

**INDUSTRIAL AND PROVIDENT SOCIETY REGISTRATION NUMBER: R500756C**  
**FCA REGISTRATION NUMBER: 654709**

**Churches' Mutual Credit Union**  
**Annual Report & Financial Statements**  
**For the Year Ended**  
**30 September 2019**

# Churches' Mutual Credit Union

## Financial Statements

Year Ended 30 September 2019

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# Churches' Mutual Credit Union

## Credit Union Information

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**The Board of Directors**

Antony MacRow-Wood (Chair)  
Sheila Nicoll (Secretary)  
Jeremy Oakes (Treasurer)  
Samuel Kennedy  
Stephen Morgan  
Nick Mottershead  
Jeremy Palmer  
John Rowland

**Supervisory Committee**

Dave Thomson (Chair)  
John Ellis  
Charles Sim

**Credit and Risk Committee**

Jeremy Palmer (Chair)  
Antony MacRow-Wood  
Nick Mottershead  
Jeremy Oakes  
Hilary Sams (in attendance)

**Key Staff**

Hilary Sams (Chief Executive)  
Jane Turner

**Industrial and Provident Society  
Registration Number**

R500756C

**FCA Registration Number**

654709

**Registered Office**

3 Beaufort Buildings  
Gloucester  
GL1 1XB

**Auditors**

Haines Watts Birmingham LLP  
5-6 Greenfield Crescent  
Edgbaston  
Birmingham  
B15 3BE

**Bankers**

Unity Trust Bank  
Barclays Bank  
Nationwide Building Society

# Churches' Mutual Credit Union

## Chairman's Report

Year Ended 30 September 2019

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I'm delighted, as President, to present the annual report of the Churches' Mutual Credit Union (CMCU) for the year 2018-19.

During this fifth year of trading, the emphasis has been to review our brand, unique selling points and marketing. We were fortunate towards the end of 2018 to be successful in two applications for external funding and received grants from Lloyds Banking Group and Unity Trust Bank that covered the cost of a marketing workshop, a rebrand including the logo and most importantly a new website, to make the processes of the credit union simpler to understand and easier to access. Early indications are that this is having a significant impact.

Overall, I am pleased to be able to report, that despite the continuing political and economic uncertainty, we have seen a year of slow but steady growth in all areas of the credit union's business with both the value of savings and the loan book increasing. The Credit Committee pays careful attention to the affordability of loans for members in the current financial climate, to ensure that we are helping people manage their finances effectively and not encouraging excessive debt. Unfortunately, after over four years of lending, 2019 saw a small amount of default in loans with three members seeking some form of debt management, however the level of bad debt remains remarkably low at 0.3%. Towards the end of the year we were delighted to form a new partnership with the Clergy Support Trust to help those in moderate financial difficulty to reschedule their debts.

Encouraging employers to address issues of financial resilience in their workforce continues to be a priority for Churches' Mutual, and this year we have added The St Vincent de Paul Society, The Aletheia Anglican Academies Trust (Rochester Diocese), The Good Shepherd Multi Academy Trust (Carlisle Diocese) and The Springfield Project (Birmingham Diocese) to the growing number of employers who offer access to regular savings and affordable loans through direct deduction from salary. However there remains plenty of capacity to offer this facility to other employers within our common bond.

We go into 2020 knowing that we will be facing a number of challenges in the need to maintain strong governance of the credit union through recruiting members to serve as directors and other key volunteers, the need to maintain key ratios in the areas of lending, income and arrears, and on a more practical note, the need to relocate premises in the early summer. However, we believe we face these challenges from a position of strength, building on the success of the past five years.

A MacRow-Wood  
Chair

# Churches' Mutual Credit Union

## Directors' Report

Year Ended 30 September 2019

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### Principal Activity

Churches' Mutual Credit Union is a society established under the Industrial and Provident Societies Act 1965; an Act which was subsequently consolidated into the Co-operative and Community Benefit Societies Act 2014. The principal activity of the Society during the year was to operate as a Credit Union, within the meaning of the Credit Unions Act 1979. Churches' Mutual Credit Union is registered with the Financial Conduct Authority and is regulated by the Prudential Regulation Authority under the provisions of the Financial Services and Markets Act 2000.

