

Annual Report and Audited Accounts of London Mutual Credit Union Limited

For the year ending
30th September 2010



London Mutual
Credit Union

London Mutual Credit Union Limited

Registered Office: 79 Denmark Hill, Camberwell, London SE5 8RS

Telephone: 020 7787 0770

Fax: 020 7207 1444

E Mail: info@creditunion.co.uk

Website: www.creditunion.co.uk

Branches and Opening Times**79 Denmark Hill, Camberwell, London SE5 8RS**

Opening hours are: Monday to Thursday - 9.30AM to 4.30PM. Friday 11.00AM to 4.30 PM.

221 Rye Lane, Peckham, London SE15 4TP

Opening hours are: Monday to Thursday - 9.30AM to 4.30PM. Friday 11.00AM to 4.30 PM.

18 Pilgrimage Street, Bermondsey, London SE1 4LL

Opening hours are: Monday to Wednesday - 9.30AM to 4.30PM.

10 Acre Lane, Brixton, Lambeth London SW2 5SG

Opening hours are: Monday to Thursday - 9.30AM to 4.30PM. Friday 11.00AM to 4.30 PM.

London Mutual Credit Union Limited is authorised and regulated by the Financial Services Authority Firm Reference Number (FRN) 213248 and is:

- An Industrial and Provident Society
- A Member of the Association of British Credit Unions Ltd
- Member of the Financial Services Compensation Scheme
- A Member of the Financial Ombudsman Service

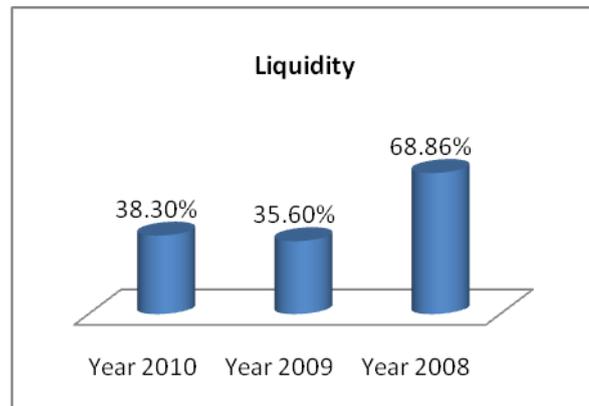
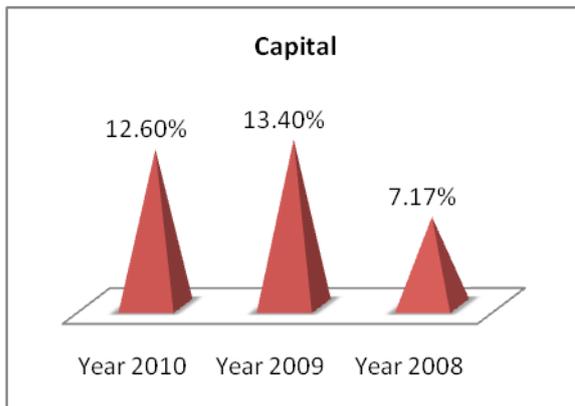
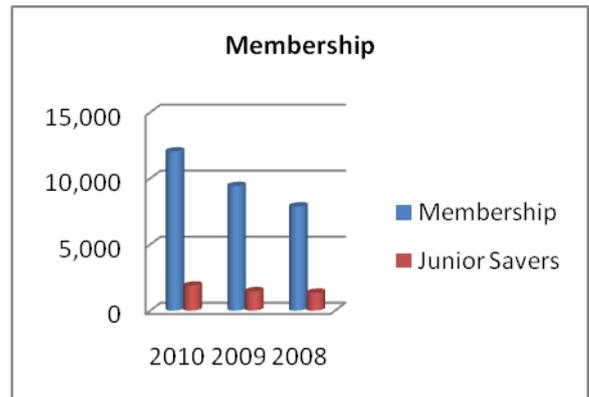
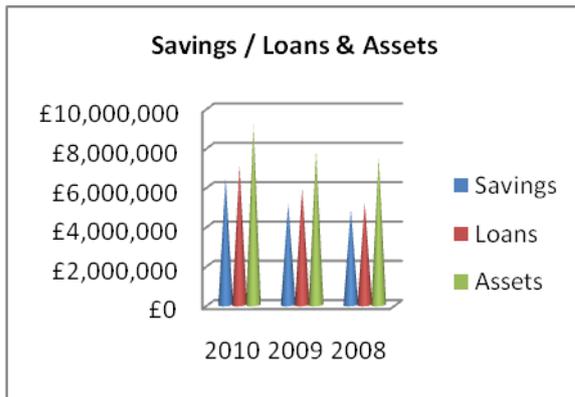
London Mutual Credit Union Ltd

The Common Bond

London Mutual Credit Union has a common bond of "Residing in or being employed in the London Boroughs of Southwark or Lambeth."

Balance Sheet highlights

	2010	2009	2008
Membership	12,043	9,424	7,885
Junior Savers	1,888	1,462	1,345
Savings	£6,447,543	£5,142,651	£4,820,938
Loans	£7,053,265	£5,929,245	£5,170,414
Assets	£9,184,433	£7,834,230	£7,476,654
Capital - Assets Ratio	12.6%	13.4%	7.17%
Liquidity Ratio	38.3%	35.6%	68.86%



29th Annual General Meeting of London Mutual Credit Union Limited

The Board Room, King's College Hospital
Denmark Hill, London SE5

2nd February 2011 at 6.00PM

AGENDA

1. Welcome and Introductions
2. Minutes of the AGM held Wednesday 20th February 2009
3. Report of the Board Directors
 - 3.1 Governance Report
4. Treasurer's Report
5. Consideration of Accounts
6. Auditor's Report
7. Declaration and recommendation of dividend
8. Supervisory Committee Report
9. Appointment of Auditors
10. Honorarium for the Treasurer
11. Election of Officers
12. Consideration of Motions

Details of Nominations and minutes of the previous meeting will be available at the AGM

Entry to the meeting will be on production of membership book or proof of membership. You may be asked for proof of identity.

