



**London Mutual**  
Credit Union

# Annual Report and Audited Accounts

For the Year Ended 30<sup>th</sup> September 2024



# Contents

38th Annual General Meeting.....	3
Standing Orders .....	4
AGM Agenda.....	5
Our Purpose .....	7
CEO's update .....	8
Meet the team.....	10
Chair's Report.....	14
Treasurer's Report.....	16
Audit Committee Report.....	18
Director's Report.....	20
Independent Auditor's Report .....	22
Revenue Account.....	26
Statement of Comprehensive Income.....	26
Balance Sheet .....	27
Statement of Changes in Equity .....	28
Statement of Cash Flows.....	29
Notes to the Financial Statements.....	31
Detailed Revenue Account.....	51

## London Mutual Credit Union Limited

### Credit Union Information

FCA Number: 213248

Society Number: 64C

### Directors:

Dr F Millen

R Cooper

L. R. McLeod OBE

H Harris

A Marshall

M Lynch

B Vaughan

M Cook

Dr O Decker

### Secretary:

Heather Harris

### Registered office:

4 Heaton Road

Peckham

London

SE15 3TH

### Auditor:

Alexander Sloan

180 St Vincent Street

Glasgow

G2 5SG

London Mutual Credit Union Ltd is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

# 43rd Annual General Meeting

Our Annual General Meeting (AGM) is one of the key ways in which members can participate in the democracy of their Credit Union. To enable as many members as possible to participate, this year's meeting will once again take place online at 6:00pm on Thursday 6th March 2025.

## Key business of the AGM

At the AGM, members have the opportunity to receive updates on the work and future plans of the Credit Union, and to have their say on some key decisions. The AGM will include:

- Reports from the Board of Directors and Treasurer
- An update on our strategy and plans for the coming year from the CEO
- A vote on the payment of any dividend which may be proposed by the Board
- The opportunity to ask questions to the Board of Directors on their reports or any other aspects of the credit union's work

## Having a say

All members are entitled to attend and participate in the AGM, and can request a link to join the meeting at [www.creditunion.co.uk/agm](http://www.creditunion.co.uk/agm)

Verified members will then receive a link to join the AGM via email. The pre-registration step is in place to ensure that the right to vote on resolutions is restricted to members of the Credit Union, as defined in our rules.

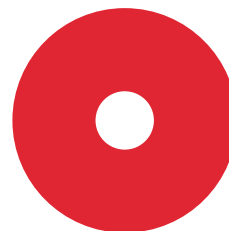
## Voting at the AGM

To participate in votes, attendees must be a current active member of the Credit Union on the date the AGM is held.

Voting on resolutions will be via the 'polling' function on our Zoom online meeting facility. Instructions on how to vote and a practice vote will be carried out at the beginning of the meeting.

## Minutes and Annual Report

Copies of the 2023/2024 Annual Report and Financial Statements, along with those from previous AGMs, will be downloadable from [www.creditunion.co.uk/agm](http://www.creditunion.co.uk/agm) and via a link within the registration email.



To attend this year's online AGM, register online:  
[www.creditunion.co.uk/agm](http://www.creditunion.co.uk/agm)

# Standing orders

## Motions

- 1** Member shall address all comments through the Chair.
- 2** A Member shall only address the Meeting when called upon by the Chair to do so and should raise their hand to indicate that they wish to address the floor.
- 3** Speeches are to be clear and relevant to the subject before the Meeting.
- 4** The person proposing the motion shall be allowed a maximum of five minutes to speak on the motion.
- 5** The person seconding the motion shall be allowed a maximum of three minutes to speak in support.
- 6** Members who wish to speak for or against the motions shall be allowed a maximum of three minutes to speak.
- 7** A Member may not speak twice on the same subject except he/she:
  - (a) Is the Mover of a motion with the right of reply.
  - (b) Wishes to object or to explain (with permission of the Chair).
- 8** The Mover of a “Procedural Motion” (Adjournment, Lay on the Table, Motion to postpone) shall have no right of reply. The “Procedural Motion” should be seconded and put to the vote without debate. The result of the vote will determine whether the ruling is upheld or reversed.
- 9** Debate shall cease when the Chair decides sufficient debate has taken place.
- 10** No speeches or amendments are to be made after the “Motion” has been put and carried or negated.
- 11** A Member speaking on a “Point of Order” is to state the point clearly and concisely. (A “Point of Order” must have relevance to the “Standing Order”.)
  - (a) Member shall not “Call another Member to order” but may draw the attention of the Chair to a “Breach of Order”.
  - (b) In no event can a Member call the Chair to Order.
- 12** A “Question” shall not be put to the vote if a Member desires to speak on it or move an amendment to it, however the following may be moved at any time: a “Procedural Motion: The Previous Question” “Proceed to the Next Business” or the Closure: “That the Question be now Put.”
- 13** Only one amendment should be before the meeting at one and the same time.
- 14** When a motion is withdrawn, any amendment to it fails.
- 15** The Chair shall have the right to a “Casting Vote”.
- 16** If there is equality of voting on an amendment and if the Chair does not exercise a Casting Vote, the amendment is lost.
- 17** Provision is to be made for protection of the Chair from vilification.
- 18** No Member shall impute improper motives against another Member.

## Conduct at General meetings

Any person in breach of these Standing Orders, who interrupts the person speaking, who uses rude or abusive language, or disrupts the conduct of the meeting, shall be warned that any repeat of such misconduct will result in his/her expulsion from the meeting.

## Elections

If the Chair is a candidate standing for election she/he shall hand over the chairing of the meeting to another officer or member of staff for that item.

# AGM agenda

## 43rd Annual General Meeting of London Mutual Credit Union Limited

Via Zoom online meeting. Held on Thursday 6th March 2025 at 6:00pm

### Annual General Meeting Agenda

- 1 Welcome and Introductions
- 2 Standing Orders
- 3 Minutes of the AGM held on 1st March 2024
- 4 Report of the Board Directors
- 5 Treasurer's Report
- 6 Consideration of Accounts
- 7 Auditor's Report
- 8 Declaration and Recommendation of Dividend
- 9 Audit Committee Report
- 10 Appointment of Auditors
- 11 Honorarium for the Treasurer
- 12 Election of Officers

*Details of nominations and minutes of the previous meeting will be available at the AGM.  
Entry to the meeting will be via online pre-registration in order to check that you are a valid member.*

**Made in London**

**Owned by  
Londoners**



# Our Purpose

London Mutual Credit Union is a co-operative owned by our members, and we exist for their benefit rather than for profit. Our mission statement reflects the social purpose of London Mutual Credit Union, helping to inform our strategic priorities.

**Mission:** *“To promote financial well-being within the communities we serve, by providing highquality and affordable financial services which are accessible and relevant to all.”*

## Values

### Accountability

As a member-owned organisation, our strength lies in being directly accountable to our members and responsive to their needs and priorities. Our members elect the Board of Directors, who provide strategic oversight and ensure that we adhere to the highest standards of governance and conduct.

### Community

We are a business with a social purpose, and responsibilities beyond our own membership. We seek to be an active and valued participant in the life of our communities. We will do this by building strong and mutually-beneficial partnerships that inform our work and maximise our impact.

### Education

Through our own services and outreach work in schools and the community, we work to promote financial literacy. We provide our members with tools and products that support the development of good financial habits, as well as guidance to enable them to manage their money with confidence.

