



London Mutual
Credit Union

Annual Report and Audited Accounts

| For the Year Ended 30th September 2020



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London Mutual Credit Union Limited

FCA Number: 213248
Society Number: 64C

Directors:

R Cooper
L. R. McLeod OBE
H Harris
Lord R Kennedy
S Wingrove
A Marshall
J Thomas
Dr F Millen
M Lynch
B Vaughan
M Cook

Secretary:

Heather Harris

Registered office:

4 Heaton Road
Peckham
London
SE15 3TH

Auditor:

Alexander Sloan
180 St Vincent Street
Glasgow
G2 5SG

London Mutual Credit Union Ltd is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

39th Annual General Meeting

Our Annual General Meeting (AGM) is one of the key ways in which members can participate in the democracy of their credit union. To enable as many members as possible to participate while COVID-19 social distancing measures are in place, this year's meeting will take place online at 6:00pm on Friday 5th March 2021.

Key business of the AGM

At the AGM, members have the opportunity to receive updates on the work and future plans of the credit union, and to have their say on some key decisions. The AGM will include:

- Reports from the Board of Directors and Treasurer
- An update on our strategy and plans for the coming year from the CEO
- A vote on the payment of any dividend which may be proposed by the Board
- The opportunity to ask questions to the Board of Directors on their reports or any other aspects of the credit union's work

Having a say

All members are entitled to attend and participate in the AGM, and can request a link to join the meeting at: www.creditunion.co.uk/agm

Verified members will then receive a link to join the AGM via email. The pre-registration step is in place to ensure that the right to vote on resolutions is restricted to members of the Credit Union, as defined in our rules.

To attend this year's online AGM, register online:

www.creditunion.co.uk/agm

Voting at the AGM

To participate in votes, attendees must be a current active member of the credit union on the date the AGM is held.

Voting on resolutions will be via the 'polling' function on our Zoom online meeting facility. Instructions on how to vote and a practice vote will be carried out at the beginning of the meeting.

Minutes and Annual Report

Copies of the 2019/2020 Annual Report and Financial Statements, along with those from previous AGMs, will be downloadable from www.creditunion.co.uk/agm and via a link within the registration email.



Standing Orders

Motions

1. Member shall address all comments through the Chair.
2. A Member shall only address the Meeting when called upon by the Chair to do so and should raise their hand to indicate that they wish to address the floor.
3. Speeches are to be clear and relevant to the subject before the Meeting.
4. The person proposing the motion shall be allowed a maximum of five minutes to speak on the motion.
5. The person seconding the motion shall be allowed a maximum of three minutes to speak in support.
6. Members who wish to speak for or against the motions shall be allowed a maximum of three minutes to speak.
7. A Member may not speak twice on the same subject except he/she:
 - a. Is the Mover of a motion with the right of reply.
 - b. Wishes to object or to explain (with permission of the Chair).
8. The Mover of a "Procedural Motion" (Adjournment, Lay on the Table, Motion to postpone) shall have no right of reply. The "Procedural Motion" should be seconded and put to the vote without debate. The result of the vote will determine whether the ruling is upheld or reversed.
9. Debate shall cease when the Chair decides sufficient debate has taken place.
10. No speeches or amendments are to be made after the "Motion" has been put and carried or negated.
11. A Member speaking on a "Point of Order" is to state the point clearly and concisely. (A "Point of Order" must have relevance to the "Standing Order")
 - a. Member shall not "Call another Member to order" but may draw the attention of the Chair to a "Breach of Order".
 - b. In no event can a Member call the Chair to Order.
12. A "Question" shall not be put to the vote if a Member desires to speak on it or move an amendment to it, however the following may be moved at any time: a "Procedural Motion: The Previous Question" "Proceed to the Next Business" or the Closure: "That the Question be now Put."
13. Only one amendment should be before the meeting at one and the same time.
14. When a motion is withdrawn, any amendment to it fails.
15. The Chair shall have the right to a "Casting Vote"
16. If there is equality of voting on an amendment and if the Chair does not exercise a Casting Vote, the amendment is lost.
17. Provision is to be made for protection of the Chair from vilification.
18. No Member shall impute improper motives against another Member.

Conduct at General meetings

Any person in breach of these Standing Orders, who interrupts the person speaking, who uses rude or abusive language, or disrupts the conduct of the meeting, shall be warned that any repeat of such misconduct will result in his/her expulsion from the meeting.

Elections

If the Chair is a candidate standing for election she/he shall hand over the chairing of the meeting to another officer or member of staff for that item.

AGM Agenda

*39th Annual General Meeting of London Mutual
Credit Union Limited*

Via Zoom online Meeting. Held on Friday
5th March 2021 at 6:00PM

Annual General Meeting Agenda

- 1 Welcome and Introductions
- 2 Standing Orders
- 3 Minutes of the AGM held on 6th March 2020
- 4 Report of the Board Directors
- 5 Treasurer's Report
- 6 Consideration of Accounts
- 7 Auditor's Report
- 8 Declaration and Recommendation of Dividend
- 9 Audit Committee Report
- 10 Appointment of Auditors
- 11 Honorary for the Treasurer
- 12 Election of Officers

Details of nominations and minutes of the previous meeting will be available at the AGM. Entry to the meeting will be via online pre-registration in order to check that you are a valid member.



About Us

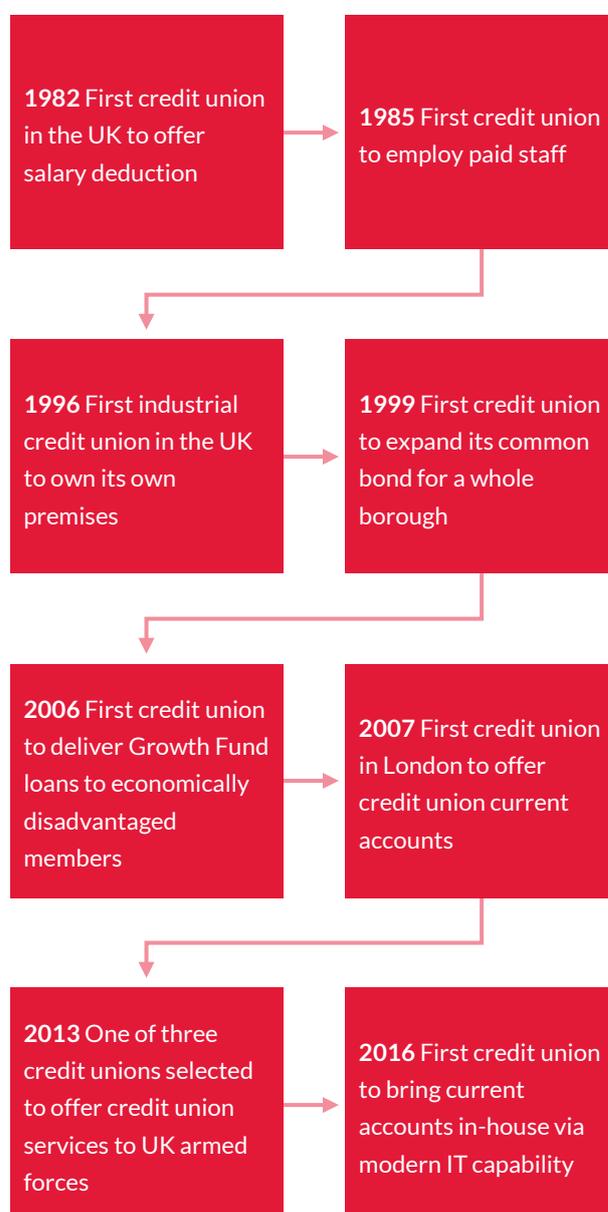
London Mutual Credit Union is one of the UK's leading credit unions. Our mission is to improve financial well-being within the communities we serve, by providing high-quality and affordable financial services which are accessible and relevant to all.

Nationally, we are recognised as an example of best practice in tackling financial exclusion and widening access to retail banking services.

As one of the largest credit unions in the UK in terms of assets, we have consistently led innovation in the sector, and remain one of only a small number of credit unions to offer a full-service current account, physical branches and ATM facilities.

Now in our 39th year, our ambition is to continue developing London Mutual into a full-service community bank, helping to increase prosperity and inclusion in the communities we serve.

A Track record of innovation





Our Purpose

London Mutual Credit Union is a co-operative owned by our members, and we exist for their benefit rather than for profit. Our mission statement reflects the social purpose of London Mutual Credit Union, helping to inform our strategic priorities.

Mission

“To promote financial well-being within the communities we serve, by providing high-quality and affordable financial services which are accessible and relevant to all.”

Values

Accountability

As a member-owned organisation, our strength lies in being directly accountable to our members and responsive to their needs and priorities. Our members elect the Board of Directors, who provide strategic oversight and ensure that we adhere to the highest standards of governance and conduct.

