



London Mutual
Credit Union



Annual Report and Audited Accounts of

London Mutual Credit Union Limited

Annual Report and Financial Statements for the Year Ended 30th September 2018



Contents

| | |
|---|----|
| Standing Orders..... | 1 |
| London Mutual Common Bond | 2 |
| AGM Agenda..... | 4 |
| Chairman's Report..... | 6 |
| Credit Union Information | 7 |
| FSCS Information | 8 |
| Treasurer's Report | 10 |
| Audit Committee Report..... | 12 |
| Directors Report | 13 |
| Independent Auditor's Report | 16 |
| Revenue Account | 18 |
| Balance Sheet | 19 |
| Statement of Changes in Equity | 20 |
| Statement of Cash Flows | 21 |
| Notes to the Financial Statements | 24 |
| Detailed Revenue Account..... | 38 |
| Current Accounts | 40 |

London Mutual Credit Union Limited

Credit Union Information

FCA Number: 213248

Society Number: 64C

Directors:

Mufu Durowoju

Heather Harris

Richard Cooper

Roy McLeod

Lord Roy Kennedy

Sean Wingrove

Ben West

Albert Marshall

Jemma Thomas

Dr Floyd Millen

Secretary:

Heather Harris

Registered office:

4 Heaton Road

Peckham

London

SE15 3TH

Auditors:

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.



Standing Orders

Motions

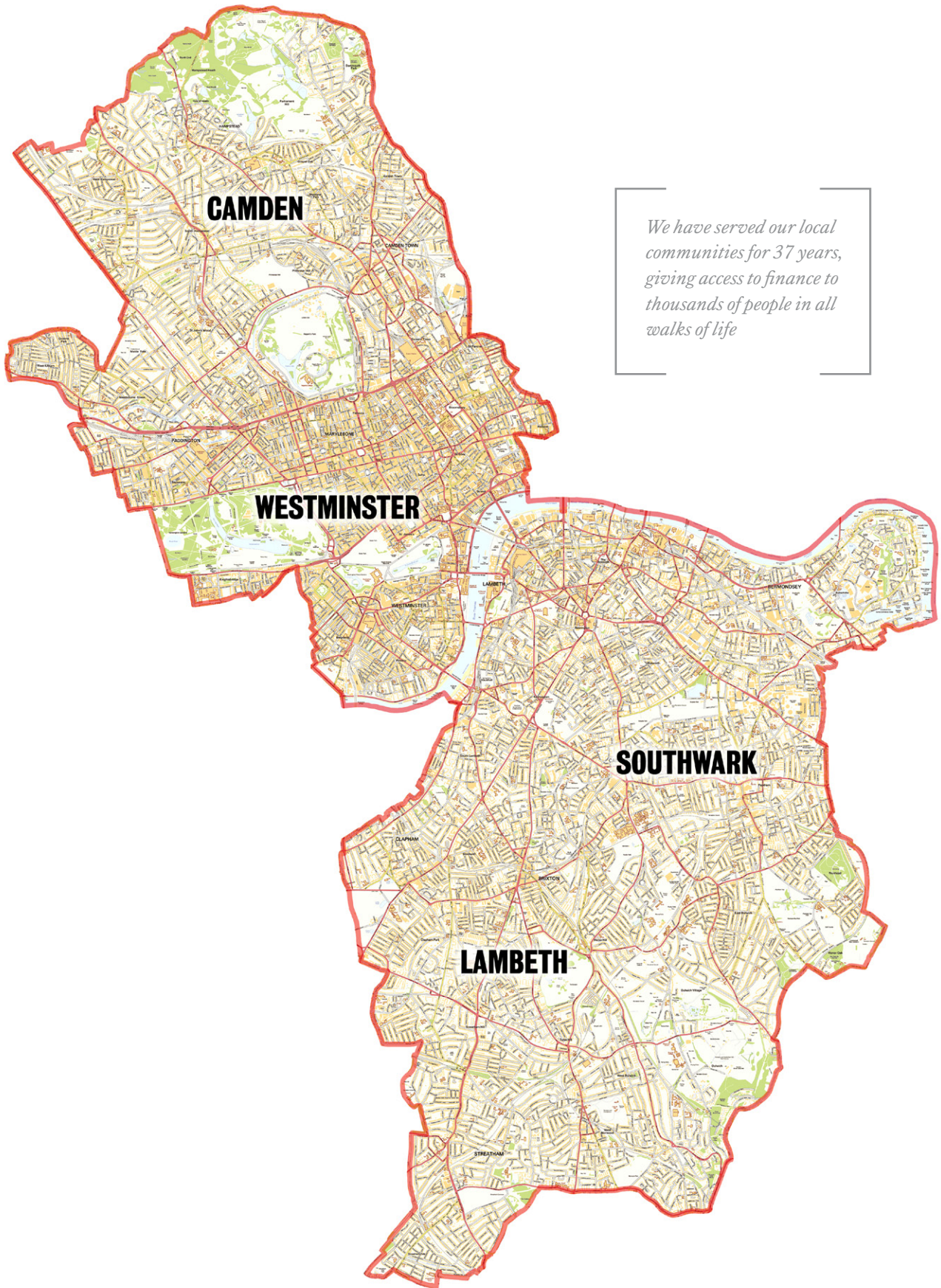
- 1 Member shall address all comments through the Chair.
- 2 A Member shall only address the Meeting when called upon by the Chair to do so and should raise their hand to indicate that they wish to address the floor.
- 3 Speeches are to be clear and relevant to the subject before the Meeting.
- 4 The 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".)
- 12 (a) 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.
- 13 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."
- 14 Only one amendment should be before the meeting at one and the same time.
- 15 When a motion is withdrawn, any amendment to it fails.
- 16 The Chair shall have the right to a "Casting Vote"
- 17 If there is equality of voting on an amendment and if the Chair does not exercise a Casting Vote, the amendment is lost.
- 18 Provision is to be made for protection of the Chair from vilification.
- 19 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.



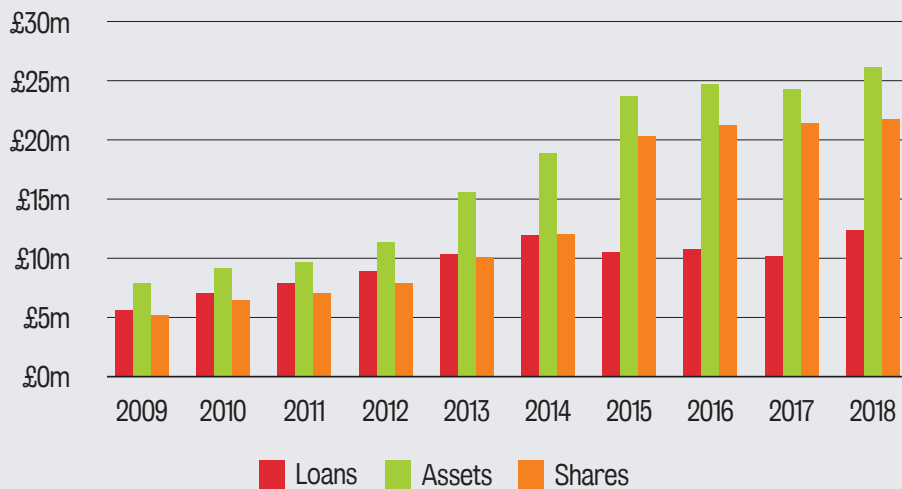
We have served our local communities for 37 years, giving access to finance to thousands of people in all walks of life

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, Westminster or Camden; associated with other individuals through having an active and continuous association with the New Testament Church of God, England and Wales; employed or receiving pension from the Ministry of Defence; or being a serving member of the Royal Navy Reserves, Army Reserves, Royal Marines Reserves, Royal Air Force Reserves or the Special Forces Reserves.