### Integrity

We take our fiduciary responsibilities and legal and regulatory obligations seriously. The trust of our members and the security of their assets are paramount, and all business activities are undertaken with the understanding that conduct and financial prudence are the basis of everything that we do.

### Inclusion

We are strongest when our membership is diverse, open, and representative of a broad section of our community. We seek to address the underlying causes of problem debt, financial exclusion and lack of access to credit, doing so in a way that promotes social cohesion and reduces stigma.

### Quality

We are committed to delivering products that contribute to long-term financial well-being and which lead the market in affordability, ethics and ease of use. Operationally, we seek to work to the highest professional standards, delivering exceptional member experiences and exceeding our regulatory commitments

# CEO's update

**Dear Members,**

It is with great pleasure that I present the CEO Report for the financial year ended September 2024.

This year, I am delighted to share that we have achieved positive financial results, marking a significant turnaround from the challenges of the previous year. We reported a modest profit of £134,956, a remarkable improvement compared to the loss of £298,697 recorded last year. This £433,653 swing is a testament to our careful cost management—particularly in reducing bad debts—and the tireless efforts of our staff to enhance operational efficiency.

While dividends remain a priority, it is essential to acknowledge the external challenges that affect our members and, in turn, our credit union. Rising inflation, increasing food and energy costs, and unpredictable events like the COVID-19 pandemic have significantly impacted our members' disposable incomes. These factors inevitably influence loan repayments, leading to increased bad debts. To counter such economic shocks, we rely on our regulatory capital—a safety net akin to a “rainy day fund.” However, repeated reliance on this capital can deplete it over time.

To address this, we have taken a proactive step to boost our financial resilience by securing a subordinated loan from Fair4All Finance. This support has strengthened our regulatory capital, providing us with the breathing space needed to navigate these turbulent times. I extend my heartfelt thanks to the Fair4All Finance team for their collaboration and commitment to supporting our mission.

Looking ahead, our focus is on growing both secured and unsecured lending while maximising the use of our members' savings. Our credit union operates

on the fundamental principle of mutual benefit—members' savings are lent to fellow members, creating a multiplier effect that drives our growth and strengthens our community.

We have outlined three primary business objectives for the next three years to ensure sustainable growth and continued member satisfaction:

1. Strengthening our financial resilience and regulatory capital.
2. Embracing and implementing technology to streamline operations and enhance productivity.
3. Embedding robust Consumer Duty outcomes to safeguard our members' interests and ensure accountability.

We also recognise the transformative potential of technology and innovation. Over the next year, we aim to integrate advanced technological solutions into our operations to improve efficiency, reduce costs, and enhance member experiences. Several key initiatives are already in progress and are expected to yield measurable results within the current financial year.

In line with the UK's Consumer Duty regulations, we have embedded systems and processes to prioritise positive outcomes for our members. Our Board of Directors actively monitors these measures, supported by our Consumer Duty Champion, who regularly reports on compliance and progress. These efforts reflect our unwavering commitment to protecting and promoting the best interests of our members.



Our vision remains clear: to evolve London Mutual Credit Union into a comprehensive financial services provider, offering a wide array of services under one umbrella. This approach mirrors the successful business models adopted by credit unions worldwide, and we are determined to replicate this success to benefit our members.

Engaging with our members remains at the heart of our strategy. Through initiatives like annual membership surveys and regular feedback channels, we actively listen to your insights to refine our services. The positive feedback received thus far motivates us to continue

delivering the high-quality services you deserve.

In closing, I would like to extend my sincere gratitude to all those who contribute to the success of London Mutual Credit Union. To our members, staff, volunteer Board of Directors, and supporters—you have been instrumental in our journey. Together, we will continue to strengthen our community and create a brighter future for all.

With gratitude,

**Lakshman Chandrasekera**

*Chief Executive Officer*



# Meet the team...

## Board of Directors

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### **Dr Floyd Millen** - *President*

Dr Floyd Millen is a Political Scientist and a Subject Matter Expert (SME) in Privacy advising HMRC on privacy risk remediation. Floyd is the former Head of Identity Services at Post Office Ltd; Special Adviser to the Cabinet Office (GDS) on identity services; former Data Manager at the BBC and privacy SME in the energy sector to Xoserve/ Corella and Royal Dutch Shell where he advised on Data Ethics.

As a Political Scientist, Floyd has a PhD in Political Science and Criminology and studied under the Conservative peer and academic, Professor the Lord Norton of Louth and was mentored by the former Home Secretary, the Right Honourable Charles Clarke.

Floyd is a Member of the Academic Advisory Group for the Mayor of London's Police and Crime Plan (PCP) 2021 and is a former adviser to the Metropolitan Police Authority. Floyd is a former council member of the Hansard Society, and former peer reviewer the Economic and Social Research Council (ESRC). Floyd is a peer reviewed author (Oxford University Press) and the author of *Police Reform and Political Accountability in UK & USA (1607-2016)*.

### **Richard Cooper** - *Director*

Richard brings wealth of experience gained from a background in banking and in the legal profession. He currently serves as an in-house lawyer at Shawbrook Bank, having previously worked in the legal departments of a number of lenders including Lloyds Bank. Richard is a practising solicitor with over 20 years' experience and a background in secured corporate lending, mainly property, shipping and aircraft finance.

### **Roy McLeod OBE** - *Treasurer, Risk & Audit Committee*

Roy has extensive experience in senior management and as a director of a large national charity. He brings over 30 years' expertise in Accounts and Finance, Asset Management & Administration including a Master's in Business Administration. He also has over 27 years' experience in the Credit Union sector and has served nationally as a Director of the Association of British Credit Unions Ltd (ABCUL).

### **Heather Harris** - *Secretary, Anti-Money Laundering & Risk Committee*

Heather is a manager in the Revenues & Benefits Department of Southwark Council, with over 30 years' experience dealing with Welfare Benefits, Reform and Social Inclusion. She has been a Trade Union Steward for over 20 years and has over a decade's experience at LMCU. Heather has a keen interest in financial inclusion and Mortgage Lending, and has undertaken various mortgage underwriting training.

### **Albert Marshall** - *Director (Legal) & Audit Committee*

Albert is a technology executive and a senior lawyer with over 20 years' post-qualification experience. As well as a qualified barrister, he brings extensive experience inhouse in multinational organisations, particularly in the software and entertainment industries, covering a broad range of commercial law, in particular technology, intellectual property, entertainment, international distribution, marketing operations and relevant regulations. Albert also brings relevant experience, having founded and run his own business.



**Michael Lynch** - Director (Marketing), resigned January 2024

As Head of Commercial Innovation and Marketing at NS&I, Michael has over 25 years of Financial Services management experience. A chartered Fellow of the Chartered Institute of Marketing, he has an MSc in strategic marketing and lectures in marketing, strategy and digital strategy. Michael is a Cranfield University Programme Advisory Board member for marketing as well as a member of the Market Research Society and the Public and Commercial Services Union (PCS).

**Bridget Vaughan** - Director, passed away in January 2025

Bridget was a Chartered Management Accountant (ACMA) with 25 years of experience, and specialised in accountancy and business training. Her tuition and lecturing responsibilities included leadership of the business programme at Lambeth College and as an AAT examinations marker. Bridget had also served as a school governor.



**Michael Cook** - Director

Michael served over 36 years in the RAF Regiment. This career took him to austere locations where leadership and management were life-saving. Leaving the service, Michael started a consultancy where he advises companies on tendering for MOD contracts.

