



**London Mutual**  
Credit Union

**Annual Report and Audited Accounts of**

# **London Mutual**

Credit Union Limited

**For the year ending 30<sup>th</sup> September 2012**

## **London Mutual Credit Union Limited**

Registered Office:

4 Heaton Road, Peckham, London, SE15 3TH

Telephone: 020 7787 0770

Fax: 020 7207 1444

Email: [info@creditunion.co.uk](mailto:info@creditunion.co.uk)

Website: [www.creditunion.co.uk](http://www.creditunion.co.uk)

## **Branches and Opening Times**

79 Denmark Hill, Camberwell, London SE5 8RS

*Opening hours are: Monday to Friday - 9.30am to 4.30pm*

4 Heaton Road, Peckham, London SE15 4TH

*Opening hours are: Monday to Friday - 9.30am to 4.30pm*

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 Friday - 9.30am to 4.30pm*

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
- ♦ Member of the Financial Services Compensation Scheme
- ♦ A Member of the Financial Ombudsman Service
- ♦ A Member of the Association of British Credit Unions Ltd



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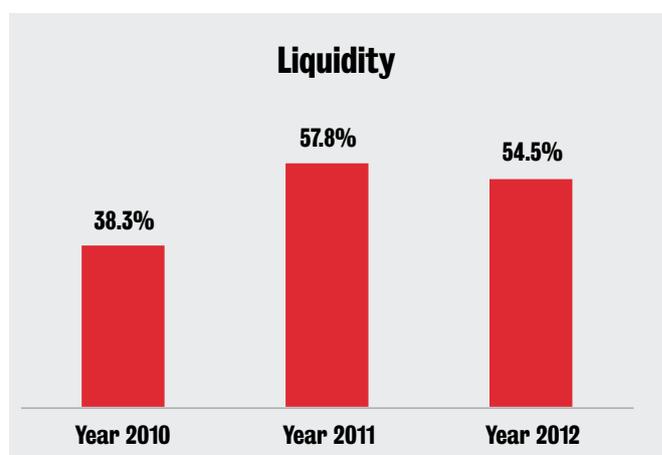
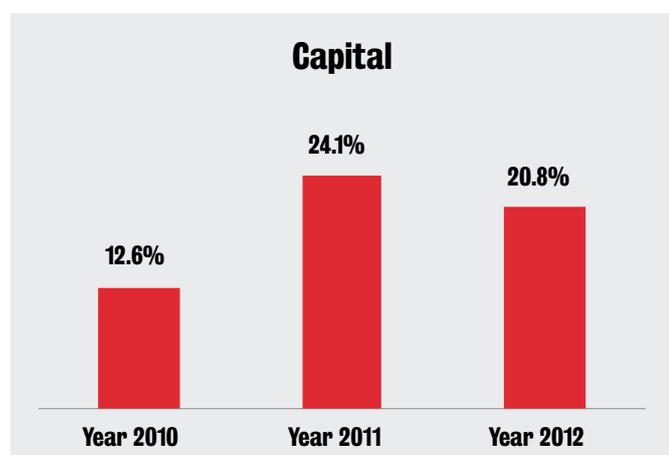
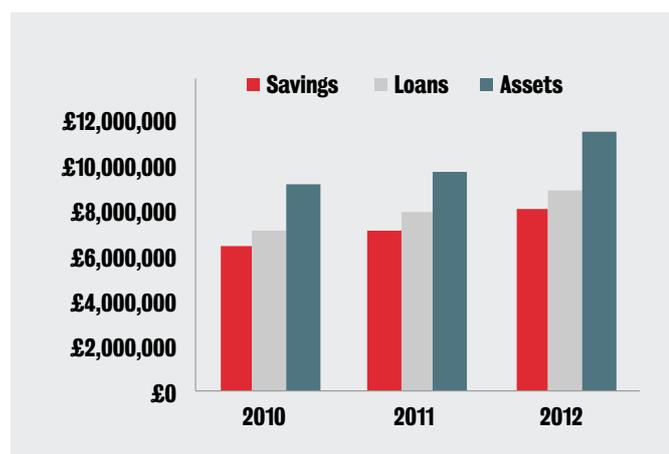
# London Mutual Credit Union Ltd

## The Common Bond

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

## Balance Sheet Highlights

	2010	2011	2012
Membership	12,043	13,510	15,104
Junior Savers	1,888	1,946	2,066
Savings	£6,447,543	£7,059,134	£8,000,370
Loans	£7,053,265	£7,941,749	£8,903,994
Assets	£9,184,433	£9,708,692	£11,427,609
Capital - Assets Ratio	12.6%	24.1%	20.8%
Liquidity Ratio	38.3%	57.8%	54.5%



# 31<sup>st</sup> Annual General Meeting of London Mutual Credit Union Limited

The Board Room, King's College Hospital, Denmark Hill, London SE5  
14<sup>th</sup> February 2013 at 6.00PM

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- 1 Welcome and Introductions
  - 2 Minutes of the AGM held Wednesday 24<sup>th</sup> February 2012
  - 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 Honorary for the Treasurer
  - 11 Election of Officers
  - 12 Consideration of Motions
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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.

