



London Mutual
Credit Union

Annual Report and Audited Accounts

| For the Year Ended 30th September 2022



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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.

41st 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 3rd March 2023.

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

41st Annual General Meeting of London Mutual
Credit Union Limited

Via Zoom online meeting. Held on Friday
3rd March 2023 at 6:00pm

Annual General Meeting Agenda

- 1 Welcome and Introductions
- 2 Standing Orders
- 3 Minutes of the AGM held on 4th March 2022
- 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.

**Made in
London.
Owned by
Londoners.**



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.

CEO's Update

Introduction

It is an immense privilege to present this report today as we commemorate our 40th anniversary, which was celebrated with great pride in November 2022.

For 40 years, London Mutual Credit Union has been faithfully serving the communities we are a part of, delivering essential financial services to our treasured members. We take great honour in continuing this legacy of dedication and commitment.

During this time, we have faced many challenges, including the global banking crisis of 2009, the implementation of a new computer system in 2016 and the COVID-19 pandemic in 2020. However, I am proud to say that we have overcome each of these obstacles and continued to grow and thrive as an organisation. This is a testament to the unwavering support of our members, the hard work and dedication of our volunteer directors, and the tireless efforts of our talented staff.

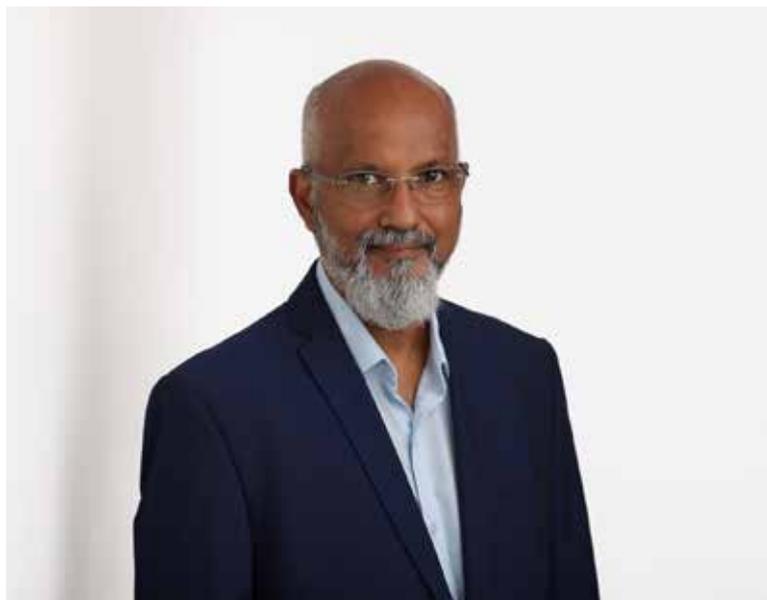
The ongoing cost of living crisis presents a formidable challenge for both our members and the Credit Union. The next 12 months will be a critical juncture for all of us, requiring solid support and commitment from all parties involved.

We at the credit union are devoted in our determination to provide support to our members during these turbulent times. It is imperative that the Credit Union and its members remain resolute in their commitment to one another. The Credit Union is fully dedicated to providing the support that our members need to overcome the challenges posed by the current cost of living crisis.

Over the next few years, our priorities include:

- Strengthening our regulatory capital
- Embracing cutting-edge technology and innovations
- Incorporating Environmental, Social, and Corporate Governance (ESG) principles into our operations.

These initiatives will allow us to provide better services, improve member experience, and ensure that the credit union is operating in a sustainable and responsible manner.



Listening to our members and their feedback continues to be a key priority for us. We are continuing to invest in our helpdesk and the wider member experience, to ensure we retain the 'human touch' that sets credit unions such as ours apart. To achieve this, we will be utilising various methods of engagement, including surveys, focus groups, and day-to-day monitoring of service levels to ensure that member voice is at the heart of everything we do. It is only with these insights that we can continue to innovate and meet the evolving needs of our community.

We recently introduced the MoneyGym monthly webinar, which has become popular among members and non-members alike. The webinars cover useful topics like avoiding scams, budgeting and money management, and coping with the cost of living crisis. They can be found on our YouTube channel and are aimed at empowering members with the knowledge and resources needed to make informed financial decisions and reach their financial goals.

