



London Mutual
Credit Union

Annual Report and Audited Accounts

| For the Year Ended 30th September 2021



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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
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.

40th 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 safely, this year's meeting will once again take place online at 6:00pm on Friday 4th March 2022.

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.

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 2020/2021 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.

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

www.creditunion.co.uk/agm

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

*40th Annual General Meeting of London Mutual
Credit Union Limited*

Via Zoom online meeting. Held on Friday
4th March 2022 at 6:00PM

Annual General Meeting Agenda

- 1 Welcome and Introductions
- 2 Standing Orders
- 3 Minutes of the AGM held on 5th March 2021
- 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 Honorarium 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.

London Mutual Turns 40

2022 marks London Mutual's fortieth birthday. It is a landmark we are looking forward to sharing with members, friends and partners in the local community.

What is now today London Mutual was created on 29 November 1982 as Southwark Council Employees Credit Union. It was founded primarily as a place for council employees with a secure place to save and to borrow affordably when needed.

It is fair to say that London Mutual—like the rest of the UK credit union movement—has come a long way since those early days. Over 40 years, London Mutual has earned a reputation as among the most innovative credit unions in the UK, ambitious for its members and community. This track record includes several 'firsts' for the credit union movement, with London Mutual leading the way where other credit unions have followed.

However, what hasn't changed is our core purpose of serving our members. Going into our 40th year, we're more committed than ever to our mission of helping everyone in our community make the most of their money. Over the year, we'll be celebrating our 40th with a series of projects and new initiatives to say thank you to members who have stood by us, in some cases for decades. We also plan to re-invigorate our work around financial education and supporting good causes within the community and beyond.

We look forward to celebrating with you over the year, and you can find out more about some of our plans on page 20.

Here's to the next 40 years!



1982 Founded by Southwark Council Employees

1982

1990

1985 The First Credit Union in the UK to employ paid staff





2010 Name changed to London Mutual Credit Union

1996 First credit union in UK to own premises



2010-13 Mergers with Lambeth, Pimlico and Camden Plus Credit Unions

2015 Common bond expanded to include HM Armed Forces

2000

2010

2022

1997 Expansion to Kings Hospital and Camberwell

1997 Common bond covers whole of Southwark - the first credit union with a borough-wide common bond

2013 HRH Duchess of Cornwall becomes a member

2019 Common bond expanded to include all health and education staff in Greater London

2021 Partnership formed with Transport for London

1999 Growth Fund Loans launched in partnership with DWP





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.

Valuing Members

‘Becoming a Member Centred Business,’ is one of the three key priorities identified by the Board of Directors in the credit union’s latest business plan. It goes to the heart of what we do as a credit union.

Over the past year, we have begun to put that ambition into practise, focusing on customer service and user experience (UX). Expectations around the speed and availability of financial services have evolved rapidly in recent years, and we know it is vital that we keep up. Sticking to the mantra of ‘digital with a human touch’, we aim to use the best technology to make our services convenient and easy to use. We will do that while emphasising the human relationships and interpersonal skills that we know make us special as a credit union.

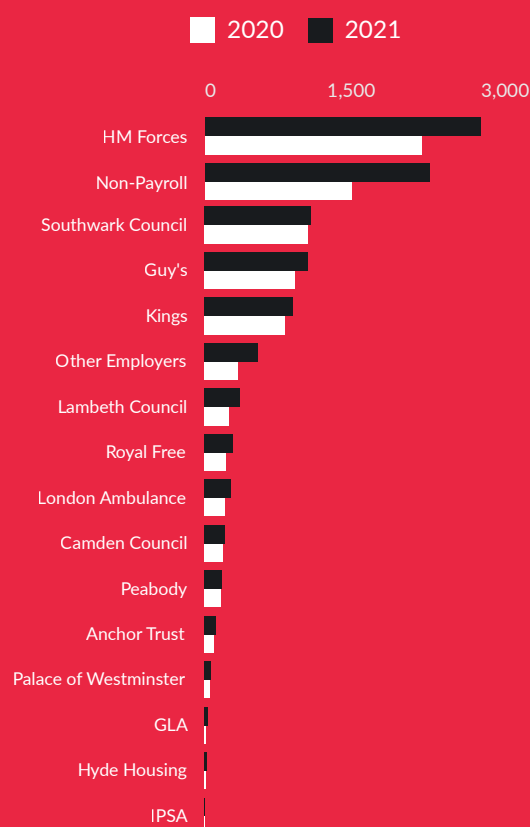
This approach can be seen in our new digital customer support help desk, which launched in November. It enables our team to provide fast and convenient remote support to thousands of members each month, regardless of whether they choose to contact us via email, social media and live chat. Leading that work is a brand new Member Experience Officer, whose job is to identify customer service issues and opportunities to improve service across the credit union.

Actively Listening

Another focus for us is actively asking members for their views at every opportunity and using their feedback to make decisions and shape business priorities. For several years, we’ve used TrustPilot to ask loan applicants for feedback proactively. In 2020, we built on that with more focused surveys asking specific audiences about particular aspects of our products and services.

We are also using member feedback to identify opportunities to improve customer service itself. All users of our new helpdesk are asked to rate the quality of the service they received from our staff. Member feedback and customer service metrics are reported monthly to the Board of Directors, feeding directly into strategic decision-making.