Community

We are a business with a social purpose, and responsibilities beyond our own membership. We seek to be an active and valued participant in the life of our communities. We will do this by building strong and mutually-beneficial partnerships that inform our work and maximise our impact.

Education

Through our own services and outreach work in schools and the community, we work to promote financial literacy. We provide our members with tools and products that support the development of good financial habits, as well as guidance to enable them to manage their money with confidence.

Integrity

We take our fiduciary responsibilities and legal and regulatory obligations seriously. The trust of our members and the security of their assets are paramount, and all business activities are undertaken with the understanding that conduct and financial prudence are the basis of everything that we do.

Inclusion

We are strongest when our membership is diverse, open, and representative of a broad section of our community. We seek to address the underlying causes of problem debt, financial exclusion and lack of access to credit, doing so in a way that promotes social cohesion and reduces stigma.

Quality

We are committed to delivering products that contribute to long-term financial well-being and which lead the market in affordability, ethics and ease of use. Operationally, we seek to work to the highest professional standards, delivering exceptional member experiences and exceeding our regulatory commitments.

Our Members

Events of the past year have reminded us all of the role played by key workers in delivering the essential services we all rely on.

These workers have been at the forefront of the response to COVID-19, often doing so in difficult circumstances or in roles that are frequently overlooked or undervalued.

London Mutual Credit Union is proud to count many of them as our members. We are, in many respects, a bank 'for those who serve', with a large and growing proportion of members working in the armed forces, health and education; reflecting recent changes in our common bond.

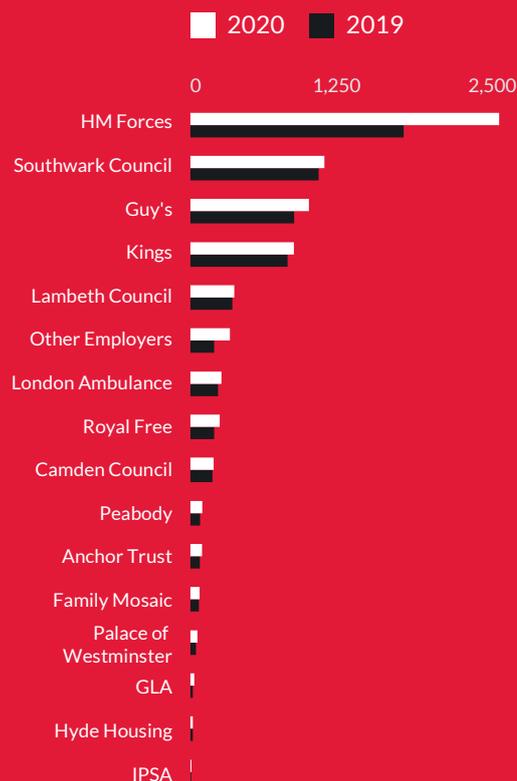
Within these sectors, our members include a broad range of roles, levels of seniority and specialism – it is not an exaggeration to say that we have something to offer to everyone, from senior managers to front line staff. We continue to develop our product offer to ensure that the Credit Union's membership remains broad and as diverse as the community we are proud to serve.

Demographics

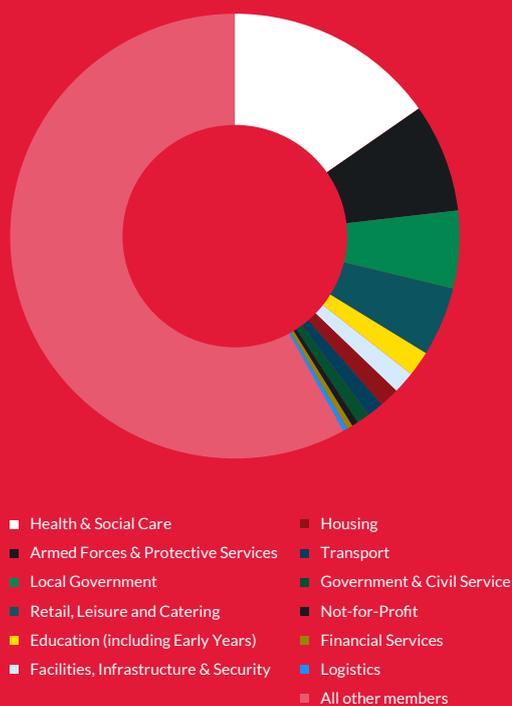
Our members come from all walks of life. We are proud of our roots as a credit union for local authority and hospital staff, and local authority and healthcare employees continue to make up a significant portion of our membership, though increasingly with reach across the whole of London:

- 4,582 of our members work within the NHS. They come from across 23 NHS Trusts in Greater London and the South East.
- 2,528 of our members are in the armed forces
- 1,800 members in local government, with 25 of London's 32 boroughs represented
- Members include 429 staff working for London's bus and rail companies, and on the Underground
- 819 Members working in education
- Approx 2,500 members working in retail

Membership Growth 2019-20



LMCU Members by Sector of Employment



Meet the Team

Board of Directors

Richard Cooper

President

Richard brings wealth of experience gained from a background in banking and in the legal profession. He currently serves as an in-house lawyer at Shawbrook Bank, having previously worked in the legal departments of a number of lenders including Lloyds Bank. Richard is a practising solicitor with over 20 years' experience and a background in secured corporate lending, mainly property, shipping and aircraft finance.

Roy McLeod OBE

Treasurer & Risk / Audit Committee

Roy has extensive experience in senior management and as a director of a large national charity. He brings over 30 years' expertise in Accounts and Finance, Asset Management & Administration including a Master's in Business Administration. He also has over 27 years' experience in the credit union sector and has served nationally as a Director of the Association of British Credit Unions Ltd (ABCUL)

Heather Harris

Secretary & Anti-Money Laundering

Heather is a manager in the Revenues & Benefits Department of Southwark Council, with over 30 years' experience dealing with Welfare Benefits, Reform and Social Inclusion. She has been a Trade Union Steward for over 20 years and has over a decade's experience at LMCU. Heather has a keen interest in financial inclusion and Mortgage Lending, and has undertaken various mortgage underwriting training.

Lord Roy Kennedy

Vice-President & Risk Committee

Lord Kennedy has been a member of the House of Lords since 2010 and is Shadow Spokesperson for Communities & Local Government. He is a long-term supporter of credit unions and Chair of the Credit Union Foundation. Previously Lord Kennedy served as a member of Southwark Council holding a variety of posts including Deputy Leader.

Dr Floyd Millen

Audit Committee

Dr Millen is an experienced policy, privacy, professional with a strong background in policy and stakeholder engagement in education, as Head of Operations at the Careers and Enterprise Company: in welfare reform, working on Flexible New Deal and the Work Programme; in home affairs and politics, in his role as a council of the Hansard Society and as a former Policy Adviser to the Metropolitan Police Authority (MPA) on detention & 'Custody Visiting'.

Jemma Thomas

Director (Business Development)

Jemma is a marketer and digital content expert, experienced in delivering the best possible customer experiences while driving brand engagement. She has experience working with a number of well-known brands across the financial and professional services industries. This professional experience has resulted in the skills, experience and training to identify opportunities for change and improvement and to drive these ideas to successful implementation.

Albert Marshal

Director (Legal)

Albert is a technology executive and a senior lawyer with over 10 years' post-qualification experience. As well as a qualified barrister, he brings extensive experience in-house in multinational organisations, particularly in the software and entertainment industries, covering a broad range of commercial law, in particular technology, intellectual property, entertainment, international distribution, marketing operations and relevant regulations. Albert also brings relevant experience, having founded and run his own business.

Michael Lynch

Director (Marketing)

As Head of Commercial Innovation and Marketing at NS&I, Michael has over 25 years of Financial Services management experience. A chartered Fellow of the Chartered Institute of Marketing, he has an MSc in strategic marketing

and lectures in marketing, strategy and digital strategy. Michael is a Cranfield University Programme Advisory Board member for marketing as well as a member of the Market Research Society and the Public and Commercial Services Union (PCS).

Bridget Vaughan

Director

Bridget is a Chartered Management Accountant (ACMA) with 25 years of experience, and specialises in accountancy and business training. Her tuition and lecturing responsibilities include leadership of the business programme at Lambeth College and as an AAT examinations marker. Bridget has also served as a school governor.

Michael Cook

Director

Michael served over 36 years in the RAF Regiment, where he fought in six conflicts including the Falklands war. This career took him to austere locations where leadership and management were life-saving. Leaving the service, Michael started a consultancy where he advises companies on tendering for MOD contracts.

Michael has a MSc in Leadership and Management, and recently attained a good understanding of recognising and writing risk registers. He still maintains close ties with Armed Forces personnel both serving and non-serving throughout the world.

