



**CO-OPERATIVE &
COMMUNITY FINANCE**
supportive lending since 1973

ANNUAL REVIEW 2013

Providing supportive lending

Co-operative & Community Finance provides supportive lending 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 over 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 enterprise sector 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 loan funds on behalf of other lenders.



Loans from Co-operative & Community Finance and the Co-operative Loan Fund were used to transfer of Denton West End Library to community ownership

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 finance, we offer free business support to our borrowers throughout the terms of their loans.



Point Europa has installed a new pontoon for the fishermen's association in the Rame peninsular in Cornwall

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.

This annual review includes three separate summary financial statements in one document, as follows:

ICOF Group	pages 4-5
ICO Fund plc	pages 6-7
ICOF Community Capital Ltd	pages 8-9

Information about the Trustees and Directors of the different organisations can be found on pages 10-11.

Our staff



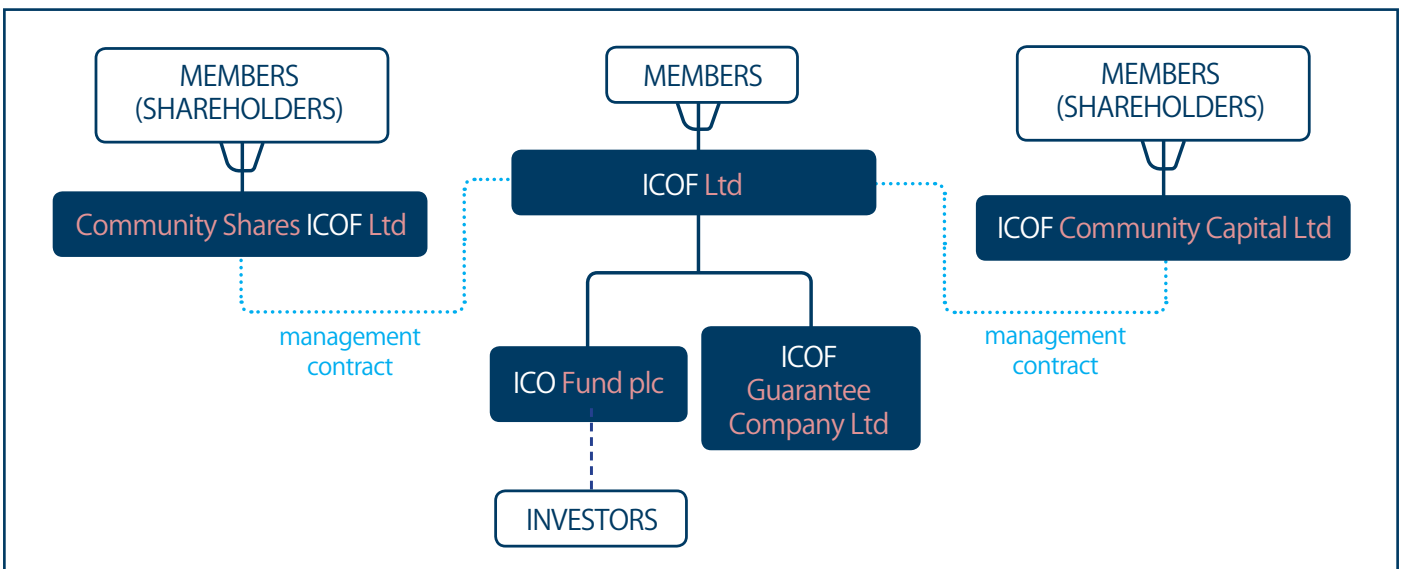
Our structure

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 community benefit societies. ICOF acts as fund manager for these societies. See diagram below.

Membership of ICOF Ltd is open to any individual or organisation that 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 that have bought shares in the society. The minimum investment is currently £250. Membership of CSI is open to organisations that have bought shares in the society.





I am pleased to present my third annual report as Chair of ICOF Group. This is the 41st Annual Report and is directed at the members of ICOF and the co-operative shareholders of ICO Fund plc.

During 2013 ICOF continued to meet its stated constitutional objectives of lending to co-operatives, employee owned businesses, social firms, social enterprises and development

trusts throughout mainland UK, and thereby enabling people to take more control of their own economic lives.