SOUTHWARK CREDIT UNION LIMITED
MINUTES OF THE ANNUAL GENERAL MEETING
ON FRIDAY, 5th FEBRUARY 2010 6.15pm at the Kings College Hospital,
The Board Room.

1.OPENING:

- 1.1. The President, Ann Brewster, opened the Meeting.
- 1.2. The President, Ann Brewster, welcomed the members and being quorate business commenced.
- 1.3. The Directors were introduced to the Meeting, also Susan Cohen and Hugh Valentine of Lambeth Endowed Charities, and Richard Oswald of Appleby & Wood who are our Auditors.

The President then chaired the Meeting.

2.MINUTES OF THE ANNUAL GENERAL MEETING OF THE 20th FEBRUARY 2009:

2.1.The Minutes were read, there being no queries Peter Bussy moved their acceptance, Joan Drane seconded the Motion. The Minutes were accepted.

3.PRESIDENT'S REPORT:

3.1.Ann Brewster read the Report, there being no queries, Matthew Sweetlove moved its acceptance, Steve Barbe seconded the Motion. The Report was accepted.

3.1.GOVERNANCE REPORT

Mufutau Durowoju gave details of the Governance Report, which Southwark Credit Union adopted in November 2008. To date we have achieved 86.7% of the Required Standard and 73.3% of the Gold Standard Principles of the Code. We have identified the remaining elements which are not yet being met and have prepared an action plan for implementing them in the new financial year. There being no queries Chris Gonde moved its acceptance, Millicent Myrie seconded the Motion. The Report was accepted.

4.TREASURER'S REPORT:

4.1.Roy McLeod went through the Report, there being no queries, Richard Rees moved its acceptance, Tilman Hubrich seconded the Motion. The Report was accepted.

Chris Gonde asked what was meant by paragraph 2.5 Capital and Liquidity Ratio – Lucky explained that Capital is the amount of reserves, to cover delinquency, etc., and Liquidity means the amount of cash available, for example in the eventuality that all our member's needed to withdraw their savings we will be able to service their needs.

5 & 6. CONSIDERATION OF THE ACCOUNTS & REPORT OF THE AUDITORS:

5.1.Richard Oswald went through the audited Accounts. He stated that the Treasurer's Report had dealt with the financial aspects and that he had nothing to add, apart from:

- The dividend for the year ending 30th September 2009 is not included in the revenue accounts because it has not yet been declared, but the interest of 5% on Junior savings is included.

- With a surplus of £136,897 the credit union has done very well in a particularly bad year for the sector.
- At the last AGM the auditors agreed that it would be prudent not to pay a dividend for the year ended 30th September 2009 and this policy paid off in the current year.
- The Fixed Assets comprise of the premises owned by the credit union and these were last valued in August 2005 and may need to be re-valued.

Richard Oswald was thanked for his Report, Ann Morton moved its acceptance, Peter Bussy seconded the Motion. The Report was accepted.

7.DECLARATION OF A DIVIDEND:

7.1.Roy McLeod moved that a dividend of 1.5% be declared this year. Joan Drane moved acceptance, Steve Barbe seconded the Motion. The Motion was accepted.

Roy McLeod advised that interest of 5% will be paid to Junior savers.

8.REPORT OF THE SUPERVISORY COMMITTEE:

8.1. Millicent Myrie of the Supervisory Committee read the Report. Chris Gonde moved its acceptance, Leanne Phillips seconded the Motion. The Motion was accepted.

9.APPOINTMENT OF THE AUDITORS:

9.1.The Treasurer proposed that Appleby & Wood be retained for the Financial Year 2010/2011. Peter Bussy moved acceptance, Millicent Myrie seconded the Motion. The Motion was accepted.

10.HONORARIUM FOR THE TREASURER:

10.1. Karen Michael proposed that an Honorarium of £10,065 net be paid to the Treasurer. This will be net of PAYE and NIC. Karen Michael expressed the Credit Union's thanks to the Treasurer for the amount of time and effort he devotes to the Credit Union. Richard Reece moved acceptance of the proposal, Matthew Sweetlove seconded. The Proposal was accepted.

The President took the opportunity to congratulate Roy on the award of a well deserved OBE in the New Year's Honours List.

11.Election of Officers

11.1. Officers due for re-election this year are:

Karen Michael	Director/Secretary
Albert Eze	Director
Roy McLeod	Director/Treasurer
Mufu Durowoju	Director
Heather Crawford	Director

A vote was taken and the result was:	For	29
	Against	0
	Abstentions	0

The motion was carried

In answer to a question from the floor, Roy McLeod said that the intention was to increase Board membership by at least two, so that would naturally stagger the timing of the re-election of officers.

Roy McLeod stressed the importance of volunteers from the membership for appointment to one of the committees, e.g. the Supervisory Committee, with a view to becoming members of the Board of Directors. The role of the Supervisory Committee is extremely important, as they act as the internal 'policemen' of the credit union to ensure that directors and staff operate within the policies and procedures of the credit union. At present there are three people on the Supervisory Committee and a representative or Chair attends every Board meeting.