Below: Colleagues recognised for 10 years or more of service to the Credit Union at our Staff Training Day in 2019

Our staff team

Lakshman Chandrasekera

Chief Executive Officer

Lakshman (Lucky) has managed London Mutual Credit Union since 1993 and has extensive experience in setting up products, processes and procedures. He has been instrumental in the successful merger of six local credit unions and oversaw a technology transformation on the implementation of a new core banking platform in 2016.

He is committed to delivering the Board's vision of increasing the range of quality products and services that the credit union offers, and to introducing new technological changes that empower members.

He is accountable to the Board of Directors for the management of the Credit Union and is authorised as a Senior Manager (SMF1) by the PRA/FCA.

Staff numbers

Branch	Full-time	Part-time
Head Office (Peckham)	19	10
Peckham	3	3
Walworth Road	3	2
Brixton	2	1
Total staff	27	16



Making an Impact

As a credit union, being a good neighbour and making a positive contribution isn't just an extra - it's at the core of what we exist to do. That's never been more true than in the past year, in which we have worked to support our community to get through the current crisis, and to build resilience for the future.

Widening access to banking

Over the past year we have been working with teams at Southwark and Lambeth councils to support looked-after young people who are leaving residential or foster care. These young adults can lack conventional forms of ID or have complex address histories, making it hard to set up a bank account.

London Mutual has worked with Council staff to agree a template letter from a support worker. This letter can be used by the young people to set up an account with us - easing the transition to the next phase in their lives.

Supporting Armed Forces Families

Life in the Armed Forces can be especially tough on the families and young children of serving personnel. In 2020, we were proud to sponsor the Under 10s Youth Football Team at Catterick Army Garrison in North Yorkshire, assisting them with the purchase of branded kit, and promoting our Forces Finance offer to parents and spectators. The season is currently suspended due to COVID-19, but we look forward to following the team's progress in the months ahead.

Building the Savings Habit in Young People

Through our Junior and Young Saver accounts, and links with local schools, we have supported over 4050 young people in our community to save an average of £82.

The Board of Directors are strongly supportive of paying an annual dividend on these accounts as an incentive for young people to save, irrespective of whether the credit union is in a position to do so for its adult members.

Festive period 2020

The festive period is an expensive time for nearly everyone, and many of our members choose to borrow to spread the cost. The pandemic meant that for many members, Christmas was very different this year. Even so, we are proud to have provided an affordable and fair option, saving our members thousands of pounds in interests and fees:

- £1.23m worth of loans to 1746 individuals who are unemployed, on low incomes or with poor credit. The average loan was £705.
- On average, each member saved an estimated £550 in interest compared to a high-cost doorstep lender.
- In total, London Mutual saved its low-income members almost £1m (£0.91m) in interest over the Christmas period
- Over Nov/Dec 2020, London Mutual issued £1.09m in loans as an alternative to credit cards and overdrafts, to 526 employed members. The average loan was £2,089.
- We saved each member an estimated £213.30 in interest, compared to borrowing the same amount on a credit card, and £487.26 compared to a typical arranged overdraft.

Rewards & Recognition



Living Wage Employer

We are proud to be an accredited Living Wage Employer. The Living Wage accreditation indicates that all our staff are paid an hourly rate which reflects the true cost of living in London (currently set at £10.85) or more. The rate is set independently by the Living Wage Foundation, and is £2.72 higher than the government's National Living Wage.



Fair Banking Mark

In 2020 we renewed our Fair Banking Mark, which for the first time covers our full range of loan products. This mark is based on an independent assessment by the Fair Banking Foundation, which ensures that the product offers features that promote fairness and transparency, and which contribute to the financial well-being of their users.



Armed Forces Covenant

We have achieved the bronze award in the Ministry of Defence's Defence Employer Recognition Scheme. This award reflects the Credit Union's commitment to supporting and employing armed forces veterans, reservists and family members.



Consumer Credit Awards 2020

London Mutual was proud to be a finalist in the categories of Best Credit Union (South) and Best Loan Provider (lending <£2.5k) in this year's Consumer Credit Awards. Credit unions across the country dominated this year's Awards – proof of how far credit unions have come in being seen as part of the mainstream market for financial services.

Annual Member's Survey

In December 2020, we carried out a survey of our members, asking for their views on the service that we provide. It received over 2,000 responses. Overwhelmingly, respondents told us that they value being a member, and that saving and borrowing with us has made them better off:

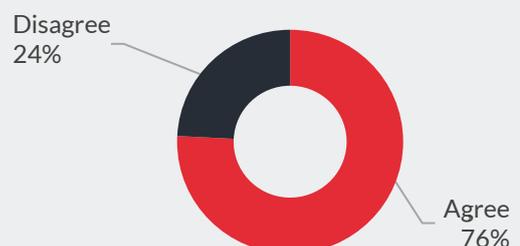
Which of our services have you used?



'Being a member has made me better prepared to deal with the financial shocks of the past year'



'I have spent less time worrying about money since becoming a member'



Trustpilot Feedback

Since beginning to actively collect reviews in 2019, London Mutual has been reviewed over 600 times, and despite the challenges of the pandemic, we are proud to have maintained a Trust score of 4.7 out of 5.



 Trustpilot

A straightforward and efficient application process. The funds cleared into my account within time-scale as promised. An extremely competitive interest rate with repayments straight from my wages. Very impressed with my experience with LMCU. Thanks!

Jason

I've enjoyed saving as I pay back a loan and the loans been a lifesaver many a time, and when I was stranded abroad they were so helpful sorting me out a loan over the phone so I could get home

Lucy

I am a serving member of the armed forces, over the years have struggled with credit due to being an overseas soldier. Since I was told and referred to London Mutual I have had nothing but clear, transparent and affordable banking. I hope in the future London Mutual can brief fellow soldiers on the benefits and services provided. Fantastic!

Sy

Excellent level of customer service!! Even better that there is a payroll deduction option, each month before you receive pay in the bank it's gone so you don't even miss it as well as the savings amount that is taken at the same time. Would highly recommend to anyone as I already have to a few Naval Service colleagues.

Lee

Felt like a well thought-out consultation for credit, as opposed to a knee-jerk 'yes' or 'no'. Great rates.

Alan

I've been with them over 20 years and have been able to travel the world and realise some dreams I don't think I could have on my own. I'd advise anyone with a dream, ambition, to go see them. They can bring you a lot closer. Thanks London Mutual.

Rose

Brilliant organisation. Their loan application process is thorough but straightforward. You also save whilst borrowing too. And their APR rates are competitive compared to big banks. I've been using them for years. No complaints whatsoever.

MJ

Our Strategy

CEO's introduction

Next year marks the our 40th anniversary of our Credit Union, and I would like to thank all our partners; our members, staff, board of directors and suppliers for their continued support.

We now serve over 32,000 members across our common bond, and one third of these members rely on us for their main bank account.

In this Report we explain how the ongoing COVID-19 pandemic is affecting our credit union, our members and our staff, and the steps we are taking. I would like to thank our members for their understanding and co-operation when visiting branches, contacting us via email and over the phone during these very difficult times. As always our staff are determined to minimise disruption, and to ensure you can continue to rely on us in these difficult times.

I am hopeful that by the summer of 2021, our community will have overcome the worst impacts of the pandemic. As the recovery takes hold, I am looking forward to implementing some of our growth plans that were put on hold due to the pandemic, as well as identifying new ways to support our members to navigate the 'new normal'.

Technology continues to transform how people use financial services, and their expectations. We are determined that London Mutual will continue to rapidly innovate and to adopt new technologies to enable us to grow and better serve our members.

In recent years we have continued to introduce new products and services to our members, while developing our back office systems to enable us to administer our processes effectively and efficiently. The focus here is to empower our members to manage their finances independently using modern technology, and to use these tools for the credit union to run efficiently. In doing so, we aim to provide a better service while reducing cost overheads—ultimately leading to better dividends on our members' savings.

We are actively exploring the possibilities of new technologies such as Artificial Intelligence, Machine Learning and Natural language processing to understand the potential of these tools to enhance our offer and support the business. To drive this innovation forward, we plan to develop



new links with higher education institutions and financial technology (FinTech) companies, which we hope will allow us to access the talent, ideas and technologies to deliver for our members.

Finally I would like to thank our voluntary board of directors who, with their commitment and formidable range of experience, contribute so much to running of our credit union. It has been a challenging year for us all, but I have no doubt that with their dedication, and the support of you, our members, we can look forward to brighter days ahead.

Lakshman Chandrasekera

Chief Executive

Progress towards strategic objectives

The credit union's strategic objectives are set out in our business plan, which covers the period 2019-2021.

Strengthen capital to assets ratio

Strengthening our capital position is a key, from both a business and regulatory perspective. We are committed to exceeding the 10% requirement set by the PRA, and to building and maintaining this ratio to 13%. As a long-standing policy, the Board of Directors will not be recommending payment of a dividend until the target ratio has been reached.