Michael has a MSc in Leadership and Management, and recently attained a good understanding of recognising and writing risk registers. He still maintains close ties with Armed Forces personnel both serving and non-serving throughout the world.

**Dr Olufemi Sallyanne Decker** - Director

Olufemi Sallyanne Decker is an Associate Professor in Banking and Finance at University of Greenwich. She holds a PhD in Financial Economics, is a Senior Fellow of the Higher Education Academy and a Member of the Association of Business Executives. She has more than 25 years of academic experience in teaching banking, corporate finance, ethics and economics and has held a variety of academic leadership posts in quality assurance and programme management for over 15 years. Sallyanne’s industry experience includes four years in commercial banking and over 20 years of knowledge exchange activity with British Credit Unions, including working as an Associate Consultant for the Association of British Credit Unions (ABCUL).

She has published papers on Credit Unions, corporate social responsibility in financial services, financial inclusion, structural change in the banking sector and pedagogy.

## Our staff team

**Lakshman Chandrasekera** - Chief Executive Officer  
Lakshman (Lucky) has managed London Mutual Credit Union since 1993 and has extensive experience in setting up products, processes and procedures. He has been instrumental in the successful merger of six local Credit Unions and oversaw a technology transformation on the implementation of a new core banking platform in 2016.

He is accountable to the Board of Directors for the management of the Credit Union and is authorised as a Senior Manager (SMF1) by the PRA/FCA.

**Staff numbers**

	Full-time	Part-time
Head Office (Peckham)	26	16
Peckham Branch	2	3
Walworth Road Branch	3	1
<b>Total staff</b>	<b>31</b>	<b>20</b>





# Chair's report

## Chairman's Report Year Ending 30th September 2024

On behalf of the Board of Directors of London Mutual Credit Union (LMCU) I am pleased to present this report which outlines the progress that we have made in meeting our goals and advancing London Mutual Credit Union (LMCU).

It is with great sadness that we announce the passing of our precious board member, Bridget Vaughan in January 2025. Bridget passed away peacefully. As a valued colleague and dear friend, her loss has profoundly impacted me as chair and the rest of the board of directors. On behalf of the directors and staff, we extend our heartfelt condolences to Bridget's family.

The board of directors continue to improve our governance and manage the credit union in accordance with the rules and regulations set out by our regulators, the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA).

The board warmly welcomes our new directors and we continue to review the breadth of knowledge and expertise on our board to ensure that we effectively represent your interests, and that we are able to discharge our legal, regulatory and other duties effectively and efficiently.

As mentioned in my 2024 report; LMCU is not immune to the vicissitudes of economic, political and social events. Recent increases in employer national insurance and the increased cost of living continue to have a challenging affect. The board is working vociferously to keep our costs low, keep our loyal staff, and ensure that we get best value from our suppliers.

The Consumer Duty and the application of new technologies his helping tremendously to ensure that our products and services meet the needs of our members; offer best value, whilst ensuring that our policies and procedures are easy to understand and navigate.

On behalf of the board, I would like to thank our members for the way in which they have managed their accounts and paid their loans on time. We are making steady progress on our mortgage product and have introduced a number of enhancements to the member journey. Additionally, we have improved various membership services like our Budget Planner and Better-Off Calculator tools to assist you in your financial journey.

In 2025, our key objectives are to grow our membership and expand our network of partner organisations and employers. Our marketing and business development efforts will be instrumental in driving this expansion. Additionally, we encourage you, our valued members to recommend LMCU to your family, friends, colleagues and employers

Finally, on behalf of the board of directors, I wish to extend our thanks and gratitude to the Chief Executive, our dedicated staff, and you, our valued members, for your ongoing dedication and loyalty to LMCU.

**Dr Floyd Millen**  
*Chair of London Mutual Credit Union.*





# Treasurer's report

## Treasurer's Report for the Year Ending 30th September 2024

On behalf of London Mutual Credit Union (LMCU), I am pleased to present the Treasurer's Report for the year ending September 30th, 2024. I agree with the Auditor's opinion that the financial statements presented provide an accurate and fair view of the credit union's affairs as of that date.

LMCU takes pride in maintaining a high standard of service delivery through the efforts of our dedicated front-line and back-office staff. We remain steadfastly committed to being customer-focused, offering products and services tailored to meet the needs of our members.

Over the past year, LMCU has achieved significant growth across key metrics, including membership, income, profits, reserves, and assets. While operating costs have risen in some areas, these expenses are diligently monitored and managed. Notably, the 2023 accounts reflected a deficit of £299k; however, this year's accounts demonstrate a commendable turnaround, reporting a profit of £135k.

In the previous year, LMCU faced an unprecedented challenge due to many Individual Voluntary Arrangements (IVA), resulting in increased delinquency and defaults. Consequently, £1.197m was allocated from our income to provide for impairments on loans for bad and doubtful debts. I am pleased to report a substantial improvement in this area, with the provision reduced to £568k in this year's accounts, representing a reduction of 111%.

LMCU continues to prioritise investment in the future by strengthening infrastructure and building reserves. To mitigate the risks posed by high inflation and a weak economy, the Directors secured a £500k subordinated loan from Fair4All in 2023 as part of our strategy to bolster the credit union's capital ratio in

the short to medium term. This loan is now reflected in the 2024 accounts.

As of 30th September 2024, our trading results highlight LMCU's resilience and adaptability in navigating a complex and evolving market. Despite our members' personal and economic pressures, they remain loyal in servicing their loans. LMCU continues to demonstrate strong performance and a steadfast commitment to supporting members.

### Membership Accounts

London Mutual Credit Union's adult membership stands at 42,397 representing a 4.69% increase compared to the previous year. Additionally, there are 2,194 Junior Saver accounts, 59 corporate accounts, and 6,114 transactional current accounts.

### Revenue Account 2024

**Net Interest Receivable:** £3.5m

Interest on members' loans amounted to £3.4m, an increase of £0.24m from £3.2m in 2023. Income from bank deposits totalled £122k, reflecting an increase of £64k from the previous year.

**Other Operating Income:** £160k, this includes the following:

- Grants: £15k
- Donations from SCU Enterprises Ltd: £32k
- Rent from the old premises at 79 Denmark Hill, Camberwell: £56k
- Other income: £56.5k?

**Administrative Expenses:** £2.23m (compared to £2.015m in 2023, an increase of £0.215m). This increase reflects rises in various operating expenses.



**Other Operating Expenses:** £181k (up from £136k in 2023). These include office and regulatory costs.

**Impairment on Loans for Bad and Doubtful Debts:** £568k (a significant improvement from £1.197m in 2023). During the year, LMCU recovered bad debts amounting to £28k (£23k in 2023) and derecognised bad debts totalling £967k. Impairment provision for the year stands at £370k.

**Operating Surplus Before Tax:** £178k, compared to a £298k loss in 2023, representing a positive swing of £476k. After deducting £44k for corporation tax, the net surplus is £135k as of 30th September 2024.

#### **Balance Sheet as of 30th September 2024**

##### **Assets:**

- Funds held at the bank totalled £7.2m (£7.8m in 2023), a decrease of £0.6m.
- Loans to members increased to £24.6m from £23.7m in 2023, an increase of £0.9m. LMCU continues its strategy of reducing large loans and focusing on a greater number of smaller loans to mitigate risk and reduce the impact of potential delinquency. This approach is central to enhancing profitability and increasing capital in the coming years.
- Total assets amounted to £36m (£35.725m in 2023), representing an increase of £280k.

