Fixed assets		
Investments	137,000	117,000
Current assets		
Debtors	465,875	485,142
Cash at bank and in hand	236,599	235,804
	<u>702,474</u>	<u>720,946</u>
Creditors: amounts falling due within one year	(7,588)	(6,748)
Net current assets	<u>694,886</u>	<u>714,198</u>
Total assets less current liabilities	831,886	831,198
Creditors: amounts falling due after more than one year	(97,000)	(97,000)
Net assets	<u><u>734,886</u></u>	<u><u>734,198</u></u>
Funding and reserves		
Funding	748,236	751,191
Profit and loss account	(13,350)	(16,993)
Equity shareholders funds	<u><u>734,886</u></u>	<u><u>734,198</u></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

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