12.Consideration of Motions

12.1. The Treasurer informed the meeting that Southwark Credit Union (SCU) is having discussions about a transfer of engagements from Lambeth Savings & Credit Union (LSCU). SCU is also in discussions with the FSA, Lambeth Endowed Charities and Lambeth Council. LSCU has a deficit of £181,000 but the Board will ensure that any transfer of engagements will not affect the membership of SCU. The FSA have agreed in principle. The motion is for a vote to be taken for an Extension to the Common Bond. Adrian McLeod moved acceptance, Matthew Sweetlove seconded the Motion. The Motion was accepted.

Questions were raised by member about whether this will dilute or bring down SCU and the Treasurer explained that any transfer of engagements will not go ahead until funding is secured to ensure that every share in LSCU will be worth £1.00.

Peter Bussy said that not only would the Board of SCU not proceed unless appropriate funding is in place, the FSA would not consider it.

The Treasurer explained that the Directors and staff had worked hard to bring SCU to where it is now and would not jeopardise this. He reminded the members that SCU has been through three transfers of engagements in the past and the Board takes the view that to allow LSCU to fold would have a damaging affect on SCU, bearing in mind its proximity. The Treasurer confirmed that if the vote is in favour of an extension to the common bond, the Board will have the right to agree to a transfer of engagements once they are satisfied that adequate funding is secured.

Any plans to set up a new credit union in Westminster have been put on hold.

The Treasurer invited Hugh Valentine from Lambeth Endowed Charities to address the meeting and Susan Cohen confirmed that they have agreed to continue with the grants committed to LSCU, which were initially £567,000 of which £365,000 is still available, which is more than enough to cover the deficit.

Extension to the Common Bond: This Annual General Meeting agrees, subject to approval from the Regulator, to register a complete amendment to rules that will incorporate a new 'appropriate membership qualification' which will read as: The qualification for admission to membership of the credit union shall be those residing in, or being employed in the London Boroughs of Southwark and

Lambeth as delineated on the attached map in black so that in consequence thereof, there shall be a common bond between all the members.

A vote was taken and the result was:

For	25
Against	2
Abstentions	2

The motion was carried

12.2. The motion is for a vote to be taken for a Change of Credit Union name. Chris Gonde moved acceptance, Peter Bussy seconded the Motion. The Motion was accepted.

The Treasurer confirmed that all costs of rebranding would be covered by grants and would not be a drain on SCU

Change of Credit Union name:

This Annual General Meeting agrees, subject to approval from the Regulator, to register a change of name from Southwark Credit Union Limited to London Mutual Credit Union Limited

A vote was taken and the result was:

For	22
Against	2
Abstentions	4

The motion was carried

13.CLOSE:

The Meeting closed at 19.50 hours

London Mutual Credit Union Annual General Meeting 2nd February 2011

President's Report Year Ending 30th September 2010

It is an honour to be serving as the new president of the London Mutual Credit Union (LMCU) as at 23rd September 2010 and it is with great pleasure that I present my first annual report on behalf of the Board of Directors.

This year has remained a challenging one for the country, however despite the economic downturn with the continued commitment from both our members and the board of directors and a clear financial strategy LMCU has managed not only to maintain but increase the membership and assets of the Credit Union.

- During the financial year 1st October 2009 to 30th September 2010 the Credit Union expanded our catchment area to include the neighbouring borough of Lambeth. As a result we changed our name from Southwark Credit Union to London Mutual Credit Union and changed our logo as part of our rebranding. To ensure that our members identify the Credit Union within each of the communities (Southwark or Lambeth) that is served, the Credit Union is either London Mutual Southwark or London Mutual Lambeth.
- The transfer of Lambeth Savings & Credit Union has been completed and is now part of the new London Mutual Credit Union. The successful outcome was largely due to the generous financial support of the Walcot Foundation, which allowed for a continued and much needed Credit Union within the borough of Lambeth. We are pleased to say that our services are now available to over 350,000 people who live and/or work in Lambeth. In order to continue to increase the membership in Lambeth and overall in LMCU we had the pleasure of opening a new office in the prime location of 10 Acre Lane, Brixton on the 18th November 2010. We would like to thank Lambeth First for their financial contribution towards the refurbishment of our new branch.

We are now working with our new partners the Walcott Foundation, Lambeth Council and the Registered Social Landlords to promote membership of the credit union, which has already started to grow. We would like to thank them for their continued support and sharing our vision of providing affordable financial services to the residents in Lambeth.

- We have also received overwhelming support from Southwark Council for continuous development of the credit union. The marketing and promotion of our services via Council's communication channels and the establishment of an Eviction Prevention Project are some of areas where we work in partnership.

- We have also continued to receive support from the Department of Works & Pensions whose vision is also to build strong and viable credit unions in the communities.

Future Growth and Development of LMCU

The increase of membership and services requires a larger workforce which means we need larger administration space. In order to facilitate our continued growth and deliver our vision for the future, we intend to expand and rebuild the office in Rye Lane, Peckham.

We have been approached by the directors of Pimlico Credit Union regarding a transfer of engagement, which if we are able to secure would allow LMCU to provide services to the residents in Westminster and also some of the major employers such as the House of Commons and the House of Lords. We are awaiting the ratification of the Legislative Reform Order by the Government which would allow us to widen access to our services in Westminster.

It is the vision of your Board of Directors to provide ethical and affordable financial services to the communities that we serve. We would also want to be self sustainable and operate efficiently. Therefore we are always looking for viable opportunities to grow our credit union organically. There are some tough times ahead. The Government's austerity measures could have some implications on our performance within the next few years. We are aware of these economic downturns and confident that our members will continue to be loyal and appreciative of the services that we provide.

I would like to take this opportunity to thank all the Directors, Committee Members and staff working for LMCU for their hard work and dedication in providing services to our members and helping with the development and growth of our Credit Union.

