

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

ANNUAL REVIEW 2016

THE LENDER FOR SOCIAL PURPOSE



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 community sector, and for over 40 years we have supported many hundreds of businesses ranging from small community-run enterprises to large award-winning organisations.

We offer flexible terms and never require personal guarantees. 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, save a community asset, turn a conventional business into a social one or a private business into an employee-owned firm, 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.

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

Our structure

Co-operative & Community Finance is the trading name of the ICOF family of businesses. The first company, Industrial Common Ownership Finance Ltd, was set up in 1973 and we have since created a number of related funds, all of which are democratically owned and controlled.

ICOF Ltd 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) are free standing community benefit societies. ICOF acts as fund manager for these societies.

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.

Our staff

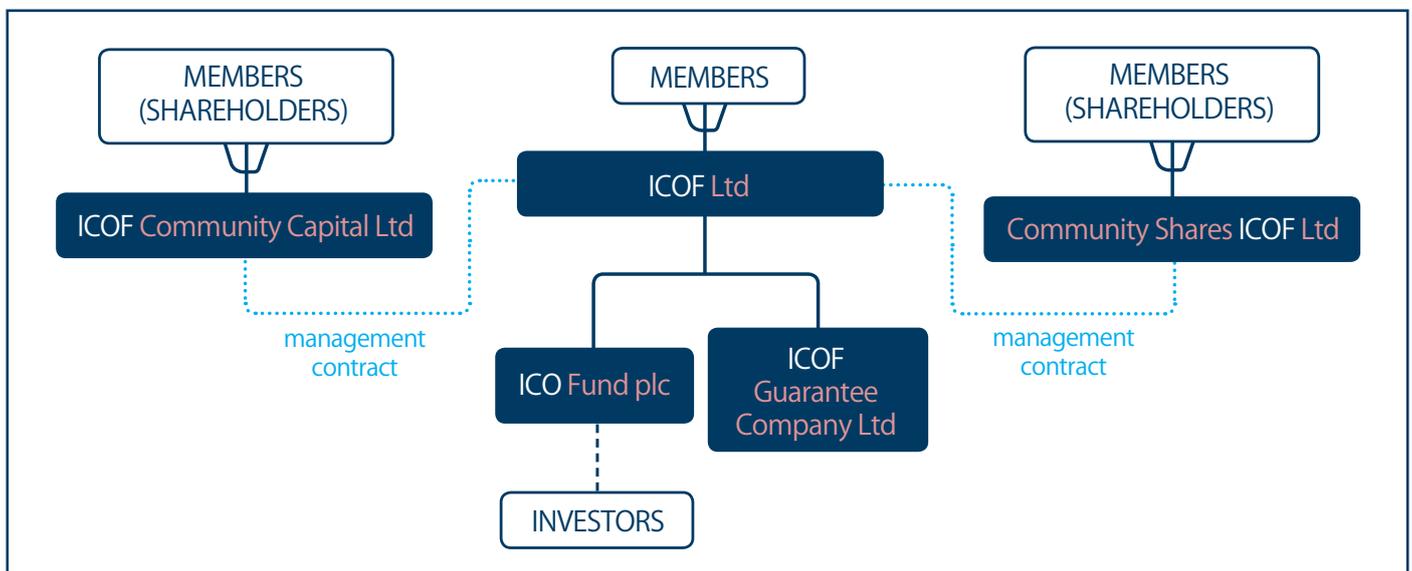
Alain Demontoux, Operations and FCA Compliance Manager

Anne Wilks, Accounting and Administration Manager

Ian Rothwell, Investment Manager

Tim Coomer, Business Development Manager

In 2016 we welcomed Tim Coomer and said farewell to Ian Taylor after 29 years of service.



Welcome by Jo White, Chair of ICOF Group and ICOF Community Capital



I am pleased to present the 44th ICOF Annual Report which is directed at the members of ICOF and the co-operative shareholders of ICO Fund plc. I am also pleased to present the 23rd Annual Report to members of ICOF Community Capital Ltd.

ICOF Group

In 2016 the Group continued to support businesses across various co-operative sectors including housing, manufacturing, community pubs and agriculture.

Borrowers included Specialised Castings, an employee-owned foundry based in Denny, Scotland, producing quality

high integrity engineering castings and traditional architectural, restoration and ornamental castings whose projects include work for Buckingham Palace and York Minster.

We also helped Small Axe, a creative communications agency for courageous causes. Clients range from Medecins Sans Frontieres to the Green Party.

In this year we started delivering The Community Pub Business Support Programme, a unique two year programme established to help support community pubs. The value of the programme is £3.5m and is jointly funded by the Department for Communities and Local Government and the Power to Change Trust.

We continued to manage The Co-operative Loan Fund and The Community Shares Fund and we provided back office services for Big Issue Invest and Radical Routes.