##### **Liabilities:**

- Customers' accounts totalled £30.9m (£31.284m in 2023), a decrease of £361k.

##### **Equity / General and Other Reserves:**

- Reserves increased to £4.137m from £4.002m in 2023, reflecting a growth of £137k (3%).

##### **Dividends**

While LMCU achieved an operating surplus for the year ending 30th September 2024, the Directors are not recommending any dividends for this financial year.

On behalf of the Board of Directors, I thank the CEO, staff, and auditors for their dedication and hard work throughout 2024. We also thank all our members for their continued loyalty, patronage, and support for London Mutual Credit Union over the past year.



**Louis R McLeod MBA, OBE**  
*Director/Treasurer*



# Audit Committee report

Year Ending 30th September 2024

As Audit Committee Chair, I am pleased to present the audit committee's report for the year ended 30th September 2024.

Our aim is to provide confidence in the integrity of the Credit Union's processes and procedures in relation to the adequacy and effectiveness of the Credit Union's Governance, Risk Management and Controls. We have retained an audit firm, Carbon Accountancy Limited to carry out our internal audit process.

Based on this we have been focusing on several key areas during 2023/24 and the key deliverables during this period are:

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

- Reviewing the credit control process and its robustness and adequacy of provisioning, loan write-off and delinquency policy issues;
- Providing assurance to the Board that the Annual Report & Financial Statements as a whole are fair, balanced and understandable;
- Reviewing the scope and the delivery of internal audit; and
- Reviewing the risk management and processes and its effectiveness.

## **Our priorities for 2023/24:**

- Reviewing controls over internal and external fraud and corruption and making recommendations based on our findings.
- Reviewing the accuracy and completeness of monthly reports.
- Ongoing evaluation of cybersecurity, emphasising the implementation and maintenance of effective IT policies and procedures.
- Ensuring that risk effective management processes are in place to monitor and control credit and liquidity risks.
- Monitoring the achievements of strategic objectives included in Business Plan for 2024-2026 as well as tracking the progress on the launch of a new mortgage product.

- Monitoring identification of business risks and mitigating controls ensuring these were implemented effectively.
- Monitoring if risk responses align with the organisation's risk appetite.
- Reviewing Business Continuity Plan to manage our contingencies and procedures for unplanned incidents and service disruption protocols, that are in place.
- Overseeing the implementation of the asset management and procurement policy and procedures.
- Reviewing provisioning policy and ensuring that it is correctly applied.
- Overseeing implementation of cash control policy and procedures and efficiency of customer service provided at the counters.
- Overseeing the compliance with the new Consumer Duty regulations
- Reviewing and ensuring the implementation of recommendation outline in previous reports.

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



**Louis R McLeod MBA, OBE**  
*Chair of the Audit Committee*

# Director's report

The Directors present their annual report and financial statements for the year ended 30 September 2024.

## Principal activity

The principal activity of the credit union continued to be that defined in the Credit Union Act 1979. The credit union is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

## Results and dividends

The results for the year are set out on page 6 and dividend rates are disclosed at note 3.

## Directors of the Credit Union

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

- R Cooper
- L. R. McLeod OBE
- H Harris
- Lord R Kennedy (*Resigned 20 May 2024*)
- A Marshall
- Dr F Millen
- M Lynch (*Resigned 30 January 2024*)
- B Vaughan
- M Cook
- O Decker
- L Roberts (*Appointed 19 August 2024*)
- R Aminu (*Appointed 19 August 2024*)
- A Newlove (*Appointed 19 August 2024*)

## Compliance statement

Under the Prudential Regulation Authority rulebook the Board of Directors must report to the members at the Annual General Meeting on certain areas of compliance within the credit union. The credit union

is therefore pleased to report that during the year the credit union has been in compliance with:

- Depositor Protection Rules 11, 12, 14 and the requirements of rule 15 that relate to rule 11 ; and
- PRA Credit Union Rule 2.10 (fidelity bond insurance requirements); and
- The requirements of compliance under the PRA “additional activities” namely lending, mortgages and investments and the requirements for Credit Unions within the PRA Credit Union Rulebook for Credit Unions over 15,000 members.

## Principal risks and uncertainties

The main financial risks of the credit union are set out in the notes to the financial statements.

## Statement of Directors Responsibilities

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

Legislation requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under the Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014 the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the credit union and of the surplus or deficit of the credit union for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the credit union's transactions and disclose with reasonable accuracy at any time the financial position of the credit union and enable them to ensure that the financial statements comply with the Credit Union Act 1979 and the Cooperative and Community Benefit Societies Act 2014. Directors are also responsible for safeguarding the assets of the credit union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement of disclosure to auditor**

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the credit union's auditor is unaware. Additionally, the Directors individually have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the credit union's auditor is aware of that information.

### **Auditor**

A resolution for the re-appointment of Alexander Sloan LLP as auditors of the credit union is to be proposed at the forthcoming Annual General Meeting.

***By order of the board***



**H Harris** - Secretary  
30 January 2024

# 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 2024 which comprise the revenue account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

## In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2024 and of its surplus or deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Credit Union Act 1979 and the Co-operative and Community Benefit Societies Act 2014..

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in

the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the credit union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

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

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

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

## Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The

Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- proper books of account have not been kept by the credit union in accordance with the requirements of the legislation; or
- a satisfactory system of control over transactions has not been kept by the credit union in accordance with the requirements of the legislation; or
- the Revenue Account and Balance Sheet are not in agreement with the books of account of the credit union; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the credit union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to

liquidate the credit union or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to

the credit union through discussions with directors and other management, and from our wider knowledge and experience of the sector;

- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the credit union, including Corporate and Community Benefit Society legislation and taxation legislation.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

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

### **Audit response to risks identified**

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

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



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

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

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the credit union's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the credit union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or

assume responsibility to anyone other than the credit union and the credit union's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Alexander Sloan**  
Accountants and Business Advisers  
Statutory Auditor  
180 St Vincent Street  
Glasgow  
G2 5SG

## Revenue Account for the Year Ended 30<sup>th</sup> September 2024

	Note	2024	2023
		£	£
Loan interest receivable and similar income	4	3,564,380	3,258,999
Interest payable and similar charges	3	(623)	(4,980)
Net interest receivable		3,563,757	3,254,019
Fees and commissions receivable	6	578,632	646,730
Fees and commissions payable	5	(847,292)	(809,305)
Net fees and commissions		(268,660)	(162,575)
Other operating income	7	160,024	204,372
Administrative expenses	8	(2,277,382)	(2,015,981)
Depreciation and amortisation		(249,485)	(253,358)
Other operating expenses	9	(181,291)	(136,491)
Impairment on loans for bad and doubtful debts	17	(568,392)	(1,197,333)
<b>Surplus before taxation</b>		<b>178,571</b>	<b>(307,347)</b>
Corporation tax	14	(43,615)	8,650
<b>Surplus/(deficit) for the year</b>		<b>134,956</b>	<b>(298,697)</b>

The Revenue Account has been prepared on the basis that all operations are continuing operations.

The notes on pages 11 to 31 form an integral part of these financial statements..