Annual growth





37th Annual General Meeting of London Mutual Credit Union Limited

Southwark Council, 160 Tooley St, London SE1 2HZ
1st March 2019 at 6.00PM

ANNUAL GENERAL MEETING AGENDA

| | |
|----|--|
| 1 | Welcome and Introductions |
| 2 | Standing Orders |
| 3 | Minutes of the AGM held on 2nd March 2018 |
| 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 on production of proof of membership. You may be asked for proof of identity.

Saving is important for the whole family. From 2015 we have teamed up with Southwark Council to offer all young members aged 10 and 11 £10 vouchers, which is now expanded to £20





Chairman's Report Year Ending 30th September 2017

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

Credit Unions are governed by the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA) regulatory bodies. Ultimately, the Board of Directors are responsible for managing the credit union on behalf of the members in accordance with the rules and regulations set out by our regulators. As a Board, we feel confident that we are, and will continue to be, able to meet our regulatory obligations. We continue to strengthen our governance framework and, in so doing, have recruited more directors from various backgrounds with relevant skills to help us grow.

As you are aware, the future of banking is changing: As a whole, the banking industry is moving away from traditional banking in the branch to embrace digital solutions that will continue to revolutionise how we will do banking in the future.

As an organisation we do not want to be left behind and are looking at ways in which we can enhance our digital offering to make it more convenient for you to deal with us. However, we will not overlook the fundamental needs of our members. Whilst we closed the Camden branch in 2018, that was a decision that was not made lightly and is in no way an indication of any future intention to undertake any further branch closures. We understand the importance of giving you, our members, the choice of using the branches as well as online banking and will continue to support our existing branch network.

The investment in our new IT infrastructure is paying off. That investment has enabled us to move away from legacy systems to a more modern banking environment and, in so doing, is helping us to work more efficiently. Going

forward we will be focusing on and investing in introducing exciting new products and services for our members. This, in part, has only been made possible by the move to our new banking platform. We are actively engaged in business development and with a potential membership of nearly 2 million we want to grow the credit union, but without forgetting our fundamental purpose.

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

I would like to thank my fellow Directors for volunteering their time and for their continued commitment to LMCU. I also want to thank our CEO for his tireless energy and to him and all our staff for their hard work and dedication, without which we would not be able to serve you. We continue to invest in their development to ensure that LMCU remains at the fore of the movement for the benefit of its members.

And, of course, I also want to thank you the members for your continued loyalty and support over the past year. You, the members, are the heart and soul of LMCU and my fellow directors and I fully recognise that fact and we will work hard to maintain, and for some of you we appreciate the need to renew, your faith in LMCU. Thank you.

Richard Cooper
(Chair of London Mutual Credit Union)



London Mutual Credit Union current information

Membership, Junior Savers, Capital Ratio, Savings, Loans & Assets

| | 2016 | 2017 | 2018 |
|---------------|-------------|-------------|-------------|
| Membership | 25,206 | 26,408 | 28,380 |
| Junior Savers | 2,297 | 2,976 | 3,320 |
| Capital Ratio | 11.39% | 9.84% | 10.73% |
| Savings | £21,610,550 | £21,476,745 | £21,802,233 |
| Loans | £10,638,118 | £10,031,670 | £12,373,724 |
| Assets | £24,959,562 | £24,324,765 | £26,155,467 |

Elected Members

| | Position | Year elected | Attendances |
|---|-----------|--------------|-------------|
| Richard Cooper | President | 2016 | 11/14 |
| Heather Harris | Secretary | 2009 | 14/14 |
| Roy McLeod | Treasurer | 1996 | 14/14 |
| Roy Kennedy | Director | 2014 | 02/14 |
| Floyd Millen | Director | 2018 | 10/14 |
| Ben West | Director | 2018 | 11/13 |
| Sean Wingrove | Director | 2018 | 10/11 |
| Jemma Thomas | Director | 2018 | 08/09 |
| Albert Marshall | Director | 2018 | 06/09 |
| Mufutau P Durowoju (<i>Resigned in October</i>) | Director | 2007 | 09/14 |

Financial Services Compensation Scheme Information

Basic information about the protection of your eligible deposits

| | |
|---|--|
| Eligible deposits in London Mutual Credit Union are protected by: | The Financial Services Compensation Scheme (“FSCS”) ¹ |
| Limit of protection: | £85,000 per depositor per credit union |
| If you have more eligible deposits at the same credit union: | All your eligible deposits at the same credit union are “aggregated” and the total is subject to the limit of £85,000. ² |
| If you have a joint account with other person(s): | The limit of £85,000 applies to each depositor separately. ³ |
| Reimbursement period in case of credit union’s failure: | 20 working days. ⁴ |
| Currency of reimbursement: | Pound sterling (GBP, £) or, for branches of UK banks operating in other EEA Member States, the currency of that State. |
| To contact London Mutual Credit Union for enquiries relating to your account: | London Mutual Credit Union 4 Heaton Road London SE15 3TH Tel: 020 3773 1751 Email: info@creditunion.co.uk |
| To contact the FSCS for further information on compensation: | Financial Services Compensation Scheme 10th Floor Beaufort House 15 St. Botolph Street London EC3A 7QU Tel: 0800 678 1100 or 020 7741 4100 Email: ICT@fscs.org.uk |
| More information: | www.fscs.org.uk |

1 - Additional information

Scheme responsible for the protection of your eligible deposit: your eligible deposit is covered by a statutory Deposit Guarantee Scheme. If insolvency of your bank, building society or credit union should occur, your eligible deposits would be repaid up to £85,000 by the Deposit Guarantee Scheme.

2 - General limit of protection

If a covered deposit is unavailable because a bank, building society or credit union is unable to meet its financial obligations, depositors are repaid by a Deposit Guarantee Scheme. This repayment covers at maximum £85,000 per bank, building society or credit union. This means that all eligible deposits at the same bank, building society or credit union are added up in order to determine the coverage level. If, for instance,

a depositor holds a savings account with £80,000 and a current account with £20,000, he or she will only be repaid £85,000. In some cases eligible deposits which are categorised as “temporary high balances” are protected above £85,000 for six months after the amount has been credited or from the moment when such eligible deposits become legally transferable. These are eligible deposits connected with certain events including:

- certain transactions relating to the depositor’s current or prospective only or main residence or dwelling;
- a death, or the depositor’s marriage or civil partnership, divorce, retirement, dismissal, redundancy or invalidity;
- the payment to the depositor of insurance benefits or compensation for criminal injuries or wrongful conviction.