Finally, I would also like to thank all our members for their continued loyalty in these challenging times and look forward to another year of growth and excellent service provided by LMCU.

Heather Crawford
President

Governance Report

Elected Members

Board of Directors			Meetings	
Name	Position	Year Elected	Possible Attendances	Actual Attendances
Ann Brewster	Chairperson	1998	13	13
Karen Michael	Secretary	2006	13	12
Louis R McLeod	Treasurer	1996	13	13
Anthony C Anthrobus		2004	13	12
Mufutau P Durowoju		2007	13	10
Albert Eze		2006	13	9
Heather Crawford		Jul-09	13	11
Abu Barkatoolah		Feb-10	8	7

Supervisory Committee			Board Meetings	
Name	Position	Year Elected	Possible Attendances	Actual Attendances
Millicent Myrie	Chairperson	Jul-09	N/A	11

The training undertaken by elected members included:

Name	Training received	Date
Heather Crawford	ABCUL AGM - 2010	Mar-10
Roy McLeod	ABCUL AGM - 2010	Mar-10
Anne Brewster	ABCUL AGM - 2010	Mar-10
All Directors and Supervisory Committee have attended	One day ABCUL training - The Strategic Compliance Function	Jun-10
Tony Anthrobus	ABCUL International Credit Union Day - 2010	Oct-10
Heather Crawford	ABCUL International Credit Union Day - 2010	Oct-10
Sonia Hue	One day Supervisory & Internal Audit from ABCUL	Oct-10
Millicent Myrie	One day Supervisory & Internal Audit from ABCUL	Oct-10
Heather Crawford	ABCUL - Autumn Conference	Nov-10
Roy McLeod	ABCUL - Autumn Conference	Nov-10
Anne Brewster	ABCUL - Autumn Conference	Nov-10

London Mutual Credit Union is committed to broadening the knowledge of its elected members and officers. They are therefore offered training opportunities and encouraged to attend conferences and seminars which are organised by the Association of British Credit Unions (ABCUL). The conferences have enabled them to network with leaders in the Credit Union movement, the Financial Services Authority and Legal experts advising on personnel and credit control matters and many more. The knowledge gained in the area of marketing and Information Technology has enabled LMCU to be at the forefront of a number of innovations and to remain one of the most successful and prominent Credit Unions in the UK.

Governance Report

London Mutual Credit Union Limited is committed to achieving the requirements of the Code of Good Governance and Best Practice for Credit Unions.

The Board is responsible for good governance in the credit union and adheres to the principles of good governance outlined in the Governance Code for Credit Unions.

The code of Governance was introduced into UK credit unions by the Association of British Credit Unions in November 2008 at their Autumn Conference. It is a voluntary code that all credit unions are recommended to embrace. It shows the transparency of managing the affairs of the credit union and at the same time helps strengthen both internal structures and accountability to the members and stakeholders of London Mutual Credit Union.

At the November 2008 Board Meeting the Board of Directors of London Mutual Credit Union decided to take part in the programme and appointed a Director and the CEO to be responsible for implementing and monitoring the Governance programme for London Mutual Credit Union.

The code of governance requires that the credit union reaches compliance in elements of:

1. **COMPLIANCE AND CONTINUITY** – The credit union strives to ensure compliance and transparency within the requirements of the law, the regulator and members of the credit union and take steps to safeguard the future of the credit union.
2. **INTEGRITY & ACCOUNTABILITY** -The credit union strives to maintain the integrity of elected individuals, staff and the credit union as a financial provider and an ethical co-operative business and in doing so aims to maintain accountability to all of its stakeholders.
3. **SKILLS AND ABILITY** - The Board and Senior Management must ensure that all those involved in the operation of the credit union will have the opportunity to develop the skills and knowledge necessary to operate the credit union successfully.
4. **STRUCTURE AND THE PRINCIPLES OF GOOD GOVERNANCE** -The credit union must develop and maintain an accessible, clear and co-operative structure.

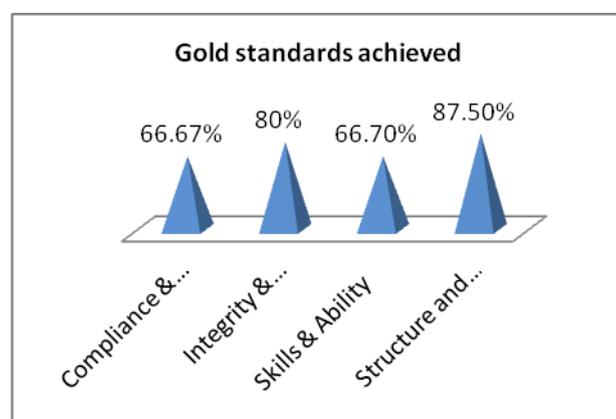
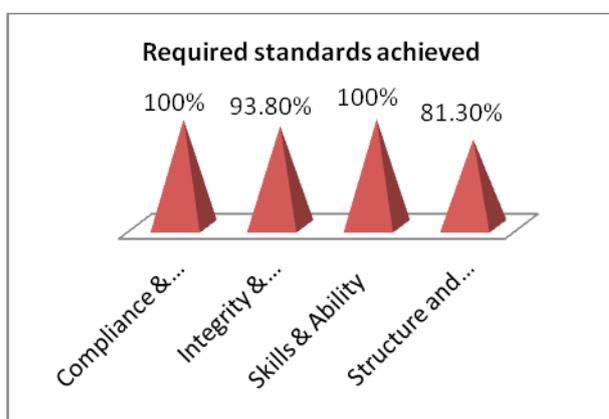
Under the 4 categories listed above, there are 45 individual elements to be achieved continuously. They are divided into 30 required standards and 15 gold standards.