With regard to the Group performance, as with last year there were adjustments due to the second year of the FRS 102 accounting standard that saw charges through the profit and loss. A consequence of FRS 102 last year was that the need for general provisions was removed. We did however have to make specific provision for bad debt in 2016 of £60,000.

As a consequence of its activities the Group made a profit on ordinary activities after taxation of £127,399.

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 2016 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.

During the year we were happy to help Spiral Collective Housing Co-operative in Falmouth purchase a property that they had been managing under licence from South West Water who was so happy with their work that they offered it for sale to the coop!

In terms of the accounts turnover fell in the period and when combined with FRS102 adjustments produced a loss after tax of (£1,002). This impacted on the profit and loss account now standing at (£3,479). Given that the account remains in a negative position the Board is regrettably unable to recommend any interest payment on shares for 2016.

Despite this the balance sheet remains strong with net assets of £682,784 and a loan portfolio of £616,330.

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 and Directors.

In particular I would like to wish Ian Taylor well further to him stepping down as Investment Manager from the organisation in 2016 and to welcome Tim Coomer to the role of Business Development Manager.

From the Board we saw Jon McColl and Guy Turnbull retire after a combined tenure of 25 years. Thank you both for your input and your stamina!

We look forward to a busy 2017 continuing to provide supportive finance to the co-operative and community sectors.

ICOF Group

Consolidated Summary Financial Statements

Consolidated statement of comprehensive income for the year ended 31 December	2016	2015
	£	£
Turnover	275,617	238,533
Administrative expenses	(354,792)	(229,231)
Operating profit/(loss)	<u>(79,175)</u>	<u>9,302</u>
Other operating income	197,500	10,000
Income from investments	5,670	6,058
Interest receivable	3,036	2,412
Interest payable	(5,034)	(2,747)
Finance income	5,402	111,949
Profit/(loss) on ordinary activities before taxation	<u>127,399</u>	<u>136,974</u>
Tax on profit/(loss) on ordinary activities	nil	nil
Total comprehensive income	<u><u>127,399</u></u>	<u><u>136,974</u></u>

Consolidated Balance Sheet as at 31 December	2016	2015
	£	£
Fixed assets		
Tangible assets	7,857	7,580
Investments	168,699	211,697
	<u>176,556</u>	<u>219,277</u>
Current assets		
Debtors under one year	239,444	288,383
Debtors over one year	1,670,198	1,567,731
Cash at bank and in hand	1,793,006	1,689,564
	<u>3,702,648</u>	<u>3,545,678</u>
Creditors: amounts due within one year	<u>(1,804,983)</u>	<u>(1,519,061)</u>
Net current assets	<u>1,897,665</u>	<u>2,026,617</u>
Total assets less current liabilities	<u>2,074,221</u>	<u>2,245,894</u>
Creditors: amounts due after one year	<u>(422,592)</u>	<u>(721,664)</u>
Net assets	<u><u>1,651,629</u></u>	<u><u>1,524,230</u></u>
Capital and reserves		
Other funds	623,691	436,191
Capital reserve	15,566	154,715
Profit and loss account	1,012,372	933,324
Shareholders' funds	<u><u>1,651,629</u></u>	<u><u>1,524,230</u></u>

The financial information presented in this report has been taken from the audited financial statements for the year ended 31 December 2016. It does not constitute the group's statutory accounts for the year ended 31 December 2016, or 31 December 2015. If you would like a copy of the audited Directors' Report and Financial Statements for the year ended 31 December 2016 they are available from Co-operative & Community Finance, Brunswick Court, Brunswick Square, Bristol BS2 8PE.

ICOF Community Capital Ltd

Summary Financial Statements

Profit and Loss Account for the year ended 31 December

	2016	2015
	£	£
Turnover	27,726	35,107
Administrative expenses	(34,813)	(18,690)
Operating profit/(loss)	<u>(7,087)</u>	<u>16,417</u>
Income from investments	860	1,859
Interest receivable	355	378
Finance income	5,254	4,957
Interest payable	(384)	(485)
Profit/(loss) on ordinary activities before taxation	<u>(1,002)</u>	<u>23,126</u>
Tax on profit/(loss) on ordinary activities	nil	nil
Profit/(loss) on ordinary activities after taxation	<u><u>(1,002)</u></u>	<u><u>23,126</u></u>