2013 was the 40th anniversary of ICOF and we began the celebrations with a launch at Future Co-operatives Conference 2013. During the year we looked back at our lending, highlighting a different borrower for each of the years since 1973. In October we held an anniversary dinner in the Houses of Parliament hosted by Andy Love MP and attended by Trustees past and present.

The celebrations continued at the end of the year with group lending for 2013 totaling £628,000, an increase on the previous year of 76%. In fact, 2013 turned out to be the second best lending year ever in terms of the group. These results were buoyed by increased lending across the various co-operative sectors including housing, employee ownership and community-owned businesses.

Turnover for the year fell by 4% to £231,005 although income from loan interest began to climb, reflecting the busy lending year. Bank interest income continued to be under pressure as base rates remained stubbornly low and our cash position changed as a result of the healthy lending results.

While administrative expenses rose by 11% this was budgeted expenditure including increased marketing relating to our 40th celebrations and an upgrade of our loan management information systems. Overall the group made a loss for the year of £2,219.

For the second year running the group had no lending losses, demonstrating the strength of the loan book.

Though some commentators talk of the economy turning a corner conditions remain incredibly tough for all businesses.

Co-operative and mutual structures have shown themselves to be more resilient than most, borne out by the fact that the group has experienced no lending losses for the past two years.

The Co-operative Loan Fund

2013 was one of the best years ever for the Fund in terms of lending. The Co-operative Loan Fund lent £335,000 to 10 co-operative enterprises. Co-operative & 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 Community Shares Fund

This Fund was set up in 2012 by Co-operative & Community Finance with funds from The Co-operative Enterprise Hub, specifically to support community-owned enterprises seeking to raise investment through a community share issue. In 2013 we supported three community share issues, investing £83,000.

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

For the last 10 years Co-operative & Community Finance, in partnership with London Rebuilding Society, has managed this £1.8 million fund.

Back Office

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

And finally ...

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

We look forward to a busy 2014 providing finance to the co-operative and community sectors.

Jo White
Chair of ICOF Group

ICOF Group

Summary Profit & Loss Account and Balance Sheet

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

	2013	2012
	£	£
Turnover	260,860	279,582
Administrative expenses	(266,396)	(245,920)
Operating profit	(5,536)	33,662
Provisions for loan losses written back	1,253	(200)
Bad debts written back	2,064	(243)
(Loss)/profit on ordinary activities before taxation	(2,219)	33,219
Tax on (loss)/profit on ordinary activities	nil	nil
(Loss)/profit for the financial year	(2,219)	33,219

Group Summary Balance Sheet as at 31 December

	2013	2012
	£	£
Fixed assets		
Tangible assets	9,113	3,796
Investments	180,052	179,008
	189,165	182,804
Current assets		
Debtors under one year	329,648	175,707
Debtors over one year	1,269,388	1,132,791
Cash at bank and in hand	1,771,973	3,036,466
	3,371,009	4,344,964
Creditors: amounts falling due within one year	(1,071,987)	(2,027,011)
Net current assets	2,299,022	2,317,953
Total assets less current liabilities	2,488,187	2,500,757
Creditors: amounts falling due after more than one year	(1,129,083)	(1,139,434)
Net assets	1,359,104	1,361,323
Capital and reserves		
Other reserves	436,191	657,851
Profit and loss account	922,913	703,472
Equity shareholders' funds	1,359,104	1,361,323

The financial information presented in this report has been taken from the audited financial statements for the year ended 31 December 2013. It does not constitute the group's statutory accounts for the year ended 31 December 2013, or 31 December 2012. If you would like a copy of the audited Directors' Report and Financial Statements for the year ended 31 December 2013 they are available from Co-operative & Community Finance, Brunswick Court, Brunswick Square, Bristol BS2 8PE.

ICO Fund plc

Report by 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 workers 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.

2013 proved to be a record breaking year for the Fund in terms of lending with £485,000 of support provided to co-operative businesses during the year. This brought cumulative lending since inception to £4.5 million.

Some notable examples of lending this year included:

- Soft Touch Arts - a Leicester-based participatory arts and community development organisation which has been established for 26 years. The loan helped fund the purchase of premises.
- School Trends – an employee-owned company providing school uniforms across the country who purchased the freehold of their current offices and factory.
- Essential Trading – one of the UK's leading manufacturers and distributors of natural and organic products who needed help to finance the expansion of their chilled goods operation.