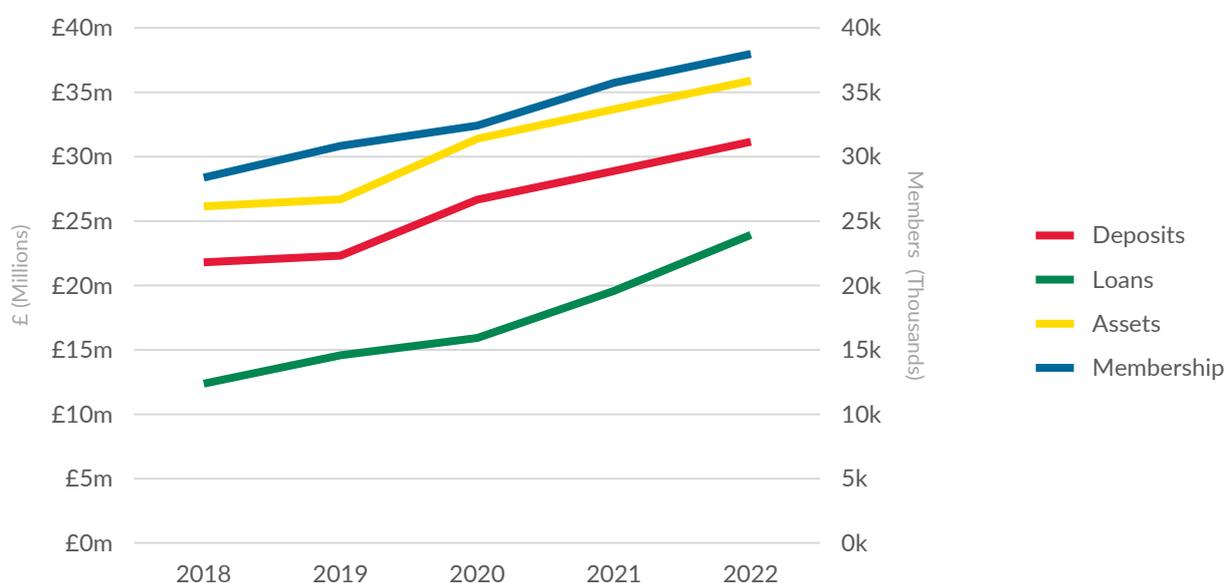
A heartfelt thank you to all those who have played a crucial role in making the Credit Union what it is today. Our

members, who have placed their trust in us, our staff who have worked tirelessly to serve you, our volunteer Board of Directors who have devoted their time and energy, and every single person who has contributed to our success. Without your support and belief in our mission, we would not be where we are today. We urge you to continue to be a part of our mission as we strive to make a positive impact in our community and create a brighter future together.

Lakshman Chandrasekera

Chief Executive

LMCU Five Year Growth



Progress Towards Strategic Objectives

	2018	2019	2020	2021	2022
Membership	28,380	30,842	32,426	35,744	37,987
Junior Savers	3,320	3,582	3,482	3,300	2,884
Capital Ratio	10.73%	10.84%	9.24%	9.53%	8.68%
Deposits	£21,802,233	£22,322,810	£ 26,669,443	£ 28,902,351	£31,164,809
Loans	£12,373,724	£14,589,908	£15,931,333	£ 19,584,792	£23,928,886
Assets	£26,155,467	£26,691,522	£ 31,399,242	£ 33,687,475	£35,903,423
Salary-deducted Loans	-	-	£ 8,473,450	£11,610,220	£13,173,193
Salary-deducted loans as %	-	-	48.82%	48.61%	51.2%



Money Gym Masterclasses

With the cost of living impacting us all, throughout 2022, we ran monthly online Money Masterclasses. These online sessions are free and open to everyone, and include a short presentation by a member of our team or an external expert, followed by an interactive Q&A. Over the year, topics included 'Achieving your Money Goals in 2022', 'Improving your Credit Score' and 'Your Mind and Money'.

2022



Welcoming Transport for London

This year we were delighted to welcome Transport for London (TfL) as our newest employer partner. With 27,000 staff, TfL is now the second largest employer we work with, after the Ministry of Defence.

Since the scheme went live in March, we have been working closely with TfL's People and Payroll teams to promote credit union membership via webinars, internal digital noticeboards and via the organisation's intranet.

Summer Half-Term Celebration

In the week leading up to Her late Majesty Queen Elizabeth's Platinum Jubilee in June, held a series of family-oriented celebrations in our branches.

Activities included free children's goody bags, a 'Guess the number of pennies in the jar' competition, as well as visit by Sid the Shark, helping to raise awareness of the dangers of illegal loan sharks. The events provided a fantastic opportunity to celebrate with members and to show how much the credit union has valued their loyalty and commitment over the past few years.



World Council of Credit Unions Conference

Several members of the Board of Directors and staff team were privileged to attend this year's World Council of Credit Unions (WOCCU) conference which this year was held in Glasgow. The Conference brought together 1,600 credit union professionals from 51 countries, providing opportunities to hear case studies from around the world, as well as to participate in training and networking.



Employer Outreach & Visits

Over the course of the year we have attended community and workplace events on a regular basis, with highlights including a visit to RFA Mounts Bay as it visited Greenwich and a cooking demonstration at Aldershot Garrison! Closer afield, we have continued monthly stalls to catch up with new and existing members and Guy's & St Thomas' Hospital, as well as an online webinar for TfL employees.

Highlights



Re-launch of Phone Helpdesk

After a number of years in which our telephone helpdesk has been outsourced to an external company, this year we took the step of bringing this vital service back in-house.

This has involved recruiting a team of five experienced helpdesk colleagues, as well as developing new processes for monitoring member satisfaction, waiting times and call quality. Feedback from members has been positive, with waiting times also reducing substantially. In 2023, further improvements to member experience are planned.



Supporting our Community—and Beyond

Our staff team and members have continued to be active in supporting a combination of local charities and national causes. This included a Red Nose Day Bake-Off, Christmas Jumper Day (on behalf of Save the Children) as well as promoting local charities via our social media channels.

As a signatory of the Armed Forces Covenant, we are also proud to have continued to show our support each Armed Forces Day, as well as participating in the Royal British Legion poppy appeal each year.

Our Priorities for 2023



Improving Our Mobile App

In 2023, we will be carrying out a major overhaul of our mobile and online banking apps. As well as introducing self-service features that members have come to expect from their bank, such as PIN reset and card freezing, we also plan to completely re-build the user interface, with a focus on modernising the design and making it easier and more intuitive to use day-to-day.