## Statement of Comprehensive Income for Year Ended 30<sup>th</sup> September 2024

	Note	2024	2023
		£	£
Surplus/(deficit) for the year		134,956	(298,697)
<b>Other comprehensive income</b>			
Revaluation of tangible fixed assets		-	95,114
Tax relating to other comprehensive income		-	8,295
<b>Other comprehensive income for the year</b>		-	103,409
<b>Total comprehensive income for the year</b>		<b>134,956</b>	<b>(195,288)</b>

The notes on pages 11 to 31 form an integral part of these financial statements.

## Balance Sheet as at 30<sup>th</sup> September 2024

	Note	2024	2023
<b>Assets</b>		£	£
Cash and balances at central banks	15	170,360	92,656
Loans and advances to banks	15	7,015,245	7,752,418
Loans and advances to customers	16	24,605,676	23,694,087
Intangible assets	19	373,206	437,799
Tangible assets	18	3,738,166 3	,695,670
Other receivables	21	-	4,600
Prepayments		105,781	51,410
<b>Total assets</b>		<b>36,008,434</b>	<b>35,728,640</b>
<b>Liabilities and reserves</b>			
Customer accounts	20	30,923,102	31,283,949
Other liabilities	22	184,762	169,077
Deferred income	23	16,400	26,400
Provisions for liabilities	26	246,796	246,796
Subordinated loans	24	500,000	-
		31,871,060	31,726,222
General reserve	32	1,474,647	1,339,691
Revaluation reserve	32	1,603,173	1,603,173
Other reserves	32	1,059,554	1,059,554
Total reserves		4,137,374	4,002,418
<b>Total liabilities and reserves</b>		<b>36,008,434</b>	<b>35,728,640</b>

The financial statements were approved by the Board of Directors and authorised for issue on 13 December 2019 and are signed on its behalf by:



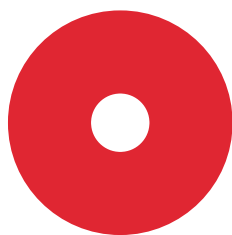
L. R. McLeod OBE (Director)



Dr F Millen (Director)



H Harris (Secretary)



## Statement of Changes in Equity for the Year Ended 30<sup>th</sup> September 2024

	Revaluation reserve	Growth fund reserve	Appropriation reserve	General reserve	Total
	£	£	£	£	£
<b>Balance at 1 October 2022</b>	<b>1,860,900</b>	<b>1,059,554</b>	<b>3,384</b>	<b>1,273,868</b>	<b>4,197,706</b>
Year ended 30 September 2023:					
Deficit for the year	-	-	-	(298,697)	(298,697)
Other comprehensive income:					
Revaluation of tangible fixed assets	95,114	-	-	-	95,114
Tax relating to other comprehensive income	8,295	-	-	-	8,295
Other movements	(361,136)	-	(3,384)	364,520	-
<b>Balance at 30 September 2023</b>	<b>1,603,173</b>	<b>1,059,554</b>	<b>-</b>	<b>1,339,691</b>	<b>4,002,418</b>
Year ended 30 September 2024:					
Surplus & total comprehensive income for year	-	-	-	134,956	134,956
Transfers	-	-	-	-	-
Other movements	(22,252)	(1,990)	(2,438)	26,680	-
<b>Balance at 30 September 2024</b>	<b>1,603,173</b>	<b>1,059,554</b>	<b>-</b>	<b>1,474,647</b>	<b>4,137,374</b>

The notes on pages 11 to 31 form an integral part of these financial statements.

## Statement of Cash Flows for the Year Ended 30<sup>th</sup> September 2024

	Note	2024	2023
		£	£
<b>Cash flows from operating activities</b>			
Surplus for the period		134,956	(298,697)
Depreciation and amortisation	10	249,485	253,358
Deficit on disposal of fixed assets		-	18,100
Corporation tax expenses	14	43,615	(8,650)
Provision movement	17	596,814	1,220,082
Interest income on loans	4	(3,441,965)	(3,200,757)
Distribution on members shares	3	623	4,980
		<b>(2,551,428)</b>	<b>(1,712,887)</b>
<b>Working capital adjustments</b>			
Change in other receivables and prepayments		(49,771)	(8,286)
Change in other liabilities		53,420	13,817
Change in deferred income		<b>(10,000)</b>	<b>(80,880)</b>
<b>Cash flows from changes in operating assets and liabilities</b>			
Loan repayments less loans advanced	16	1,933,562	2,215,474
Customer balance cash movement		(361,470)	114,160
Movement on funds on deposit	15	1,683,360	(646,358)
		3,255,452	1,683,276
Corporation tax paid		(81,350)	(14,627)
<b>Net cash flow from operating activities</b>		751,279	(418,284)
<b>Investing activities</b>			
Purchase of intangible assets	19	(95,647)	(110,717)
Purchase of tangible fixed assets	18	(131,741)	(8,602)
Proceeds on disposal of tangible fixed assets		-	336,294
<b>Net cash used in investing activities</b>		(227,388)	216,975
<b>Financing activities</b>			
Cash movement on subordinated loans		500,000	-
<b>Net cash generated from financing activities</b>		500,000	-
<b>Net decrease in cash and cash equivalents</b>		1,023,891	(201,309)
Cash and cash equivalents at beginning of year		4,591,951	4,793,260
<b>Cash and cash equivalents at end of year</b>	34	<b>5,615,842</b>	<b>4,591,951</b>

The notes on pages 11 to 31 form an integral part of these financial statements.

# Notes

# 1 - Accounting policies

## Background information

London Mutual Credit Union Ltd is registered in the UK as a society under the Co-operative and Community Benefit Societies Act 2014, whose principal activity is to operate as a credit union, within the meaning of the Credit Union Act 1979. The credit union is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the requirements of the Co-operative and Community Benefit Societies Act 2014. The financial statements are prepared in sterling, which is the functional currency of the credit union. Monetary amounts in these financial statements are rounded to the nearest pound. The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

### 1.2 Income

Fees and charges receivable either arise in connection with a specific transaction, or accrue evenly over the year. Income relating to individual transactions is recognised when the transaction is complete. Interest receivable on loans to members and bank interest are recognised using the effective interest rate basis and are calculated and accrued on a daily basis.

### 1.3 Intangible fixed assets

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date

where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity. Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- Software 67-120 months straight line
- Licences 59-107 months straight line

### 1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following base:

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

Depreciation is not calculated on the land element of properties due to its useful life. The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

### 1.5 Impairment of fixed assets

At each reporting period end date, the credit union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the credit union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the revenue account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the revenue account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## 1.6 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of less than 8 days.

## 1.7 Financial instruments

The credit union has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised in the credit union's balance sheet when the credit union becomes party to the contractual provisions of the instrument.

**Basic financial assets:** Basic financial assets, which include loans to members and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

**Other financial assets:** Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the revenue account, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

**Impairment of financial assets:** The credit union assesses, at each balance sheet date, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised. Any impairment losses are recognised in the revenue account, as the difference between the carrying value of the expected cash flows.

**Derecognition of financial assets:** Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the credit union transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.



**Classification of financial liabilities:** Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

**Basic financial liabilities:** Basic financial liabilities, including members deposits are classified as debt and are initially recognised at transaction price. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

**Other financial liabilities:** Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through the revenue account. Debt instruments may be designated as being measured at fair value through the revenue account to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

**Derecognition of financial liabilities:** Financial liabilities are derecognised when the credit union's contractual obligations expire or are discharged or cancelled.