### Directors

The directors who served the Credit Union during the year and up to the date of signing of this report were as follows:

Antony MacRow-Wood (Chair)

Sheila Nicoll (Secretary)

Jeremy Oakes (Treasurer)

Nigel Bourne

Samuel Kennedy

Stephen Morgan

Nick Mottershead

Jeremy Palmer

John Rowland

Changes in directors during the period were as follows:

Nigel Bourne                      resigned 1 February 2019

Hylde Wilson                      elected 1 February 2019, resigned 30 September 2019

### Directors' Responsibilities

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

Credit Union and Co-operative and Community Benefit Societies law 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 and Co-operative and Community Benefit Societies law 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 for that year.

In preparing those financial statements, directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and 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; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Credit Union will continue in operation.

# Churches' Mutual Credit Union

## Directors' Report (continued)

Year Ended 30 September 2019

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### Directors' Responsibilities (continued)

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

### Auditor

Haines Watts Birmingham LLP were appointed as external auditors for the year ended 30 September 2019 and a resolution to reappoint will be proposed at the forthcoming Annual General Meeting.

In so far as the directors are individually aware:

- there is no relevant audit information of which the Credit Union's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the Board of Directors on 9 December 2019 and signed on its behalf by:

A MacRow-Wood  
Chair

# Churches' Mutual Credit Union

## Independent Auditor's Report to the Members

### Year Ended 30 September 2019

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#### **Opinion**

We have audited the financial statements of Churches' Mutual Credit Union (the 'Credit Union') for the year ended 30 September 2019 on pages 8 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 2019 and of its income and expenditure 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 Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

#### **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 Auditors' 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 FRC's Ethical Standards, 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 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 Credit Union'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 of the information in the Chairman's Report and the Directors' Report, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

# Churches' Mutual Credit Union

## Independent Auditor's Report to the Members (continued)

Year Ended 30 September 2019

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### Other information (continued)

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, 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

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 accounting records have not been kept by the Credit Union in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Credit Union in accordance with the requirements of the legislation;
- the revenue account or other accounts (if any) to which our report relates, and the 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 and access to documents that we require for our audit.

### Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 and 4, 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 necessary to enable to 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.

### Our 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 reasonable be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

# Churches' Mutual Credit Union

Independent Auditor's Report to the Members (continued)

Year Ended 30 September 2018

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## 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 a Report of the Auditors 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.

Haines Watts Birmingham LLP  
5-6 Greenfield Crescent  
Edgbaston  
Birmingham  
B15 3BE

Date .....

# Churches' Mutual Credit Union

## Revenue Account

Year Ended 30 September 2019

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	Note	2019 £	2018 £
Loan interest receivable and similar income	4	151,536	136,570
Interest payable	5	<u>(15,351)</u>	<u>(11,510)</u>
<b>Net interest income</b>		<b>136,185</b>	<b>125,060</b>
Fees and commissions receivable	6	705	1,130
Fees and commissions payable	7	<u>(2,060)</u>	<u>(1,927)</u>
<b>Net fees and commissions payable</b>		<b>(1,355)</b>	<b>(797)</b>
Other income	8	16,665	9,255
Administrative expenses	9	(122,716)	(106,575)
Other operating expenses	10	(21,646)	(18,731)
Impairment (losses)/gains on loans to members	17	<u>(8,420)</u>	<u>2,900</u>
		<b>(152,782)</b>	<b>(122,406)</b>
<b>(Deficit)/surplus before taxation</b>		<b>(1,287)</b>	<b>11,112</b>
Taxation	13	(1,192)	(683)
<b>(Deficit)/surplus for the financial year</b>		<b>(2,479)</b>	<b>10,429</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>(2,479)</b>	<b>10,429</b>

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There are no recognised gains or losses other than those reported above.  
The (deficit)/surplus for the financial year arises from continuing operations.

*The notes on pages 12 to 22 form part of the financial statements.*

# Churches' Mutual Credit Union

## Statement of Financial Position

As at 30 September 2019

	Note	2019 £	2018 £
<b>Assets</b>			
Cash, cash equivalents and liquid deposits:			
Loans and advances to banks		1,198,153	1,234,076
Loans and advances to members	17	2,773,515	2,522,788
Tangible fixed assets	14	-	-
Prepayments and accrued income	15	3,158	3,158
<b>Total assets</b>		<b>3,974,826</b>	<b>3,760,022</b>
<b>Liabilities</b>			
Subscribed capital - repayable on demand	19	(3,479,927)	(3,263,154)
Other payables	20	(9,481)	(8,971)
		<b>(3,489,408)</b>	<b>(3,272,125)</b>
<b>Equity</b>			
General reserve		19,666	12,447
Other reserve		-	8,024
Interest proposed		13,752	15,426
Retained earnings		33,418	35,897
Deferred shares	19	452,000	452,000
		<b>485,418</b>	<b>487,897</b>
<b>Total liabilities</b>		<b>3,974,826</b>	<b>3,760,022</b>