3 - Limit of protection for joint accounts

In case of joint accounts, the limit of £85,000 applies to each depositor. However, eligible deposits in an account to which two or more persons are entitled as members of a business partnership, association or grouping of a similar nature, without legal personality, are aggregated and treated as if made by a single depositor for the purpose of calculating the limit of £85,000.

4 - Reimbursement

The responsible Deposit Guarantee Scheme is the Financial Services Compensation Scheme, 10th Floor Beaufort House, 15 St Botolph Street, London EC3A 7QU, Tel: 0800 678 1100 or 020 7741 4100, email: ICT@fscs.org.uk. It will repay your eligible deposits (up to £85,000) within 20 working days until 31 December 2018; within 15 working days from 1 January 2019 until 31 December 2020; within ten working days from 1 January 2021 to 31 December 2023; and within seven working days from 1 January 2024 onwards, save where specific exceptions apply.

Where the FSCS cannot make the repayable amount available within seven working days, it will, from 1 June

2016 until 31 December 2023, ensure that you have access to an appropriate amount of your covered deposits to cover the cost of living (in the case of a depositor which is an individual) or to cover necessary business expenses or operating costs (in the case of a depositor which is not an individual or a large company) within five working days of a request.

If you have not been repaid within these deadlines, you should contact the Deposit Guarantee Scheme since the time to claim reimbursement may be barred after a certain time limit. Further information can be obtained under www.fscs.org.uk

Other important information

In general, all retail depositors and businesses are covered by Deposit Guarantee Schemes. Exceptions for certain deposits are stated on the website of the responsible Deposit Guarantee Scheme. Your bank, building society or credit union will also inform you of any exclusions from protection which may apply. If deposits are eligible, the bank, building society or credit union shall also confirm this on the statement of account.

Financial Services Compensation Scheme Exclusions List

A deposit is excluded from protection if:

- 1) The holder and any beneficial owner of the deposit have never been identified in accordance with money laundering requirements. For further information, contact your bank, building society or credit union.
- 2) The deposit arises out of transactions in connection with which there has been a criminal conviction for money laundering.
- 3) It is a deposit made by a depositor which is one of the following:
 - ♦ credit institution
 - ♦ financial institution
 - ♦ investment firm

- ♦ insurance undertaking
- ♦ reinsurance undertaking
- ♦ collective investment undertaking
- ♦ pension or retirement fund (unless they are deposits by personal pension schemes, stakeholder pension schemes and occupational pension schemes of micro, small and medium, sized enterprises)
- ♦ public authority, other than a small local authority.

For further information about exclusions, refer to the FSCS website at www.FSCS.org.uk



Treasurer's Report for the Year Ending 30th September 2018

On behalf of London Mutual Credit Union (LMCU), I am pleased to present the Treasurer's Report for the year ending 30th September 2018. Just like any other business, LMCU is impacted by the social and political uncertainties in the economy, which also influence our members. However, we have had a successful and productive year. The aim for this financial year was to build our membership and capital through more targeted marketing while maintaining a high standard of service to our members. LMCU maintained a level of income in 2018 similar to 2017, while reducing operating costs. Capital also increased through asset revaluation.

Membership Accounts

The adult membership is 28,380, Junior Saver accounts 3,320, Corporate accounts 40 and the number of transactional current accounts is 9,670.

Revenue Account

Loan Interest £2,142,476

Interest on Members' loans amounted to £2.1m in 2018, a slight variance of £-6K against the previous year. Added to this figure is £22k relating to interest on the deposits held at the bank.

Interest /dividends payable (£8,313)

No Adult Dividends were paid during the year. An amount of £ 815 was paid on Interest-bearing deposits; cash ISA.

Some members transferred their cash ISA to other providers offering better rates, following LMCU's reduction on ISA rates of interest. This saw a fall in the total Interest bearing shares (ISA) holdings from £1.6m to £1.3m during the year.

Other operating income £93k

Of this amount, £35k relates to grants and donations and £58k is rent from the old premises at 221 Rye Lane, Peckham and 79 Denmark Hill, Camberwell. Grants and donations decreased by £50k and rental income increased by £32k.

Administrative Expenses £1.823m (£1.934m 2017)

This represents a decrease of £111k in the year, which is mainly savings on employee costs, closure of the Camden Branch and various other operating expenses. Staffing levels have been reduced, which is reflected in lower staffing cost in the accounts.

Other operating expenses £161k (£206k in 2017)

The office cost has reduced by £39k, these costs relate to the running of four offices, and regulatory cost reduced by £5.5k.

Impairment on loans for bad and doubtful debts £315k (£209K in 2017)

During the year we recovered bad debts amounting to £22k and recovered provisions made amounting to £21k.

(Deficit)/Surplus before - Tax (-£290,641) (-£450,621 in 2017)

LMCU is reporting an operating loss of £291k. The result is a significant improvement on the previous year. We anticipated a surplus this year having managed our operating cost downwards, increased our membership, launched a new loan product and grew our loan book by over two million to £12.4m. The interest on loans, however, remained at the £2.1m mark similar to the previous year. This is still a good result because we need to grow to remain at the same level of income because loans are being repaid each day. We remain positive as our loan book continues to grow. The only downside is that in this period of economic uncertainty we are increasing our bad debt provisions (£314k this year) in order to safeguard our credit union.

Balance Sheet as at 30th September 2018**Assets**

Funds held at the bank was £8.7m (£11m in 2017) showing a decrease of £2.3m.

Loans to members £12.3m (£10m in 2017) the loan book has increased by £2.3m. The LMCU strategy of increasing lending has begun to have a positive impact in generating sufficient operating income to increase the capital in the coming years.

Total Assets £26.2m (£24.3m in 2017) the credit union assets increased by £1.9m. This increase is largely due to the revaluation of LMCU assets being added to the reserves.

Liabilities

Customers' account £21.8m (£21.4m in 2017) Customer accounts increased by £400k.

Equity / General and Other Reserves £4.0m (£2.4m in 2017). Reserves have been used to cover the current operating deficit after tax of -£290k as at 30th September 2018. The value of revaluation reserves added to the accounts was £1.9m

Dividends

Due to the operating loss for the current year ending 30th September 2018, the Directors are recommending that the following dividend is paid:

Junior 1%

Adults 0%

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



Louis R McLeod MBA, OBE
(Director / Treasurer)

Audit Committee Report for year ending 30th September 2018

As Audit Committee Chair, I am pleased to present the audit committee's report for the year ended 30 September 2018. Our aim is to provide confidence in the integrity of the Credit Union's processes and procedures in relation to the adequacy and effectiveness of the Credit Union's Governance, Risk Management and Controls. Based on this we have been focusing on a number of key areas during 2017/18 and the key deliverables during this period are:

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

Our priorities for 2018/19:-

- ♦ Ensuring that fundamental systems of control are operating properly and are compliant with regulatory and statutory guidelines;
- ♦ Governance- oversee board meetings to ensure they are well-structured and chaired, with appropriate regard for the business and adherence to regulatory principles with clear evidence of board participation;

- ♦ Ensuring the accuracy, integrity and reliability of management information systems and timely reporting to the Board;
- ♦ Monitoring of regulatory key ratios being met and reflected in the management accounts, with evidence of review and appraisal at each board meeting;
- ♦ Continual assessment and improvement of cybersecurity with a focus on ensuring IT controls remain robust and dynamic;
- ♦ Ensuring appropriate governance in the form of policies, procedures and necessary training for key personnel are in place for compliance with GDPR;
- ♦ Ensuring that the credit control process is robust enough to control delinquency, loan write-offs and the adequacy of the provisioning policy;
- ♦ Oversee and assess if any fraudulent or corrupt acts and money laundering issues have emerged;
- ♦ Ensuring that effective risk 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 having excessive liquidity.
- ♦ Delivering statutory requirements of the Bank of England's Prudential Authority together with the Financial Conduct Authority.