## President's Report Year Ending 30<sup>th</sup> September 2012

As the president of the London Mutual Credit Union (LMCU) it is with great pride and pleasure that I present our annual report.

With a clear financial strategy and a keen eye for opportunities for growth LMCU, with the dedication of our members, our staff and the Board of Directors, has managed to increase the growth of the Credit Union, despite the continuing economic downturn.

- ♦ At our AGM last year we discussed our purchase of a property in Heaton Road in order to service our increasing membership. I would like to thank all the members who generously agreed to forfeit their dividend receipt towards the building cost last year.
- ♦ The changes to our common bond that were implemented last year have allowed the completion of the transfer of engagement of Pimlico Credit Union allowing us to gain access to provide services to those who live or work in Westminster.
- ♦ In February 2012, we introduced a Payday loan product which can be accessed via the internet at [www.CUOK.co.uk](http://www.CUOK.co.uk); as at 31<sup>st</sup> December 2012 we have granted 1718 loans.
- ♦ In the same month, we also introduced an ISA product which has been extremely popular with members.

Looking forward to the forthcoming year, we are continuing to expand whilst providing assistance to other Credit Unions. As LMCU is one of the strongest credit unions in London we have been approached by Camden Credit Union with a view to a transfer of engagement. Camden Council has agreed to fund this and provide further operational grants until March 2015 in order that we can provide essential financial services to Camden residents.

We would like to assure our members that your Board will always take careful decisions supported by our Accountants Appleby & Wood and other professional people on all our transfer of engagements. Over the life our credit union we have amalgamated with five other credit unions which has proven to be a very successful strategy and contributed towards our growth.

As part of our continued growth and expansion plans we are planning to provide credit union services to the employees of the House of Commons and the House of Lords.

We are working with local authorities on the Welfare Reforms that are being introduced by the Government from April 2013; this will enable us to provide holistic financial services to our members. The credit union has developed a special bill payment account called a “jam jar” account for both tenants who are our members and their landlords to assist them with managing their benefits to pay their bills once Universal Credit is introduced from October 2013.

We continue to strive to introduce ways in which to provide services to our members, which will be more effective and efficient. Utilising technology for our members is one such way and we are currently developing a mobile app for those who prefer to keep a track of their finances on the go.

We are also involved in discussions with ABCUL, our trade body, regarding a “back office project” where the DWP are considering investing a sizeable sum of money to develop a new integrated accounting platform for Credit Unions. This project is still in its infancy and therefore we do not yet know the full extent of the costs and benefits that this will bring to LMCU.

We continue to work with our partners Southwark and Lambeth Councils, Department of Works and Pensions, Voluntary Agencies and Registered Social Landlords to promote membership of the credit union. I would like to thank Barclays Bank and the Friends Provident Foundation for their generous financial contributions towards the development of our Payday Loan facility for our members.

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

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.

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**Heather Crawford**

President

# Governance Report

## Elected Members

Name	Position	Year Elected	Possible Attendances	Actual Attendances
Heather Crawford	President	Jul-09	12	11
Abu Barkatoolah	Secretary	Feb-10	12	8
Louis R McLeod	Treasurer	1996	12	11
Mufutau P Durowoju	Director	2007	12	10
Chris Gonde	Director	2011	12	9
Ann Brewster	Director	1998	12	10
Karen Michael	Director	2006	12	9
Anthony C Anthrobus	Director	2004	12	11

## Supervisory Committee

Name	Position	Year Elected	Possible Attendances	Actual Attendances
Millicent Myrie	Chairperson	Jul-09	N/A	9
Sonia Hue	Committee Member	2010	N/A	9

## The training undertaken by elected members included

All Directors and Supervisory committee:	ABCUL AGM – various training seminars	(March-12)
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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:

**Compliance & 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.

**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.

**Skills & 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.

**Structure & 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 to date we have achieved 93% of the required standards and 80% of the Gold standards for London Mutual Credit Union. We have identified the following 2 standards which we are determined to initiate in the current financial year:

- 1 Produce a leaflet that outlines the nature of the credit union as a business and a co-operative member-owned organisation.
- 2 Survey of membership to ascertain the level of satisfaction with credit union services.