Diversified lending growth

We will focus significant efforts on mobilising our share assets to get a greater share of our resources out on loan. We will seek to grow our loan book in a sustainable and responsible way, ensuring that risk exposure is spread across a wider range of products, risk appetites, and demographics within our membership.

Develop our product portfolio in response to member needs

As part of our ambition to provide a comprehensive retail banking offer to our members, we will continue to develop our product portfolio. We will introduce new products that contribute to the success of the business.

Improve member experience and participation through digital tools

To remain relevant and to maintain an attractive proposition in coming years, we will continue to work to rapidly adopt and integrate new technologies and processes. These will deliver a step change in member experience, as well as productivity improvements throughout the business.

Grow membership by expanding the common bond

We will take advantage of recent regulatory change to increase our potential common bond membership from two to three million. Our approach will be based on building our membership within sectors where we have existing expertise, providing opportunities for us to develop the London Mutual brand.

Progress over the past 12 months

	2017	2018	2019	2020	2021 (Jan)
Membership	26,408	28,380	30,842	32,426	33,393
Junior Savers	2,976	3,320	3,582	3,482	3,424
Capital Ratio	9.84%	10.73%	10.84%	9.24%	9.58%
Savings	£21,476,745	£21,802,233	£22,322,810	£ 26,669,443	£27,676,290
Loans	£10,031,670	£12,373,724	£14,589,908	£15,931,333	£19,598,245
Assets	£24,324,765	£26,155,467	£26,691,522	£ 31,399,242	£ 32,501,115
Salary-deducted Loans				£ 8,473,450	£9,597,575
Salary-deducted loans as a % of loan book				48.82%	50.74%



Impact of COVID-19

As is the case for almost everyone, the COVID-19 pandemic is causing significant disruption to the day-to-day running of the credit union, as well as to our longer-term plans.

The scale of the challenges facing the community put particular pressures on the credit union, which we have to work hard to manage. This includes:

- Large numbers of members who rely on face-to-face banking services due to age, health, cultural and educational factors
- Increased demand for short-term emergency borrowing from members employed in sectors which have been affected by the pandemic: e.g. jobs in leisure and hospitality.
- Reduced demand for loans which tend to be lower risk and which generate income for other areas of the business, e.g. holiday loans.

As the Treasurer's Report (page 24) outlines, the economic context has impacted growth and plans for 2020, but we are confident in our capacity to recover quickly once the UK economy begins to recover in 2021.

In the 12 months prior to lockdown in March 2020, previous investment in marketing staff capacity and product development were delivering results. Total gross lending grew by 21% [£3.2million] in the preceding 12 months (Jan-2019-Jan 2020), with £2.07m of additional lending in the festive period Oct-Dec 2019 alone, this growth was reflected in improvements in our capital position and other key indicators. It is therefore reasonable to expect that, were it not for these unprecedented circumstances, the Credit Union would have achieved or even exceeded our goals for lending, capital and reduced delinquency.

While conditions have been challenging since the first lockdown in March, we have been able to adapt to the new circumstances, by introducing new products, continuing to invest in marketing, and changing how we deliver services.

Following the initial shock in March/April 2020, lending has recovered gradually, resulting in a modest net increase in the loan book overall over 2020.

Our response to COVID

As soon as the potential impact of COVID-19 became clear, we took a number of measures to ensure continuity of business operations, and to ensure we can continue doing right by our members in difficult times.

New products

We adapted our lending and marketing strategies, with a focus on smaller (<£7.5k) loans. This included the launch of new flexible products such as our Family Saver Loan, which enables families with children, regardless of income, to build savings and borrow via their Child Benefit, as well as Salaryflex, which allows salary-deduction members to access a flexible credit facility when they save regularly,

Expanding marketing activity

In October 2020, we recruited a full-time Digital Marketing Officer to continue to scale up our successful email and digital marketing activity. This new capacity is helping us to adapt to the new context, with personalised marketing and digital content that brings our services to a wider audience.

Keeping our branches open

Over-the-counter banking services remain a lifeline for many of our members who, for a variety of reasons, find digital services harder to access. Throughout the pandemic, staff have worked to keep our branch network open, with appropriate social distancing and safety measures,

Online banking upgrade

We have worked to make it easier than ever for members to register for online banking, and the mobile and web apps easier than ever to use. Since upgrading the apps in July, we have seen a significant increase in members using the apps for day-to-day tasks, making it more convenient for them, and releasing staff capacity to provide a better service for those needing individual support.

157 Payment holidays given in the past year

With many members facing unexpected changes in their financial circumstances due to a loss of earnings or reduced hours, we are committed to supporting them and to working towards a good outcome for themselves and our other members.

Over the past year, we have provided £312,732 worth of repayment holidays to 157 members whose incomes have been affected by the coronavirus, providing much-needed breathing space.

Summary of COVID-19 impacts and business response

<i>Impact</i>	<i>What we are doing</i>	<i>Outlook</i>
Reduced demand for salary-deducted loans	Innovative products to respond to our members' needs.	Attractive range of products, and marketing capacity enabling us to respond as recovery takes hold.
Increased numbers of members in financial difficulty	Supporting members in difficulty with repayment holidays and loan rescheduling. Extra checks to ensure loan affordability	More cautious approach during pandemic will ensure the credit union is in good shape once conditions improve.
Increased demand for emergency loans to lower-income and unemployed members	New loan products that make it possible to lend small amounts, regardless of income, e.g. Child Benefit loans	Loans that are linked to benefits will enable us to continue lending to members throughout the pandemic, and make it more convenient for those members to make repayments.
Operational and staffing impacts	Successful shift to home-based working for back office staff	Adoption of new digital tools and ways of working will make us more efficient over the long-term.

Plans for 2021

It is clear that conditions for our members and for the credit union will continue to be challenging throughout the first half of 2021. However, as and when restrictions begin to ease and wider economic conditions improve, London Mutual will be ready to make the most of the opportunities this creates for our members.

Mortgage application

In early 2021, the Credit Union will be formally applying to regulators for permission to begin issuing mortgages in the second half of the 2021. Securing this permission has been a long-held ambition of the Board, and significant work has already gone into developing the necessary staff, legal and IT capacity.

If approval is granted, this will begin an exciting new chapter for the Credit Union, expanding the ways we serve our members, and strengthening the position of the Credit Union as a whole.

Employer outreach

We will be dedicating significant resources towards developing our relationships with each of our 25 current salary deduction partners, which include local authorities, NHS Trusts and a range of local organisations, and working with them to promote credit union membership to their staff.

We will also be looking to develop new relationships with additional employers across London, including education institutions and additional NHS Trusts.

Member experience

With more and more of our members accessing our services online and interacting with us via phone, email and newer platforms like Facebook Messenger and WhatsApp, we will continue to put resources into ensuring we respond to your queries more quickly, and provide a high level of customer service no matter how you choose to contact us.

This will include rolling out a new programme of customer service training for all staff, as well as new digital tools such as chat and our knowledge base.

New savings and financial education tools

For some of our members, the restrictions of lockdown have provided an unexpected opportunity to reduce travel and leisure outgoings, and to build some savings. In the coming year, we will be launching new features for our mobile app that support members to work towards savings goals, as well as new financial information and education tools on our website.





Chair's Report

Chairman's Report Year Ending 30th September 2020

As the Chairman, I am privileged to present the annual report of the London Mutual Credit Union (LMCU) for the year ending September 2020.

It is no under-statement that 2020 was a very challenging year for us all. We will all continue to endure the impact of the Covid-19 virus for some time to come. Yet despite that, the LMCU continued and will continue to support you through these difficult times. During the COVID-19 pandemic, the Directors and staff of the LMCU remained committed to providing vital services to our members.

As expected, a number of factors impacted LMCU during this time: members saved more; demand for loans was lower; some members struggled to repay their existing loans; and we faced challenges in being able to keep open for business safely. All of these have had an impact on our profitability.

However, notwithstanding that, we did manage to make a small profit. Whilst we will not be able to distribute an adult dividend this year as a consequence, I am confident we will be able to do so in the future. LMCU has proved itself to be stable and strong through these unprecedented times. I am confident LMCU will thrive.

To assist in ensuring we remain profitable, we will continue to explore the availability of new technologies to make our operations more efficient and to also provide modern financial services to you, our members.

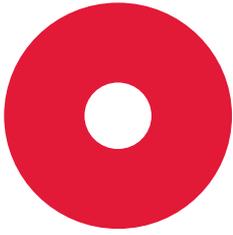
The Board of Directors' purpose is to act in LMCU's best interests and our goals are to ensure its continued success and growth and provide you with the best service we can. The Board of Directors are responsible for managing LMCU in accordance with our constitution, the requirements of the Credit Union Act 1979 and the rules and regulations set out by our regulators, the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA). The Directors are drawn from different industries and bring a wide range of skills and knowledge to LMCU. As a Board, we feel confident that we are, and will be, able to meet our legal and regulatory obligations.