In undertaking audit activities the Audit Committee has confirmed that there has been no real or apparent impairment of the Internal Audit's independence and objectivity and has undertaken his audit engagements without any impediments.



Louis R McLeod MBA, OBE
Chair of the Audit Committee



Directors Report for the Year Ended 30 September 2018

The Directors present their report and the financial statements for the year ended 30 September 2018.

Principal activity

The principal activity of the Credit Union continues to be that defined in the Credit Unions Act 1979. The Credit Union's common bond covers people living or working in the London Boroughs of Southwark, Lambeth, Westminster and Camden as well as members of the British Armed Forces.

Directors of the Credit Union

The directors who held office during the year were as follows:

Mufu Durowoju

Heather Harris (*Secretary*)

Richard Cooper

Roy McLeod

Lord Roy Kennedy

Sean Wingrove (*appointed 17 December 2017*)

Ben West (*appointed 1 December 2017*)

Albert Marshall (*appointed 1 March 2018*)

Jemma Thomas (*appointed 1 March 2018*)

Dr Floyd Millen (*appointed 17 November 2017*)

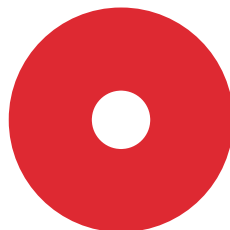
Principal risks and uncertainties

The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and interest rate risk.

Credit Risk- The Credit Union is exposed to the risk of default on loans and bank balances. All loans are required by the Credit Union to be assessed against the Credit Union's lending policy.

Liquidity Risk- The Credit Union's policy is to maintain sufficient funds in liquid forms at all times to be able to meet its liabilities as they fall due and to meet the regulator's liquidity requirements.

Interest Rate Risk- The main interest rate risk arises from differences between interest rate exposures on assets and liabilities that form an integral part of the Credit Union's activities. The Credit Union considers interest rates when setting the level of proposed dividends each period.



Directors Report for the Year Ended 30 September 2018 (continued)

Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Credit Union's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Statement of Directors Responsibilities

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

Credit Union 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 Credit Union legislation 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 apply them consistently;
- ♦ make judgements and accounting estimates that are reasonable and prudent;
- ♦ state whether applicable UK Accounting Standards has been followed, subject to any material departures disclosed and explained in the financial statements; and

- ♦ 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 Unions Act 1979 and the Co-operative and Community Benefit Societies Act 2014. They 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.

Reappointment of auditors

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.

Approved by the Board on 18 January 2019 and signed on its behalf by:



Heather Harris
(Secretary)

We have extended our services to members of the Armed Forces providing an easy way to build up their savings and get access to affordable and ethical loans that many are typically excluded by



**ARMED FORCES
COVENANT**



Independent Auditor's Report

Opinion

We have audited the financial statements of London Mutual Credit Union Ltd (the 'Credit Union') for the year ended 30 September 2018, which comprise the Revenue Account, Balance Sheet, Statement of Changes in Equity, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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.

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 2018 and of its loss 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 Co-operative and Community Benefits Societies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Credit Union and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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 maintained 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 [set out on page 3], 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

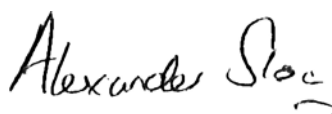
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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. As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to

the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.

- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ♦ Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ♦ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Credit Union audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Accountants and Statutory Auditors
38 Cadogan Street
Glasgow
G2 7HF
19 January 2018



Revenue Account for the Year Ended 30th September 2018

| | Note | 2018 | 2017 |
|--|------|-------------|-------------|
| | | £ | £ |
| Loan interest receivable and similar income | 3 | 2,142,476 | 2,148,788 |
| Interest payable and similar charges | 4 | (8,313) | (9,239) |
| Net interest income | | 2,134,163 | 2,139,549 |
| Fees and commissions receivable | 5 | 772,372 | 638,329 |
| Fees and commissions payable | 6 | (750,424) | (725,048) |
| Net fees and commissions | | 21,948 | (86,719) |
| Other operating income | 7 | 92,680 | 110,152 |
| Administrative expenses | 8 | (1,822,978) | (1,933,955) |
| Depreciation and amortisation | | (225,488) | (249,005) |
| Other operating expenses | 9 | (160,757) | (206,017) |
| Impairment on loans for bad and doubtful debts | 17 | (314,748) | (209,660) |
| Deficit before tax | | (275,180) | (435,655) |
| Corporation Tax | 14 | (15,461) | (14,966) |
| Deficit for the financial year | | (290,641) | (450,621) |
| Surplus/(deficit) on property, plant & equipment revaluation | | 1,919,761 | - |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 1,629,120 | (450,621) |

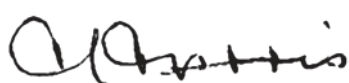
The notes on pages 15 to 39 form an integral part of these financial statements.

Balance Sheet as at 30th September 2018

| | Note | 2018 | 2017 |
|------------------------------------|------|------------|------------|
| Assets | | £ | £ |
| Cash and balances at central banks | 15 | 155,834 | 204,030 |
| Loans and advances to banks | 15 | 8,698,292 | 11,002,072 |
| Loans and advances to customers | 16 | 12,373,724 | 10,031,670 |
| Intangible assets | 18 | 648,883 | 670,637 |
| Tangible fixed assets | 19 | 4,086,760 | 2,232,116 |
| Prepayments and accrued income | | 191,974 | 184,240 |
| Total assets | | 26,155,467 | 24,324,765 |
| Liabilities | | | |
| Customer accounts | 20 | 21,802,233 | 21,476,745 |
| Other liabilities | 21 | 96,921 | 184,746 |
| Accruals and deferred income | 22 | 226,372 | 262,453 |
| | | 22,125,526 | 21,923,944 |
| Revaluation reserve | 24 | 1,919,761 | - |
| Other reserves | 24 | 1,067,214 | 1,128,709 |
| General reserve | 24 | 1,042,966 | 1,272,112 |
| Total reserves | | 4,029,941 | 2,400,821 |
| Total liabilities | | 26,155,467 | 24,324,765 |

The notes on pages 15 to 39 form an integral part of these financial statements.