Introducing Mortgage Products

In 2022, we received regulatory permission to begin offering mortgages, following several years of preparation and planning. Our new mortgage product will be launched from spring 2023, and will be offered directly to members through our trained mortgage advisors. Initially we will be offering a variable rate product, with plans to develop this new area of lending over time.



Increasing our Environmental, Social & Governance (ESG) impact

LMCU's new five year business plan sets out an ambition for London Mutual to a leader when it comes to the standards we aspire to as a business and the impact of our operations on the environment.

Over 2023, we will be getting this work underway, looking into the ESG impact of all areas of our operations, the actions that we need to take, as well as how we can build on the positive work we are doing in these areas already.



Welcoming New Employers

London Mutual now works with over 27 local employers, the latest being Transport for London, which went live last March. With more and more employers looking to support their staff with the cost of living, we are in active discussion with a number of local organisations who wish to partner with us, in sectors including higher education, health and local government.

We are also actively working with existing employers to do more to promote the scheme to their staff.



MONEY GUY

Join the Guy's St Thomas' Staff Credit Union

Build savings and borrow at low rates, with
deductions straight from your GSTT salary

www.creditunion.co.uk/gstt



Guy's and St Thomas'
NHS Foundation Trust



London
Credit Union



Supporting members with the Cost of Living

Few of us have been untouched by the rising cost of living in 2022, and particularly by soaring energy bills.

As a credit union, there's nothing new about helping our members to make their money go further in tough times as well as good—it's the reason we exist! But over the past 12 months, we've been working hard to ensure we live by those values by helping our members to build resilience in difficult times. We've re-launched our financial education work under the 'Money Gym' banner, helping to ensure that members have the know-how and confidence to navigate their finances at a time when they are under pressure.

We've also been working with partners, including charities, employers and our local authorities to ensure we share knowledge and raise awareness of help that is available. This has included attending community roadshows and wellbeing events, as well as promoting council-run events in our branches and social media.

But we also know that in the current economic climate, some will find themselves facing difficulties that no amount of preparation or planning can allow for. In those situations, we have put additional capacity into our Credit Control team who are on hand to help, proactively identifying members are struggling, and working to find mutually-positive outcomes at an earlier stage.

The crises of the past few years have been unprecedented, and like everyone else, it would be wrong to say that we have all the solutions. However, we are determined to do our part.

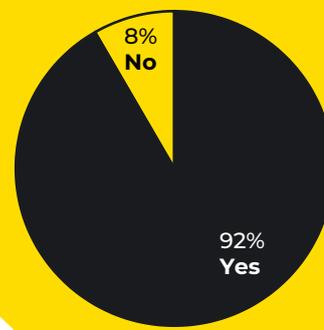


In 2022, we held monthly 'Money Gym financial education masterclasses. An estimated 1,500 members have taken part, either attending live or via catch-up.

Webinar topics covered have included:

- Making Your Money Go Further in 2022
- Credit History 101
- Loan Sharks & Illegal Lending
- Your Mind and Money: How they Affect Each Other

Was there anything you learned in the session that you now plan to put into practice?



“ This was different and I think you guys were speaking to us individually, and not with suits. It was great thank you.”

—Money Gym Attendee

Investing in Member Experience

As a credit union, it's not technology or product features that set us apart—it's relationships. That's why we're proud to continue investing in member experience and customer support.

This year saw the completion of a two-year project to bring together our customer support channels (which include email, phone, and social media and our website support pages), onto a shared software platform. This means that for the first time, when you get in contact with us, our team will be able to see any previous emails or calls you've made, enabling us to serve you more quickly and avoiding the frustration of explaining your issue to multiple people.

In 2022, we completed the final step of the process, which was to bring our phone helpdesk (which handles about 60% of all enquiries) back in-house. This has involved recruiting, training and putting support in place for a team of five dedicated help-desk staff, who are available 9-5pm Monday to Friday to help support our members, regardless of how you choose to contact us.

By ensuring that the people who answer your calls are

directly employed by LMCU, we've significantly reduced waiting times, as well as ensuring that the team have the latest knowledge of our products, processes and service availability. It also ensures that they share our values and approach, and are an integral part of the wider staff team.

Several of our new colleagues have previously worked in other areas of the business or come to LMCU from similar roles in the community, so we know you'll be able to expect the same professional, friendly and efficient approach that we hope will be familiar to our branch users.

Feedback from members has been positive, and we monitor call recordings, member feedback and individual and team KPIs on a day-to-day basis in order to identify any problems with our services, or areas where extra training may be needed. There's still lots to do, with improvements to our mobile banking apps planned for 2023, but we hope you're already noticing a positive difference.

"The lady I spoke to on the phone was warm, friendly and helpful. An excellent ambassador for your company and left me with a lasting positive experience. Thank you"

"I used the callback function and within a minute I got the call back. The Assistant agent was very helpful and friendly . She was able to solve my issues. "

"Excellent service, and so fast, brilliant customer service and a really lovely lady to talk to. Thank you."

27,375

Email Enquiries
Solved in 2022

81.3%

Satisfaction rating
by members

4.7/5

TrustPilot Score
(1,568 Reviews)

44mins

Average Response
Time (email)

4m49s

Average wait time
Since Re-launch

312

Average Calls
Handled Per Day

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 & Risk Committee

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 experience 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) & Audit Committee

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. 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 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)	28	10
Peckham	3	2
Walworth Road	3	2
Total staff	34	14



Chair's Report

Chairman's Report Year Ending 30th September 2022

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.