Membership Growth 2020-21



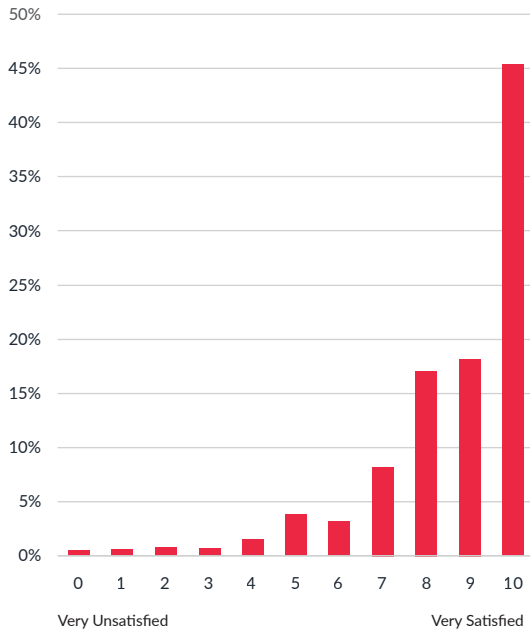
Increase in Members 2020-21



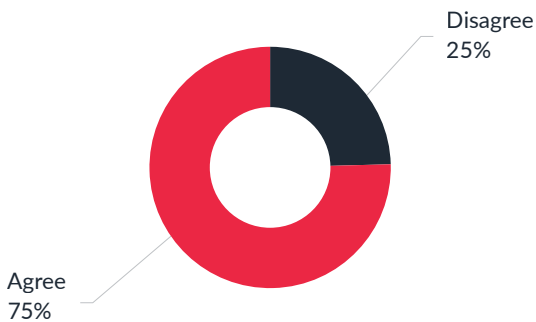
Annual Member's Survey

In December 2021 we repeated our Annual Members' Survey, once again asking members for their views around membership and our services.

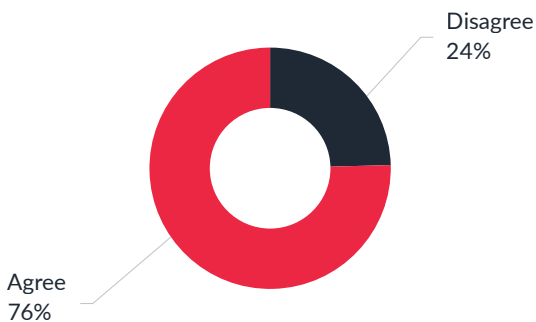
How Satisfied Are You By Our Customer Support?



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



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



Member Feedback

In 2021, we continued to use TrustPilot to actively gather feedback from loan applicants. Building on that, we also now routinely ask users of our help desk to rate and comment on the quality of the service they received from our staff.



Trustpilot

Great service for people on benefits and low incomes been with LMCU for 12 years and wouldn't change for any other bank or building society

Malcolm

Thank you for helping me out with a loan to consolidate my debts. Without your help I would have been sucked under in horrendous never ending debt and poverty. You have kept me up to date constantly with the progress of my loan and I like your online progress meter.

Denise

Excellent service! It was an emergency loan and Credit Union did not disappoint me despite my not so perfect credit rating. Thanks for showing consideration to those people who would otherwise cannot get a loan approved elsewhere with such a reasonable APR.

Josephine

I've been with London Credit Union since it was Southwark Credit Union & the service from counter staff has always been excellent, empathetic & professional. I've always been able to get through on the phone too. First class

Robert

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.

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)	27	11
Peckham	3	2
Walworth Road	3	1
Brixton	2	1
Total staff	35	15

Below: LMCU staff involved in charity fundraising, community outreach and anti-fraud awareness activities over the past year.





Spotlight

Our Employer Partners

A vital part of London Mutual's work are our relationships with more than 25 local employers, across local government, the NHS and the armed forces.

Over 8,000 members are linked to us via their employer, borrowing and saving directly through their salary. London Mutual was a pioneer of these payroll deduction schemes in the UK, which are now offered by credit unions across the country.

For our members, it's a convenient way to get into the savings habit or to borrow affordably based on the added security that salary deducted repayments provide. A key benefit is that everything is taken care of on payday, avoiding worries about missed repayments or accidentally 'spending it all first'.

At a time when staff well-being and financial resilience are high up many employers' agendas, partnership with us is a valued (and popular) staff benefit. We're actively working to grow and expand membership within existing employers and form partnerships with new ones.

Over the past year, we've actively worked to expand the number of employees with who we work. We have developed a new website salarydeduction.co.uk as an information resource for employers interested in partnering with their local credit union. In 2022, we'll be scaling up our outreach work to additional NHS Trusts, higher education and other major employers across the capital.

We're also incredibly excited that, from early 2022, Transport for London (TfL) will be London Mutual's newest employer partner, enabling us to offer salary-deducted savings and affordable loans to TfL's 27,000 employees for the first time.

Our Employer Partners

Some of our largest employer partners include:

For a full list, visit creditunion.co.uk/employers



CEO's Update

Introduction

The past two years have posed unprecedented challenges for our community. Thanks to your support and the hard work of our directors, staff and partners, we have continued to move forward and can look forward to our 40th year with optimism.

Forty years ago this November, London Mutual was established to serve employees at London Borough of Southwark. Our community has grown considerably to encompass much of central London, the armed forces, health and education staff in the years since. From early 2022 we will welcome Transport for London's 27,000 staff to be part of it as well.

Having joined the staff team in 1993, I have had the personal privilege to be part of the credit union's growth and development over that period. It is no exaggeration to say that tens of thousands of people have been made better off through the work we are all a part of.

While much has changed, some things have not. As a credit union, the interests of our members and the needs of the broader community will always be our core purpose. Over the past two years, the COVID-19 pandemic has continued to create unprecedented pressures—not least for our members working in the NHS and other essential services.

In 2021, we saw some of those restrictions start to ease. However, we know that the impact will continue to be felt for a long time to come. With the cost of living rising rapidly, it seems likely that the economic environment will continue to be difficult for many. In our 40th year, we will ensure that London Mutual remains a source of strength and support.

We are continuing to invest in technologies, such as Open Banking, which will make our services more accessible and convenient to use while at the same time reducing operating costs. Alongside technology, we will continue to make the most of any credit union's best asset—our people and relationships.

Our aim is to build a 'member-centric' credit union, known for excellent customer service and with decisions driven by the feedback and insights of our members.



Education and outreach will also continue to be a priority. In our 40th year, I look forward to celebrating as London Mutual scales up its partnership work with local employers, good causes and community groups. We will also be renewing much of our financial education work, delivering on our mission of helping members make the most of their money. In the coming months, we will be announcing a range of activities marking the 40th anniversary itself later in the year.

Needless to say, there will be exciting opportunities to celebrate with us and to look back on all we have achieved together. Until then, let me once again thank you, our members, our Board of Directors and staff for your continued support..