*We intend to report our progress at the next Annual General Meeting in 2014.*

Principles of the Code	Required Standard		Gold Standard	
	Achieved	%	Achieved	%
Compliance & Continuity	8.00 from 8	100	2.50 from 3	83.3
Integrity & Accountability	7.50 from 8	93.8	4.00 from 5	80.0
Skills & Ability	6.00 from 6	100	2.00 from 3	66.
Structure and Good Governance	6.50 from 8	81.3	3.50 from 4	87.5
Totals - 2012	28 from 30	93.3	12 from 15	80.0

# Treasurer's Report for the Year Ending 30/09/2012

This has been one of the busiest years for London Mutual Credit Union. We continue to grow whilst expanding our services and customer base during the 2011/2012 financial period. It has been a tough year both for the economy and our members, some of whom would have been impacted by job losses and increases in the cost of living. However, members still show a high degree of commitment and loyalty in savings and repaying their loans, as demonstrated by the audited accounts and this report. Projects having some financial impact on LMCU during the year have been:

- ♦ Transfer of engagement with the Pimlico Credit Union, which also opened the door enabling us to provide services to those who live or work in Westminster.
- ♦ The Payday loan product was launched in February 2012. As at 31st December 2012 LMCU granted 1718 loans amounting to £560,451.
- ♦ LMCU introduced a Cash ISA in February 2012. Balance as at 31st December was £681,732
- ♦ LMCU new Head Office 4 Heaton Road; Peckham SE15 was purchased and building work was completed for a grand opening which was held on 31st January 2013

## Income

Overall income has increased over the previous financial year by 3% (58k). We also need to take into consideration that the grants and donations decreased by over 50% (221k). Interest derived from loans to members increased 17.5% (225k) indicating that demand is still strong, complimented by the new CU Pay Day Loan product.

The other area of significant increase is on entrance fees which have increased by 18.5% (643), reflecting the increase in new members. Transaction fees increased by over 100% (12k), while interest on deposits fell, which is a reflection on the wider economy as to what interest Banks are prepared to pay for our deposits.

As always we are looking at various options available to us to maximise the return on our bank deposits.

## Expenses

Overall expenses have increased by 17.8% (£286k) reflecting increased activity in LMCU operations some of which relates to specific projects that we have undertaken during the period and increased demand for the loans. My comments on some of the larger increases are as follows:  
**Provision for Bad Debts increased by 31% (£72k) to £304,105 in 2012**

The loan portfolio increased by 1m, to 8.9m and the provisions made here reflects the amount required to cover doubtful debts where delinquencies may occur.

**Administration Salaries & NIC increased by 10% (67k)**

Most of this would have been covered by the grants received during the period for specific projects indicated in the income and staff salary increase during the year and due to recruitment of new staff.

**Depreciation (of Properties, Furniture & Equipments) inc. by 40% (£31k)**

This reflects the addition of 4 Heaton Road to our property portfolio, and to ensure we are able to maintain, renew or replace these assets in the future.

**Bank Charges increased by 157% (£21k) to £35k in 2012**

This relates to the increased transaction / activity of the LMCU operations.

**Stationery & Post increased by 58% (£17k)**

This relates to increased member activities and communication

**Co-Operative Bank Mortgage Interest of £14k**

This is a new category of expense toward the purchase of 4 Heaton Road.

Other expenses were as expected and within operating parameters for a growing organization.

There were reductions in some areas of expenses

General Expenses: 21% (£6.5k)

Loans and Savings Insurance: 14% (£7k)

Training, marketing, promotion & development: 26% (£6k)

## Balance Sheet

**Fixed Assets** increased by 269% (1.5m) following the purchase of our Head Office, 4 Heaton Rd, which also included capital spend to refurbish the building.

As mentioned above our loan book increased by 12% (1m). Therefore provision for bad debt has also increased by 37% (£219K) to £815K as protection for our £8.9m loan book.

**Current Assets** increased by 17.5% (£592k) this mainly relate to £3.8m cash at bank.

**Current Liabilities** increased by 31.4% (£498k) to £2m. Of this the CUCA balance accounted for 27% (£306K) of the increase, it now stands at £1.4m. Grants held also increased by £52k for future projects and for the first time we are showing an amount due of £35k for mortgage in the year, while under **Net Current Assets** the total mortgage due in more than one year is £627,690 which is also a new balance sheet item.