These financial statements were approved, and authorised for issue, by the Board of Directors on 9 December 2019 and signed on its behalf by:

Antony MacRow-Wood  
Chair

Jeremy Oakes  
Treasurer

Sheila Nicoll  
Secretary

*The notes on pages 12 to 22 form part of the financial statements.*

# Churches' Mutual Credit Union

## Statement of Changes in Equity

Year Ended 30 September 2019

	General reserve £	Other reserve £	Interest proposed £	Retained earnings £	Deferred shares £
<b>At 1 October 2017</b>	<b>8,060</b>	<b>5,708</b>	<b>11,700</b>	<b>25,468</b>	<b>452,000</b>
Total comprehensive income 201	21,939	-	(11,510)	<b>10,429</b>	-
Designated for dividend	(15,236)	-	15,236	-	-
Transfer between funds	(2,316)	2,316	-	-	-
<b>At 30 September 2018</b>	<b>12,447</b>	<b>8,024</b>	<b>15,426</b>	<b>35,897</b>	<b>452,000</b>
Total comprehensive income	12,872	-	(15,351)	<b>(2,479)</b>	-
Designated for dividend	(13,677)	-	13,677	-	-
Transfer between funds	8,024	(8,024)	-	-	-
<b>At 30 September 2019</b>	<b>19,666</b>	<b>-</b>	<b>13,752</b>	<b>33,418</b>	<b>452,000</b>

*The notes on pages 12 to 22 form part of the financial statements.*

# Churches' Mutual Credit Union

## Statement of Cash Flows

Year Ended 30 September 2019

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	2019	2018
	£	£
<b>Cash flows from operating activities</b>		
(Deficit)/surplus before taxation	(1,287)	10,429
Adjustments for non-cash items:		
Debt impairment and write off	8,420	(3,558)
	<u>7,133</u>	<u>6,871</u>
<b>Movements in:</b>		
Prepayments and accrued income	-	-
Other payables	1	(2,043)
	<u>1</u>	<u>(2,043)</u>
<b>Cash flows from changes in operating assets and liabilities</b>		
Cash flow from subscribed and repaid capital	216,773	456,708
Net movement in member loans	(259,147)	(432,572)
	<u>(42,374)</u>	<u>24,136</u>
Taxation paid	(683)	(290)
	<u>(35,923)</u>	<u>28,674</u>
<b>Net cash flows from operating activities</b>		
	<u>(35,923)</u>	<u>28,674</u>
<b>Cash flow from investing activities</b>		
Fixed asset additions	-	-
	<u>-</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	<u>(35,923)</u>	<u>28,674</u>
<b>Cash and cash equivalents at the beginning of the year</b>	1,234,076	1,205,402
<b>Cash and cash equivalents at the end of the year</b>	<u>1,198,153</u>	<u>1,234,076</u>

*The notes on pages 12 to 22 form part of the financial statements.*

# Churches' Mutual Credit Union

## Notes to the Financial Statements

Year Ended 30 September 2019

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### 1 Legal and regulatory framework

Churches' Mutual Credit Union is a society established under the Industrial and Provident Societies Act 1965, whose principal activity is to operate as a credit union, within the meaning of the Credit Unions Act 1979. Churches' Mutual Credit Union has registered with the Financial Conduct Authority under the provisions of the Financial Services and Markets Act 2000.

In accordance with regulatory environment for credit unions, deposits from members can be made by subscription for redeemable shares, deferred shares and interest-bearing shares. At present Churches' Mutual Credit Union has only issued redeemable and deferred shares.

### 2 Accounting policies

#### Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements have been prepared under the historical cost basis.

The significant accounting policies applied in the preparation of these financial statements are set out below.

#### Going concern

The financial statements have been prepared on the going concern basis as the Directors believe this is appropriate despite a mismatch in the maturity analysis of subscribed capital and loans to members, because the credit union holds a substantial amount of capital in the form of deferred shares totalling £452,000 (2018: £452,000).

#### Income recognition

Loan interest receivable and similar income: Interest on both loans to members and loans to banks is recognised using the effective interest method, and is calculated and accrued on a daily basis.

Fees and commissions receivable: Fees and charges 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 completed.