Lakshman Chandrasekera

Chief Executive

Our Strategic Objectives

In April 2021, the Board of Directors agreed a new set of Strategic Objectives covering the period 2021-2024

These Strategic Objectives show how, as a business, London Mutual will work to achieve its purpose (p 9) The Objectives are used to set individual work plans and inform the day-to-day priorities of the CEO and senior managers.

1. Grow Capital to Assets Ratio

Improving our capital position will continue to be the overriding business priority of Credit Union. The Board and staff team are mindful of its importance to the Credit Union's financial sustainability, and to meeting its regulatory obligations. We are committed to building our excess capital to £2m above the requirement set by the PRA.

2. Build a Member-Centred Business

We believe that our role as a member-owned institution ought to be one of our key strengths. Prioritising customer service and listening to members will be fundamental to the credit union's success in the coming years. We will invest in improving service quality to attract and retain members, and use feedback and insights to inform decision-making.

3. Achieve Operating Efficiencies through Digital Transformation

London Mutual's culture of innovation and established IT infrastructure are strengths which can be leveraged further to reduce costs while increasing the quality of our service to members. This will help to increase the profitability of the Business overall, ensuring we remain financially sustainable, and generate a surplus to distribute to members.

Progress Towards Strategic Objectives

	2018	2019	2020	2021
Membership	28,380	30,842	32,426	35,744
Junior Savers	3,320	3,582	3,482	3,300
Capital Ratio	10.73%	10.84%	9.24%	9.53%
Savings	£21,802,233	£22,322,810	£ 26,669,443	£ 28,902,351
Loans	£12,373,724	£14,589,908	£15,931,333	£ 19,584,792
Assets	£26,155,467	£26,691,522	£ 31,399,242	£ 33,687,475
Salary-deducted Loans			£ 8,473,450	£11,610,220
Salary-deducted loans as a % of loan book			48.82%	48.61%



Highlights of 2021

2021—and the second half in particular—saw work that began under lockdown reach fruition, with new service improvements going live, and the credit union’s work recognised with a number of awards.

In addition, the easing of restrictions in the second half of the year created opportunities for face-to-face outreach and promotional activity— in some cases for the first time since 2019.



Armed Forces Covenant Silver Award

In October, we were proud to receive the Silver Award as part of the Ministry of Defence’s Employer Recognition Scheme. The scheme recognises organisations with a track record of employing former service personnel and their families, and supporting existing employees to serve in the Armed Forces Reserves. As a Bronze Award holder since 2014, London Mutual was proud to take this next step in deepening our links with HM Forces.

Financial Services Forum Awards

We were proud to be Highly Commended in this year’s Financial Services Forum Awards for Innovation. These Awards are judged by a panel of leading figures from across the financial services industry. London Mutual was short-listed in two categories, and received a highly commended award in the ‘Best Innovation in Financial Inclusion’ for our Family Saver child benefit loan product, against stiff competition from leading high street and household names.



Outreach Work at Guy's & St Thomas'

The easing of social distancing regulations over the summer provided an opportunity to carry out in-person visits to our employer partners for the first time since 2019. Over the year, we held regular sessions at Guy's & St Thomas' Hospital to assist existing members and promote credit union membership. This included distributing free hand cream to hospital staff as well as providing face-to-face support to members with their accounts.



Reaching New Audiences on Social Media

With in-person activity continuing to be a challenge, over the past year we have focussed on growing our online audience, including expanding London Mutual's presence on new channels such as TikTok. As one of the first UK credit unions to have a presence on this growing social network, we have fast built up a following, and our financial education clips featuring members of the staff team are now viewed by an average of over 25,000 people per month.



Live Updates on Loan Applications

Applying for a loan can be an anxious and uncertain process at the best of times. That's why simplifying the process and improving information to applicants is a key priority.

In the first half of 2020, we went live with a new system for updating loan applicants on the progress of their application. Inspired by delivery tracking tools offered by online retailers, London Mutual's loan tracker enables applicants to receive up-to-the-minute information as their loan progresses through the decision process, as well as displaying an estimated completion date and alerting them to any actions or information we need from them.



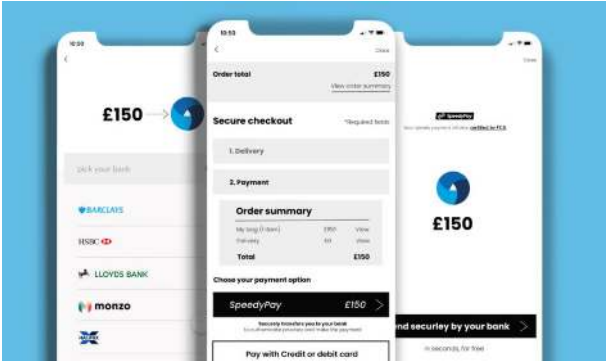
Partnership with Transport for London

In September, we were proud to be selected by Transport for London (TfL) as their partner to extend credit union services to their 27,000 employees.

TfL's workforce includes station staff, London Underground drivers and administrative and head office staff, all of whom are now eligible to join London Mutual, regardless of where they live. This partnership is expected to formally launch in early 2022, providing an exciting opportunity for London Mutual to grow and extend its membership across the Capital.

Plans and Priorities for 2022

Over the coming year, our focus will be on growing membership and making our services even easier to access and use.



Open Banking Payments

In early 2022, London Mutual will become the first credit union in the UK to accept payments via Open Banking. This technology will enable members to make instant one-off payments into their account by connecting directly to their primary bank or building society. It will offer greater security and speed compared to credit cards while reducing processing costs for the credit union overall.

Launch of Money Gym

Financial education has always been an essential part of our work. In 2022, we'll be re-vitalising that work with the launch of Money Gym, a new set of online-based tools and a newsletter with tips and ideas to sun making the most of your money. We'll also be running a series of monthly Masterclasses online webinars with staff sharing their tips and answering questions from members.



Improvements to the Loan Application Process

Over the next 12 months, we'll continue to improve the loan application process. Following the launch of our application progress tracker in 2022, we'll be focusing on improving the process for providing supporting documents such as bank statements and payslips. Through technical improvements and more detailed updates, our aim is to remove the stress and uncertainty which can sometimes come with applying for a loan.