Balance Sheet as at 31 December

	2016	2015
	£	£
Fixed assets		
Investments	112,823	107,569
Current assets		
Debtors under one year	61,189	62,132
Debtors over one year	555,141	522,300
Cash at bank and in hand	50,911	105,536
	<u>667,241</u>	<u>689,968</u>
Creditors: amounts due within one year	<u>(97,280)</u>	<u>(1,860)</u>
Net current assets	<u>569,961</u>	<u>688,108</u>
Total assets less current liabilities	682,784	795,677
Creditors: amounts due after one year	nil	(90,323)
Net assets	<u><u>682,784</u></u>	<u><u>705,354</u></u>
Funding and reserves		
Funding	690,019	711,587
Profit and loss account	(7,235)	(6,233)
Shareholders' funds	<u><u>682,784</u></u>	<u><u>705,354</u></u>

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4 STAFF

11 DIRECTORS

627 MEMBERS 60 INDEPENDENT CO-OP ADVISERS

TENS OF THOUSANDS REACHED ON TWITTER, FACEBOOK & LINKEDIN



THOUSANDS OF WEBSITE VISITS EVERY MONTH

VISITS TO POTENTIAL BORROWERS FROM FALMOUTH TO FIFE



SPONSORED THE COMMUNITY OWNERSHIP AWARDS

SUPPORT FOR 132 ENTERPRISES ACROSS THE UK

BEFORE 2016 2016



WE ARE ONE OF 14 ORGANISATIONS IN ENGLAND TO BE APPROVED AS AN ACCESS POINT FOR THIS £4M FUND

COMMUNICATING

SUPPORTING

CO-OPERATING

LENDING

NEW LENDING IN 2016

£699,750

REPAID IN 2016

£563,448

NUMBER OF BORROWERS BY SECTOR

BEFORE 2016 2016

CONSULTANCY / DEVELOPMENT

7 3

SPORT & LEISURE

3

RETAIL & WHOLESALE

30

RENEWABLE ENERGY / RECYCLE

7

MANUFACTURING

5 2

HOUSING

24 1

HEALTH / SOCIAL CARE & WELL-BEING

6

HOSPITALITY / COMMUNITY PUBS

14 3

CREATIVE / MEDIA & PUBLISHING

9 2

ENVIRONMENTAL / FOOD & FARMING

12 5



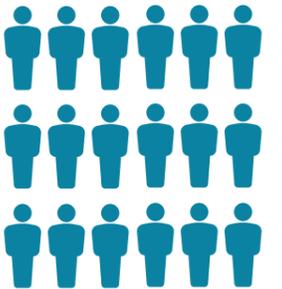
MORE THAN A PUB SUPPORT PROGRAMME

JUST GROWTH FUND 6 GROUND BREAKING VENTURES SELECTED FOR SUPPORTIVE FINANCE

AWARD WINNING PARTNERSHIPS! RESPONSIBLE FINANCE AWARDS 2014 & 2016



OVER 1,100 PEOPLE IN 16 CO-OPS & COMMUNITY BUSINESSES BENEFIT FROM NEW LOANS IN 2016





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 £1.1m and again in 2007 when over £1.3m was raised.

2016 was a busy year for ICO Fund plc with increased demand across various co-operative sectors including environmental and manufacturing.

Notable loans in the period included helping previous borrowers Ecosulis, an environmental and ecological consultancy, offering all elements of ecological survey and assessment that aim to benefit both people and wildlife. An employee-owned company we also helped was New School Trends based in Sheffield providing a tailored school uniform service and a range of garments decorated with the school logo.

Lending in 2016 totalled £130,000 and turnover fell slightly on the previous year to £67,828 (-2%).

Further restatement in accordance with FRS102 included the treatment of the preference shares. The redeemable preference shares due in 2017 have been restated at amortised cost at a rate of 6%. Where further issues have been made during the year, the difference between the par value and the amortised cost value has also been taken to the capital reserve. Additional finance costs on the shares of £29,423 for the current year have been recognised in the profit and loss.

For the first time in five years a specific provision against lending losses has been necessary in this period. The amount of £60,000 has increased the comprehensive loss for the year to (£74,367). As the profit and loss account remains in a negative position the Board is unable to recommend a dividend for 2016.

2007 Share Issue Anniversary

ICO Fund plc is coming up to its 30th anniversary in September 2017. When the first Issue was launched in 1987 it was an innovative and pioneering way of raising capital to support the worker co-operative sector with a distinct ethical stance. By lending at risk to create opportunity ICO Fund Plc has:

- enabled people to own and control the businesses in which they work;
- created, supported and saved jobs;
- boosted local economies;
- helped convert environmental concern into action.

Today the Fund stands at £1.3m with over 500 co-operative investors and a loan book standing at almost £1m with hundreds of co-operatives helped over the years.

Since 1987 the ethical investment market has changed beyond all recognition with the emergence of organisations such as Triodos Bank and Ethex offering a cornucopia of ethical investment opportunities, many attracting tax reliefs such as Social Investment Tax Relief and Enterprise Investment Scheme – neither of which ICO Fund has been eligible for.