It is not an understatement to say that the last three years have been a difficult and turbulent time for the country. Having lived through the COVID pandemic and enduring lockdowns, we now find ourselves facing other challenges. Inflation, high energy costs and interest rate rises have and are causing households financial difficulty. This not only affects our members, but also has an indirect impact upon LMCU in terms of our ability to make a profit to share with our members.

Notwithstanding that we continue to live through these uncertain times, as a Board, we are confident that LMCU is in good position to strengthen and grow over the coming years. We will continue to provide improvements to our services, to strengthen our capital, to meet our regulatory obligations and very importantly to serve you our members. Whilst we grow the credit union and make it stronger, we will not forget our values and our fundamental purpose of supporting our members.

Our vision remains to be a provider of fair, ethical and affordable financial services.

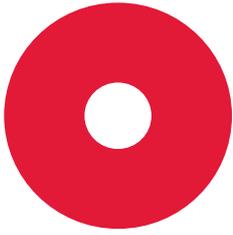
The landscape of financial services is constantly evolving and one of the big differentiators between providers is use of technology. We are continuing to make improvements to our existing systems. We are also looking to leverage off new products and use of technology to improve our offering, improve member experience and ensure that we can provide our members with the services you need.

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

And finally, the Board thanks you our members for your continued support and loyalty to LMCU.



Richard Cooper
Chair of London Mutual Credit Union



Treasurer's Report

Treasurer's Report for the Year Ending
30th September 2022

The Treasurer's Report is presented on behalf of London Mutual Credit Union (LMCU) for the year ending 30th September 2022. The Credit Union continues to offer competitive services and products successfully to members, while carefully managing cost and growing the Credit Union's Membership and Assets.

Increased bad debts as a result of the COVID19 pandemic and other national economic factors has impacted some of our members ability to service their loans, resulting in LMCU reporting a net loss of £39.5k compared with £71k surplus in 2021.

The ongoing high inflation and the prevailing economic crisis are some of the underlying causes giving rise to member's financial hardship. We extend our sincere commendation to all members who have consistently shown their commitment to our credit union.

Demand for loans has been robust. We carefully consider all loan applications in order to manage our risk. There is a strong demand for LMCU products and services prompting growth in our Assets. Our online marketing program continues to stimulate our business activity, which result in increased membership, liquidity and Assets.

Membership Accounts

The adult membership is 38,570 Junior Saver accounts 2,884, Corporate accounts 55, and the number of transactional current accounts is 7,042.

Revenue Account

Net Interest receivable £2.9m

Interest on Members' loans amounted to £2.9 and in 2021 £2.4m, an increase of £0.5m against the previous year. Interest income on bank deposits amounted to £ 8,390, and interest payable & similar charges 7,935k. (Interest bearing shares & junior dividends)

Other operating income £136k

This included £11k in grants, £57k in donations, and £68k in rent from the locations at 221 Rye Lane in Peckham and 79 Denmark Hill in Camberwell.

Administrative Expenses 1.9m and in 2021 £1.783k

This represents an increase of £117k in the year, which is mainly due to cost of 3 new employees, and various other associated operating expenses.

Other operating expenses £173k and in 2021 £189k

This reflects a decrease in our office running costs of £17k, and regulatory cost was £15k increased by £1.8k.

Impairment on loans for bad and doubtful debts £553k and in 2021 £350k

Bad Debt Provision

Bad Debt Provision - increased by £203k. During the year, we recovered bad debts amounting to -£17k and derecognized bad debts amounting to £102k.

(Total operating deficit including Tax - amounted to £39.5k (trading deficit £-25k and Corporation Tax of £14.5k) and in 2021 the Surplus was £87,559k

Balance Sheet as at 30th September 2022

Assets

Funds held at the bank totaled £7.3m and in 2021, £9.3m. Indicating a decrease of £2m, which was mainly required to fund our increased loan book.

Loans to Members

Loans to members totaled £24m and in 2021, £19.5m LMCU loan book increased by £4.5m.

The LMCU strategy of increasing lending is crucial to improving our bottom line, against unprecedented provisions for bad debts. This strategy will also have a positive impact

in generating sufficient operating income to increase the capital in the coming years.

Assets totaled to £36m and in 2021 £33.7m. The credit union assets increased by £2.2m, a 6.2% increase. This increase is largely due to increases in customer accounts/new members.

Liabilities

Customers' account totaled £31.2m and in 2021 £28.9m. Customer loan accounts increased by £2.3m, a 7.26% increase.

Equity / General and Other Reserves

These amounted to £4.197m and in 2021 £4.237m, indicating a reduction by £39.5k, a 0.9% reduction.

Dividends

Due to LMCU achieving an operating deficit for the current year's trading, ending 30th September 2022, the Directors are recommending that the following dividend is paid:

- Junior 0.5%
- Adults 0%

LMCU is steadfast in their unwavering commitment to deliver exceptional service, despite the ongoing economic turmoil that has tested both staff and members alike. We are immensely proud of our dedicated staff who continue to exhibit professionalism and solid commitment in their work. The Board and Members express their deep gratitude and appreciation to the CEO, the staff, and our auditors for their relentless effort and hard work throughout 2022. A heartfelt thank you goes out to our valued members, who have shown firm loyalty and support for their Credit Union over the past year.