As per table below we are pleased to inform you that during the last financial year we have achieved **93%** of the required standards and **77%** of the Gold standards for London Mutual Credit Union.

Principles of the Code

Principles of the Code	REQUIRED STANDARD				GOLD STANDARD			
	Achieved			%	Achieved			%
Compliance & Continuity	8	from	8	100	2	from	3	66.67
Integrity & Accountability	7.5	from	8	93.8	4	from	5	80
Skills & Ability	6	from	6	100	2	from	3	66.7
Structure and Good Governance	6.5	from	8	81.3	3.5	from	4	87.5
TOTALS - 2010	28	from	30	93.3	11.5	from	15	76.7
TOTALS - 2009	26	from	30	86.7	11	from	15	73.3
TOTALS - 2008	22	from	30	73.3	7	from	15	46.67

We have identified the remaining elements which are not yet being met and have prepared an action plan for implementing them in the new financial year. We intend to report our progress at the next Annual General Meeting in 2012.



LONDON MUTUAL CREDIT UNION LIMITED

ANNUAL GENERAL MEETING 2nd FEBRUARY 2011

TREASURER'S REPORT FOR THE YEAR
ENDING 30TH SEPTEMBER 2010

The London Mutual Credit Union (LMCU) is pleased to announce another successful year of trading amid the world economic challenges, which also impacts on our members within the local communities that this credit union serves. LMCU reviews and update its products and services to meet the needs of our members in a changing financial economic climate as many face uncertainty about jobs while trying to make ends meet. We now deliver credit union services to the membership from three branches within Southwark and from a new branch in Lambeth, located in Acre Lane.

I am pleased to report another clean audit for the year ending 30th September 2010. The details below show evidence of a very good year of trading with increased Income, Assets, Reserves and Capital, against a background of financial and economic indicators showing a significant down turn in world economy. I therefore present the following report:

1 Income

Total income increased by 22% (£364,556) from **£1.2 to 1.6 million**.

Most of these increase/movements were derived from:

- a) Interest on members' loans amounting to £228,000, (£1.073 Million in total)
- b) Credit Union Current Account fees £60,000. (£185,000 in total)
- c) Grants and donations £96,000 (£298,000 in total)
- d) Deposit & Current account interest on funds held fell by -£18,000 due to the Credit Crunch and fall in base rate.

Under grants & donations

We acknowledge & thank our partners and stakeholders the Walcot Foundation and Lambeth Council, for their generous contributions to facilitate the transfer of engagement of Lambeth credit union to LMCU and of course the opening of a new LMCU branch in Lambeth

Other supporters include: Lambeth 1st and Hyde Housing for Lambeth part of our credit union business and Southwark Council.

We were also grateful to the Department of Works and Pension for their ongoing support.

- 1.2 SCU core business income is interest derived from loans to members, which increased by 16% (£1,124,000) taking our loan portfolio to £ 7.0 million demonstrating continued growth in the various loan products on offer.

2. Expenses

The expenses increased by 26% (£378,000) from **£1.159 Million in 2009 to £1.471million in 2010**. Operating cost increased in several areas, but LMCU did not bear all the increased cost with particular reference to the transfer of engagement which was funded by the Walcot Foundation.

However, I will highlight the following areas of cost:

a) Administration, Salaries & NIC

The increase in this area amounts to 22% £139,000 which reflects the additional staff and other costs associated with servicing the increase in membership and the loan book.

b) Occupancy Cost

The cost of accommodating a growing credit union is clearly seen here with occupancy increasing by 41% £20,000 from £28,000 in 2009 to £48,000 in 2010. Further increases in this cost centre are expected as we look to expand our Rye Lane Branch to make room for planned growth.

c) Training, Marketing, Promotion and development

These cost centres combined have increased by 57% £22,000 from £17,000 in 2009 to £39,000 in 2010. We are in line with our projected budget which also reflected LMCU name change and rebranding as per our business plan.

d) Banking Services

- a. This is the fourth year of the Banking services which has seen a moderate increase of 5% (£11,000) from £187,551 in 2009 to £198,429 in 2010. There is a .95p per week charge to each member who has a CUCA account, which offsets the running cost, which this year generated £185,684 leaving LMCU to pick up a difference of £13,000.
- b. The ATM & VISA banking services we provide to members is a crucial component of our strategy to deliver full banking services for the membership as we compete for business in the financial market and try to service a growing number of members in very small offices. Members can now access their CUCA/VISA to withdraw funds from any ATM outlet worldwide. Total ATM cash withdrawals since we have gone live amounted to £32 Million and the amount spent on the VISA Debit card amounts to £12 Million as at September 2010.

e) Provision for Bad Debts

The LMCU Bad debt provisions have increased by 57% (£146,130) to 255,356 as at 30 September 2010. The amount set aside this year included a new measure to protect the credit union, which is providing additional cover for loans where we already have a charge on properties used as collateral to secure large loans.

- i. We have provided 100% cover for these loans, so in effect we are doubly securing the credit union.
- ii. The amount provided for Bad debts has increased by 39% £181,000 making a total provision of £465,126 as at the end of the financial year, which is a substantial amount of our surplus. However it is necessary to adequately provide for bad or doubtful debts to keep our credit union safe.
- iii. Our lending is based on the member's ability to repay the amount of loan requested. Loan granting procedures are reviewed regularly and credit control measures revisited to ensure robust controls are in place, in order to manage our bad debts portfolio.
- iv. Last year 7011 loans were granted valuing just over £6 million and a further 387 loan applications were rejected valuing £536,274. We also took steps to spread the risk by granting smaller loans and by reducing larger loan requests in accordance with the member's ability to repay the loan requested.

f) Other Areas of Expenditure

The other areas of expenditure may show very moderate increases which is more or less in line with budget. However it should be noted that a number of other cost centres were well below budget.