## 1.8 Taxation

The tax expense for the period comprises current tax. Tax is recognised in the revenue account, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

**Current tax:** The tax currently payable is based on taxable surplus for the year. Taxable surplus differs from the surplus as reported in the revenue account because it excludes items of income or expense that are taxable

or deductible in other years and it further excludes items that are never taxable or deductible. The credit union's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

## 1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the credit union is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

## 1.10 Retirement benefits

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

## 1.11 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

## 1.12 Government grants

Grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. Revenue grants are recognised as income over the periods when the related costs are incurred. Capital grants are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

## 2 - Judgements and key sources of estimation uncertainty

In the application of the credit union's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods..

### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

**Loan Impairment:** The credit union assesses, at each reporting date, if there is objective evidence that any of its loans to customers are impaired. The loans are assessed collectively in groups that share similar credit-risk characteristics. The PRA waiver which permitted reduced provision rates expired in December 2022 resulting in increased provision rates being used in the current financial year compared to last year. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised. Any impairment losses are recognised in the Revenue Account, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

**Depreciation:** Depreciation is an estimate that allocates the depreciable cost of fixed assets over their useful lives. The credit union's depreciation rates are set out in the accounting policies. The credit union regularly reviews its depreciation rates to ensure that they are appropriate.

## 3 - Interest payable and similar charges

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

	2024	2023
<b>Interest and similar charges paid during the period</b>	£	£
Interest paid on interest bearing shares	-	195
Distributions to junior members	623 4,785	623 4,980

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:

	2024	2023
<b>Dividend rates paid during year % %</b>	£	£
Junior dividend	-	-

## 4 - Interest receivable and similar income

	2024	2023
	£	£
Interest income on loans	3,441,965	3,200,757
Interest income on bank deposits	122,415	58,242
	<b>3,564,380</b>	<b>3,258,999</b>

## 5 - Fees and commissions payable

	2024	2023
	£	£
Bank charges	45,405	22,848
Banking service charges	801,887	786,457
	<b>847,292</b>	<b>809,305</b>

## 6 - Fees and commissions receivable

	2024	2023
	£	£
Entrance fees	3,406	3,502
Service charges	-	5
Banking service charges	572,232	641,529
Insurance commission	2,994	1,694
	<b>578,632</b>	<b>646,730</b>

## 7 - Other operating income

	2024	2023
	£	£
Other income	56,528	-
Grant income	15,175	80,880
Donations received	32,000	52,800
Rental income	56,321	70,692
	<b>160,024</b>	<b>204,372</b>

## 8 - Administrative expenses

	Notes	2024	2023
		£	£
Staff costs	13	1,776,650	1,557,471
Directors' remuneration	12	27,873	27,885
Disposal of assets		-	18,100
External auditor's remuneration		11 19,615	21,824
Member communication and advertising		151,024	147,251
Legal, professional and credit control costs		126,314	94,412
Computer and software expenses		118,675	91,258
Travel costs		10,427	12,533
General administration costs		46,804	45,247
		<b>2,277,382</b>	<b>2,015,981</b>

## 9 - Other operating expenses

	2024	2023
	£	£
Regulatory costs	20,382	15,788
Costs of occupying offices	160,909	120,703
	<b>181,291</b>	<b>136,491</b>

## 10 - Operating surplus

	2024	2023
	£	£
<b>Operating surplus for the year is stated after charging:</b>		
Fees payable to the credit union's external auditor for the audit of the financial statements	11,925	13,310
Depreciation of owned tangible fixed assets	89,245	108,356
Loss on disposal of tangible fixed assets	-	18,100
Amortisation of intangible assets	160,240	145,002
Operating lease charges	31,417	29,638

## 11 - External auditor's remuneration

	2024	2023
	£	£
<b>For audit services</b>		
Audit of the financial statements of the credit union	11,925	13,310
<b>For other services</b>		
All other non-audit services	7,690	8,514

## 12 - Directors' remuneration

	2024	2023
<b>The average monthly number of Directors at the Credit Union during the year was:</b>	Number	Number
Directors	11	11
<b>Remuneration paid to Directors consists of:</b>	£	£
Honorarium	24,585	24,595
Social security costs	3,288	3,290
	<b>27,873</b>	<b>27,885</b>

## 13 - Staff costs

	2024	2023
<b>The average monthly number of persons (excluding Directors) employed by the credit union during the year was:</b>	Number	Number
Administration and support	49	51
<b>Their aggregate remuneration comprised:</b>	£	£
Wages and salaries	1,580,909	1,377,149
Social security costs	134,952	122,782
Pension costs	60,789	57,540
	<b>1,776,650</b>	<b>1,557,471</b>

## 14 - Corporation tax

	2024	2023
	£	£
<b>Current tax</b>		
UK corporation tax on taxable surplus for the current period	43,615	81,350
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	(90,000)
Total tax charge/(credit)	<b>43,615</b>	<b>(8,650)</b>

The actual charge/(credit) for the year can be reconciled to the expected charge for the year based on the surplus or deficit and the standard rate of tax as follows:

	2024	2023
	£	£
Surplus before taxation	178,571	(307,347)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 25.00% (2023: 22.00%)	44,643	(67,616)
Tax effect of income/expenditure not taxable in determining taxable surplus	(1,028)	58,966
Taxation charge/(credit) for the year	<b>43,615</b>	<b>(8,650)</b>

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

	2024	2023
	£	£
Deferred tax arising on:		
Revaluation of property	-	(8,295)

The tax charge has increased during the prior year as a result of the sale of a property. There has been a decrease in deferred tax as a result of the sale.

## 15 - Loans and advances to banks

	2024	2023
	£	£
Cash held at banks	1,518,585	2,198,122
Bank deposits	5,496,660	5,554,296
Loans and advances to banks	7,015,245	7,752,418
Cash in hand	170,360	92,656
Total cash and bank balances	<b>7,185,605</b>	<b>7,845,074</b>
<b>Loans split by repayment period</b>		
Cash and cash equivalents	5,615,842	4,591,951
Amounts maturing in over 8 days	1,569,763	3,253,123
	<b>7,185,605</b>	<b>7,845,074</b>

The carrying amount of the bank balances pledged as collateral is £440,000 (2023 - £440,000).

Collateral is in respect of Optimus for use of Mastercard facilities.

## 16 - Loans and advances to customers

	Notes	2024	2023
		£	£
<b>Loan movement</b>			
Opening balances		28,563,097	27,775,547
Interest on loans		3,441,965	3,200,757
Loans advanced during the period		18,094,865	17,434,634
Loans repaid during the period		(20,028,427)	(19,650,108)
Loans derecognised		(966,713)	(197,733)
		<b>29,104,787</b>	<b>28,563,097</b>
Loan impairment provisions	17	(4,499,111)	(4,869,010)
		<b>24,605,676</b>	<b>23,694,087</b>
<b>Loans split by repayment period</b>			
Capital repayments due within 1 year		12,996,575	12,949,366
Capital repayments due after 1 year		16,108,212	15,613,731
Loan impairment provisions	17	(4,499,111)	(4,869,010)
		<b>24,605,676</b>	<b>23,694,087</b>
<b>Loans split by type</b>			
Loans to members		29,104,787	28,563,097
Loan impairment provisions	17	(4,499,111)	(4,869,010)
		<b>24,605,676</b>	<b>23,694,087</b>

## 17 - Loan impairment

	Write off Provision	Arrears Provision	Total Provisions
		£	£
<b>Loan impairment provision</b>			
Opening balances	1,249,180	3,619,830	4,869,010
Provision movement	-	(369,899)	(369,899)
Closing balances	<b>1,249,180</b>	<b>3,249,931</b>	<b>4,499,111</b>

Under Financial Reporting Standard 102 (FRS 102), the criteria for derecognising (writing off a loan) is different from when the credit union would write off the loan for internal purposes. Loans written off by the Board that do not meet the criteria in FRS 102 for being derecognised are not written off in these financial statements. The loans the credit union feel should be written off but which do not meet the criteria in FRS 102 for being derecognised are fully provided in the write off provision which is shown above. As a result there is no net effect on the surplus or net assets of the credit union from this requirement of FRS 102.