#### Taxation

The tax charge for the year reflects current tax payable. Current tax is the expected corporation tax payable for the year, using tax rates in force for the year. Churches' Mutual Credit Union is not liable to corporation tax payable on its activities of making loans to members, and investing surplus funds, as these are not classified as trade. However, corporation tax is payable on investment income.

As a result of the limited activities of Churches' Mutual Credit Union from which profits are chargeable to corporation tax, it is unlikely that deferred tax will arise.

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2019

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### 2 Accounting policies (continued)

#### Tangible fixed assets

Tangible fixed assets comprises items of Fixtures, fittings and Computer equipment. Intangible fixed assets comprises Website costs. Both are stated at cost less accumulated depreciation/amortisation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation/amortisation is calculated to write off the cost of fixed assets over their estimated useful lives as follows:

Leasehold Property	over the term of the lease
Office and Computer Equipment	3 years straight line

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and loaned and advanced to banks (i.e. cash deposited with banks) with maturity of less than or equal to three months.

#### Financial assets - loans and advances to members

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 method.

Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by a member.

#### Impairment of financial assets

Churches' Mutual 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.

#### Subscribed capital - financial liabilities

Members' shareholdings in Churches' Mutual Credit Union are redeemable and therefore classified as financial liabilities, and described as subscribed capital. They are recognised at the amount of cash deposited and subsequently measured at amortised cost.

#### Subscribed capital - equity

Churches' Mutual Credit Union has issued deferred shares in accordance with section 31 of the Credit Unions Act 1979, as introduced by the Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 and has asserted its unconditional right to refuse redemption of said shares. The fact that this limits the redemption of deferred shares to those at the consent of the credit union and the regulators permits their being accounted for as equity under Section 22.6 of FRS 102.

#### Reserves

Retained earnings are the accumulated surpluses to date that have not been declared as dividends returnable to members.

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2019

### 3 Use of estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying Churches' Mutual's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

#### *Impairment losses*

Made in accordance with guidance issued by the FCA, and is as follows:

35% of the net liability of loans over 3 months in arrears but less than 6 months in arrears;

60% of the net liability of loans over 6 months in arrears but less than 9 months in arrears;

80% of the net liability of loans over 9 months in arrears but less than 12 months in arrears;

100% of the net liability of loans over 12 months in arrears

Churches' Mutual Credit Union exercises further judgement in calculating the extent of impairment losses on loans to members based on experience of trading for the past year and the nil bad debt at the end of September 2018. The credit union operates a sliding scale of general provisioning between 0% and 2% based on estimated risk of each loan product.

### 4 Loan interest receivable and similar income

	2019	2018
	£	£
Loan interest receivable from members	145,262	132,975
Bank interest receivable on cash and liquid deposits	6,274	3,595
<b>Total loan interest receivable and similar income</b>	<b>151,536</b>	<b>136,570</b>

### 5 Dividend paid to members

The expense in the Revenue Account is the dividend paid to members for the prior year. The dividend is formally proposed by the Directors after the year end and is confirmed at the following AGM. As a result it does not represent a liability at the balance sheet date.

	2019	2018
	£	£
Interest overstated in the prior period	(75)	(190)
Interest paid during the year	15,426	11,700
	<b>15,351</b>	<b>11,510</b>
Dividend rate:		
Deferred shares	0.2%	0.25%
Corporate and member shares	0.2-0.5%	0.25-0.5%
Founder member shares	0.50%	0.50%
<b>Interest proposed, but not recognised</b>	<b>13,752</b>	<b>15,426</b>

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2019

### 6 Fees and commissions receivable

	2019 £	2018 £
Entrance fees	<u>705</u>	<u>1,130</u>

### 7 Fees and commissions payable

	2019 £	2018 £
Bank charges	<u>2,060</u>	<u>1,927</u>

### 8 Other income

	2019 £	2018 £
Dormant account administration charges	175	505
Grants	16,000	8,500
Donations	490	75
Other	-	175
	<u>16,665</u>	<u>9,255</u>

### 9 Administrative expenses

	2019 £	2018 £
Employment costs	72,749	71,173
Staff training	660	3,576
Directors' expenses	1,250	1,578
Other staff expenses	1,241	1,025
Auditors remuneration	6,936	7,240
Bookkeeping and payroll	1,563	2,062
Telephone	896	1,490
Computer maintenance, software and website costs	27,834	12,151
Data protection	35	35
Licences	956	1,150
General expenses	538	456
Printing, postage, stationary, advertising and marketing	7,770	4,274
Other insurance	288	365
	<u>122,716</u>	<u>106,575</u>