I want to thank all the staff and the CEO for their hard work and commitment, especially through these challenging times. I would also like to thank my fellow Directors for volunteering their time and for their continued commitment to LMCU. As a Board, we will ensure LMCU remains at the fore of the movement for the benefit of its members.

Last but not least, I also want to thank you, our members, for your continued loyalty and support over the past difficult year. Wishing you a safe, healthy and prosperous 2021.



Richard Cooper
Chair of London Mutual Credit Union



Treasurer's Report

The COVID-19 pandemic, severely impacted the Credit Union business and its members in the last six months of LMCU financial year to 30th September 2020. However, with all the challenges felt by, staff and directors everyone remained committed to maintaining crucial services to our members.

LMCU ensured counter services, loans, access to savings, current account and just being to support members impacted by COVID-19.

LMCU experienced a difficult year of trading, growth projections were not met because of COVID-19, resulting in reduced borrowing and high delinquency. We still managed to complete our financial year with a net surplus of £81k, which is almost double the surplus in 2019 (£43k).

We welcome the Grant from the Fair4All to soften the impact of COVID-19 bolstering our resilience to cover some of the lost revenue in the current financial year. We are extremely grateful to the FAir4All for their support.

We continue to explore new technologies and more efficient ways of working to make our operation leaner and fitter to provide relevant modern financial services to our members and potential new members.

Membership Accounts

The adult membership is 32,426 Junior Saver accounts 3,482, Corporate accounts 46 and the number of transactional current accounts is 10,247.

Revenue Account

Loan Interest £2,515,458

Interest on Members' loans amounted to £2.5M and £2.3m in 2019, an increase of £196k against the previous year. Included in this figure is £14.8k relating to interest on the deposits held at the bank.

Interest payable & similar charges (£728k)

No Adult Dividends were paid during the year.

Other operating income £219k

Of this amount, £166k relates to grants and donations and £53k is rent from the old premises at 221 Rye Lane, Peckham and 79 Denmark Hill, Camberwell.

Administrative Expenses £1.737k and (£1.736m 2019)

This represents a standstill expenditure against the previous year.

Other operating expenses £152k (£166k in 2019)

The office cost decreased by £13.5k, these costs relate to the running of four offices, and regulatory cost.

Impairment on loans for bad and doubtful debts £469k (£272k in 2019) and Bad Debt Provision

Increased by £197k. This reflects the increasing cost of provisions for bad and doubtful debts which was impacted by COVID19 delinquencies in the last six month of the financial year. We also had a significant request for payment holidays from members who had difficulties servicing their loan due to COVID19.

As you can see from the accounts, we continue to driving down our operating cost, while increasing our membership and income streams. This is being achieved by our robust marketing of our competitive loan products and services.

Balance Sheet as at 30th September 2020

Assets

Funds held at the bank was £10.188k and (£7,187km in 2019)

Indicating an increase of £3m, which was mainly due to increased share deposits and reduced loan demand.

Loans to members £15.9m and (£14.6m in 2019) the loan book increased by £1.3m.

The LMCU strategy of increasing lending has a positive impact on generating sufficient operating income to cover expenses and increase the capital in the coming years.

Total Assets £31.043m and (£26.9 in 2019)

The credit union assets increased by £4.3m. This increase is largely due to increases in customer accounts/new members.

Liabilities

Customers' account £26.7m and (£22.3m in 2019)

Customer accounts increased by £4.3m.

Equity / General and Other Reserves

£4.2m (£3.8m in 2019).

Dividends

Due to the low operating surplus and capital ratio for the current year ending 30th September 2020, the Directors are recommending that the following dividend is paid:

- Junior 0.5%
- Adults 0%

A huge vote of thanks and appreciation to the CEO, Staff and our auditors for their outstanding commitment and hard work during the year and to you our members for your continued custom and support for your Credit Union.



Louis R McLeod MBA, OBE

Director / Treasurer



Audit Committee report

Year Ending 30th September 2020

As Audit Committee Chair, I am pleased to present the audit committee's report for the year ended 30 September 2020.

Our aim is to provide confidence in the integrity of the Credit Union's processes and procedures in relation to the adequacy and effectiveness of the Credit Union's Governance, Risk Management and Controls.

Based on this we have been focusing on a number of key areas during 2019/20 and the key deliverables during this period are:

- Delivering statutory requirements of the Bank of England's Prudential Authority together with the Financial Conduct Authority;
- Ensuring that the Credit Union complies with laws, regulations, policies, IIA standards, bylaws and AGM resolutions;
- Providing an on-going assurance to management on the integrity, effectiveness and operation of the Credit Union's internal control system;
- Adhering to the need to maintain sound internal control processes by conducting a robust assessment of the effectiveness of the Credit Union's risk management and internal control framework and how well principal risks are monitored;
- Reviewing credit control process and its robustness and adequacy of provisioning, loan write-off and delinquency policy issues;
- Providing assurance to the Board that the Annual Report & Financial Statements as a whole are fair, balanced and understandable;
- Reviewing the risk management processes and its effectiveness
- Reviewing the scope and the delivery of internal audit.

Like other organisations the Credit Union has been impacted by COVID-19. The Board authorised additional financial resources for dealing with the impact of COVID-19 and the Audit Committee oversaw the implementation of robust health and safety procedures to ensure the safety of our members and staff as well as other stakeholders.

Our priorities for 2019/20

- Ensuring the accuracy, integrity and reliability of management information systems and timely reporting to the Board by reviewing completeness and accuracy of the reports.
- Reviewing control over internal and external fraud and corruption risks.
- Reviewing provisioning policy and ensuring that correct provisions are made in quarterly management reports.
- Continual assessment and improvement of cybersecurity with a focus on ensuring IT policies and procedures are in place.
- Reviewing appropriate governance in the form of policies, procedures and necessary training for key personnel are in place for compliance with GDPR.
- Ensuring that the credit control process are in place and are being followed to control delinquency, loan write-offs and the adequacy of the provisioning policy.
- Review the effectiveness of asset management and controls
- Ensuring that risk effective management processes are in place to monitor and control credit and liquidity risk.
- Reviewing Business Continuity Plan for 2020-21
- Ensuring that adequate liquidity is maintained to allow desired lending growth.
- Delivering statutory requirements of the Bank of England's Prudential Authority together with the Financial Conduct Authority.

In undertaking its audit activities, the Audit Committee has confirmed that there has been no real or apparent impairment of the Internal Auditor's independence and objectivity and the audit engagement has been undertaken without any impediment.



Louis R McLeod MBA, OBE
Chair of the Audit Committee

Directors' Report

The Directors present their annual report and financial statements for the year ended 30 September 2020.

Principal activity

The principal activity of the credit union continued to be that defined in the Credit Union Act 1979.

The credit union is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Results and dividends

The results for the year are set out on 5 and dividend rates are disclosed at note 4.

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

- R Cooper
- L. R. McLeod OBE
- H Harris
- Lord R Kennedy
- S Wingrove (*Resigned 15 October 2019*)
- A Marshall
- J Thomas
- Dr F Millen
- M Lynch
- B Vaughan

Compliance statement

Under the Prudential Regulation Authority rulebook the Board of Directors must report to the members at the Annual General Meeting on certain areas of compliance within the credit union. The credit union is therefore pleased to report that during the year the credit union has been in compliance with:

- Depositor Protection Rules 11, 12, 14 and the requirements of rule 15 that relate to rule 11; and PRA Credit Union Rule 2.10 (fidelity bond insurance requirements); and
- The requirements of compliance under the PRA "additional activities".

Principal risks and uncertainties

The main financial risks of the credit union are set out in the notes to the financial statements.

Statement of Directors responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Legislation requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under the Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014 the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the credit union and of the surplus or deficit of the credit union for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial

statements;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the credit union will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the credit union's transactions and disclose with reasonable accuracy at any time the financial position of the credit union and enable them to ensure that the financial statements comply with the Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014. Directors are also responsible for safeguarding the assets of the credit union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the credit union's auditor is unaware. Additionally, the Directors individually have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the credit union's auditor is aware of that information.

Auditor

A resolution for the re-appointment of Alexander Sloan as auditors of the credit union is to be proposed at the forthcoming Annual General Meeting.

By order of the board



H Harris

Secretary

6th January 2021

Independent Auditor's Report

To The Members of London Mutual Credit Union Ltd

Opinion

We have audited the financial statements of London Mutual Credit Union Ltd (the 'credit union') for the year ended 30 September 2020 which comprise the revenue account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2020 and of its surplus or deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the credit union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in

accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the credit union's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we

are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- proper books of account have not been kept by the credit union in accordance with the requirements of the legislation; or
- a satisfactory system of control over transactions has not been kept by the credit union in accordance with the requirements of the legislation; or
- the Revenue Account and Balance Sheet are not in agreement with the books of account of the credit union; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the credit union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the credit union or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the credit union's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the credit union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the credit union and the credit union's members as a body, for our audit work, for this report, or for the opinions we have formed.