Employer and Community Outreach

Our new partnership with Transport for London (TfL) will be going live early in 2022, and we're excited to welcome as many as possible of its 27,000 staff as members.

Building on this momentum, we'll be expanding our outreach to major employers across London, focusing on bringing more NHS Trusts and higher education institutions on board. As COVID-19 restrictions ease, we'll also be looking to expand our in-person work with local community organisations and existing employers.





Chair's Report

Chairman's Report Year Ending 30th September 2021

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

Like banks and other financial services providers, credit Unions are governed by the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA). Ultimately the Board of Directors are responsible for managing the credit union in accordance with the rules and regulations set out by our regulators.

The past two years have been unprecedented time and have been a struggle for our members and our credit union. We have had another difficult year but myself and the other Directors are confident that in 2022 we will be able to move forwards and to continue to work towards our vision; to become the primary provider of fair, ethical and affordable financial services in London. We want to grow the credit union and make it stronger but without forgetting our values and our fundamental purpose to support our members.

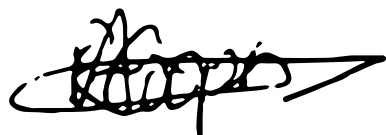
Notwithstanding that we are still living through uncertain times, as a Board we are confident that we will be able to continue to serve you our members, to provide improvements to our services, to strengthen our capital and continue to meet our regulatory obligations.

One area which is very important to us in achieving our aims is technology. We continue to make great strides in implementing new technology in order to enable us to improve how we deliver our services to you. Our Directors see the benefit of investing in both member facing and back office technologies in order for us to operate efficiently, meet member demands and the ability to handle a larger volume of transactions as our membership grows. We are making improvements to our online and mobile banking facilities to enable our members to manage their money more effectively.

We continue to working closely and collaborate with other credit unions and businesses and LMCU continues to maintain good relationships with local councils, government departments and financial institutions who actively promote credit unions. This is important and will help us to reach our goals.

I would like to thank my fellow Directors for volunteering their time and for their continued commitment to LMCU. I also want to thank our CEO for his tireless energy and to all our staff for their hard work and dedication, without which we would not be able to serve you.

And last but not least, the Board thanks you our members for your continued loyalty and support.



Richard Cooper
Chair of London Mutual Credit Union



Treasurer's Report

Treasurer's Report for the Year Ending
30th September 2021

The Treasurer's Report is presented on behalf of London Mutual Credit Union (LMCU) for the year ending 30th September 2021. With another full year of the COVID-19 pandemic LMCU has continued to offer services and products successfully to members, while carefully managing cost, resulting in a net surplus of £71k against a net surplus of 81k surplus in the previous year.

Members are experiencing uncertainties and economic challenges, but have remained committed to servicing their loans. During the financial year, demand for loans has been encouraging, and bad debts have increased. However, there is strong demand for LMCU products and services. Continued marketing to potential and existing members stimulates our business activity, which will result in increased membership, liquidity and capital.

Membership Accounts

The adult membership is 37,313, Junior Saver accounts 3,151, Corporate accounts 53, and the number of transactional current accounts is 11,423.

Revenue Account

- Net Interest receivable £2,488,256

Interest on Members' loans amounted to £2.4m and £2.5m in 2020, a decrease of £27k against the previous year. Interest income on bank deposits amounted to £21,517, and Interest payable & similar charges (951k).

- Other operating income £284k

Of this amount, £150k relates to grants, £61k donations and £73k is rent from the old premises at 221 Rye Lane, Peckham and 79 Denmark Hill, Camberwell.

- Administrative Expenses £1.783k and (£1.737m 2020)

This represents an increase of £46k in the year, which is mainly due to employee costs, and various other associated operating expenses.

No Adult Dividends were paid during the year. A Dividend of 0.50% was paid to juniors.

Other operating expenses £189k (£152k in 2020)

This relates to increased costs of £36k in running our offices, and regulatory cost of £13k increased by £2k.

- Impairment on loans for bad and doubtful debts £350k (£469k in 2020) and
- Bad Debt Provision - decreased by £119k.

During the year we recovered bad debts amounting to -£22k and derecognised bad debts amounting to £222k.

(Surplus before - Tax amounted to £87,559k and (£96,584 in 2020)

- We are reporting an operating surplus of £72k.

During the previous year, the Credit Union was awarded £270,000 from Fair4All to assist with the costs of the pandemic. The Credit Union recognised £135,888 in the period to 30 September 2020, with £134,112 recognised in the current year.

Balance Sheet as at 30th September 2021

Assets

Funds held at the bank was £9.3m and (£10.3m in 2020). Indicating a decrease of £1.m, which was mainly required to fund an increased loan book.

- Loans to members £19.5m and (£15.9m in 2020) the loan book has increased by £3.7m.

The LMCU strategy of increasing lending has begun to have a positive impact in generating sufficient operating income to increase the capital in the coming years.

- Total Assets £33.7m and (£31.3 in 2020) the credit union assets increased by £2.3m, a 7.3% increase

This increase is largely due to increases in customer accounts/new members.

Liabilities

- Customers' account £28.9m and (£26.7m in 2020), customer accounts increased by £2.2m, an 8.3% increase.

- Equity / General and Other Reserves £4.237m (£4.248m in 2020), indicating a slight decrease of £11K.

Dividends

Due to the low operating surplus and capital ratio for the current year ending 30th September 2021, the Directors are recommending that the following dividend is paid:

- Junior 0.5%
- Adults 0%

There were difficulties posed by the pandemic but our staff rose to the challenge and kept on serving our members. On behalf of the Board and Members, I extend thanks and appreciation to the CEO, Staff and our auditors for their outstanding commitment and hard work during 2021. And to you our members, thank you for your continued custom and support for your Credit Union.



Louis R McLeod MBA, OBE

Director / Treasurer

Audit Committee Report

Year ending 30th September 2021

As Audit Committee Chair, I am pleased to present the audit committee's report for the year ended 30th September 2021. 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. We have retained an audit firm, Carbon Accountancy limited to carry out our internal audit process.