Louis R McLeod MBA, OBE

Director / Treasurer

Audit Committee Report

Year ended 30 September 2022

As Audit Committee Chair, I am pleased to present the audit committee's report for the year ended 30th September 2022.

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 several key areas during 2021/22 and the key deliverables during this period are:

- Delivering statutory requirements of the Bank of England's Prudential Authority together with the Financial Conduct Authority;
- Ensuring that the Credit Union complies with laws, regulations, policies, IIA standards, bylaws and AGM resolutions;
- Providing an on-going assurance to management on the integrity, effectiveness and operation of the Credit Union's internal control system;
- Adhering to the need to maintain sound internal control processes by conducting 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; and
- Reviewing the risk management and processes and its effectiveness.

Our priorities for 2022/23:

- Reviewing control over internal and external fraud and corruption and making recommendations based on our findings.

- Reviewing accuracy and completeness of monthly reports.
- Continual assessment of cyber security with focus on ensuring appropriate 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 an adequate liquidity position is maintained to allow desired lending growth and control over excessive liquidity.
- Reviewing strategic Business Plan for 2021-2024 and monitoring the achievement of strategic objectives to date.
- Monitoring if risk responses align with the organisation's risk appetite.
- Reviewing contingency plan and procedures for unplanned incidents and service disruption.
- 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 at the counters.
- Following up on completion of recommendations made in previous reports.

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



Louis R McLeod MBA, OBE
Chair of the Audit Committee

Directors' Report

The Directors present their annual report and financial statements for the year ended 30 September 2022.

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 Cooperative 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

23 January 2023

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 2022 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 2022 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.

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

27 January 2023

Revenue Account

	Notes	2022 £	2021 £
Loan interest receivable and similar income	4	2,893,670	2,488,256
Interest payable and similar charges	3	(7,935)	(951)
Net interest receivable		2,885,735	2,487,305
Fees and commissions receivable	6	696,308	655,237
Fees and commissions payable	5	(815,807)	(748,916)
Net fees and commissions		(119,499)	(93,679)
Other operating income	7	136,134	284,162
Administrative expenses	8	(1,948,775)	(1,782,961)
Depreciation and amortisation		(252,702)	(268,021)
Other operating expenses	9	(173,226)	(188,726)
Impairment on loans for bad and doubtful debts	15	(552,586)	(350,521)
(Deficit) before taxation		(24,919)	87,559
Corporation tax	12	(14,628)	(15,775)
(Deficit)/surplus for the year		(39,547)	71,784

The Revenue Account has been prepared on the basis that all operations are continuing operations. The notes on 32 to 50 form an integral part of these financial statements.

Statement of comprehensive income

	Notes	2022 £	2021 £
(Deficit)/Surplus for the year		(39,547)	71,784
Other comprehensive income			
Tax relating to other comprehensive income		-	(82,882)
Total comprehensive income for the year		(39,547)	(11,038)

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.

The notes on pages 32 to 50 form an integral part of these financial statements.

Balance Sheet

As at 30 September 2022

	Notes	2022 £	2021 £
Assets			
Cash and balances at central banks	13	105,020	182,815
Loans and advances to banks	13	7,295,005	9,188,978
Loans and advances to customers	14	23,928,886	19,584,792
Intangible assets	17	472,084	523,882
Tangible assets	16	4,054,704	4,126,734
Other receivables	18	-	17,000
Prepayments		47,724	63,274
Total assets		35,903,423	33,687,475
Liabilities and reserves			
Customer accounts	19	31,164,809	28,902,351
Other liabilities	20	88,537	84,466
Deferred income	21	107,280	118,314
Provisions for liabilities	22	345,091	345,091
		31,705,717	29,450,222
General reserve	28	1,273,868	1,313,415
Revaluation reserve	28	1,860,900	1,860,900
Other reserves	28	1,062,938	1,062,938
Total reserves		4,197,706	4,237,253
Total liabilities and reserves		35,903,423	33,687,475

The financial statements were approved by the Board of Directors and authorised for issue on 27 January 2023 and are signed on its behalf by:



R Cooper
Director



L. R. McLeod OBE
Director



H Harris
Secretary

The notes on pages 32 to 50 form an integral part of these financial statements.

Statement Of Changes In Equity

Year ended 30 September 2022

	Revaluation Reserve £	Growth Fund Reserve £	Appropriation Reserve £	General Reserve £	Total £
Balance at 1 October 2020	1,968,874	1,059,554	3,384	1,216,479	4,248,291
Year ended 30 September 2021:					
Surplus for the year	-	-	-	71,784	71,784
Other comprehensive income:					
Tax relating to other comprehensive income	(82,822)	-	-	-	(82,822)
Other movements	(25,152)	-	-	25,152	-
Balance at 30 September 2021	1,860,900	1,059,554	3,384	1,313,415	4,237,253
Year ended 30 September 2022:					
Deficit and total comprehensive income or the year	-	-	-	(39,574)	(39,574)
Transfers	-	-	-	-	-
Other movements	-	-	-	-	-
Balance at 30 September 2022	1,860,900	1,059,554	3,384	1,273,868	4,197,706

The notes on pages 32 to 50 form an integral part of these financial statements.