Alexander Sloan
Accountants and Business Advisers
Statutory Auditor
180 St Vincent Street
Glasgow G2 5SG

Revenue Account

	Notes	2020 £	2019 £
Loan interest receivable and similar income	3	2,515,458	2,309,693
Interest payable and similar charges	4	(4,238)	(7,808)
Net interest receivable		2,511,220	2,301,885
Fees and commissions receivable	5	718,758	741,333
Fees and commissions payable	6	(727,792)	(807,768)
Net fees and commissions		(9,034)	(66,435)
Other operating income	7	219,757	253,323
Administrative expenses	8	(1,737,133)	(1,736,427)
Depreciation and amortisation		(266,264)	(255,924)
Other operating expenses	9	(152,836)	(166,363)
Impairment on loans for bad and doubtful debts	15	(469,126)	(272,338)
Surplus before taxation		96,584	57,721
Corporation tax	12	(15,112)	(14,462)
Surplus for the year		81,472	43,259

The Revenue Account has been prepared on the basis that all operations are continuing operations.

Statement of comprehensive income

	Notes	2020 £	2019 £
Surplus for the year		81,472	43,259
Other comprehensive income			
Revaluation of tangible fixed assets		355,886	
Tax relating to other comprehensive income		(51,937)	-
Other comprehensive income for the year		303,949	-
Total comprehensive income for the year		385,421	43,259

Balance Sheet

As at 30 September 2020

	Notes	2020 £	2019 £
Assets			
Cash and balances at central banks	13	195,506	185,671
Loans and advances to banks	13	10,188,535	7,187,903
Loans and advances to customers	14	15,931,333	14,589,908
Intangible assets	16	613,559	613,233
Tangible assets	17	4,224,208	3,979,148
Other receivables	18	150,000	-
Prepayments		96,101	135,659
		31,399,242	26,691,522
Total assets			
Liabilities and reserves			
Customer accounts	19	26,669,443	2,322,810
Other liabilities	20	73,279	127,258
Deferred income	21	145,960	168,252
Provisions for liabilities	22	262,269	210,332
		27,150,951	22,828,652
General reserve	28	1,216,479	1,112,907
Revaluation reserve	28	1,968,874	1,687,177
Other reserves	28	1,062,938	1,062,786
Total reserves		4,248,291	3,862,870
		31,399,242	26,691,522
Total liabilities and reserves			

The financial statements were approved by the Board of Directors and authorised for issue on 6th January 2021 and are signed on its behalf by:



R Cooper
Director



L. R. McLeod OBE
Director



H Harris
Secretary

The notes on pages 36 to 52 form an integral part of these financial statements.

Statement Of Changes In Equity

	Revaluation Reserve £	Growth Fund Reserve £	Appropriation Reserve £	General Reserve £	Total £
Balance at 1 October 2018	1,709,429	1,061,544	5,670	1,042,968	3,819,611
Year ended 30 September 2019:					
Surplus and total comprehensive income for the year	-	-	-	43,259	43,259
Other movements	(22,252)	(1,990)	(2,438)	26,680	-
Balance at 30 September 2019	1,687,177	1,059,554	3,232	1,112,907	3,862,870
Year ended 30 September 2020:					
Surplus for the year	-	-	-	81,472	81,472
Revaluation of tangible fixed assets	355,886	-	-	-	355,886
Tax relating to other comprehensive income	(51,937)	-	-	-	(51,937)
Transfers	-	-	-	-	-
Other movements	(22,252)	-	152	22,100	-
Balance at 30 September 2020	1,968,874	1,059,554	3,384	1,216,479	4,248,291

The notes on pages 36 to 52 form an integral part of these financial statements.

Statement Of Cash Flows

	Notes	2020		2019	
		£	£	£	£
Cash flows from operating activities					
Surplus for the period			81,472		43,259
Depreciation and amortisation	10	266,264		255,924	
Corporation tax expenses	12	15,112		14,462	
Provision movement	15	469,126		272,338	
Interest income on loans	3	(2,500,568)		(2,304,199)	
Distribution on members shares	4	4,238		7,808	
			(1,745,828)		(1,753,667)
Working capital adjustments					
Change in other receivables and prepayments		(110,442)		56,315	
Change in other liabilities		(54,979)		31,688	
Change in deferred income		(22,292)		(58,120)	
			(187,713)		29,883
Cash flows from changes in operating assets and liabilities					
Loan repayments less loans advanced	14	690,017		(184,323)	
Customer balance cash movement		4,342,395		512,769	
Movement on funds on deposit	13	(4,412,166)		(577,684)	
			620,246		(249,238)
Corporation tax paid			(14,112)		(15,810)
Net cash flow from operating activities			(1,245,935)		(1,945,573)
Investing activities					
Purchase of intangible assets	16	(135,883)		(91,395)	
Purchase of tangible fixed assets	17	(19,881)		(21,267)	
Net cash used in investing activities			(155,764)		(112,662)
Proceeds from borrowings			-		-
Net cash used in financing activities			-		-
Net decrease in cash and cash equivalents			(1,401,699)		(2,058,235)
Cash and cash equivalents at beginning of year			5,644,362		7,702,597
Cash and cash equivalents at end of year			4,242,663		5,644,362

The notes on pages 36 to 52 form an integral part of these financial statements.

Notes to the financial statements

For the Year Ended 30 September 2020

1. Accounting policies

Background information

London Mutual Credit Union Ltd is registered in the UK as a society under the Co-operative and Community Benefit Societies Act 2014, whose principal activity is to operate as a credit union, within the meaning of the Credit Union Act 1979. The credit union is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Co-operative and Community Benefit Societies Act 2014.

The financial statements are prepared in sterling, which is the functional currency of the credit union. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

Income

Fees and charges receivable either arise in connection with a specific transaction, or accrue evenly over the year. Income relating to individual transactions is recognised when the transaction is complete.

Interest receivable on loans to members and bank interest are recognised using the effective interest rate basis and

are calculated and accrued on a daily basis.

Intangible fixed assets

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- **Software** 67-120 months straight line
- **Licences** 59-107 months straight line

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- **Freehold land and buildings** 50 years straight line
- **Leasehold improvements** Over the shorter of life of asset and length of the lease
- **Fixtures and fittings** 10% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the

carrying value of the asset, and is credited or charged to profit or loss.

Impairment of fixed assets

At each reporting period end date, the credit union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the credit union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the revenue account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a valuation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the revenue account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of less than 8 days.

Financial instruments

The credit union has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102 to all of its financial instruments. Financial instruments are recognised in the credit union's balance sheet when the credit union becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include loans to members and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the revenue account, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

The credit union assesses, at each balance sheet date, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised. Any impairment losses are recognised in the revenue account, as the difference between the carrying value of the expected cashflows.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cashflows from the asset expire or are settled, or when the credit union transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards

of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Basic financial liabilities

Basic financial liabilities, including members deposits are classified as debt and are initially recognised at transaction price. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through the revenue account. Debt instruments may be designated as being measured at fair value through the revenue account to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the credit union's contractual obligations expire or are discharged or cancelled.

Taxation

The tax expense for the period comprises current tax. Tax is recognised in the revenue account, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax

The tax currently payable is based on taxable surplus for the year. Taxable surplus differs from the surplus as reported in the revenue account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The credit union's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the credit union is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Government grants

Grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. Revenue grants are recognised as income over the periods when the related costs are incurred. Capital grants are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

2. Judgements and key sources of estimation uncertainty

In the application of the credit union's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Loan Impairment

The credit union assesses, at each reporting date, if there is objective evidence that any of its loans to customers are impaired. The loans are assessed collectively in groups that share similar credit-risk characteristics. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised. Any impairment losses are recognised in the Revenue Account, as the difference between the carrying value of the loan and the net present value of the expected cashflows.

Depreciation

Depreciation is an estimate that allocates the depreciable cost of fixed assets over their useful lives. The credit union's depreciation rates are set out in the accounting policies. The credit union regularly reviews its depreciation rates to ensure that they are appropriate.

3. Interest receivable and similar income

	2020	2019
	£	£
Interest income on loans	2,500,568	2,304,199
Interest income on bank deposits	14,890	5,494
	<u>2,515,458</u>	<u>2,309,693</u>

4. Interest payable and similar charges

As shares are classed as a liability the dividend on these shares is classed as interest for accounting purposes under FRS102:

	2020	2019
	£	£
Interest and similar charges paid during the period		
Interest paid on interest bearing shares	1,006	1,450
Distributions to junior members	3,232	6,358
	<u>4,238</u>	<u>7,808</u>

The distributions on member's shares represents distributions paid in the year which were approved at the last Annual General Meeting. The dividend rates approved at the previous AGM were:

	2020	2019
	%	%
Dividend rates paid during year		
Junior dividend	0.50	0.50

At the forthcoming Annual General Meeting the Directors will propose the following dividends based on the results for the current year. If approved these dividends will be included as a cost in next year's financial statements once they have been paid.