Based on this we have been focusing on a number of key areas during 2020/21 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, by-laws 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 robust assessment of the effectiveness of the Credit Union's risk management and internal control framework and how well we monitor principal risks;
- Reviewing the 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 scope and the delivery of internal audit.
- Reviewing the risk management and processes and its effectiveness
- Reviewing that the committee is exercising its assurance oversight role in the best possible way so that strategic objectives are met.
- Reviewing control over internal and external fraud and corruption.
- Reviewing accuracy and completeness of monthly reports.
- Continual assessment of cyber security with focus on ensuring IT policies and procedures are in place.
- Ensuring that risk effective management processes are in place to monitor and control credit and liquidity risk.
- Ensuring that adequate liquidity position is maintained to allow desired lending growth and control over having excessive liquidity.
- Reviewing Business Continuity Plan for 2021-2024.
- Delivering statutory requirements of the Bank of England's Prudential Authority together with the Financial Conduct Authority.
- Reviewing the implementation of the asset management and procurement policy and procedures.
- Reviewing provisioning policy and ensuring that it is correctly applied.
- Reviewing implementation of cash control policy and procedures.
- Overseeing effectiveness and efficiency of customer service provided to customers at the counters.

Our priorities for 2021/22:

- Reviewing COVID-19 Health and Safety Risk assessment and compliance with COVID-19 guidelines related to working in COVID-19 safe environment.



Louis R McLeod MBA, OBE
Chair of the Audit Committee

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.

Directors' Report

The Directors present their annual report and financial statements for the year ended 30 September 2021.

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
- A Marshall
- J Thomas
- Dr F Millen
- M Lynch
- B Vaughan
- M Cook

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" namely lending, mortgages and investments and the requirements for Credit Unions within the PRA Credit Union Rulebook for credit unions over 15,000 members.

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

17th January 2022

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 2021 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 2021 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the credit union's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Co-operative and Community Benefit Societies Act 2014

In our opinion, based on the work undertaken in the course of our audit :

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements ; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the credit union through discussions with directors and other management, and from our wider knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on

the financial statements or the operations of the credit union, including Corporate and Community Benefit Society legislation and taxation legislation.

- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the credit union's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

Extent to which the audit was considered capable of detecting irregularities, including fraud

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 2 were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and

- reviewing correspondence with PRA, FCA and HMRC.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance.

Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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.

Use of our 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

22 December 2021

Revenue Account

	Notes	2021 £	2020 £
Loan interest receivable and similar income	4	2,488,256	2,515,458
Interest payable and similar charges	3	(951)	(4,238)
Net interest receivable		2,487,305	2,511,220
Fees and commissions receivable	6	655,237	718,758
Fees and commissions payable	5	(748,916)	(727,792)
Net fees and commissions		(93,679)	(9,034)
Other operating income	7	284,162	219,757
Administrative expenses	8	(1,782,961)	(1,737,133)
Depreciation and amortisation		(268,021)	(266,264)
Other operating expenses	9	(188,726)	(152,836)
Impairment on loans for bad and doubtful debts	15	(350,521)	(469,126)
Surplus before taxation		87,559	96,584
Corporation tax	12	(15,775)	(15,112)
Surplus for the year		71,784	81,472

The Revenue Account has been prepared on the basis that all operations are continuing operations. The notes on 37 to 55 form an integral part of these financial statements.

Statement of comprehensive income

	Notes	2021 £	2020 £
Surplus for the year		71,784	81,472
Other comprehensive income			
Revaluation of tangible fixed assets			355,886
Tax relating to other comprehensive income		(82,882)	(51,937)
Other comprehensive income for the year		(82,822)	303,949
Total comprehensive income for the year		(11,038)	385,421

In 2021, the government increased the rate of corporation tax rate to 25% which will take effect from April 2023. As a result the credit union must provide for deferred tax at the rate of 25% on the revaluation amount of the properties. Deferred tax on the revalued amount of the properties had previously been provided at 19%. The increase in deferred tax as a result of this change in government rate is £82,822 and this is recorded above as Tax Relating to Other Comprehensive Income. This increased tax would only be due by the credit union if the credit union sold its properties. There are currently no plans to sell any of the properties.

Balance Sheet

As at 30 September 2021

	Notes	2021 £	2020 £
Assets			
Cash and balances at central banks	13	182,815	195,506
Loans and advances to banks	13	9,188,978	10,188,535
Loans and advances to customers	14	19,584,792	15,931,333
Intangible assets	17	523,882	613,559
Tangible assets	16	4,126,734	4,224,208
Other receivables	18	17,000	150,000
Prepayments		63,274	96,101
Total assets		<u>33,687,475</u>	<u>31,399,242</u>
Liabilities and reserves			
Customer accounts	19	28,902,351	26,669,443
Other liabilities	20	84,466	73,279
Deferred income	21	118,314	145,960
Provisions for liabilities	22	345,091	262,269
		<u>29,450,222</u>	<u>27,150,951</u>
General reserve	28	1,313,415	1,216,479
Revaluation reserve	28	1,860,900	1,968,874
Other reserves	28	1,062,938	1,062,938
Total reserves		<u>4,237,253</u>	<u>4,248,291</u>
Total liabilities and reserves		<u>33,687,475</u>	<u>31,399,242</u>

The financial statements were approved by the Board of Directors and authorised for issue on 20th January 2021 and are signed on its behalf by:



R Cooper
Director



L. R. McLeod OBE
Director



H Harris
Secretary

The notes on pages 37 to 55 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 2019	1,687,177	1,059,544	3,232	1,112,907	3,862,870
Year ended 30 September 2019:					
Surplus for the year	-	-	-	81,472	81,472
Other comprehensive income:					
Revaluation of tangible fixed assets:	355,886	-	-	-	355,886
Tax relating to other comprehensive income	(51,937)	-	-	-	(51,937)
Other movements	(22,252)	-	152	22,100	-
Balance at 30 September 2020	<u>1,968,874</u>	<u>1,059,554</u>	<u>3,384</u>	<u>1,216,479</u>	<u>4,248,291</u>
Year ended 30 September 2020:					
Surplus for the year	-	-	-	71,784	71,784
Tax relating to other comprehensive income	(82,822)	-	-	-	(82,822)
Transfers	-	-	-	-	-
Other movements	(25,152)	-	-	25,152	-
Balance at 30 September 2021	<u>1,860,900</u>	<u>1,059,554</u>	<u>3,384</u>	<u>1,313,415</u>	<u>4,237,253</u>

The notes on pages 37 to 55 form an integral part of these financial statements.