3 Balance Sheet

LMCU net loan portfolio increased by 14.3% £943,000 from £5.5 million in 2009 to £6.6 million in 2010. Considering the state of the economy and the challenges faced by some of our members the level of activity is healthy considering that in total £6 million Loans were granted during the year and over £5 million repaid.

Current Assets which represents cash and prepayments increased by 31% £867,000 from £1.9 million in 2009 to £2.8 million in 2010. The main inflow of cash reflects an increase in the levels of shares (savings)

Current Liabilities increased by 52% £550,616 from £.5 million in 2009 to £1.0 million in 2010. The two main items responsible for the increase are:

- a) Capital Grants. Grants set aside for capital expenditure at the Rye Lane rebuilding project amounting to £229,000.
- b) Sundry creditors. This relates to the Credit Union Current Account, indicating the balances held at the end of the financial year, which amounts to £309,863. Plus £14,242 Tax & NI due to HMRC.

Total Assets

Assets increased by 13% from £7.8 million in 2009 to £9.1 million in 2010 an increase of £1.226 million, more than three times the increase achieved in the previous year. This includes an amount of £410,000 member savings transferred from the Lambeth Savings & credit union. Overall this reflects the vibrancy with which LMCU has traded over the past year.

Capital Items

Child Trust Fund began during the year and ended with a balance of £21,612 Members savings increased by 20% (£1.3 million) from £5.1 in 2009 to £6.4 in 2010. It is very important for members to save together because it is from that pot that we make loans to members generally.

The net capital increase was 14% (£1.2 million) up from £7.9 million in 2009 to £9.1 million in 2010.

General reserve increased by 9% £65,000 up from £678,000 in 2009 to £743,000 in 2010.

Dividends

On behalf of the Board of Directors I am delighted to announce the declaration of a 1.5% dividend for which we have set aside a sum of £75,000. We have also set aside £4,830 for Junior Savers interest; this represents a 5% return on their savings.

Capital and Liquidity Ratio

As at September 2010 our capital stood at 12.6% with a liquidity ratio of 38.3%. Both are above ratios required to conform to the FSA regulations.

Vote of thanks

I would like to thank our members for their continued support and loyalty throughout the year and of course to our dedicated staff and volunteers and Officers who helped to achieve yet another successful year of trading.

Louis R McLeod OBE
Director / Treasurer

London Mutual Credit Union Ltd Annual General Meeting 02nd February 2011
Supervisory Committee Report

The duties of the supervisory committee are to ensure that the credit union is operating in accordance with its rules and regulations of the financial services authority (FSA), the credit union Acts 1979 and other relevant legislations.

This year the committee focused their attention on delinquent accounts, money laundering, reviewing policies and procedures. We also ensured that staff followed all relevant policies and procedures and reported to the Board on regular basis.

The committee has an internal audit program where checks are carried out at the Camberwell office. We can report that the quarterly returns have been checked and filed in a timely manner with the FSA. At least one member of the Supervisory committee attended the monthly board meetings on a regular basis.

The committee investigated one complaint this year, which has been resolved satisfactorily. The supervisory committee met with the External Auditor during the audit to resolve any matters that arose. We are pleased to announce that there were no major issues and that the directors and staffs continue to offer a high quality service of excellent value to our members.

Finally, the committee would like to thank the directors, for their excellent work throughout the year in moving the credit union forward and the stakeholders for their continued support to the credit union. The members of the supervisory committee are committed to their work of protecting the member's interest and we congratulate the staff for their hard work in providing what is an excellent service to our members

Millicent Myrie
Chair of the Supervisory Committee

LONDON MUTUAL CREDIT UNION LIMITED
Previously Registered as Southwark Credit Union Limited

FINANCIAL STATEMENTS

FOR THE

YEAR ENDED 30TH SEPTEMBER 2010

LONDON MUTUAL CREDIT UNION LIMITED

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LONDON MUTUAL CREDIT UNION LIMITED

REVENUE ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER 2010

	Note	2010		2009	
		£	£	£	£
Income					
Entrance Fees			2,914		3,776
Interest from Loans to Members	1 (b)		1,073,826		846,532
Deposit and Current Account Interest	1 (b)		5,239		22,933
Sundry Income - Commission			9,949		7,377
Grants and Donations Receivable	1 (c)		297,738		201,689
Written off Debts Recovered			6,200		4,530
CUCA Fees			185,684		125,887
Other Transaction Fees			<u>12,899</u>		<u>17,169</u>
			1,594,449		1,229,893
Less Expenses					
Occupancy Costs		48,333		28,570	
Stationery and Post		22,436		18,397	
Administration Salaries and NIC		623,974		484,934	
Audit and Accountancy		9,200		8,690	
Bank Charges and Interest		13,905		15,349	
Data Processing Charges and Software		27,283		10,174	
General Expenses		26,638		23,415	
Loans and Savings Insurance		46,002		42,899	
Provision for Bad Debts		255,356		109,226	
Depreciation		79,826		71,981	
Telephone		15,391		10,708	
Insurance - Fidelity Bond		3,407		2,984	
Debt Recovery/Legal and Professional		20,275		22,818	
Training, marketing, promotion and development		39,339		17,012	
Directors' Expenses and Honoraria		21,254		20,654	
ABCUL Dues		12,348		9,462	
FSA Fees		3,179		3,342	
Banking Services		198,429		187,551	
Junior Savers Interest Payable		<u>4,985</u>		<u>4,830</u>	
			1,471,560		1,092,996
Surplus for the year before taxation			122,889		136,897
Corporation Tax	1 (e)		<u>(983)</u>		<u>(4,931)</u>
Surplus for the year before distribution			121,906		131,966
Transfer from/(to) General Reserve-Statutory			<u>(24,381)</u>		<u>(26,393)</u>
Unappropriated Surplus			97,525		105,573
Dividend Paid			<u>(63,110)</u>		-
Transfer (to) Voluntary Reserve			<u>(34,415)</u>		<u>(105,573)</u>
			<u>-</u>		<u>-</u>

All amounts relate to continuing operations.