Total Net Current Assets £11.4m	Increase		2012 Balance	2011 Balance
Represented by:				
Members savings:	13%	£941k	£8m	£7.059m
General reserve:	8%	£197k	£2.6m	£2.607m
ISA (Feb 2012):	100%	£571k	£571k	£ 0
Child Trust Fund:	23%	£009k	£52k	£ 0.042m
Total Capital	17.7%	£1.7m	£11.4 million	£9.708m

Key performance indicators		2012
Membership	up	16,000
Savings	up	£ 8.0 million
Loan Portfolio	up	£ 8.9 Million
Assets	up	£ 11.4 Million
Capital	Down	20.8%
Liquidity	Down	54.5%

Provisions for payment of interest and Dividend		
Juvenile Savers Interest	£12,479	(5%)
ISA	£4,624	(3%)
Adults Dividends	£ 95,000	(1.5%)

I would like to thank the CEO and staff for an excellent result for this financial year and their hard work has yielded successful results for our credit union. As always I would like thank our members for their loyalty and continue to use our credit union for their banking needs.

**Louis R McLeod OBE**

Director/Treasurer

# Supervisory Committee Report

The duties of the supervisory committee ensures that London Mutual Credit Union (LMCU) operates appropriately for the benefit of its Members and in compliance with the Financial Services Authority (FSA) Regulations, the voluntary rules of governance of ABCUL (the credit union governing body) and its own policy and procedures.

In accordance with the rules of the credit union, the Supervisory Committee has visited offices unannounced to audit members' passbooks and cash held in the offices. The Supervisory Committee also observes the general running of the organisation. We are pleased to announce that there were no abnormalities found during the visits. Our visits will continue throughout the current financial year.

The Supervisory Committee held regular meetings in the Credit Union offices to examine electronic and hard copy documents and to check that the policy and procedures defined by the Board of Directors on behalf of Members; have been fully complied with by members of staff and volunteers.

A member of the Supervisory Committee attended all meetings of the Board of Directors.

The Supervisory Committee has ensured that the quarterly returns are examined and submitted in a timely manner.

Finally, the Committee would like to thank the directors, and staff for their excellent work throughout the year in moving the credit union forward and the stakeholders in their continued service to the credit union. The Board of Directors together with the Supervisory Committee is fully committed to expand and develop London Mutual Credit Union for the benefit of our Members and stakeholders.

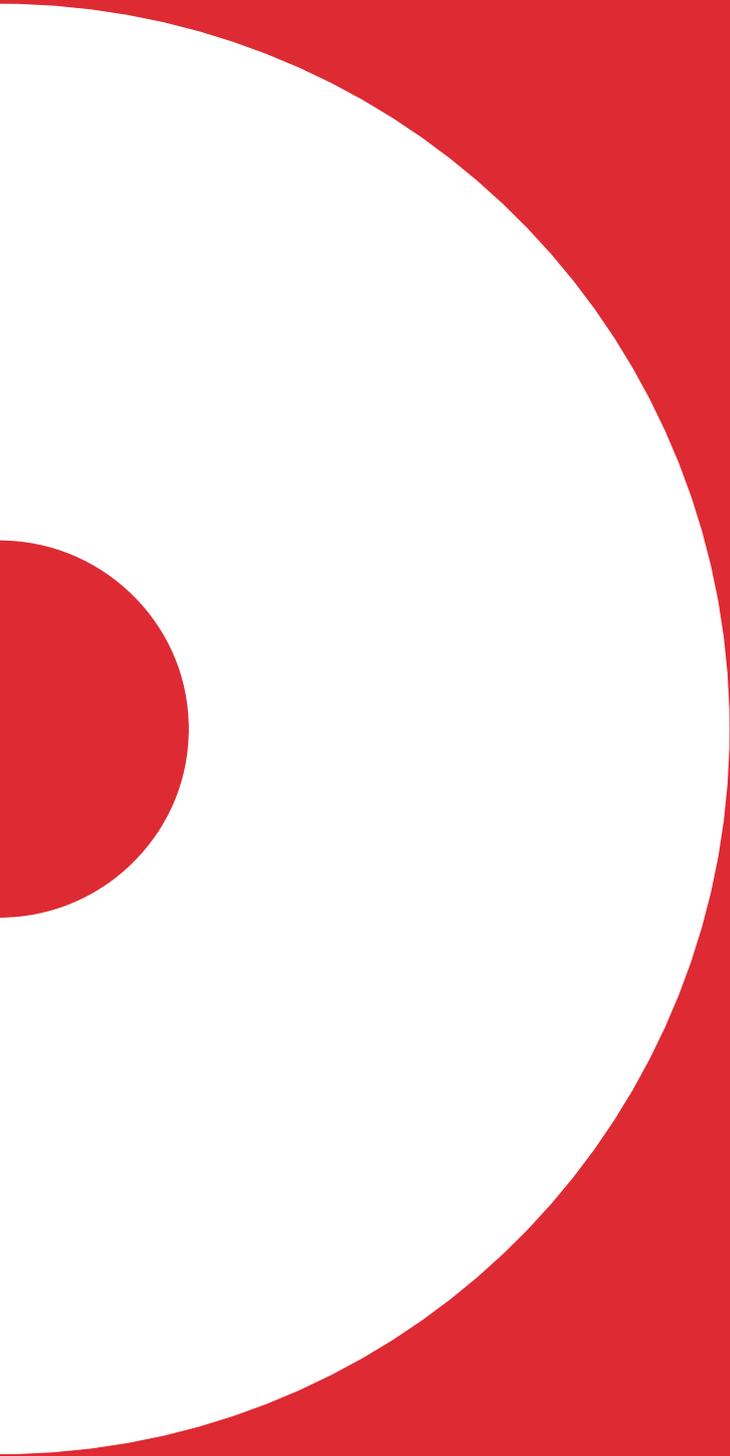
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**Millicent Myrie (Chair)**