Statement Of Cash Flows

	Notes	2021	2020
		£	£
Cash flows from operating activities			
Surplus for the period		71,784	81,472
Depreciation and amortisation	10	268,021	266,264
Corporation tax expenses	12	15,775	15,112
Provision movement	15	372,456	469,126
Interest income on loans	4	(2,466,739)	(2,500,568)
Distribution on members shares	3	951	4,238
		(1,809,536)	(1,745,828)
Working capital adjustments			
Change in other receivables and prepayments		165,827	(110,442)
Change in other liabilities		8,324	(54,979)
Change in deferred income		(27,646)	(22,292)
		146,505	(187,713)
Cash flows from changes in operating assets and liabilities			
Loan repayments less loans advanced	14	(1,559,176)	690,017
Customer balance cash movement		2,231,957	4,342,395
Movement on funds on deposit	13	1,542,954	(4,412,166)
		2,215,735	620,246
Corporation tax paid		(12,912)	(14,112)
Net cash flow from operating activities		611,576	(1,245,935)
Investing activities			
Purchase of intangible assets	17	(66,004)	(135,883)
Purchase of tangible fixed assets	16	(14,866)	(19,881)
Net cash used in investing activities		(80,870)	(155,764)
Proceeds from borrowings		-	-
Net cash used in financing activities		-	-
Net decrease in cash and cash equivalents		530,706	(1,401,699)
Cash and cash equivalents at beginning of year		4,242,663	5,644,362
Cash and cash equivalents at end of year		4,773,369	4,242,663

The notes on pages 37 to 55 form an integral part of these financial statements.

Notes to the financial statements

For the Year Ended 30 September 2021

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.

1.1. 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 Cooperative 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.

1.2. 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.

1.3. 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

1.4. 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 buildings	50 years straight line
Leasehold improvements	Over the shorter of life of asset and length of the lease
Plant and equipment	17.5% straight line
Fixtures and fittings	10% straight line

Depreciation is not calculated on the land element of

properties due to its useful life.

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.

1.5. 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 cash flows 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 revaluation 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.

1.6. 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.

1.7. 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 FRS 102 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 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 cash flows.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows 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.

1.8. 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.

1.9. 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.

1.10. Retirement benefits

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

1.11. 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.

1.12. 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 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. The credit union also utilised the PRA waiver provision in the current and previous year to use lower provision rates than in previous years. 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 cash flows.

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 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:

	2021	2020
	£	£
Interest and similar charges paid during the period		
Interest paid on interest bearing shares	-	1,006
Distributions to junior members	951	3,232
	<u>951</u>	<u>4,238</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:

	2021	2020
	%	%
Dividend rates paid during year		
Junior dividend	<u>0.50</u>	<u>0.50</u>

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.

	2021	2020
	%	%
Dividend rates to be proposed at the Annual General Meeting		
Junior dividend	<u>0.50</u>	<u>0.50</u>

4. Interest receivable and similar income

	2021	2020
	£	£
Interest income on loans	2,466,739	2,500,568
Interest income on bank deposits	21,517	14,890
	<u>2,488,256</u>	<u>2,515,458</u>

5. Fees and commissions payable

	2021	2020
	£	£
Bank charges	22,584	20,730
Banking service charges	726,332	707,062
	<u>748,916</u>	<u>727,792</u>

6. Fees and commissions receivable

	2021	2020
	£	£
Entrance fees	4,374	3,694
Banking service charges	648,196	712,643
Insurance commission	2,667	2,421
	<u>655,237</u>	<u>718,758</u>

7. Other operating income

	2021	2021
	£	£
Grant income	150,248	166,638
Donations Received	60,826	-
Rental income	73,088	53,119
	<u>284,162</u>	<u>219,757</u>

During the previous year, the Credit Union was awarded £270,000 from Fair4All to assist with the costs of the pandemic. The Credit Union recognised £135,888 in the period to 30 September 2020 with £134,112 recognised in the current year.

8. Administrative expenses

		2021	2020
	Notes	£	£
Staff costs	11	1,414,531	1,358,505
External auditor's remuneration		41,120	18,238
Member communication and advertising		134,627	128,783
Legal, professional and credit control costs		44,475	90,606
Computer and software expenses		105,659	87,705
Travel costs		2,365	8,647
General administration costs		40,184	44,649
		<u>1,782,961</u>	<u>1,737,133</u>

9. Other operating expenses

	2021	2020
	£	£
Regulatory costs	13,327	11,111
Costs of occupying offices	175,399	141,725
	<u>188,726</u>	<u>152,836</u>

10. Operating surplus

	2021	2020
	£	£
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	21,960	10,000
Depreciation of owned tangible fixed assets	112,340	130,707
Amortisation of intangible assets	155,681	135,557
Operating lease charges	69,829	58,837
	<u>69,829</u>	<u>58,837</u>

11. Employees

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

	2021	2020
	Number	Number
Directors	10	9
Admin and support	45	43
	<u>55</u>	<u>52</u>

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	1,252,874	1,173,175
Social security costs	107,872	127,838
Pension costs	53,785	57,492
	<u>1,414,531</u>	<u>1,358,505</u>

12. Corporation tax

	2021	2020
	£	£
Current tax		
UK corporation tax on taxable surplus for the current period	17,975	15,112
Adjustments in respect of prior periods	(2,200)	-
Total current tax	<u>15,775</u>	<u>15,112</u>

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:

	2021	2020
	£	£
Surplus before taxation	<u>87,559</u>	<u>96,584</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	16,636	18,351
Tax effect of income/expenditure not taxable in determining taxable surplus	(861)	(3,239)
Taxation charge for the year	<u>15,775</u>	<u>15,112</u>

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

	2021	2020
	£	£
Deferred tax arising on: Revaluation of property	<u>82,822</u>	<u>51,937</u>

13. Loans and advances to banks

	2021	2020
	£	£
Cash held at banks	<u>2,640,050</u>	<u>4,047,157</u>
Bank deposits	<u>6,548,928</u>	<u>6,141,378</u>
Loans and advances to banks	9,188,978	10,188,535
Cash in hand	<u>182,815</u>	<u>195,506</u>
Total cash and bank balances	<u>9,371,793</u>	<u>10,384,041</u>

Loans split by repayment period

Cash and cash equivalents	4,773,369	4,242,663
Amounts maturing in over 8 days	4,598,424	6,141,378
	9,371,793	10,384,041

The carrying amount of the bank balances pledged as collateral is £440,000 (2020 - £440,000). Collateral is in respect of Optimus for use of Mastercard facilities.