	2020	2019
	%	%
Dividend rates to be proposed at the Annual General Meeting		
Junior dividend	0.50	0.50

5. Fees and commissions receivable

	2020	2019
	£	£
Entrance fees	3,694	4,608
Banking service charges	712,643	733,793
Insurance commission	2,421	2,932
	<u>718,758</u>	<u>741,333</u>

6. Fees and commissions payable

	2020	2019
	£	£
Bank charges	20,730	25,907
Banking service charges	707,062	781,861
	<u>727,792</u>	<u>807,768</u>

7. Other operating income

	2020	2019
	£	£
Grant income	166,638	184,544
Rental income	53,119	68,779
	<u>219,757</u>	<u>253,323</u>

During the year, the Credit Union was awarded £270,000 from Fair4All to assist with the costs of the pandemic. The initial tranche was £150,000 of which the Credit Union has recognised £135,888 in the period to 30 September 2020 within grant income. The remaining balance deferred until 2020/21. The second tranche is subject to conditions within the grant offer but is expected to be received in 2020/21.

8. Administrative expenses

		2020	2019
	Notes	£	£
Staff costs	11	1,358,505	1,394,763
External auditor's remuneration		18,238	13,028
Member communication and advertising		128,783	135,696
Legal, professional and credit control costs		90,606	78,930
Computer and software expenses		87,705	81,981
Travel costs		8,647	1,022
General administration costs		44,649	31,007
		<u>1,737,133</u>	<u>1,736,427</u>

9. Other operating expenses

	2020	2019
	£	£
Regulatory costs	11,111	10,685
Costs of occupying offices	141,725	155,678
	<u>152,836</u>	<u>166,363</u>

10. Operating surplus

	2020	2019
	£	£
Operating surplus for the year is stated after charging:		
Fees payable to the credit union's external auditor for the audit of the financial statements	10,000	7,400
Depreciation of owned tangible fixed assets	130,707	128,879
Amortisation of intangible assets	135,557	127,045
Operating lease charges	<u>58,837</u>	<u>73,962</u>

11. Employees

The average monthly number of persons (including Directors) employed by the credit union during the year was:

	2020	2019
	Number	Number
Directors	9	8
Admin and support	43	47
	<u>52</u>	<u>55</u>

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	1,173,175	1,233,630
Social security costs	127,838	104,072
Pension costs	57,492	57,061
	<u>1,358,505</u>	<u>1,394,763</u>

12. Corporation tax

	2020	2019
	£	£
Current tax		
UK corporation tax on taxable surplus for the current period	15,112	14,112
Adjustments in respect of prior periods	-	350
Total current tax	15,112	14,462

The actual charge for the year can be reconciled to the expected charge for the year based on the surplus or deficit and the standard rate of tax as follows:

	2020	2019
	£	£
Surplus before taxation	96,584	57,721
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	18,351	10,967
Tax effect of income/expenditure not taxable in determining taxable surplus	(3,239)	3,495
Taxation charge for the year	15,112	14,462

In addition to the amount charged to the revenue account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2020	2019
	£	£
Deferred tax arising on: Revaluation of property	51,937	-

13. Loans and advances to banks

	2020	2019
	£	£
Cash held at banks	4,047,157	5,458,691
Bank deposits	6,141,378	1,729,212
Loans and advances to banks	10,188,535	7,187,903
Cash in hand	195,506	185,671
Total cash and bank balances	10,384,041	7,373,574

Loans split by repayment period

Cash and cash equivalents	4,242,663	5,644,362
Amounts maturing in over 8 days	6,141,378	1,729,212
	10,384,041	7,373,574

The carrying amount of the bank balances pledged as collateral is £440,000 (2019 - £440,000). Collateral is in respect of Optimus for use of Mastercard facilities.

14. Loans and advances to customers

Loan movement

		2020	2019
	Notes	£	£
Opening balances		17,392,564	14,938,904
Interest on loans		2,500,568	2,304,199
Loans advanced during the period		17,264,548	17,344,602
Loans repaid during the period		(17,954,565)	(17,160,279)
Loans derecognised		(44,015)	(34,862)
		19,159,100	17,392,564
Loan impairment provisions	15	(3,227,767)	(2,802,656)
		15,931,333	14,589,908

Loans split by repayment period

Capital repayments due within 1 year		11,223,727	10,289,869
Capital repayments due after 1 year		7,935,373	7,102,695
Loan impairment provisions	15	(3,227,767)	(2,802,656)
		15,931,333	14,589,908

Loans split by type

Loans to members		19,159,100	17,392,564
Loan impairment provisions	15	(3,227,767)	(2,802,656)
		15,931,333	14,589,908

15. Loan Impairment

	Write off Provision £	Arrears Provision £	Total Provisions £
Loan impairment provision			
Opening balances	1,066,679	1,735,977	2,802,656
Provision movement	<u>182,501</u>	<u>242,610</u>	<u>425,111</u>
Closing balances	<u><u>1,249,180</u></u>	<u><u>1,978,587</u></u>	<u><u>3,227,767</u></u>

Under Financial Reporting Standard 102 (FRS 102), the criteria for de recognising (writing off a loan) is different from when the credit union would write off the loan for internal purposes. Loans written off by the Board that do not meet the criteria in FRS102 for being derecognised are not written off in these financial statements.

The loans the credit union feel should be written off but which do not meet the criteria in FRS 102 for being derecognised are fully provided in the write off provision which is shown above. As a result there is no net effect on the surplus or net assets of the credit union from this requirement of FRS102.

	Notes	2020 £	2019 £
Impairment revenue account charge			
Impairment provision movement		425,111	237,476
Bad debts derecognised	14	<u>44,015</u>	<u>34,862</u>
		<u><u>469,126</u></u>	<u><u>272,338</u></u>

16. Intangible fixed assets

	Software £	Licences £	Total £
Cost			
At 1 October 2019	231,270	783,401	1,014,671
Additions - separately acquired	<u>56,728</u>	<u>79,155</u>	<u>135,883</u>
At 30 September 2020	<u>287,998</u>	<u>862,556</u>	<u>1,150,554</u>
Amortisation and impairment			
At 1 October 2019	81,336	320,102	401,438
Amortisation charged for the year	<u>56,492</u>	<u>79,065</u>	<u>135,557</u>
At 30 September 2020	<u>137,828</u>	<u>399,167</u>	<u>536,995</u>
Carrying amount			
At 30 September 2020	<u>150,170</u>	<u>463,389</u>	<u>613,559</u>
At 30 September 2019	<u>149,934</u>	<u>463,299</u>	<u>613,233</u>

17. Tangible fixed assets

	Freehold land and buildings £	Leasehold improvements £	Fixtures and Fittings £	Total £
Cost or valuation				
At 1 October 2019	3,732,000	292,516	453,247	4,477,763
Additions	-	-	19,881	19,881
Revaluation	271,356	-	-	271,356
At 30 September 2020	<u>4,003,356</u>	<u>292,516</u>	<u>473,128</u>	<u>4,769,000</u>
Depreciation and impairment				
At 1 October 2019	42,265	121,720	334,630	498,615
Depreciation charged in the year	42,265	26,588	61,854	130,707
Revaluation	(84,530)	-	-	(84,530)
At 30 September 2020	<u>-</u>	<u>148,308</u>	<u>396,484</u>	<u>544,792</u>
Carrying amount				
At 30 September 2020	<u>4,003,356</u>	<u>144,208</u>	<u>76,644</u>	<u>4,224,208</u>
At 30 September 2019	<u>3,689,735</u>	<u>-</u>	<u>118,617</u>	<u>3,979,148</u>

Land and buildings were revalued in December 2020 by Budworth Hardcastle independent valuers not connected with the credit union on the basis of market value. The valuation was carried out in accordance with RICS Global Standards 2020. The Directors do not believe there would be any material change to the value of the assets at the balance sheet date.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2020 £	2019 £
Cost	2,123,522	2,123,522
Accumulated depreciation	<u>(353,311)</u>	<u>(333,297)</u>
Carrying value	<u>1,770,211</u>	<u>1,790,225</u>

18. Other receivables

	2020 £	2019 £
Amounts falling due within one year:	<u> </u>	<u> </u>
Other debtors	<u>150,000</u>	<u>-</u>

19. Customer accounts

Deposit movement

	2020	2019
	£	£
Opening balances	22,322,810	21,802,233
Share movement in year	4,346,633	520,577
	<u>26,669,443</u>	<u>22,322,810</u>

Deposits split by type

Standard dividend bearing member shares	21,389,787	18,564,102
Standard interest bearing member shares	959,547	1,071,504
Corporate dividend bearing shares	236,888	189,268
	<u>22,586,222</u>	<u>19,824,874</u>
Member current account	2,864,384	1,587,369
Juvenile member deposits	1,218,837	910,567
	<u>26,669,443</u>	<u>22,322,810</u>

20. Other liabilities

	2020	2019
	£	£
Corporation tax	15,112	14,112
Other creditors	173	173
Accruals and deferred income	57,994	112,973
	<u>73,279</u>	<u>127,258</u>

21. Deferred income

	2020	2019
	£	£
Opening balance	168,252	226,372
Increase in period	150,000	-
Release in period	(172,292)	(58,120)
	<u>145,960</u>	<u>168,252</u>

22. Provisions for liabilities

Notes	2020 £	2019 £
Deferred tax liabilities	<u>262,269</u>	<u>210,332</u>

23. Retirement benefit schemes

The credit union operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the credit union in an independently administered fund.