Supervisory Committee

**Sonia Hue**

Supervisory Committee



## **Auditor's Report**

**Revenue Account For The Year Ended 30th September 2012**

	Note	2012		2011	
		£	£	£	£
<b>Income</b>					
Entrance Fees			4,119		3,476
Interest from Loans to Members	1 (b)		1,526,221		1,301,698
Deposit and Current Account Interest	1 (b)		9,163		11,017
Sundry Income - Commission			5,723		11,559
Grants and Donations Receivable	1 (c)		183,183		404,480
Written off Debts Recovered			10,151		8,592
CUCA Fees			311,491		262,964
Other Transaction Fees			22,641		10,605
			<b>2,072,692</b>		<b>2,014,391</b>
<b>Less Expenses</b>					
Occupancy Costs		96,224		91,625	
Stationery and Post		47,209		29,861	
Administration Salaries and NIC		739,830		673,045	
Audit and Accountancy		10,200		10,880	
Bank Charges and Interest		34,752		13,526	
Data Processing Charges and Software		19,552		16,757	
General Expenses		23,640		30,094	
Loans and Savings Insurance		46,016		53,362	
Provision for Bad Debts		305,105		233,067	
Depreciation		110,012		78,615	
Telephone		19,852		16,035	
Insurance - Fidelity Bond		3,269		3,383	
Debt Recovery/Legal and Professional		34,860		31,369	
Training, marketing, promotion and development		16,253		21,929	
Directors' Expenses and Honoraria		32,846		22,361	
ABCUL Dues		16,212		14,452	
FSA Fees		4,324		2,748	
Banking Services		295,661		247,808	
Junior Savers Interest Payable		12,479		9,900	
ISA Interest Payable		4,624		-	
Mortgage Interest Payable	1 (i)	14,282		-	
			<b>1,887,202</b>		<b>1,600,817</b>
Surplus for the year before taxation			185,490		413,574
Corporation Tax	1 (e)		(1,784 )		(2,258 )
Surplus for the year before distribution			183,706		411,316
Transfer from/(to) General Reserve-Statutory			(36,741 )		(82,263 )
Unappropriated Surplus			146,965		329,053
Dividend Paid			-		(78,260 )
Transfer (to) Voluntary Reserve			<u>(146,965 )</u>		<u>(250,793 )</u>

All amounts relate to continuing operations.

Pimlico Credit Union Limited transferred its engagements to London Mutual Credit Union Limited on 21st September 2012.

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 2012**

	Note	2012		2011	
		£	£	£	£
<b>Fixed Assets</b>	5		2,068,934		560,246
Loans Due from Members		8,903,994		7,941,749	
Less Provision for Bad Debts		(815,279)		(596,248)	
			<b>8,088,715</b>		<b>7,345,501</b>
<b>Current Assets</b>					
Prepayments and Debtors		14,373		10,815	
Current & Deposit Account		3,835,659		3,253,849	
Cash in Hand		127,259		120,411	
		<b>3,977,291</b>		<b>3,385,075</b>	
<b>Current Liabilities - due within one year</b>					
Provision for ISA Interest		4,624		-	
Grants		413,742		361,337	
Provision for Juvenile Savers Interest		12,479		9,900	
Sundry Creditors	9	1,609,044		1,191,075	
Corporation Tax		1,833		2,407	
PAYE and NIC		2,919		17,411	
Mortgage	1 (i)	35,000		-	
		<b>2,079,641</b>		<b>1,582,130</b>	
<b>Net Current Assets</b>			1,897,650		1,802,945
Mortgage - amounts falling due over one year 1 (i)			(627,690)		-
			<b><u>11,427,609</u></b>		<b><u>9,708,692</u></b>
Represented by:					
ISA			570,943		-
Child Trust Fund			51,885		42,266
Share Capital			8,000,370		7,059,134
General Reserves	4		2,804,411		2,607,292
			<b><u>11,427,609</u></b>		<b><u>9,708,692</u></b>