Soft Touch Arts

Shareholders will be aware that no dividend had been paid on their investments since 2008. While there have been no lending losses to the Fund in the last two years the previous years of recession have seen losses that hampered the Board's ability to recommend a dividend. As the profit and loss account remains in a negative position the Board is unable to recommend a dividend for 2013.



School Trends

Providing over £4.5 million in financial help to co-operative and employee owned businesses has all been made possible by our investors both past and present. On behalf of ICO Fund plc I would like to thank everyone for their continued support 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 28 June 2013. 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 2014.

ICO Fund plc

Summary Profit & Loss Account and Balance Sheet

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

	2013	2012
	£	£
Turnover	42,724	23,156
Administrative expenses	(56,545)	(30,523)
Other operating income	nil	598
Income from investments and interest receivable	5,218	5,425
(Loss) on ordinary activities before taxation	<u>(8,603)</u>	<u>(1,344)</u>
Tax on (loss) on ordinary activities	nil	nil
(Loss) for the financial year	<u><u>(8,603)</u></u>	<u><u>(1,344)</u></u>

ICOF Fund plc Summary Balance Sheet as at 31 December

	2013	2012
	£	£
Fixed assets		
Investments	40,807	40,807
Current assets		
Debtors under one year	140,590	83,321
Debtors over one year	525,983	185,699
Cash at bank and in hand	583,459	991,217
	<u>1,250,032</u>	<u>1,260,237</u>
Creditors: amounts falling due within one year	<u>(22,340)</u>	<u>(23,691)</u>
Net current assets	<u>1,227,692</u>	<u>1,236,546</u>
Total assets less current liabilities	1,268,499	1,277,353
Creditors: amounts falling due after more than one year	<u>(1,278,283)</u>	<u>(1,278,534)</u>
Net (liabilities)	<u><u>(9,784)</u></u>	<u><u>(1,181)</u></u>
Capital and reserves		
Called up share capital	100	100
Profit and loss account	(9,884)	(1,281)
Shareholders' funds	<u><u>(9,784)</u></u>	<u><u>(1,181)</u></u>

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ICOF Community Capital Ltd

Chair's report on behalf of the Directors

I am pleased to offer my third annual report as Chair of ICOF Community Capital Ltd, covering the financial and calendar year 2013. This 20th Annual Report is directed at the members of ICOF Community Capital Ltd.

ICOF Community Capital Ltd 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, social enterprises and co-operatives.

In 2013 ICOF Community Capital Ltd continued to support a growing number of communities in the UK seeking to deliver solutions to local needs. These communities are establishing real businesses that run as efficient and effective enterprises that serve the communities in which they are based.

A challenging market

Demand for our services in 2013 was high. We saw an increase in lending of 39% to £164,500 with loan balances at the end of the year standing at £462,928. That said the lending performance was not mirrored in the financial performance of the society.

With interest rates continuing to remain at an historic low the market continues to be challenging. Turnover fell to £22,772 for the year giving the society a loss for the year of £5,422. While this is disappointing, results moving forward will be bolstered by the significant lending seen in 2013.

A diverse loan portfolio

Notable among the lending this year was Charwelton Community Pub and Shop near Daventry, Northamptonshire. The community came together to buy the last pub and shop in the village. This they duly did with help from ICOF Community Capital Ltd as well help from us with their community share issue through the Community Shares Fund.

Looking forward

We never fail to be amazed at the diversity and innovation demonstrated by our borrowers and it inspires us to make sure that the services and support we provide will help them go from strength to strength. As such of ICOF Community Capital Ltd continues to help provide communities with the incentive and opportunity to make their projects happen.

And finally ...

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

Jo White
Chair of ICOF Community Capital Ltd



Charwelton Community Pub and Shop

ICOF Community Capital Ltd

Summary Profit & Loss Account and Balance Sheet

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

	2013	2012
	£	£
Turnover	22,772	31,338
Administrative expenses	(30,660)	(27,470)
Other operating income	nil	285
Operating profit	<u>(7,888)</u>	<u>4,153</u>
Income from investments and interest receivable	2,951	2,724
Interest payable	(485)	(485)
(Loss)/profit on ordinary activities before taxation	<u>(5,422)</u>	<u>6,392</u>
Tax on profit on ordinary activities	nil	(721)
(Loss)/profit for the financial year	<u><u>(5,422)</u></u>	<u><u>5,671</u></u>