Approved and authorised by the Board on 19 January 2018 and signed on its behalf by:



Heather Harris (Director)



Richard Cooper (Director)



Roy McLeod (Director)



Statement of Changes in Equity for the Year Ended 30th September 2018

| | Revaluation reserve | Appropriation reserve | Growth fund reserve | General reserve | Total |
|--|---------------------|-----------------------|---------------------|-----------------|-----------|
| | £ | £ | £ | £ | £ |
| Opening balance before prior year adjustment | - | 6,358 | 1,122,351 | 1,272,112 | 2,400,821 |
| Deficit for the year | - | - | - | (290,641) | (290,641) |
| Other comprehensive income | 1,919,761 | - | - | - | 1,919,761 |
| Total comprehensive income | 1,919,761 | - | - | (290,641) | 1,629,120 |
| Other reserve movements | - | (688) | (60,807) | 61,495 | - |
| At 30 September 2018 | 1,919,761 | 5,670 | 1,061,544 | 1,042,966 | 4,029,941 |
| | | Appropriation reserve | Growth fund reserve | General reserve | Total |
| | | £ | £ | £ | £ |
| At 1 October 2016 | | 8,194 | 1,145,939 | 1,697,309 | 2,851,442 |
| Deficit for the year | | - | - | (450,621) | (450,621) |
| Other reserve movements | | (1,836) | (23,588) | 25,424 | - |
| At 30 September 2017 | | 6,358 | 1,122,351 | 1,272,112 | 2,400,821 |

The notes on pages 15 to 39 form an integral part of these financial statements.

Statement of Cash Flows for the Year Ended 30th September 2018

| | Note | 2018 | 2017 |
|--|------|-------------|-------------|
| | | £ | £ |
| Cash flows from operating activities | | | |
| Deficit for the year | | (290,641) | (450,621) |
| Depreciation and amortisation | 10 | 225,488 | 249,005 |
| Corporation tax expense | 14 | 15,461 | 14,966 |
| Provision movement | | 336,504 | 230,421 |
| Interest income on loans | | (2,120,377) | (2,098,403) |
| Distribution on member shares | | 8,313 | 9,239 |
| | | (1,825,252) | (2,045,393) |
| Increase in other receivables and prepayments | | (7,734) | (62,274) |
| (Decrease)/increase in trade and other payables | 21 | (88,320) | 102,408 |
| Decrease in deferred income, including government grants | | (36,081) | (160,059) |
| | | (132,135) | (119,925) |
| Cash flows from changes in operating assets & liabilities | | | |
| Loan repayments less loans advanced | | (558,181) | 2,474,430 |
| Customer balance cash movement | | 317,175 | 55,473 |
| Movement on funds on deposit | | 459,442 | 889,317 |
| | | 218,436 | 3,419,220 |
| Income taxes paid | 14 | (14,966) | (7,686) |
| Net cash flow from operating activities | | (1,753,917) | 1,246,216 |
| Cash flows from investing activities | | | |
| Acquisitions of property plant and equipment | | (38,171) | (19,052) |
| Acquisition of intangible assets | 18 | (100,446) | (262,113) |
| Net cash flows from investing activities | | (138,617) | (281,165) |
| Net (decrease)/increase in cash and cash equivalents | | (1,892,534) | 965,051 |
| Cash and cash equivalents at 1 October | | 9,595,132 | 8,630,081 |
| Cash and cash equivalents at 30 September | | 7,702,598 | 9,595,132 |

The notes on pages 15 to 39 form an integral part of these financial statements.

We have launched a brand new Online Banking and Mobile Banking service. Members can now view their live balance, update their own personal details, manage their own finances and more



Notes

1 - General 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.

The address of its registered office is:
4 Heaton Road, Peckham, London SE15 3TH

These financial statements were authorised for issue by the Board on 18 January 2019.



2 - Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated..

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value. The accounts are presented in UK Sterling and rounded to the nearest pound.

Key sources of estimation uncertainty

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

Grants

Grants are credited to deferred income. Grants for capital expenditure are released to the Revenue Account over the expected useful life of the asset. Grants for revenue expenditure are released to the Revenue Account as the expenditure is incurred.

Finance income and costs policy

Interest receivable on loans to members and bank interest is recognised using the effective interest rate basis and is calculated and accrued on a daily basis.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, 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. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Tangible fixed assets

Tangible fixed assets (with the exception of land and buildings) are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The cost of tangible fixed assets includes directly attributable incremental costs incurred in their acquisition and installation. Land and buildings have been revalued using an open market value basis. The Credit Union will include movements on revaluation through other comprehensive income in the Revenue Account. The increase in the valuation of the properties has been allocated to the Credit Union's revaluation reserve.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

| Asset class | Depreciation method & rate |
|------------------------|----------------------------|
| Freehold Property | 2% straight line |
| Leasehold Improvements | 10% straight line |
| Computer equipment | 17.5% straight line |
| Fixtures and fittings | 10% straight line |

Intangible assets

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

| Asset class | Depreciation method & rate |
|----------------------------------|--|
| Banking and pay day loan project | Straight line between 59 months and 107 months |
| Software | Straight line between 67 months and 120 months |

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Credit Union has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

Loans to members are a debt instrument measured at amortised cost using the effective interest rate. Shares are redeemable and therefore are classed as financial liabilities. They are initially recognised at the amount of cash deposited and subsequently at amortised cost.

Recognition and measurement: Loans to members are financial assets with fixed or determinable payments, and are not quoted in an active market. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest rate method. Loans are derecognised when the rights to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

Impairment: 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.

3 - Interest receivable and similar income

| | 2018 | 2017 |
|----------------------------------|-----------|-----------|
| | £ | £ |
| Interest income on loans | 2,120,377 | 2,098,403 |
| Interest income on bank deposits | 22,099 | 50,385 |
| | 2,142,476 | 2,148,788 |

4 - Interest payable and similar charges

As non-deferred shares are classed as a liability the dividend on these shares is classed as interest for accounting purposes under FRS 102:

| | 2018 | 2017 |
|----------------------------------|-------|-------|
| | £ | £ |
| Juvenile share distribution | 7,498 | 8,194 |
| ISA dividend | 815 | 1,045 |
| Total distributions to customers | 8,313 | 9,239 |

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:

| | 2018 | 2017 |
|---|------|------|
| Dividends paid during the period | % | % |
| Juvenile dividend | 1.00 | 2.00 |
| Ordinary member dividend | - | - |
| Return on interest bearing shares | .10 | .10 |

5 - Fees and commissions receivable

| | 2018 | 2017 |
|---------------------------------|---------|---------|
| | £ | £ |
| Insurance commission | 2,880 | 3,336 |
| Banking service charges | 765,460 | 632,197 |
| Entrance & dormancy fees | 4,032 | 2,796 |
| Fees and commissions receivable | 772,372 | 638,329 |

6 - Fees and commissions payable

| | 2018 | 2017 |
|------------------------------|---------|---------|
| | £ | £ |
| Bank charges | 21,588 | 26,340 |
| Credit Union current account | 728,836 | 698,708 |
| Fees and commissions payable | 750,424 | 725,048 |