Statement Of Cash Flows

Year ended 30 September 2022

	Notes	2022		2021	
		£	£	£	£
Cash flows from operating activities					
Deficit for the period			(39,547)		71,784
Depreciation and amortisation	10	252,702		268,021	
Corporation tax expenses	12	14,628		15,775	
Provision movement	15	569,743		372,456	
Interest income on loans	4	(2,885,280)		(2,466,739)	
Distribution on members shares	3	7,935		951	
			(2,040,272)		(1,809,536)
Working capital adjustments					
Change in other receivables and prepayments		32,550		165,827	
Change in other liabilities		7,419		8,324	
Change in deferred income		(11,034)		(27,646)	
			28,935		146,505
Cash flows from changes in operating assets and liabilities					
Loan repayments less loans advanced	14	(2,028,557)		(1,559,176)	
Customer balance cash movement		2,254,523		2,231,957	
Movement on funds on deposit	13	1,991,659		1,542,954	
			2,217,625		2,215,735
Corporation tax paid			(17,976)		(12,912)
Net cash flow from operating activities			148,765		611,576
Investing activities					
Purchase of intangible assets	17	(101,977)		(66,004)	
Purchase of tangible fixed assets	16	(26,897)		(14,866)	
Net cash used in investing activities			(128,874)		(80,870)
Proceeds from borrowings			-		-
Net cash used in financing activities			-		-
Net increase in cash and cash equivalents			19,891		530,706
Cash and cash equivalents at beginning of year			4,773,369		4,242,663
Cash and cash equivalents at end of year	31		4,793,260		4,773,369

The notes on pages 32 to 50 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.

Going Concern

Our financial projections, which support our going concern assessment, rely on estimates of bad debts which will be dependent on a number of factors outwith the credit union's control including the general state of the economy.

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 FRS 102:

	2022	2021
	£	£
Interest and similar charges paid during the period		
Interest paid on interest bearing shares	4,613	-
Distributions to junior members	3,322	951
	<u>7,935</u>	<u>951</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:

	2022	2021
	%	%
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.

	2022	2021
	%	%
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

	2022	2021
	£	£
Interest income on loans	2,885,280	2,466,739
Interest income on bank deposits	8,390	21,517
	<u>2,893,670</u>	<u>2,488,256</u>

5. Fees and commissions payable

	2022	2021
	£	£
Bank charges	22,650	22,584
Banking service charges	793,157	726,332
	<u>815,807</u>	<u>748,916</u>

6. Fees and commissions receivable

	2022	2021
	£	£
Entrance fees	4,378	4,374
Banking service charges	689,570	648,196
Insurance commission	2,360	2,667
	<u>696,308</u>	<u>655,237</u>

7. Other operating income

	2022	2021
	£	£
Grant income	11,034	150,248
Donations Received	56,500	60,826
Rental income	68,600	73,088
	<u>136,134</u>	<u>284,162</u>

8. Administrative expenses

		2022	2021
	Notes	£	£
Staff costs	11	1,563,801	1,414,531
External auditor's remuneration		18,360	41,120
Member communication and advertising		126,988	134,627
Legal, professional and credit control costs		77,218	44,475
Computer and software expenses		97,927	105,659
Travel costs		6,615	2,365
General administration costs		57,866	40,184
		<u>1,948,775</u>	<u>1,782,961</u>

9. Other operating expenses

	2022	2021
	£	£
Regulatory costs	15,119	13,327
Costs of occupying offices	158,107	175,399
	<u>173,226</u>	<u>188,726</u>

10. Operating surplus

	2022	2021
	£	£
Operating surplus for the year is stated after charging:		
Fees payable to the credit union's external auditor for the audit of the financial statements	10,920	10,980
Depreciation of owned tangible fixed assets	98,927	112,340
Amortisation of intangible assets	153,775	155,681
Operating lease charges	54,755	69,829
	<u>54,755</u>	<u>69,829</u>

11. Employees

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

	2022	2021
	Number	Number
Directors	10	10
Admin and support	48	45
	<u>58</u>	<u>55</u>

Their aggregate remuneration comprised:

	2022	2021
	£	£
Wages and salaries	1,388,170	1,252,874
Social security costs	122,422	107,872
Pension costs	53,209	53,785
	<u>1,563,801</u>	<u>1,414,531</u>

12. Corporation tax

	2022	2021
	£	£
Current tax		
UK corporation tax on taxable surplus for the current period	14,628	17,975
Adjustments in respect of prior periods	-	(2,200)
	<u>14,628</u>	<u>15,775</u>
Total current tax	<u>14,628</u>	<u>15,775</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:

	2022	2021
	£	£
Deficit before taxation	(24,919)	87,559
	<u>(24,919)</u>	<u>87,559</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(4,735)	16,636
Tax effect of income/expenditure not taxable in determining taxable surplus	19,363	(861)
	<u>19,363</u>	<u>(861)</u>
Taxation charge for the year	<u>14,628</u>	<u>15,775</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:

	2022	2021
	£	£
Deferred tax arising on: Revaluation of property	-	82,822
	<u>-</u>	<u>82,822</u>

13. Loans and advances to banks

	2022	2021
	£	£
Cash held at banks	2,243,790	2,640,050
Bank deposits	5,051,215	6,548,928
Loans and advances to banks	7,295,005	9,188,978
Cash in hand	105,020	182,815
	<u>7,400,025</u>	<u>9,371,793</u>
Total cash and bank balances	<u>7,400,025</u>	<u>9,371,793</u>