**Louis R McLeod**

Director



**Ann Etta Gertrude Brewster**

Director



**Abu Barkatoolah**

Secretary

31st January 2013

**Cash Flow Statement For The Year Ended 30th September 2012**

	Note	2012		2011	
		£	£	£	£
Net Cash Inflow from Operating Activities	1		988,210		1,157,621
Returns on Investments and servicing of finance	2		9,163		11,017
Capital Expenditure (Purchase of Equipment - and Building)	2		(1,618,700 )		(204,562 )
Taxation Paid			(2,358 )		(2,199 )
Junior Savers Interest			(9,900 )		(4,985 )
Dividend Paid			-		(78,260 )
Financing	2		1,222,243		(256,239 )
Increase/(Decrease) in Cash	4		588,658		622,393
<b>NOTES TO THE CASH FLOW STATEMENT</b>					
<b>1. Reconciliation of Surplus Income</b>					
<b>Before tax to net cash inflow</b>					
Surplus before Taxation			185,490		413,574
Net Transfer - Pimlico Credit Union Limited			13,413		-
Adj: Bad Debts Written Off		(86,074 )		(101,945 )	
Interest Received		(9,163 )		(11,017 )	
Increase/(Decrease) in Creditors		454,506		526,929	
Decrease/(Increase) in Prepayments & Debtors		(3,558 )		8,498	
Depreciation		110,012		78,615	
Increase in Bad Debt Provision		305,105		233,067	
Interest Payable		18,479		9,900	
		789,307		744,047	
Net Cash Inflow/(Outflow)			988,210		1,157,621

	2012		2011
	£		£
<b>Note 2 - GROSS CASH FLOWS</b>			
<b>Returns on investment and servicing of finance</b>			
Interest received	9,163		11,017
<b>Capital expenditure/contributions</b>			
Payments to acquire tangible fixed assets	(1,618,700 )		(204,362 )
Less contribution to costs	-		-
	(1,618,700 )		(204,362 )
<b>Financing</b>			
Mortgage received - net	662,690		-
Increase in ISA's	570,943		-
Increase in shares	950,855		632,245
Increase in loans to members	(962,245 )		(888,484 )
	1,222,243		(256,239 )
<b>4. Analysis of Changes in Net Funds</b>			
	As at 30.09.11	Cash Flows	As at 30.09.12
Cash at Bank and in Hand	3,374,260	588,658	3,962,918

# **Notes To The Financial Statements For The Year Ended 30th September 2012**

## **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. Mortgage interest, ISA interest and Junior Savers interest are accounted for when payable.

### **c) Grants**

Grants and donations are accounted for when receivable.

### **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 2011.

### **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
Fixtures and Fittings	10% per year on cost
Building & Refurbishment	2% per year on the revalued amounts
Banking Project & Pay Day Loan Project	10% per year on cost (see (2) and (3) below)

- 2) ABCUL Banking Services project

This was developed through ABCUL. London Mutual 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 London Mutual Credit Union Ltd. 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.

- 3) Grants for capital expenditure

Other grants for fixtures and fittings and the Pay Day Loan Project are being written off over the same period as the related expenditure ie 10 years.

- i) The mortgages are secured on the Credit Union's property at 4 Heaton Road, London SE15 3TH. Repayments are currently £3,870 per month and the interest rate is 3.0% p.a. and 3.8% p.a. respectively.

# Notes To The Financial Statements For The Year Ended 30th September 2012

## 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.

## 4. Reserves

	<b>Growth Fund</b>	<b>General Reserve</b>		<b>Total</b>
		<b>Voluntary</b>	<b>Statutory</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance at 1st October 2011	1,530,989	472,171	604,132	2,607,292
From Revenue Account for the year	-	146,965	36,741	183,706
Pimlico CU Limited - transfer	-	-	13,413	13,413
Balance at 30th September 2012	1,530,989	619,136	654,286	2,804,411

Pimlico Credit Union Limited transferred its engagements to London Mutual Credit Union Ltd on 21st September 2012.