It is against this backdrop that the Board of ICO Fund plc have decided not to invite shareholders to re-invest for a further 10 years in a 2017 share issue but would hope that you will maintain your existing investment. The Fund will continue to support the co-operative sector by lending shareholders' capital to democratically owned and controlled businesses and we will be writing to shareholders on the anniversary of the 2007 Issue in September 2017 presenting them with their options to continue to support the co-operative sector.

Providing over £5m 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.

Shareholders' Representative

Andy Love was re-elected as the representative by shareholders on 17 June 2016. 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 2017.

ICO Fund plc

Summary Financial Statements

Statement of comprehensive income for the year ended 31 December

	2016	2015
	£	£
Turnover	67,828	69,318
Administrative expenses	(144,870)	(59,692)
Operating profit/(loss)	<u>(77,042)</u>	<u>9,626</u>
Income from investments	1,274	1,823
Interest receivable	1,036	839
Other income	365	3,820
Profit/(loss) on ordinary activities before taxation	<u>(74,367)</u>	<u>16,108</u>
Tax on profit/(loss) on ordinary activities	nil	nil
Total comprehensive income for the year	<u><u>(74,367)</u></u>	<u><u>16,108</u></u>

Balance Sheet as at 31 December

	2016	2015
	£	£
Fixed assets		
Investments	20,758	20,350
Current assets		
Debtors under one year	73,237	129,158
Debtors over one year	888,430	870,036
Cash at bank and in hand	311,207	310,477
	<u>1,272,874</u>	<u>1,309,671</u>
Creditors: amounts due within one year	<u>(1,291,155)</u>	<u>(762,785)</u>
Net current assets	<u>(18,281)</u>	<u>546,886</u>
Total assets less current liabilities	2,477	567,236
Creditors: amounts due after one year	nil	(490,392)
Net assets	<u><u>2,477</u></u>	<u><u>76,844</u></u>
Capital and reserves		
Called up share capital	100	100
Capital reserve	23,758	227,485
Profit and loss account	(21,381)	(150,741)
Shareholders' funds	<u><u>2,477</u></u>	<u><u>76,844</u></u>

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Co-operative & Community Finance Trustees

Trustees

John Atherton, Co-operatives UK
Tim Blanc, Co-opportunity & Essential Trading
Andrew Harrison, Co-ownership Solutions
David Hollings, CMS Co-operative
Victoria Knott, Unicorn Grocery
Andy Love, ICO Fund plc Shareholders' Elected Representative
Jon Nott, Woodcraft Folk
Brian Titley, Co-operative Assistance Network
Sion Whellens, Calverts
Jo White, Co-operative Futures
Bruce Wood, Co-operative Consultant

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 group during the year.

Elected Trustees

Tim Blanc (elected 27.06.14)
Andrew Harrison (elected 26.06.15)
Dave Hollings (elected 26.06.15)
Brian Titley (elected 17.06.16)
Sion Whellens (elected 26.06.15)
Jo White (elected 17.06.16)
Bruce Wood (elected 17.06.16)

In accordance with the Articles of Association: Tim Blanc and Sion Whellens 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.

Trustees from nominated bodies

John Atherton, Co-operatives UK (nominated 17.06.16)

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

Co-opted Trustees

Victoria Knott, Unicorn Grocery (co-opted 17.06.16)
Jon Nott, Woodcraft Folk (co-opted 14.10.16)

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
Andrew Harrison, Co-ownership Solutions
David Hollings, CMS Co-operative
Victoria Knott, Unicorn Grocery
Jon Nott, Woodcraft Folk
Brian Titley, Co-operative Assistance Network
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 27.06.14)
Andrew Harrison (elected 26.06.15)
Dave Hollings (elected 26.06.15)
Brian Titley (elected 17.06.16)
Sion Whellens (elected 26.06.15)
Jo White (elected 17.06.16)
Bruce Wood (elected 17.06.16)

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 Tim Blanc and Sion Whellens retire by rotation, which leaves up to seven 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 17.06.16)
Victoria Knott, Unicorn Grocery (co-opted 17.06.16)
Jon Nott, Woodcraft Folk (co-opted 14.10.16)

Staff

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

Directors' responsibilities

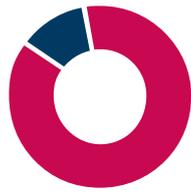
The Co-operative and Community Benefit Societies Act 2014 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the society and of the surplus or deficit of the society for that period.

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, the 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 that disclose with reasonable accuracy at any time the financial position of the society and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. It has general responsibility for taking reasonable steps to safeguard the assets of the society and to prevent and detect fraud and other irregularities.

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



CO-OPERATIVE & COMMUNITY FINANCE

supportive lending since 1973

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

Report designed by Alpha Communication, a worker co-operative

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

www.coopfinance.coop



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