Defined contribution schemes

	2020 £	2019 £
Charge to revenue account in respect of defined contribution schemes	<u>57,492</u>	<u>57,061</u>

24. Financial risk management

The credit union manages its shares and loans so that it earns income from the margin between interest receivable and interest payable (including dividends paid). The main financial risks arising from the activities of the credit union are credit risk, liquidity risk and market risk. The Board reviews and agrees policies for managing each of these risks which are summarised below:

Credit risk

Credit risk is the risk that a borrower will default on their contractual obligations relating to repayment to the credit union, resulting in financial loss to the credit union. In order to manage this risk the Board approves the lending policy and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate the likelihood of repayment has changed. The credit union also monitors its banking arrangements for credit risk.

Liquidity risk

The policy of the credit union is to maintain sufficient funds in liquid form at time to ensure that it can meet its liabilities as they fall due and meet the liquidity ratios set by the regulators. The objective of the policy is to provide a degree of protection against any unexpected developments that may arise

Market risk

Market risk generally comprises of interest rate risk, currency risk and other price risk. The main risks impacting the credit union are set out below:

Interest rate risk: The main interest rate risk for the credit union arises between the interest rate exposure on loans, bank deposits and shares that form an integral part of a credit union's operations. The credit union considers rates of interest receivable when deciding on proposed dividend rates. Dividend rates are based on the historical results of the credit union and the credit union's strategic plans. The credit union does not use interest rate options to hedge its own positions.

Foreign Currency Risk

All transactions are carried out in sterling and therefore the credit union is not exposed to any form of foreign currency risk.

25. Credit risk on lending

The credit union holds the following security against its loans to members:

	2020	2019
	£	£
Security for loans		
Attached shares	<u>4,239,207</u>	<u>3,813,870</u>

The carrying amount of the loans to members represents the credit union's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full. The status 'past due' includes any loan where payments are in arrears. The amount included is the entire loan amount and not just the overdue amount.

	2020	2019
	£	£
Loans not individually impaired		
Not past due	15,568,116	14,130,785
Up to 3 months past due	<u>229,640</u>	<u>342,983</u>
	<u>15,797,756</u>	<u>14,473,768</u>
Loans individually impaired		
Between 3 and 6 months past due	186,771	146,127
Between 6 months and 1 year past due	290,098	298,742
Over 1 year past due	<u>1,635,295</u>	<u>1,407,248</u>
Individually impaired and written off for internal purposes	<u>1,249,180</u>	<u>1,066,679</u>
	3,361,344	2,918,796
Total loans	<u>19,159,100</u>	<u>17,392,564</u>
Impairment allowance	<u>(3,227,767)</u>	<u>(2,802,656)</u>
	<u>15,931,333</u>	<u>14,589,908</u>

26. Credit risk on bank and investments

The credit union invests funds not yet actively deployed in the following investments:

	2020	2019
	£	£
Bank accounts	4,047,157	5,458,691
Bank term deposits	<u>6,141,378</u>	<u>1,729,212</u>
	<u>10,188,535</u>	<u>7,187,903</u>

The credit union believes the full amount of these investments is recoverable.

27. Interest rates on financial instruments

The following table shows the interest earned during the year divided by the average loan balance and the dividend/interest paid during the year divided by the average share balance. The average balance is taken as the average of the opening and closing balances.

	2020 Amount £	Rates received in year %	2019 Amount £	Rates received in year %
Financial assets				
Loans to members	19,159,100	13.68%	17,392,564	14.25%
Loans and advances to banks	10,188,535	0.17%	7,187,903	0.07%
	<u>29,347,635</u>		<u>24,580,467</u>	
Financial liabilities				
Juvenile deposits	(1,218,837)	0.30%	(910,567)	0.74%
Dividend bearing shares	(24,491,059)	-	(20,340,739)	-
Interest bearing shares	(959,547)	0.10%	(1,071,504)	0.12%
	<u>(26,669,443)</u>		<u>(22,322,810)</u>	

28. Reserves

General Reserve

The general reserve represents the base capital of the credit union and is the retained surpluses and deficits which have not been allocated to another specific reserve.

The credit union has the following other reserves:

Growth Fund Reserve

The growth fund reserve represents surpluses and deficits on growth fund activities, including unused growth fund funding, which must be used for the Department of Work and Pension's Growth Fund project.

Capital

The credit union classes all of its reserves as capital. The credit union manages its reserves through its financial and budgeting policies and procedures. The Prudential Regulation Authority sets out requirements for the capital ratio that the credit union must maintain. The ratio is calculated after proposed dividends. The credit union's compliance with the ratio at the year end is set out below:

	2020 %	2019 %
Actual capital to asset ratio	9.65%	10.84%
Regulatory requirement		
Base capital requirement	7.04%	8.00%
Capital buffer	-	2.00%
Total capital requirement	7.04%	10.00%

The credit union classes all of its reserves as capital. The credit union manages its reserves through its financial and budgeting policies and procedures. The Prudential Regulation Authority sets out requirements for regulatory capital that the credit union must maintain. The credit union's compliance with the requirements at the year end is set out below:

29. Financial commitments, guarantees and contingent liabilities

Contingent Liabilities

The credit union participates in the Financial Services Compensation Scheme (FSCS) which provides protection for its members up to the level of protection offered by the FSCS. As a result of the credit union's participation it has a contingent liability, which cannot be quantified, in respect of future contributions to the FSCS, as required by the Financial Services and Markets Act 2000.

Financial Commitments

Under its software contract the credit union has a financial commitment for annual maintenance of £120,904 (2019: £65,022).

30. Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £	2019 £
Within one year	34,800	34,800
Between two and five years	139,200	139,200
In over five years	174,000	208,800
Total lessee operating lease commitment	348,000	382,800

31. Related party transactions

The credit union classes the Directors and members of the senior management team as key management.

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2020	2019
	£	£
Wages and salaries	298,348	306,203
Honorarium paid to Treasurer	24,597	27,344

Transactions with key management

During the year, a Director resigned to carry out consultancy services on behalf of the Credit Union. The Board reviewed the proposed costs against other parties before awarding the contract. In 2020/21,

£11,400 was paid to the company of the former director for consultancy services.

Balances held by members of key management and their close family members in the credit union are set out below. Loans to key management and their close family members are on standard terms and conditions.

	2020	2019
	£	£
Loan to key management and their close family	68,334	79,050
Shares held by key management and their close family	122,742	18,154

Detailed Revenue Account

For the Year Ended 30 September 2020

	Notes	2020 £	2019 £
Income			
Interest income on loans	3	2,500,568	2,304,199
Interest income on bank deposits	3	14,890	5,494
Fees and commissions receivable	5	718,758	741,333
Other income	7	219,757	253,323
		<u>3,453,973</u>	<u>3,304,349</u>
Expenditure			
Staff costs	11	1,358,505	1,394,763
Auditors remuneration		18,238	13,028
Member communication and advertising	8	128,783	135,696
Legal, professional and credit control costs	8	90,606	78,930
Computer and software expenses	8	87,705	81,981
Travel costs	8	8,647	1,022
Bank charges	6	20,730	25,907
Banking services costs	6	707,062	781,861
General administration costs	8	44,649	31,007
Regulatory costs	9	11,111	10,685
Costs of occupying offices	9	141,725	155,678
Depreciation and amortisation	10	266,264	255,924
Impairment on loans for bad and doubtful debts	15	469,126	272,338
		<u>3,353,151</u>	<u>3,238,820</u>
Surplus before taxation		100,822	65,529
Corporation tax	12	(15,112)	(14,462)
		<u>85,710</u>	<u>51,067</u>
Distributions		(4,238)	(7,808)
Surplus for the year		<u><u>81,472</u></u>	<u><u>43,259</u></u>

London Mutual Credit Union Ltd

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Society Number: 64C

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London Mutual Credit Union Ltd is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.



London Mutual
Credit Union