## 5. Fixed Assets

	<b>Computer &amp; Equipment</b>	<b>Fixtures &amp; Fittings</b>	<b>Freehold Premises</b>	<b>Banking &amp; Pay Day Loan Project</b>	<b>Total</b>
<b>Cost</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
b/forward 1.10.11	239,809	312,346	244,004	174,180	970,339
Additions	20,864	19,471	1,536,928	41,437	1,618,700
Balance c/forward 30.9.12	260,673	331,817	1,780,932	215,617	2,589,039
<b>Depreciation:</b>					
Balance b/forward 1.10.11	189,516	100,819	58,644	61,114	41,093
Depreciation for the year	21,070	31,744	35,618	21,580	110,012
Balance c/forward 30.9.12	210,586	132,563	94,262	82,694	520,105
Net Book Value 2012	50,087	199,254	1,686,670	132,923	2,068,934
Net Book Value 2011	50,293	211,527	185,360	113,066	560,246

## 6. Growth Fund

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Balance b/f 1.10.11	-	1,530,989
Received - grants	-	-
transfer to Reserves (note 4)	-	(1,530,989)
Less bad debts written off	-	-
transfer to General Revenue (as agreed by DWP)	-	-
	-	-

With the ending of the Growth Fund contract on 30th April 2011, the Fund balance has been transferred to Reserves but still shown separately as recommended by the DWP.

**Notes To The Financial Statements For The Year Ended 30th September 2012****7. Related Party Transactions**

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

**8. Capital Commitments**

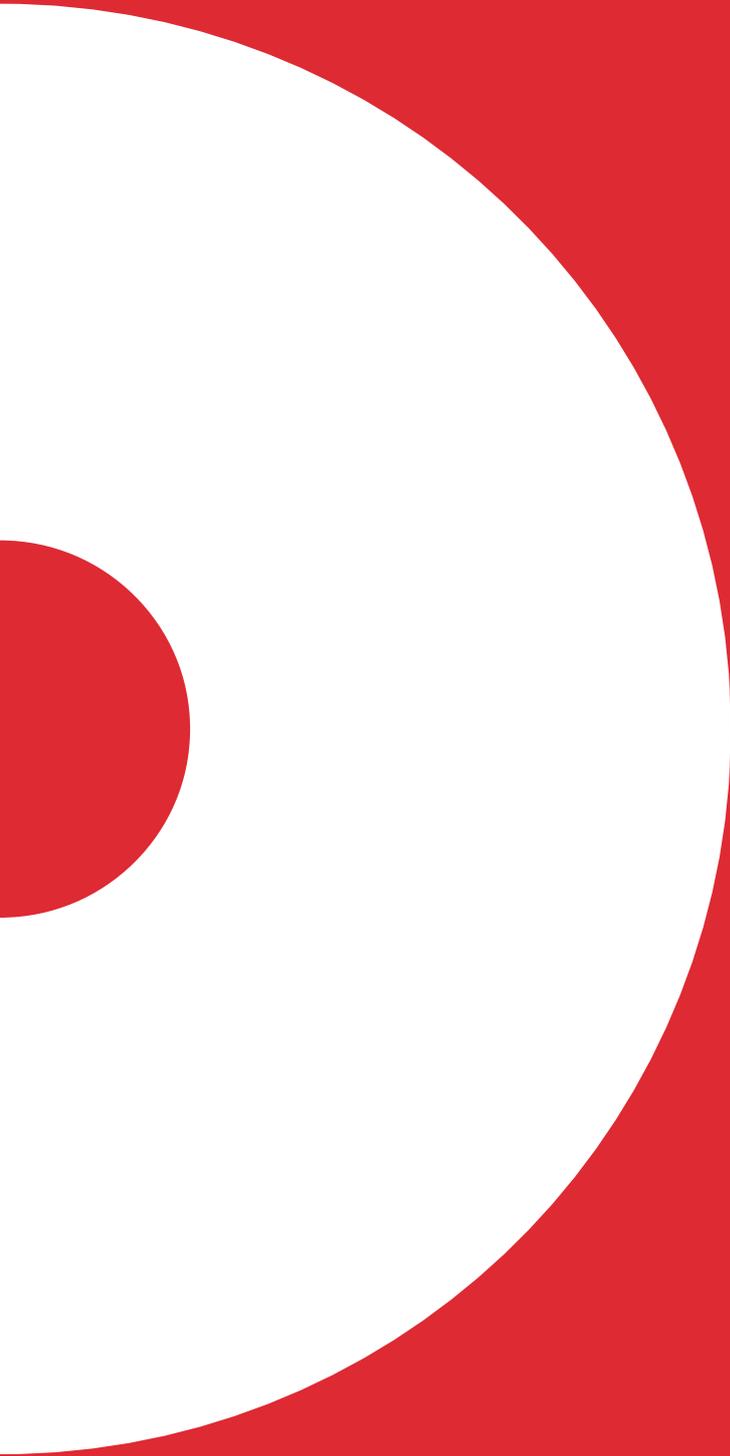
	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Capital expenditure contracted for, unpaid at the end of the year and not provided for in the financial statements.	246,250	NIL
Capital Expenditure authorised by the Board, but not yet contracted for	-	975,000