7 - Other operating income

| | 2018 | 2017 |
|-------------------------|--------|---------|
| | £ | £ |
| Other income | 75 | - |
| Grants and donations | 34,952 | 84,952 |
| Sub lease rental income | 57,653 | 25,200 |
| | 92,680 | 110,152 |

8 - Administrative expenses

| | 2018 | 2017 |
|--------------------------------------|-----------|-----------|
| | £ | £ |
| Employee benefits expense | 1,409,917 | 1,523,157 |
| Auditors remuneration | 17,130 | 21,464 |
| Member communication and advertising | 122,669 | 157,607 |
| Legal, professional and credit costs | 56,513 | 95,082 |
| Computer maintenance | 73,786 | 70,674 |
| Other admin costs | 142,963 | 65,971 |
| Administrative expenses | 1,822,978 | 1,933,955 |

9 - Other operating expenses

| | 2018 | 2017 |
|--------------------------|---------|---------|
| | £ | £ |
| Regulatory costs | 9,584 | 15,625 |
| Office costs | 151,173 | 190,392 |
| Other operating expenses | 160,757 | 206,017 |

10 - Operating surplus (arrived at after charging/(crediting))

| | 2018 | 2017 |
|----------------------|---------|---------|
| | £ | £ |
| Depreciation expense | 103,288 | 162,241 |
| Amortisation expense | 122,200 | 86,764 |

11 - Growth Fund

| | 2018 | 2017 |
|--------------------------------|----------|----------|
| | £ | £ |
| Income | | |
| Interest on growth fund loans | 251,469 | 42,006 |
| Expenditure | | |
| Growth fund loans derecognised | 4,385 | 65,594 |
| Growth fund loan provision | 307,891 | - |
| | 312,276 | 65,594 |
| Growth Fund Surplus/(Deficit) | (60,807) | (23,588) |

12 - Staff costs

The aggregate remuneration (including key management remuneration) were as follows:

| | 2018 | 2017 |
|--|-----------|-----------|
| | £ | £ |
| Wages and salaries | 1,256,552 | 1,344,781 |
| Social security costs | 103,937 | 121,638 |
| Pension costs, defined contribution scheme | 49,428 | 56,738 |
| | 1,409,917 | 1,523,157 |

The number of persons employed by the Credit Union (including key management during the year, analysed by category) was as follows:

| | 2018 | 2017 |
|----------------------------|------|------|
| | No. | No. |
| Directors | 8 | 7 |
| Administration and support | 46 | 54 |
| | 54 | 61 |

13 - Auditors' remuneration

| | 2018 | 2017 |
|-----------------------------------|--------|--------|
| | £ | £ |
| Audit of the financial statements | 10,920 | 11,600 |
| Other fees to auditors | | |
| All other assurance services | 1,992 | 5,210 |
| All other non-audit services | 4,218 | 4,654 |
| | 6,210 | 9,864 |

14 - Corporation tax (Tax charged/(credited) in the revenue account)

| | 2018 | 2017 |
|-------------------------|--------|--------|
| | £ | £ |
| Current taxation | | |
| UK corporation tax | 15,461 | 14,966 |

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2018 - the same as the standard rate of corporation tax in the UK) of 19% (2017 - 19.5%).

| | 2018 | 2017 |
|---|-----------|-----------|
| | £ | £ |
| Deficit before tax | (275,180) | (435,655) |
| Corporation tax at standard rate | (52,284) | (84,952) |
| Effect of revenues exempt from taxation | 67,745 | 99,918 |
| Total tax charge | 15,461 | 14,966 |

15 - Loans and advances to banks

| | 2018 | 2017 |
|--|-------------|-------------|
| | £ | £ |
| Cash at bank | 7,546,764 | 9,391,102 |
| Short-term deposits | 1,151,528 | 1,610,970 |
| Loans and advances to banks | 8,698,292 | 11,002,072 |
| Cash balances 155,834 204,030 | | |
| Total cash and bank balances and deposits | 8,854,126 | 11,206,102 |
| Less amounts maturing more than 8 days | (1,151,528) | (1,610,970) |
| Cash and cash equivalents in statement of cash flows | 7,702,598 | 9,595,132 |

16 - Loans and advances to customers

| | 2018 | 2017 |
|---|-------------|-------------|
| | £ | £ |
| Loan movement in the period | | |
| Opening balance | 12,260,346 | 12,653,689 |
| Interest accrued on loans during period | 2,120,377 | 2,098,403 |
| Cash movement | 558,181 | (2,474,430) |
| Loans derecognised | - | (17,316) |
| | 14,938,904 | 12,260,346 |
| Loan impairment | (2,565,180) | (2,228,676) |
| | 12,373,724 | 10,031,670 |
| Loan repayments | | |
| Loans due within one year | 9,383,675 | 3,939,498 |
| Due after one year | 5,555,229 | 8,320,848 |
| Loan impairment | (2,565,180) | (2,228,676) |
| | 12,373,724 | 10,031,670 |
| Classification of loans | | |
| Loans to individual members | 12,373,724 | 10,031,670 |
| | 12,373,724 | 10,031,670 |

17 - Loan Impairment

| | Provision for written off debts | Doubtful debt provision | Total provision |
|---------------------------|---------------------------------|-------------------------|-----------------|
| | £ | £ | £ |
| Opening impairment | 578,614 | 1,650,062 | 2,228,676 |
| Charge to Revenue Account | 335,230 | (20,482) | 314,748 |
| Bad debt recovered | 21,756 | - | 21,756 |
| Closing provision | 935,600 | 1,629,580 | 2,565,180 |

Under Financial Reporting Standard 102 (FRS 102), the criteria for writing off a loan is different from the Board writing off the loan for internal purposes. As a result for the financial statements loans written off by the Board that do not meet the criteria in FRS 102 for being written off are moved into the Provision for Written Off Debts. There is no net effect on the surplus or net assets of the Credit Union from this reallocation.

18 - Intangible assets

| | Banking and payday loan projects | Software | Total |
|--------------------------|--|----------|---------|
| | £ | £ | £ |
| Cost or valuation | | | |
| At 1 October 2017 | 720,702 | 103,176 | 823,878 |
| Additions | 17,010 | 83,436 | 100,446 |
| At 30 September 2018 | 737,712 | 186,612 | 924,324 |
| Amortisation | | | |
| At 1 October 2017 | 133,878 | 19,363 | 153,241 |
| Amortisation charge | 88,965 | 33,235 | 122,200 |
| At 30 September 2018 | 222,843 | 52,598 | 275,441 |
| Carrying amount | | | |
| At 30 September 2018 | 514,869 | 134,014 | 648,883 |
| At 30 September 2017 | 586,824 | 83,813 | 670,637 |