Lambeth Savers and Credit Union Ltd transferred its engagements to the Credit Union on 26th March 2010.

The retained surplus for the year was the only recognised gain or loss in the year.

LONDON MUTUAL CREDIT UNION LIMITED

BALANCE SHEET AS AT 30TH SEPTEMBER 2010

	Notes	2010		2009	
		£	£	£	£
Fixed Assets	5		875,341		879,756
Loans Due from Members	6	7,053,265		5,929,245	
Less Provision for Bad Debts		(465,126)		(283,923)	
			6,588,139		5,645,322
Current Assets					
Prepayments and Debtors		19,313		7,368	
Current & Deposit Account		2,613,724		1,777,192	
Cash in Hand		138,143		118,869	
		<u>2,771,180</u>		<u>1,903,429</u>	
Current Liabilities					
Grants		303,870		74,931	
Provision for Juvenile Savers Interest		4,985		4,830	
Sundry Creditors		724,782		414,919	
Corporation Tax		2,348		4,931	
PAYE and NIC		14,242		-	
		<u>1,050,227</u>		<u>499,611</u>	
Net Current Assets			<u>1,720,953</u>		<u>1,403,818</u>
			<u>9,184,433</u>		<u>7,928,896</u>
Represented by:					
Child Trust Fund			21,612		-
Share Capital			6,447,543		5,142,651
General Reserves	4		743,247		677,788
Growth Fund	7		1,530,989		1,657,615
Revaluation reserve	4		441,042		450,842
			<u>9,184,433</u>		<u>7,928,896</u>

Director

Director

Secretary

Date: 14/01/2011

LONDON MUTUAL CREDIT UNION LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH SEPTEMBER 2010

	Notes	2010 £	2009 £
Net Cash Inflow from Operating Activities	1	901,000	378,559
Returns on Investments and servicing of finance	2	5,239	22,933
Capital Expenditure (Purchase of Equipment - and Building)	2	(75,411)	32,950
Taxation Paid		(3,566)	(16,483)
Junior Savers Interest		(4,830)	(5,255)
Dividend Paid		(63,110)	-
Financing	2	96,484	(437,118)
Increase/(Decrease) in Cash	4	<u>855,806</u>	<u>(24,414)</u>

NOTES TO THE CASH FLOW STATEMENT

**1. Reconciliation of Surplus Income
Before tax to net cash inflow**

Surplus before Taxation		122,889	136,897
Net Transfer - Lambeth Savers and Credit Union		(3,137)	-
Adj:			
Bad Debts Written Off	(94,779)	(83,311)	
Interest Received	(5,239)	(22,933)	
Increase/(Decrease) in Creditors	553,044	157,633	
Decrease/(Increase) in Prepayments & Debtors	(11,945)	4,236	
Depreciation	79,826	71,981	
Increase in Bad Debt Provision	255,356	109,226	
Interest Payable	<u>4,985</u>	<u>4,830</u>	
		781,248	241,662
Net Cash Inflow/(Outflow)		<u>901,000</u>	<u>378,559</u>

LONDON MUTUAL CREDIT UNION LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH SEPTEMBER 2010

	2010 £	2009 £
Note 2 - GROSS CASH FLOWS		
Returns on investment and servicing of finance		
Interest received	<u>5,239</u>	<u>22,933</u>
Capital expenditure/contributions		
Payments to acquire tangible fixed assets	(96,503)	(10,090)
Less contribution to costs	<u>21,092</u>	<u>43,040</u>
	<u>(75,411)</u>	<u>32,950</u>
Financing		
Transferred from Capital Grants	(329,000)	-
Growth Fund Capital Grants	223,000	-
Increase in shares	1,326,504	321,713
Increase in loans to members	<u>(1,124,020)</u>	<u>(758,831)</u>
	<u>96,484</u>	<u>(437,118)</u>

4. Analysis of Changes in Net Funds

	As at 30.09.09 £	Cash Flows £	As at 30.09.10 £
Cash at Bank and in Hand	1,896,061	855,806	<u>2,751,867</u>

LONDON MUTUAL CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2010

1. Accounting Policies

a) Accounting Policies

The financial statements have been prepared under the historical cost convention with the exception of the revaluation of freehold properties.

b) Interest

Bank interest is accounted for when receivable. Loan interest is accounted for, when received.

c) Grants

Grants and donations are accounted for when receivable. This includes £39,846 received from the Big Lottery Fund (Restricted Fund) during the year.

d) CUCA Fees

Transaction fees from the CUCA (Credit Union Current Account) are accounted for when received as they are credited directly into Southwark Credit Union Ltd's bank account by the Co-operative Bank Plc.

e) Corporation Tax

The provision of UK Corporation Tax is based on bank deposit account interest receivable for the period at the relevant rates.

f) Dividends

Dividends will be accounted for in the year in which the members agree them at the AGM.

g) Comparative Figures

The comparative figures are for the year ended 30th September 2009.

h) Fixed Assets

(1) Depreciation has been provided on fixed assets at rates considered sufficient to write them off over their useful lives:

Computer equipment	17.5% per year on cost
Office Equipment	10% per year on cost
Building & Refurbishment	2% per year on the revalued amounts
Banking Project	10% per year on cost (see (2) below)

(2) ABCUL Banking Services project

This was developed through ABCUL. Southwark Credit Union Ltd was one of nine credit unions who each contributed the same amount towards setting up a bank current account for people who previously could not get a current account. As new credit unions join the Project, they will each make a contribution : part of which will be paid to Southwark Credit Union Ltd. This year it has received contributions of £21,092 which have been deducted from fixed assets. Grants of £85,614 have been received towards this cost.