**9. Creditors and Accrued Charges**

CUCA bank balance	1,445,224	,139,773
Other creditors and accruals	163,820	51,302
	1,609,044	1,191,075

**10. Operating lease commitments for land and buildings**

The annual total commitments are as follows:-		
leases expiring after 5 years	38,700	38,700



**Independent Auditor's Report  
To The Members Of London  
Mutual Credit Union Limited**

We have audited the financial statements of London Mutual Credit Union Limited for the year ended 30th September 2012 on pages 1 to 7. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Credit Union's members, as a body, in accordance with the Industrial and Provident Societies Acts 1965 to 2002 and 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 of the Directors and auditors**

Industrial and Provident Society law requires the Board of Directors 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 of Directors is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements 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 the Credit Union will continue.

As explained more fully above the Board of Directors is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Credit Union's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as at 30th September 2012 and of its income and expenditure for the period then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Industrial and Provident Societies Acts 1965 to 2002 and the Credit Unions Act 1979.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Friendly and Industrial and Provident Societies Acts 1965 to 2002 require 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
- a satisfactory system of control over transactions has not been maintained by the Credit Union in accordance with the requirements of the legislation,
- the revenue account to which our report related, and the balance sheet are not in agreement with the books of account of the Credit Union.
- we have not obtained all the information and explanations we need for the purpose of our audit.

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### **Appleby & Wood**

Statutory Auditor  
40 The Lock Building  
72 High Street  
London E15 2QB

## 11. Election of Officers:

Details of nominations will be available at the AGM.

## 12. The motions to the London Mutual Credit Union Limited AGM on the 14<sup>th</sup> February 2013

Please see the supplementary information on page 17.

### Resolution 1

Admission to membership of the credit union is restricted to:

- a) Individuals residing in or being employed in the London Boroughs of Southwark, Lambeth, Camden and Westminster City Council as delineated in red on the boundary map on page 20.
- b) An individual who is a member of the following bona fide organisation:  
The New Testament Church of God
- c) A corporate body, an individual in his/her capacity as a partner in a partnership, an individual in his/her capacity as a trustee for an unincorporated association, if the body corporate, partnership or unincorporated association has:  
a place of business in the above localities
- d) An individual who is a member of the same household as, and is a relative of, an individual who is a member of the credit union and falls directly within a common bond specified above.

### Resolution 2

Transfer of Engagement with the Camden Plus Credit Union Limited

That this meeting of members of the London Mutual Credit Union Limited hereby resolves to accept the transfer the whole of the stock, property and other assets and all engagements of Camden Plus Credit Union Limited in consideration of London Mutual Credit Union Limited issuing to each member of Camden Plus Credit Union Limited paid up shares equal to the amount standing to the credit of each member in the share ledgers of Camden Plus Credit Union Limited debiting each member of the Camden Plus Credit Union Limited with the like amounts of loans as are debited to each member in the books of Camden Plus Credit Union Limited on the date when the transfer of engagements becomes effective.

## Supplementary information

Explanations to accompany Motion to register new rules to the credit union – Rule changes

Rule	Explanation	Rule wording
Rule 7 Common bond	<p>Over the past 6 months LMCU has been discussing the possibility of Camden Plus Credit Union [CPCU] in Camden transferring its engagements to LMCU. The CPCU has been established for over 7 years and their operation is funded by the London Borough of Camden. The current grant program will be ending in March 2013 and without further financial support from the Council the credit union will not be able to continue its operation and will be closed down by the FSA.</p> <p>As a true co-operative and adhering to our co-operative principles, “Co-operation among Co-operatives”, LMCU is working with the CPCU towards a merger between the two credit unions.</p> <p>It has been said that Co-operatives “serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.”</p> <p>In order for us to accept the transfer of engagements from CPCU it is necessary to include the London Borough of Camden in our common bond.</p>	<p>Admission to membership of the credit union is restricted to:</p> <ol style="list-style-type: none"><li>a) Individuals residing in or being employed in the London Boroughs of Southwark, Lambeth, Camden and Westminster City Council as delineated in red on the boundary map on page 20.</li><li>b) An individual who is a member of the following bona fide organisation: The New Testament Church of God</li><li>c) A corporate body, an individual in his/her capacity as a partner in a partnership, an individual in his/her capacity as a trustee for an unincorporated association, if the body corporate, partnership or unincorporated association has: a place of business in the above localities</li><li>d) An individual who is a member of the same household as, and is a relative of, an individual who is a member of the credit union and falls directly within a common bond specified above.</li></ol>

**London Mutual Credit Union Limited**  
**Proposed Boundary Map**