19 - Tangible fixed assets

| | Freehold land and buildings | Furniture, fittings and equipment | Leasehold improvements | Total |
|---------------------------|-----------------------------------|---|---------------------------|-----------|
| | £ | £ | £ | £ |
| Cost or valuation | | | | |
| At 1 October 2017 | 2,123,522 | 887,353 | 382,066 | 3,392,941 |
| Revaluations | 1,606,478 | - | - | 1,606,478 |
| Additions | - | 36,184 | 1,987 | 38,171 |
| At 30 September 2018 | 3,730,000 | 923,537 | 384,053 | 5,037,590 |
| Depreciation | | | | |
| At 1 October 2017 | 306,938 | 697,918 | 155,969 | 1,160,825 |
| Charge for the year | 6,345 | 69,106 | 27,837 | 103,288 |
| Eliminated on revaluation | (313,283) | - | - | (313,283) |
| At 30 September 2018 | - | 767,024 | 183,806 | 950,830 |
| Carrying amount | | | | |
| At 30 September 2018 | 3,730,000 | 156,513 | 200,247 | 4,086,760 |
| At 30 September 2017 | 1,816,584 | 189,435 | 226,097 | 2,232,116 |

Revaluation: During the financial year London Mutual Credit Union instructed valuations of each of its three properties. The properties at 79 Denmark Hill, 221 Rye Lane, and 4 Heaton Road were valued on 20 June 2018 by Budworth Hardcastle. This independent valuer is a professional property consultancy firm and a member of the Royal Institute of Chartered Surveyors. The properties were valued on an open market value basis with a combined value of £3,730,000. This valuation has been incorporated as the fair value (under FRS102) of the Credit Union's properties as at 30 September 2018, the Directors being satisfied that there would not have been a significant change between the formal external valuation date and the year end date. Including the properties at fair value has resulted in an uplift in the value within the financial statements of £1,919,761. Had this class of asset been measured on a historical cost basis, their carrying amount would have been £1,810,239 (2017 - £1,816,584).

20 - Customer accounts

| | 2018 | 2017 |
|--|------------|------------|
| | £ | £ |
| Customer balance movement in the period | | |
| Opening balance | 21,476,745 | 21,412,033 |
| Movement during the period | 325,488 | 64,712 |
| | 21,802,233 | 21,476,745 |
| Classification of Customer balances | | |
| Individual member shares | 15,977,339 | 15,659,620 |
| Interest bearing shares | 1,300,067 | 1,680,552 |
| Corporate shares | 137,404 | 138,879 |
| Credit Union Current Account | 3,578,465 | 3,263,948 |
| Member balances | 20,993,275 | 20,742,999 |
| Juvenile deposits | 808,958 | 733,746 |
| | 21,802,233 | 21,476,745 |

21 - Other liabilities

| | 2018 | 2017 |
|------------------------------|--------|---------|
| | £ | £ |
| Due within one year | | |
| Other payables | 3,368 | 73,036 |
| Accrued expenses | 78,093 | 96,745 |
| Corporation tax liability 14 | 15,460 | 14,965 |
| | 96,921 | 184,746 |

22 - Accruals and deferred income

| | 2018 | 2017 |
|---------------------------------|----------|-----------|
| | £ | £ |
| Deferred grants | | |
| Deferred income brought forward | 262,453 | 422,512 |
| Deferred income released | (36,081) | (160,059) |
| Deferred income | 226,372 | 262,453 |

23 - Obligations under leases and hire purchase contracts

Operating leases: The total of future minimum lease payments is as follows:

| | 2018 | 2017 |
|---|---------|---------|
| | £ | £ |
| Not later than one year | 34,800 | 106,174 |
| Later than one year and not later than five years | 139,200 | 139,200 |
| Later than five years | 243,600 | 278,400 |
| | 417,600 | 523,774 |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £97,600 (2017 - £106,638).

24 - 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.

Appropriation Reserve

The appropriation reserve represents funds allocated by the Board for the future payment of dividends.

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 future growth fund activities.

Revaluation Reserve

The revaluation reserve represents the increase in value of the three properties owned by the credit union upon a revaluation which was carried out on 20 June 2018.

Reserve Movements

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

| | Revaluation reserve | Total |
|--|---------------------|-----------|
| | £ | £ |
| Surplus/(deficit) on property, plant and equipment revaluation | 1,919,761 | 1,919,761 |

25 - Capital

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

| | 2018 | 2017 |
|--------------------------------|-------|------|
| | £ | £ |
| Regulatory Requirement | | |
| Minimum capital to asset ratio | 8.00 | 8.00 |
| Capital buffer | 2.00 | - |
| | 10.00 | 8.00 |
| Actual Capital to Asset Ratio | 10.73 | 9.84 |

26 - Financial Risk Management

London Mutual Credit Union Ltd 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 London Mutual Credit Union Ltd 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 London Mutual Credit Union Ltd, resulting in financial loss to the Credit Union. In order to manage this risk the Board approves the lending policy of London Mutual Credit Union Ltd 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 London Mutual Credit Union Ltd 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 London Mutual Credit Union Ltd arises between the interest rate exposure on loans, bank deposits and shares that form an integral part of a Credit Union's operations. London Mutual Credit Union Ltd 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.

Other price risk: The Credit Union does not hold any listed investments.

27 - Financial instruments

Financial assets pledged as collateral

Financial assets at fair value: The carrying amount of the financial assets pledged as collateral is £440,000 (2017 - £Nil). Collateral payment in respect to Optimus for use of Mastercard facilities pledged by the Credit Union during the year.

28 - Credit Risk Disclosure

The Credit Union holds the following security against its loans to members:

| | 2018 | 2017 |
|---------------------------|-----------|-----------|
| | £ | £ |
| Security for loans | | |
| Attached shares | 3,364,097 | 3,636,366 |

The carrying amount of the loans to members represents the Credit Union's maximum exposure to 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.

| | 2018 | 2017 |
|---|-------------|-------------|
| | £ | £ |
| Loans not individually impaired | | |
| Not past due | 12,115,697 | 9,610,175 |
| Up to 3 months past due | 332,576 | 198,936 |
| | 12,448,273 | 9,809,111 |
| Loans impaired | | |
| Not past due | - | - |
| Up to 3 months past due | - | - |
| Between 3 months and 6 months due | 46,336 | 199,997 |
| Between 6 months and 1 year past due | 170,041 | 355,983 |
| Over 1 year past due | 1,338,654 | 1,316,641 |
| Individually impaired and written off for internal purposes | 935,600 | 578,614 |
| | 2,490,631 | 2,451,235 |
| | 14,938,904 | 12,260,346 |
| Impairment allowance | (2,565,180) | (2,228,676) |
| | 12,373,724 | 10,031,670 |

29 - Interest Rate Disclosure

The following table shows the interest received during the year dividend by the closing loan balance and the dividend paid during the year divided by the closing share balance:

| | 2018 Amount | 2018 Rates received in year | 2017 Amount | 2017 Rates received in year |
|-------------------------|----------------|-----------------------------------|----------------|-----------------------------------|
| | £ | % | £ | % |
| Financial assets | | | | |
| Loans to members | 12,373,724 | 17.14 | 10,031,670 | 0.92 |

| | 2018 Amount | 2018 Rates paid in year | 2017 Amount | 2017 Rates paid in year |
|------------------------------|----------------|-------------------------------|----------------|-------------------------------|
| | £ | % | £ | % |
| Financial liabilities | | | | |
| Juvenile deposits | 808,958 | .93 | 733,746 | 1.12 |
| Member shares | 16,114,743 | - | 15,798,499 | .00 |
| Interest bearing shares | 1,300,067 | .06 | 1,680,552 | .06 |
| CUCA | 3,578,465 | - | 3,263,948 | - |
| | 21,802,234 | .04 | 21,476,745 | .04 |