	Notes	2024	2023
		£	£
<b>Impairment revenue account charge</b>			
Impairment provision movement		(369,899)	1,022,349
Bad debts derecognised	16	966,713	197,733
Bad debts recovered		(28,422)	(22,749)
		<b>568,392</b>	<b>1,197,333</b>



## 18 - Tangible fixed assets

	Freehold land and buildings	Leasehold improvements	Fixtures and fittings	Total
	£	£	£	£
<b>Cost or valuation</b>				
At 1 October 2023	3,610,177	296,010	519,999	4,426,186
Additions	-	2,241	129,500	131,741
At 30 September 2024	3,610,177	298,251	649,499	4,557,927
<b>Depreciation and impairment</b>				
At 1 October 2023	-	236,662	493,854	730,516
Depreciation charged in the year	41,709	30,641	16,895	89,245
At 30 September 2024	41,709	267,303	510,749	819,761
<b>Carrying amount</b>				
At 30 September 2024	3,568,468	30,948	138,750	3,738,166
At 30 September 2023	3,610,177	59,348	26,145	3,695,670

In line with FRS 102, the land element of freehold land and buildings is not depreciated. Land and buildings were revalued in August 2023 by Eddisons independent valuers not connected with the credit union on the basis of market value. The valuation was carried out in accordance with RICS Global Standards 2021. The Directors do not believe there would be any material change to the value of the assets at the balance sheet date. Included above is investment properties with a net book value of £859,091 (2023: £859,233). If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2024	2023
	£	£
Cost	2,123,522	2,123,522
Accumulated depreciation	(436,466)	(415,419)
Carrying value	<b>1,687,056</b>	<b>1,708,103</b>

## 19 - Intangible fixed assets

	Software	Licenses & related software	Total
	£	£	£
<b>Cost</b>			
At 1 October 2023	491,024	938,228	1,429,252
Additions - separately acquired	82,838	12,809	95,647
Transfers	124,020	(124,020)	-
At 30 September 2024	697,882	827,017	1,524,899
<b>Amortisation and impairment</b>			
At 1 October 2023	281,821	709,632	991,453
Amortisation charged for the year	68,102	92,138	160,240
Transfers	124,020	(124,020)	-
At 30 September 2024	473,943	677,750	1,151,693
<b>Carrying amount</b>			
At 30 September 2024	223,939	149,267	373,206
At 30 September 2023	209,203	228,596	437,799

## 20 - Customer accounts

	Notes	2024	2023
		£	£
<b>Deposit movement</b>			
Opening balances		31,283,949	31,164,809
Share movement in year		(360,847)	119,140
		<b>30,923,102</b>	<b>31,283,949</b>
<b>Deposits split by type</b>			
Standard dividend bearing member shares		22,488,602	22,949,425
Standard interest bearing member shares		525,440	654,131
Corporate dividend bearing shares		201,540	212,560
		<b>23,215,582</b>	<b>23,816,116</b>
Member current account		6,676,560	6,405,857
Juvenile member deposits		1,030,960	1,061,976
		<b>30,923,102</b>	<b>31,283,949</b>

## 21 - Other receivables

	2024	2023
	£	£
<b>Amounts falling due within one year:</b>		
Other debtors	-	4,600

## 22 - Other liabilities

	2024	2023
	£	£
Corporation tax	43,615	81,350
Other creditors	173	173
Accruals and deferred income	140,974	87,554
	<b>184,762</b>	<b>169,077</b>

## 23 - Deferred income

	2024	2023
	£	£
Opening balance	26,400	107,280
Release in period	(10,000)	(80,880)
	<b>16,400</b>	<b>26,400</b>

## 24 - Loans and overdrafts

	2024	2023
	£	£
Subordinated loans	500,000	-
Payable after one year	500,000	-

Included within creditors is a subordinated debt. This debt is subordinate to the interests of all other creditors, including members and juvenile depositors. The debt is repayable in August 2032 and so is counted as regulatory capital. Interest is currently charged on the subordinated loan at 1% per annum.

## 25 - Financial risk management

The credit union manages its shares and loans so that it earns income from the margin between interest receivable and interest payable (including dividends paid). The main financial risks arising from the activities of the credit union are credit risk, liquidity risk and market risk. The Board reviews and agrees policies for managing each of these risks which are summarised below:

### Credit risk

Credit risk is the risk that a borrower will default on their contractual obligations relating to repayment to the credit union, resulting in financial loss to the credit union. In order to manage this risk the Board approves the lending policy and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate the likelihood of repayment has changed. The credit union also monitors its banking arrangements for credit risk.

### Liquidity risk

The policy of the credit union is to maintain sufficient funds in liquid form at time to ensure that it can meet

its liabilities as they fall due and meet the liquidity ratios set by the regulators. The objective of the policy is to provide a degree of protection against any unexpected developments that may arise

### Market risk

Market risk generally comprises of interest rate risk, currency risk and other price risk. The main risks impacting the credit union are set out below:

**Interest rate risk:** The main interest rate risk for the credit union arises between the interest rate exposure on loans, bank deposits and shares that form an integral part of a credit union's operations. The credit union considers rates of interest receivable when deciding on proposed dividend rates. Dividend rates are based on the historical results of the credit union and the credit union's strategic plans. The credit union does not use interest rate options to hedge its own positions.

**Foreign Currency Risk:** All transactions are carried out in sterling and therefore the credit union is not exposed to any form of foreign currency risk.

## 26 - Provisions for liabilities

	2024	2023
	£	£
Deferred tax liabilities	246,796	246,796

## 27 - Retirement benefit schemes

	2024	2023
	£	£
<b>Defined contribution schemes</b>		
Charge to revenue account in respect of defined contribution schemes	60,789	57,540

The credit union operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the credit union in an independently administered fund.

## 28 - Interest rates on financial instruments

The following table shows the interest earned during the year divided by the average loan balance and the dividend/ interest paid during the year divided by the average share balance. The average balance is taken as the average of the opening and closing balances.

	2024 Amount	2024 Rates received in year	2023 Amount	2023 Rates received in year
	£	%	£	%
<b>Financial assets</b>				
Loans to members	29,104,787	11.90%	28,563,097	11.36%
Loans and advances to banks	7,015,245	1.66%	7,752,418	0.77%
	<b>36,120,032</b>		<b>36,315,515</b>	
<b>Financial liabilities</b>				
Juvenile deposits	(1,030,960)	0.06%	(1,061,976)	0.44%
Dividend bearing shares	(29,366,702)	-	(29,567,842)	-
Interest bearing shares	(525,440)	-	(654,131)	0.03%
Loans to the credit union	(500,000)	-	-	-
	<b>(31,423,102)</b>		<b>(31,283,949)</b>	

## 29 - Credit risk on lending

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

	2024	2023
	£	£
<b>Security for loans</b>		
Attached shares	<b>4,198,891</b>	<b>4,867,949</b>

The carrying amount of the loans to members represents the credit union's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full. The status 'past due' includes any loan where payments are in arrears. The amount included is the entire loan amount and not just the overdue amount.