14. Loans and advances to customers

Loan movement

	Notes	2021 £	2020 £
Opening balances		19,159,100	17,392,564
Interest on loans		2,466,739	2,500,568
Loans advanced during the period		20,367,167	17,264,548
Loans repaid during the period		(18,807,991)	(17,954,565)
Loans derecognised		(221,789)	(44,015)
		22,963,226	19,159,100
Loan impairment provisions	15	(3,378,434)	(3,227,767)
		19,584,792	15,931,333

Loans split by repayment period

Capital repayments due within 1 year		12,579,111	11,223,727
Capital repayments due after 1 year		10,384,115	7,935,373
Loan impairment provisions	15	(3,378,434)	(3,227,767)
		19,584,792	15,931,333

Loans split by type

Loans to members		22,963,226	19,159,100
Loan impairment provisions	15	(3,378,434)	(3,227,767)
		19,584,792	15,931,333

15. Loan Impairment

	Write off Provision £	Arrears Provision £	Total Provisions £
Loan impairment provision			
Opening balances	1,249,180	1,978,587	3,227,767
Provision movement	-	150,667	150,667
Closing balances	<u>1,249,180</u>	<u>2,129,254</u>	<u>3,378,434</u>

Under Financial Reporting Standard 102 (FRS 102), the criteria for derecognising (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 FRS 102 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 FRS 102.

	Notes	2021 £	2020 £
Impairment revenue account charge			
Impairment provision movement		150,667	425,111
Bad debts derecognised	14	221,789	44,015
Bad debts recovered		(21,935)	-
		<u>350,521</u>	<u>469,126</u>

16. Tangible fixed assets

	Freehold land and buildings £	Leasehold improvements £	Fixtures and Fittings £	Total £
Cost or valuation				
At 1 October 2020	4,003,356	292,516	473,128	4,769,000
Additions	-	-	14,866	14,866
At 30 September 2021	<u>4,003,356</u>	<u>292,516</u>	<u>487,994</u>	<u>4,783,866</u>
Depreciation and impairment				
At 1 October 2020	-	148,308	396,484	544,792
Depreciation charged in the year	47,168	29,252	35,920	112,340
At 30 September 2021	<u>47,168</u>	<u>177,560</u>	<u>432,404</u>	<u>657,132</u>
Carrying amount				
At 30 September 2021	<u>3,956,188</u>	<u>114,956</u>	<u>55,590</u>	<u>4,126,734</u>
At 30 September 2020	<u>4,003,356</u>	<u>144,208</u>	<u>76,644</u>	<u>4,224,208</u>

In line with FRS 102, the land element of freehold land and buildings is not depreciated.

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. Included above is investment properties with a net book value of £1,256,007 (2020: £1,280,00).

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:

	2021 £	2020 £
Cost	2,123,522	2,123,522
Accumulated depreciation	(373,325)	(353,311)
Carrying value	<u>1,750,197</u>	<u>1,770,211</u>

17. Intangible fixed assets

	Software £	Licences £	Total £
Cost			
At 1 October 2020	287,998	862,556	1,150,554
Additions - separately acquired	57,384	8,620	66,004
At 30 September 2021	<u>345,382</u>	<u>871,176</u>	<u>1,216,558</u>
Amortisation and impairment			
At 1 October 2020	137,828	399,167	536,995
Amortisation charged for the year	65,329	90,352	155,681
At 30 September 2021	<u>203,157</u>	<u>489,519</u>	<u>692,676</u>
Carrying amount			
At 30 September 2021	<u>142,225</u>	<u>381,657</u>	<u>523,882</u>
At 30 September 2020	<u>150,170</u>	-	<u>613,559</u>

18. Other receivables

	2021 £	2020 £
Amounts falling due within one year:		
Other debtors	<u>17,000</u>	<u>150,000</u>

19. Customer accounts

Deposit movement

	2021	2020
	£	£
Opening balances	26,669,443	22,322,810
Share movement in year	2,232,908	4,346,633
	<u>28,902,3513</u>	<u>26,669,443</u>

Deposits split by type

Standard dividend bearing member shares	21,326,157	21,389,787
Standard interest bearing member shares	860,002	959,547
Corporate dividend bearing shares	335,465	236,888
	<u>22,521,624</u>	<u>22,586,222</u>
Member current account	5,080,054	2,864,384
Juvenile member deposits	1,300,673	1,218,837
	<u>28,902,351</u>	<u>26,669,443</u>

20. Other liabilities

	2021	2020
	£	£
Corporation tax	17,975	15,112
Other creditors	7,294	173
Accruals and deferred income	59,197	57,994
	<u>84,466</u>	<u>73,279</u>

21. Deferred income

	2021	2020
	£	£
Opening balance	145,960	168,252
Increase in period	122,602	150,000
Release in period	(150,248)	(172,292)
	<u>118,314</u>	<u>145,960</u>

22. 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.

23. Provisions for liabilities

	2021	2020
Notes	£	£
Deferred tax liabilities	345,091	262,269

24. Retirement benefit schemes

Defined contribution schemes

	2021	2020
	£	£
Charge to revenue account in respect of defined contribution schemes	53,785	57,492

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.

25. 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.