Loans split by repayment period

Cash and cash equivalents	4,793,260	4,773,369
Amounts maturing in over 8 days	2,606,765	4,598,424
	7,400,025	9,371,793

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	2022 £	2021 £
Opening balances		22,963,226	19,159,100
Interest on loans		2,885,280	2,466,739
Loans advanced during the period		22,106,377	20,367,167
Loans repaid during the period		(20,077,820)	(18,807,991)
Loans derecognised		(101,516)	(221,789)
		27,775,547	22,963,226
Loan impairment provisions	15	(3,846,661)	(3,378,434)
		23,928,886	19,584,792

Loans split by repayment period

Capital repayments due within 1 year		12,619,952	12,579,111
Capital repayments due after 1 year		15,155,595	10,384,115
Loan impairment provisions	15	(3,846,661)	(3,378,434)
		23,928,886	19,584,792

Loans split by type

Loans to members		27,775,547	22,963,226
Loan impairment provisions	15	(3,846,661)	(3,378,434)
		23,928,886	19,584,792

15. Loan Impairment

	Write off Provision £	Arrears Provision £	Total Provisions £
Loan impairment provision			
Opening balances	1,249,180	2,129,254	3,378,434
Provision movement	-	468,227	468,227
Closing balances	<u>1,249,180</u>	<u>2,597,481</u>	<u>3,846,661</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	2022 £	2021 £
Impairment revenue account charge			
Impairment provision movement		468,227	150,667
Bad debts derecognised	14	101,516	221,789
Bad debts recovered		(17,157)	(21,935)
		<u>552,586</u>	<u>350,521</u>

16. Tangible fixed assets

	Freehold land and buildings £	Leasehold improvements £	Fixtures and Fittings £	Total £
Cost or valuation				
At 1 October 2021	4,003,356	292,516	487,994	4,783,866
Additions	-	3,000	23,897	26,897
At 30 September 2022	<u>4,003,356</u>	<u>295,516</u>	<u>511,891</u>	<u>4,810,763</u>
Depreciation and impairment				
At 1 October 2021	47,168	177,560	432,404	657,132
Depreciation charged in the year	47,168	29,551	22,208	98,927
At 30 September 2022	<u>94,336</u>	<u>207,111</u>	<u>454,612</u>	<u>756,059</u>
Carrying amount				
At 30 September 2022	<u>3,909,020</u>	<u>88,405</u>	<u>57,279</u>	<u>4,054,704</u>
At 30 September 2021	<u>3,956,188</u>	<u>114,956</u>	<u>55,590</u>	<u>4,126,734</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:

	2022	2021
	£	£
Cost	2,123,522	2,123,522
Accumulated depreciation	(394,372)	(373,325)
Carrying value	<u>1,729,150</u>	<u>1,750,197</u>

17. Intangible fixed assets

	Software	Licences	Total
	£	£	£
Cost			
At 1 October 2021	345,382	871,176	1,216,558
Additions - separately acquired	84,294	17,683	101,977
At 30 September 2022	<u>429,676</u>	<u>888,859</u>	<u>1,318,535</u>
Amortisation and impairment			
At 1 October 2021	203,157	489,519	692,676
Amortisation charged for the year	63,423	90,352	153,775
At 30 September 2022	<u>266,580</u>	<u>579,871</u>	<u>846,451</u>
Carrying amount			
At 30 September 2022	<u>163,096</u>	<u>308,988</u>	<u>472,084</u>
At 30 September 2021	<u>142,225</u>	<u>381,657</u>	<u>523,882</u>

18. Other receivables

	2022	2021
	£	£
Amounts falling due within one year:		
Other debtors	<u>-</u>	<u>17,000</u>

19. Customer accounts

Deposit movement

	2022	2021
	£	£
Opening balances	28,902,351	26,669,443
Share movement in year	2,262,458	2,232,908
	<u>31,164,809</u>	<u>28,902,3513</u>

Deposits split by type

Standard dividend bearing member shares	22,557,929	21,326,157
Standard interest bearing member shares	781,258	860,002
Corporate dividend bearing shares	284,449	335,465
	<u>23,623,636</u>	<u>22,521,624</u>
Member current account	6,447,954	5,080,054
Juvenile member deposits	1,093,219	1,300,673
	<u>31,164,809</u>	<u>28,902,351</u>

20. Other liabilities

	2022	2021
	£	£
Corporation tax	14,627	17,975
Other creditors	173	7,294
Accruals and deferred income	73,737	59,197
	<u>88,537</u>	<u>84,466</u>

21. Deferred income

	2022	2021
	£	£
Opening balance	118,314	145,960
Increase in period	-	122,602
Release in period	(11,034)	(150,248)
	<u>107,280</u>	<u>118,314</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

Notes	2022 £	2021 £
Deferred tax liabilities	345,091	345,091

24. Retirement benefit schemes

Defined contribution schemes

	2022 £	2021 £
Charge to revenue account in respect of defined contribution schemes	53,209	53,785

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.