	2024	2023
	£	£
<b>Loans not individually impaired</b>		
Not past due	24,107,649	23,528,148
Up to 3 months past due	470,747	418,593
	<b>24,578,396</b>	<b>23,946,741</b>
<b>Loans individually impaired</b>		
Between 3 and 6 months past due	154,580	216,449
Between 6 months and 1 year past due	459,343	520,813
Over 1 year past due	2,663,288	2,629,914
Individually impaired and written off for internal purposes	1,249,180	1,249,180
	<b>4,526,391</b>	<b>4,616,356</b>
Total loans	29,104,787	28,563,097
Impairment allowance	(4,499,111)	(4,869,010)
	<b>24,605,676</b>	<b>23,694,087</b>

## 30 - Credit risk on bank and investments

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

	2024	2023
	£	£
Bank accounts	1,518,585	2,198,122
Bank term deposits	5,496,660	5,554,296
	<b>7,015,245</b>	<b>7,752,418</b>

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

## 31 - Capital

The credit union classes all of its reserves as capital. The credit union manages its reserves through its financial and budgeting policies and procedures. The Prudential Regulation Authority sets out requirements for regulatory capital that the credit union must maintain. The credit union's compliance with the requirements at the year end is set out below:

	2024	2023
	£	£
Actual capital to asset ratio	10.77%	8.95%
<b>Regulatory requirement</b>		
Total capital requirement	<b>7.17%</b>	<b>7.16%</b>

## 32 - Reserves

### General Reserve

The general reserve represents the base capital of the credit union and is the retained surpluses and deficits which have not been allocated to another specific reserve. The credit union has the following other reserves:

### Growth Fund Reserve

The growth fund reserve represents surpluses and deficits on growth fund activities, including unused growth fund funding, which must be used for the Department of Works and Pension's Growth Fund project.

### 33 - Interest Rate Risk

	0-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Non-Interest Bearing	Total
	£	£	£	£	£	£	£
<b>Assets</b>							
Cash and balances at central banks	-	-	-	-	-	170,360	170,360
Loans and advances to banks	4,408,480	2,606,765	-	-	-	-	7,015,245
Loans and advances to customers	4,921,684	466,629	1,961,683	21,057,992	696,799	(4,499,111)	24,605,676
Intangible assets	-	-	-	-	-	373,206	373,206
Property, plant and equipment	-	-	-	-	-	-3,738,166	3,738,166
Prepayments	-	-	-	-	-	105,781	105,781
<b>Total assets</b>	<b>9,330,164</b>	<b>3,073,394</b>	<b>1,961,683</b>	<b>21,057,992</b>	<b>696,799</b>	<b>(111,598)</b>	<b>36,008,434</b>
<b>Liabilities and reserves</b>							
Customer accounts	30,923,102	-	-	-	-	-	30,923,102
Other liabilities	-	-	-	-	-	184,762	184,762
Accruals and deferred income	-	-	-	-	-	16,400	16,400
Provisions	-	-	-	-	-	246,796	246,796
Subordinated Loans	-	-	-	-	-	500,000	500,000
Reserves	-	-	-	-	-	4,137,374	4,137,374
<b>Total liabilities and reserves</b>	<b>30,923,102</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,085,332</b>	<b>36,008,434</b>
Difference	21,592,938	(3,073,394)	(1,961,683)	(21,057,992)	(696,799)	5,196,930	-
Cumulative	<b>21,592,938</b>	<b>18,519,544</b>	<b>16,557,861</b>	<b>(4,500,131)</b>	<b>(5,196,930)</b>	<b>-</b>	

### 34 - Analysis of changes in net funds

	1 October 2023	Cash flows	30 September 2024
	£	£	£
Cash and cash equivalents	4,591,951	1,023,891	5,615,842
Bank deposits maturing in over 8 days	3,253,123	(1,683,360)	1,569,763
	<b>7,845,074</b>	<b>(659,469)</b>	<b>7,185,605</b>
Borrowings excluding overdrafts	-	(500,000)	(500,000)
	<b>7,845,074</b>	<b>(1,159,469)</b>	<b>6,685,605</b>



## 35 - Financial commitments, guarantees and contingent liabilities

### Contingent Liabilities

The credit union participates in the Financial Services Compensation Scheme (FSCS) which provides protection for its members up to the level of protection offered by the FSCS. As a result of the credit union's participation it has a contingent liability, which cannot be quantified, in respect of future contributions to the FSCS, as required by the Financial Services and Markets Act 2000.

### Financial Commitments

Under its software contract the credit union has a financial commitment for maintenance of £27,117 (2023: £24,714).

## 36 - Operating lease commitments

### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2024	2023
	£	£
Within one year	34,800	34,800
Between two and five years	139,200	139,200
In over five years	34,800	69,600
Total lessee operating lease commitment	<b>208,800</b>	<b>243,600</b>

## 37 - Related party transactions

The credit union classes the Directors and members of the senior management team as key management.

### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2024	2023
	£	£
<b>Security for loans</b>		
Wages and salaries	366,316	295,358
Honorarium	24,585	24,595
Aggregate compensation	<b>390,901</b>	<b>319,953</b>

### Transactions with key management

Two of the Directors and the CEO are also Directors of SCU Enterprise Limited. SCU Enterprise Limited is set up to provide the members lottery for the Credit Union. During the year SCU Enterprise Limited donated £32,000 (2023: £52,800) to the Credit Union. Balances held by members of key management and their close family members in the credit union are set out below. Loans to key management and their close family members are on standard terms and conditions.

	2024	2023
	£	£
Loans to key management and their close family	73,376	28,762
Shares held by key management and their close family	39,103	76,303

## Detailed Revenue Account for the Year Ended 30 September 2019

	Note	2024	2023
		£	£
<b>Income</b>			
Interest income on loans	4	3,441,965	3,200,757
Interest income on bank deposits	4	122,415	58,242
Fees and commissions receivable	6	578,632	646,730
Other income	7	160,024	204,372
		<b>4,303,036</b>	<b>4,110,101</b>
<b>Expenditure</b>			
Staff costs	13	1,776,650	1,557,471
Directors' remuneration	12	27,873	27,885
Disposal of assets	10	-	18,100
Auditors remuneration	11	19,615	21,824
Member communication and advertising	8	151,024	147,251
Legal, professional and credit control costs	8	126,314	94,412
Computer and software expenses	8	118,675	91,258
Travel costs	8	10,427	12,533
Bank charges	5	45,405	22,848
Banking services costs	5	801,887	786,457
General administration costs	8	46,804	5,247
Regulatory costs	9	20,382	15,788
Costs of occupying offices	9	160,909	120,703
Depreciation and amortisation	10	249,485	253,358
Impairment on loans for bad and doubtful debts	17	568,392	1,197,333
		<b>4,123,842</b>	<b>4,412,468</b>
Surplus before taxation		179,194	(302,367)
Corporation tax	14	(43,615)	8,650
		135,579	(293,717)
Distributions		(623)	(4,980)
Surplus/(deficit) for the year		<b>134,956</b>	<b>(298,697)</b>

**LONDON MUTUAL CREDIT UNION LTD**

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Society Number: 64C

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London Mutual Credit Union Ltd is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority



**London Mutual**  
Credit Union