	2021 Amount	Rates received in year	2020 Amount	Rates received in year
	£	%	£	%
Financial assets				
Loans to members	22,963,226	11.71%	19,159,100	13.68%
Loans and advances to banks	9,188,978	0.22%	10,188,535	0.17%
	<u>32,152,204</u>		<u>29,347,635</u>	
Financial liabilities				
Juvenile deposits	(1,300,673)	0.08%	(1,218,837)	0.30%
Dividend bearing shares	(26,741,676)	-	(24,491,059)	-
Interest bearing shares	(860,002)	-	(959,547)	0.10%
	<u>(28,902,351)</u>		<u>(26,669,443)</u>	

26. Credit risk on lending

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

	2021	2020
	£	£
Security for loans		
Attached shares	<u>3,981,856</u>	<u>4,239,207</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.

	2021	2020
	£	£
Loans not individually impaired		
Not past due	19,329,521	15,568,116
Up to 3 months past due	172,758	229,640
	<u>19,502,279</u>	<u>15,797,756</u>
Loans individually impaired		
Between 3 and 6 months past due	171,184	186,771
Between 6 months and 1 year past due	160,255	290,098
Over 1 year past due	1,880,328	1,635,295
Individually impaired and written off for internal purposes	1,249,180	1,249,180
	<u>3,460,947</u>	<u>3,361,344</u>
Total loans	<u>22,963,226</u>	<u>19,159,100</u>
Impairment allowance	<u>(3,378,434)</u>	<u>(3,227,767)</u>
	<u><u>19,584,792</u></u>	<u><u>15,931,333</u></u>

27. Credit risk on bank and investments

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

	2021	2020
	£	£
Bank accounts	2,640,050	4,047,157
Bank term deposits	6,548,928	6,141,378
	<u>9,188,978</u>	<u>10,188,535</u>

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

28. Capital

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 regulatory capital that the credit union must maintain.

The credit union's compliance with the requirements at the year end is set out below:

	2021	2020
	%	%
Actual capital to asset ratio	<u>9.38%</u>	<u>9.65%</u>
Regulatory requirement		
Total capital requirement	<u>7.11%</u>	<u>7.04%</u>

29. 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.

30. Interest rate risk

The credit union's primary source of net income arises from the management of the differences in the exposures arising from financial instruments and the margins earned on them. The credit union does not use interest rate options to hedge its own positions. The Interest rate repricing table set out below is based on the earlier of the loan maturity date and the next interest rate repricing date. The loan maturity date is subject to a number of factors.

	0-3 months £	3-6 months £	6-12 months £	1-5 years £	over 5 years £	Non-interest bearing £	Total £
Assets							
Cash and balances at central banks	-	-	-	-	-	182,815	182,815
Loans and advances to banks	7,888,967	1,300,011	-	-	-	-	9,188,978
Loans and advances to customers	3,345,319	341,114	1,720,445	16,951,101	605,247	(3,378,434)	19,584,792
Intangible assets	-	-	-	-	-	523,882	523,882
Property, plant and equipment	-	-	-	-	-	4,126,734	4,126,734
Other receivables	-	-	-	-	-	17,000	17,000
Prepayments	-	-	-	-	-	63,274	63,274
Total Assets	1,234,286	1,641,125	1,720,445	16,951,101	605,247	1,535,271	33,687,475
Liabilities and reserves							
Customer accounts	28,902,351	-	-	-	-	-	28,902,351
Other liabilities	-	-	-	-	-	84,466	84,466
Accruals and deferred income	-	-	-	-	-	118,314	118,314
Provisions	-	-	-	-	-	345,091	345,091
Reserves	-	-	-	-	-	4,237,253	4,237,253
Total liabilities and reserves	28,902,351	-	-	-	-	4,785,124	33,687,475
Difference	17,668,065	(1,641,125)	(1,720,445)	(16,951,101)	(605,247)	3,249,853	-
Cumulative	17,668,065	16,026,940	14,306,495	(2,644,606)	(3,249,853)	-	-

31. Analysis of changes in net funds

	1 October 2020 £	Cash flows £	30 September 2021 £
Cash and cash equivalents	4,242,663	530,706	4,773,369
Bank deposits maturing in over 8 days	6,141,378	(1,542,954)	4,598,424
	<u>10,384,041</u>	<u>(1,012,248)</u>	<u>9,371,793</u>

32. 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).

33. 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:

	2021 £	2020 £
Within one year	34,800	34,800
Between two and five years	139,200	139,200
In over five years	139,200	174,000
Total lessee operating lease commitment	<u>313,200</u>	<u>348,000</u>

34. 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.

	2021	2020
	£	£
Wages and salaries	284,826	298,348
Honorarium paid to Treasurer	24,595	24,597

Transactions with key management

During the year, a Director carried 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, £1,875 (2019/20 £11,400) was paid to the company of the 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.

	2021	2020
	£	£
Loan to key management and their close family	37,991	68,334
Shares held by key management and their close family	100,993	122,742

Detailed Revenue Account

For the Year Ended 30 September 2020

	Notes	2021 £	2020 £
Income			
Interest income on loans	3	2,466,739	2,500,568
Interest income on bank deposits	3	21,517	14,890
Fees and commissions receivable	5	655,237	718,758
Other income	7	284,162	219,757
		<u>3,427,655</u>	<u>3,453,973</u>
Expenditure			
Staff costs	11	1,414,531	1,358,505
Auditors remuneration		41,120	18,238
Member communication and advertising	8	134,627	128,783
Legal, professional and credit control costs	8	44,475	90,606
Computer and software expenses	8	105,659	87,705
Travel costs	8	2,365	8,647
Bank charges	6	22,584	20,730
Banking services costs	6	726,332	707,062
General administration costs	8	40,184	44,649
Regulatory costs	9	13,327	11,111
Costs of occupying offices	9	175,399	141,725
Depreciation and amortisation	10	268,021	266,264
Impairment on loans for bad and doubtful debts	15	350,521	469,126
		<u>3,339,145</u>	<u>3,353,151</u>
Surplus before taxation		88,510	100,822
Corporation tax	12	<u>(15,775)</u>	<u>(15,112)</u>
			85,710
Distributions		<u>(951)</u>	<u>(4,238)</u>
Surplus for the year		<u><u>71,784</u></u>	<u><u>81,472</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