30 - Interest Rate

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 |
|--------------------------------|--------------|------------|-------------|-------------|--------------|----------------------|--------------|
| | £ | £ | £ | £ | £ | £ | £ |
| Loans and provision | 2,520,943 | 373,679 | 1,834,935 | 9,682,201 | 527,146 | (2,565,180) | 12,373,724 |
| Bank and cash | 8,497,301 | 200,991 | - | - | - | 155,834 | 8,854,126 |
| Other assets | - | - | - | - | - | 4,927,617 | 4,927,617 |
| Total assets | 11,018,244 | 574,670 | 1,834,935 | 9,682,201 | 527,146 | 2,518,271 | 26,155,467 |
| Liabilities | | | | | | | |
| Shares | (21,802,233) | - | - | - | - | - | (21,802,233) |
| Other creditors and reserves | - | - | - | - | - | (4,353,234) | (4,353,234) |
| Total liabilities and reserves | (21,802,233) | - | - | - | - | (4,353,234) | (26,155,467) |
| | 10,783,989 | (574,670) | (1,834,935) | (9,682,201) | (527,146) | 1,834,963 | - |

31 - Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil (2017 - £Nil).

Other financial commitments

Under the software licence agreement the Credit Union has commitment for annual maintenance of the software. The total amount of commitments not provided in the financial statements was £340,020 (2017 - £241,022).

32 - 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 Unions 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.

33 - Related party transactions

Key management personnel

The Credit Union classes Directors and members of the Senior Management team as Key Management..

| | 2018 | 2017 |
|---|---------|---------|
| | £ | £ |
| Key management compensation | | |
| Salaries and other short term employee benefits | 324,106 | 359,692 |

Summary of transactions with key management

Loans to key management are issued on standard terms and conditions. At the year end £82,405 (2017 : £24,600) was owed by Key Management and their close family in loans to the Credit Union. At the year end Key Management and their close family held £74,400 (2017 : £82,303) in shares. An honorarium amounting to £23,205 was paid to the Treasurer during the year. (2017 - £23,074).

34 - Non-adjusting events after the financial period

After the end of the period the Credit Union received a grant of £100,000 for the Lloyds Banking Group Credit Union Development Fund for the purpose of adding to the Credit Union's audited reserves.



Detailed Revenue Account for the Year Ended 30 September 2018

| | Note | 2018 | 2017 |
|--|------|-----------|-----------|
| | | £ | £ |
| Income | | | |
| Interest income on loans | | 2,120,377 | 2,098,403 |
| Interest income on bank deposits | | 22,099 | 50,385 |
| Fees and commissions receivable | 5 | 772,372 | 638,329 |
| Other operating income | 7 | 92,680 | 110,152 |
| | | 3,007,528 | 2,897,269 |
| Expenditure | | | |
| Employee benefits expense | | 1,409,917 | 1,523,157 |
| Other expenses | | 17,130 | 21,464 |
| Fees and commissions payable | | 750,424 | 725,048 |
| Regulatory costs | | 9,584 | 15,625 |
| Insurance | | 11,757 | 10,368 |
| Rent and rates | | 81,728 | 109,470 |
| Light, heat and power | | 20,664 | 35,068 |
| Officer service costs | | 37,024 | 35,486 |
| Other admin costs | | 142,963 | 65,971 |
| Member communication and advertising | | 122,669 | 157,607 |
| Legal, professional and credit costs | | 56,513 | 95,082 |
| Computer costs | | 73,786 | 70,674 |
| Depreciation and amortisation | | 225,488 | 249,005 |
| Loans written off | | - | 17,316 |
| Written off provision movement | | 356,986 | 200,906 |
| Doubtful debt provision movement | | (20,482) | 12,199 |
| Bad debt recovered | | (21,756) | (20,761) |
| | | 3,274,395 | 3,323,685 |
| Operating Surplus/(Deficit) | | (266,867) | (426,416) |
| Deficit before tax | | (266,867) | (426,416) |
| Corporation Tax | 14 | (15,461) | (14,966) |
| Deficit for the financial year before dividend | | (282,328) | (441,382) |
| Distributions | | (8,313) | (9,239) |
| Deficit for the financial year after dividend | | (290,641) | (450,621) |

*Saving has never been easier
with LMCU. Members can choose
from multiple savings accounts
to suit their needs and members
who work with our Partnered
Employers can save directly
from their salary.*





Current Accounts

Value Plus account

Cashless lifestyle. If most of your bills are paid directly from your account, this option may suit you best. With Value Plus account you pay a fixed monthly account fee, which is inclusive of four domestic ATM withdrawals and four domestic ATM balance enquiries per month. For any withdrawals or balance enquiries over the free allowance you will pay as you go each time you use an ATM. You can also make cash withdrawals at LMCU branches free of charge (subject to the branch withdrawal maximum daily limit) but only after you have used up your daily maximum limit from ATM.

Pay as you go account

Control of your finances. If you rarely withdraw cash from the ATM, this option could save you money. Pay as you go account holders pay a small monthly charge for account maintenance and then pay as you go for each ATM withdrawal or balance enquiry you make. You can also make cash withdrawals at LMCU branches free of charge (subject to the branch withdrawal maximum daily limit) but only after you have used up your daily maximum limit from ATM.

Advantage account

The all-inclusive option for busy lifestyle. Advantage account is our All Inclusive and easy to maintain account. All you pay is a fixed monthly account fee and you can make unlimited domestic ATM withdrawals and balance enquiries at Link ATMs free of charge. In addition, you will not be charged an unpaid item fee if there are no sufficient funds in the account when your Direct debit or Standing order is due to go out. You can also make cash withdrawals at LMCU branches free of charge (subject to the branch withdrawal maximum daily limit) but only after you have used up your daily maximum limit from ATM.

E account

No-fee account for budgeting and bill payments. With E account you receive all the functionalities of a current account but without a debit card attached to it. You will benefit from having the use of a free current account, where you can receive salary or benefit payments and you can set up Standing orders and Direct debits to pay out. You can make cash withdrawals from E account in any of the LMCU branches (subject to the branch withdrawal maximum daily limit) for a small charge.

Teen account

Our Teen account is specially designed for young people aged 11 to 18 to help them achieve financial independence and learn how to manage their finances from an early age. The account is free of charge and our young members will receive a debit card, which they can use online, at retail outlets and Link ATM machines within the UK, also free of charge. This will allow them to have easy access to their pocket money and at the same time teach them to deal with money in a responsible way. Teen accounts do not allow Direct Debits and Standing Orders to be set up on the account. Overdraft is not allowed for Teen accounts. Please note that this account is only made available for use by the young person who is the account holder. It should not be used by others to receive payments or make withdrawals. We reserve the right to close the account or introduce a monthly fee if we find that you misuse the account. If you are under the age of 18, you must have consent from your parent(s) or guardian(s) to open a Credit Union Current account. This must be provided in the required format upon application for the card.