As it is expected that these costs will be recouped within ten years, they and the related grants are being written off over ten years.

I) DWP Growth Fund

Growth Fund grants are received from the Department of Works & Pensions to finance loans for people who would not normally qualify for loans under the Credit Union criteria.

2. Statement of Total Recognised Gains and Losses

The retained surplus for the year was the only recognised gain or loss in the year.

3. Historical Cost Profit and Loss

All assets are stated in the financial statements at historical cost with the exception of freehold properties. The depreciation on the revalued properties has been adjusted in note 4.

LONDON MUTUAL CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2010

4. Reserves

	General Reserve		Revaluation	Total
	Voluntary	Statutory	Reserve	
	£	£	£	£
Balance at 1st October 2009	177,163	500,625	450,842	1,128,630
From Revenue Account for the year	34,415	24,381	-	58,796
Depreciation transfer	9,800	-	(9,800)	-
Transfer Lambeth S and CU Ltd	-	(164,767)	-	(164,767)
Received from the Walcot Foundation	-	161,630	-	161,630
Balance at 30th September 2010	<u>221,378</u>	<u>521,869</u>	<u>441,042</u>	<u>1,184,289</u>

The freehold properties were valued in August 2005 by Budworth Brown, Chartered Surveyors, 6 Riley Road, Kettering Northants. NN16 8NN.

5. Fixed Assets

	Computer & Equipment	Fixtures & Fittings	Freehold Premises	Banking Project	Total
	£	£	£		£
Cost/Valuation:					
Balance b/forward 1.10.09	184,682	173,333	655,000	144,394	1,157,409
Additions	44,633	41,670	10,200	-	96,503
Contribution received	-	-	-	(35,153)	(35,153)
Balance c/forward 30.9.10	<u>229,315</u>	<u>215,003</u>	<u>665,200</u>	<u>109,241</u>	<u>1,218,759</u>
Depreciation:					
Balance b/forward 1.10.09	133,257	48,678	52,400	43,318	277,653
Depreciation for the year	30,584	21,499	13,304	14,439	79,826
Depreciation on contribution received	-	-	-	(14,061)	(14,061)
Balance c/forward 30.9.10	<u>163,841</u>	<u>70,177</u>	<u>65,704</u>	<u>43,696</u>	<u>343,418</u>
Net Book Value 2010	65,474	144,826	599,496	65,545	875,341
Net Book Value 2009	51,425	124,655	602,600	101,076	879,756

6. Loans

	Ordinary	Growth Fund	Total
Due from Members	<u>5,235,647</u>	<u>1,817,618</u>	<u>7,053,265</u>

7. Growth Fund

	2010 £	2009 £
Balance b/f 1.10.09	1,657,615	1,659,052
Received - grants	223,000	-
Less bad debt provision	-	28,519
bad debts written off	(20,626)	(29,956)
transfer to General Revenue (as agreed by DWP)	(329,000)	-
	<u>1,530,989</u>	<u>1,657,615</u>

8. Related Party Transactions

Loans are issued to directors on the same terms as those on offer to other members.

9. Capital Commitments

	2010 £	2009 £
Capital expenditure contracted for, unpaid at the end of the year and not provided for in the financial statements.	<u>60,000</u>	<u>Nil</u>

£68,000 of the total cost will be funded by grants.

LONDON MUTUAL CREDIT UNION LIMITED

AUDITORS' REPORT

Independent Auditor's Report to the Members of London Mutual Credit Union Ltd

We have audited the financial statements of the London Mutual Credit Union Limited for the year ended 30th September 2010 which are set out on pages 1 to 6. These financial statements have been prepared under the historical cost convention subject to the revaluation of the freehold properties and the accounting policies set out therein.

This report is made solely to the Credit Union's members, as a body, in accordance with the Industrial & Provident Societies Acts 1965 to 2002 and the Credit Unions Act 1979. 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.

Respective Responsibilities

Industrial and Provident Societies law requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Credit Union and of the surplus of the Credit Union for that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Credit Union will continue.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Credit Union. It is 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.

As described above, the Board is responsible for preparing the financial statements in accordance with applicable law and UK Accounting Standards. It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002 and the Credit Unions Act 1979. We also report to you if the Credit Union has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding other transactions is not disclosed.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Credit Union's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Credit Union's affairs as at 30th September 2010 and of its surplus for the year then ended; and

have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002 and the Credit Unions Act 1979.

40 The Lock Building
72 High Street
London E15 2QB

APPLEBY & WOOD
Statutory Auditors

Item 11 and 12

Election of Officers:

The following Directors have already served the Credit Union for a period of 3 years and are due for re-election in February 2011.

1. Ann Brewster
2. Tony Anthrobus

They have indicated that they are happy to be re-elected to serve on the Board of the LMCU.

The motions to the London Mutual Credit Union Limited AGM on the 2nd February 2011

None:

Item 11 and 12

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The motions to the London Mutual Credit Union Limited AGM on the 2nd February 2011

None:

For Notes