	2022 Amount £	Rates received in year %	2021 Amount £	Rates received in year %
Financial assets				
Loans to members	27,775,547	11.37%	22,963,226	11.71%
Loans and advances to banks	7,295,005	0.10%	9,188,978	0.22%
	<u>32,070,552</u>		<u>32,152,204</u>	
Financial liabilities				
Juvenile deposits	(1,093,219)	0.28%	(1,300,673)	0.08%
Dividend bearing shares	(29,290,332)	-	(26,741,676)	-
Interest bearing shares	(781,258)	0.56%	(860,002)	-
	<u>(31,164,809)</u>		<u>(28,902,351)</u>	

26. Credit risk on lending

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

	2022	2021
	£	£
Security for loans		
Attached shares	<u>4,731,053</u>	<u>3,981,856</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.

	2022	2021
	£	£
Loans not individually impaired		
Not past due	23,172,188	19,329,521
Up to 3 months past due	<u>647,056</u>	<u>172,758</u>
	<u>23,819,244</u>	<u>19,502,279</u>
Loans individually impaired		
Between 3 and 6 months past due	328,728	171,184
Between 6 months and 1 year past due	498,067	160,255
Over 1 year past due	<u>1,880,328</u>	<u>1,880,328</u>
Individually impaired and written off for internal purposes	<u>1,249,180</u>	<u>1,249,180</u>
	3,956,303	3,460,947
Total loans	<u>27,775,547</u>	<u>22,963,226</u>
Impairment allowance	<u>(3,846,661)</u>	<u>(3,378,434)</u>
	<u>23,928,886</u>	<u>19,584,792</u>

27. Credit risk on bank and investments

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

	2022	2021
	£	£
Bank accounts	2,243,790	2,640,050
Bank term deposits	<u>5,051,215</u>	<u>6,548,928</u>
	<u>7,295,005</u>	<u>9,188,978</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:

	2022	2021
	%	%
Actual capital to asset ratio	8.68%	9.38%
Regulatory requirement		
Total capital requirement	7.16%	7.11%

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	-	-	-	-	-	105,020	105,020
Loans and advances to banks	4,688,240	2,606,765	-	-	-	-	7,295,005
Loans and advances to customers	3,592,444	466,629	1,961,683	21,057,992	696,799	(3,846,661)	23,928,886
Intangible assets	-	-	-	-	-	472,084	472,084
Property, plant and equipment	-	-	-	-	-	4,054,704	4,054,704
Prepayments	-	-	-	-	-	47,724	47,724
Total Assets	8,280,684	3,073,394	1,961,683	21,057,992	696,799	832,871	35,903,423
Liabilities and reserves							
Customer accounts	31,164,809	-	-	-	-	-	31,164,809
Other liabilities	-	-	-	-	-	88,537	88,537
Accruals and deferred income	-	-	-	-	-	107,280	107,280
Provisions	-	-	-	-	-	345,091	345,091
Reserves	-	-	-	-	-	4,197,706	4,197,706
Total liabilities and reserves	31,164,809	-	-	-	-	4,738,614	35,903,423
Difference	22,884,125	(3,073,394)	(1,961,683)	(21,057,992)	(696,799)	3,905,743	-
Cumulative	22,884,125	19,810,731	17,849,048	(3,208,944)	(3,905,743)	-	-

31. Analysis of changes in net funds

	1 October 2021 £	Cash flows £	30 September 2022 £
Cash and cash equivalents	4,773,369	19,891	4,793,260
Bank deposits maturing in over 8 days	4,598,424	(1,991,659)	2,606,765
	<u>9,371,793</u>	<u>(1,971,768)</u>	<u>7,400,025</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 £98,855 (2021: £120,904).

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:

	2022 £	2021 £
Within one year	34,800	34,800
Between two and five years	139,200	139,200
In over five years	104,400	139,200
Total lessee operating lease commitment	<u>278,400</u>	<u>313,200</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.

	2022	2021
	£	£
Wages and salaries	316,652	284,826
Honorarium paid to Treasurer	24,595	24,595
	<u>341,247</u>	<u>309,421</u>

Transactions with key management

During the previous 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 2021/2022, £Nil (2020/21 £1,875) 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.

	2022	2021
	£	£
Loan to key management and their close family	21,433	37,991
Shares held by key management and their close family	86,429	100,993
	<u>107,862</u>	<u>138,984</u>

Detailed Revenue Account

For the Year Ended 30 September 2022

	Notes	2022 £	2021 £
Income			
Interest income on loans	3	2,885,280	2,466,739
Interest income on bank deposits	3	8,390	21,517
Fees and commissions receivable	5	696,308	655,237
Other income	7	136,184	284,162
		<u>3,726,112</u>	<u>3,427,655</u>
Expenditure			
Staff costs	11	1,563,801	1,414,531
Auditors remuneration		18,360	20,560
Member communication and advertising	8	126,988	134,627
Legal, professional and credit control costs	8	77,218	65,035
Computer and software expenses	8	97,927	105,659
Travel costs	8	6,615	2,365
Bank charges	6	22,650	22,584
Banking services costs	6	793,157	726,332
General administration costs	8	57,866	40,184
Regulatory costs	9	15,119	13,327
Costs of occupying offices	9	158,107	175,399
Depreciation and amortisation	10	252,702	268,021
Impairment on loans for bad and doubtful debts	15	552,586	350,521
		<u>3,743,096</u>	<u>3,339,145</u>
Surplus before taxation		(16,984)	88,510
Corporation tax	12	(14,628)	(15,775)
		<u>31,612</u>	<u>72,735</u>
Distributions		(7,935)	(951)
(Deficit)/surplus for the year		<u>(39,547)</u>	<u>71,784</u>

London Mutual Credit Union Ltd

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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