ICC Summary Balance Sheet as at 31 December

	2013	2012
	£	£
Fixed assets		
Investments	137,557	137,557
Current assets		
Debtors under one year	66,275	78,872
Debtors over one year	387,978	306,006
Cash at bank and in hand	218,253	343,439
	<u>672,506</u>	<u>728,317</u>
Creditors: amounts falling due within one year	(1,740)	(2,821)
Net current assets	<u>670,766</u>	<u>725,496</u>
Total assets less current liabilities	808,323	863,053
Creditors: amounts falling due after more than one year	(97,000)	(97,000)
Net assets	<u><u>711,323</u></u>	<u><u>766,053</u></u>
Funding and reserves		
Funding	724,424	773,732
Profit and loss account	(13,101)	(7,679)
Equity shareholders' funds	<u><u>711,323</u></u>	<u><u>766,053</u></u>

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Co-operative & Community Finance Trustees

Trustees

John Atherton, Co-operatives UK
Tim Blanc, Co-opportunity & Essential Trading
George Conchie, Co-operative Consultant
Richard Crook, Essential Trading
Andrew Harrison, Co-ownership Solutions
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
Sion Whellens, Calverts
Jo White, Co-operative Futures
Bruce Wood, Co-operative Consultant

Principal activities

The group's principal activities 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 group during the year.

Elected Trustees

Tim Blanc (elected 25.06.11)
George Conchie (elected 28.06.12)
Dave Hollings (elected 28.06.12)
Jon McColl (elected 28.06.12)
Brian Titley (elected 28.06.13)
Guy Turnbull (elected 25.06.11)
Sion Whellens (elected 28.06.12)
Jo White (elected 28.06.13)
Bruce Wood (elected 28.06.13)

In accordance with the Articles of Association: Guy Turnbull, Tim Blanc 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 three elected vacancies.

Trustees from nominated bodies

John Atherton, Co-operatives UK (nominated 28/06/2013)
Richard Crook, Co-operatives UK – Worker Co-operative Council (nominated 28/06/2013)

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

Andrew Harrison, Co-ownership Solutions (co-opted 21/02/13)

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 Community Capital Ltd **Directors**

Directors

John Atherton, Co-operatives UK
Tim Blanc, Co-opportunity & Essential Trading
George Conchie, Co-operative Consultant
Richard Crook, Essential Trading
Andrew Harrison, Co-ownership Solutions
David Hollings, CMS Co-operative
Jon McColl, Hackney Community Transport
Brian Titley, Co-operative Assistance Network
Guy Turnbull, Care & Share Associates
Sion Whellens, Calverts
Jo White, Co-operative Futures
Bruce Wood, Co-operative Consultant

Principal activity

The principal activity of ICOF Community Capital Ltd is to provide loans to social economy businesses.

Elected Directors

Tim Blanc (elected 25.06.11)
George Conchie (elected 28.06.12)
Dave Hollings (elected 28.06.12)
Jon McColl (elected 28.06.12)
Brian Titley (elected 28.06.13)
Guy Turnbull (elected 25.06.11)
Sion Whellens (elected 28.06.12)
Jo White (elected 28.06.13)
Bruce Wood (elected 28.06.13)

In accordance with the Rules of ICOF Community Capital Ltd 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 Guy Turnbull, Jon McColl and Tim Blanc retire by rotation, which leaves up to five 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 Ltd (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.

Directors appointed by ICOF Ltd

John Atherton, Co-operatives UK (nominated 28/06/2013)
Richard Crook, Co-operatives UK – Worker Co-operative Council (nominated 28/06/2013)
Andrew Harrison, Co-ownership Solutions (co-opted 21/02/13)

Staff

The society has no staff. Loan fund management is undertaken by contractual agreement with ICOF Ltd.

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 society and to prevent and detect fraud and other irregularities.



CO-OPERATIVE & COMMUNITY FINANCE

supportive lending since 1973

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Southampton Office

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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 FCA in the conduct of investment business.

Industrial Common Ownership Finance Limited, Company No. 1109141
Industrial Common Ownership Fund plc, Company No. 2137647
ICOF Guarantee Company Limited, Company No. 2904326
ICOF Community Capital Limited, Society No. 27915R
Community Shares ICOF Limited, Society No. 031524

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