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2019

### 10 Other operating expenses

	2019	2018
	£	£
<b>Costs of occupying offices (excluding depreciation)</b>		
Cleaning	1,838	1,947
Office service costs	2,500	2,500
	<u>4,338</u>	<u>4,447</u>
<b>Regulatory and financial management costs</b>		
Financial Conduct Authority and Prudential Regulation Authority Fees	1,108	999
Association of British Credit Union Limited dues	1,439	736
Credit agency fees	3,360	3,360
Fidelity insurance	3,420	2,200
Loan protection and life savings insurance	7,981	6,989
	<u>17,308</u>	<u>14,284</u>
	<u>21,646</u>	<u>18,731</u>

### 11 Employees and employment costs

	2019	2018
	No.	No.
<b>Number of employees</b>		
The average monthly number of employees during the year were:		
Office staff	<u>2</u>	<u>2</u>
	<u>2019</u>	<u>2018</u>
<b>Employment costs</b>	£	£
Wages and salaries	67,294	66,300
Social security costs	3,933	3,861
Payments to defined contribution pension schemes	1,521	1,012
	<u>72,748</u>	<u>71,173</u>

### 12 Remuneration of directors and key management personnel

Directors' remuneration for the year totalled £nil (2018: £nil).

Key management personnel consists the Board of Directors and the Chief Executive in addition to any other key members of staff. The aggregate remuneration of Key management personnel was as follows:

	2019	2018
	£	£
Short term employee benefits	67,294	66,300
Payments to defined contribution pension schemes	1,521	1,012
	<u>68,815</u>	<u>67,312</u>

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2019

### 13 Taxation

	2019 £	2018 £
<b>Analysis of tax charge in year</b>		
UK Corporation tax on profits for the year	1,192	683
<b>Total current tax</b>	<u>1,192</u>	<u>683</u>

#### Factors affecting tax charge for year

The tax assessed for the year is lower than the rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
<b>(Deficit)/surplus on ordinary activities before tax and dividends</b>	<u>(1,287)</u>	<u>11,112</u>
(Deficit)/surplus on ordinary activities multiplied by the relevant standard rate of Corporation tax in the UK of 19% (2018: 19%)	(245)	2,111
<b>Effects of:</b>		
Non taxable deficit/(surplus) on transactions with members	1,435	(1,428)
Reduction in tax rate during the year	-	-
<b>Current tax charge for year (see note above)</b>	<u>1,190</u>	<u>683</u>

### 14 Fixed assets

	Leasehold Property £	Fixtures, fittings, office and IT equipment £	Total £
<b>Cost</b>			
At 1 October 2018	3,300	15,562	18,862
Additions	-	-	-
Disposals	-	-	-
<b>At 30 September 2019</b>	<u>3,300</u>	<u>15,562</u>	<u>18,862</u>
<b>Depreciation/amortisation</b>			
At 1 October 2018	3,300	15,562	18,862
Charge for the year	-	-	-
Eliminated on disposal	-	-	-
<b>At 30 September 2019</b>	<u>3,300</u>	<u>15,562</u>	<u>18,862</u>
<b>Net book value</b>			
<b>At 30 September 2019</b>	<u>-</u>	<u>-</u>	<u>-</u>
At 30 September 2018	-	-	-

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2019

### 15 Cash and cash equivalents

	2019 £	2018 £
Cash and balances with the Bank of England		
Loans and advances to banks	1,198,153	1,234,076
Less: amounts maturing after three months	-	-
	<u>1,198,153</u>	<u>1,234,076</u>

### 16 Prepayments and accrued income

	2019 £	2018 £
Prepayments	3,158	3,158
	<u>3,158</u>	<u>3,158</u>

### 17 Loans and advances to members - financial assets

Loans and advances to members	2019 £	2018 £
As at 1 October 2018	2,536,653	2,104,081
Loan interest	145,262	132,975
Net advanced/(repaid) during the year	113,885	299,597
Written off	-	-
<b>Gross loans and advances to members</b>	<u>2,795,800</u>	<u>2,536,653</u>
Impairment losses		
As at 1 October 2018	(13,865)	(17,423)
(Increase)/decrease in allowances during the year	(8,420)	3,558
	<u>(22,285)</u>	<u>(13,865)</u>
<b>As at 30 September 2018</b>	<u>2,773,515</u>	<u>2,522,788</u>

### Memorandum - Total loan assets for regulatory purposes

	2019 £	2018 £
Gross loans and advances to members	2,795,800	2,536,653
Impairment of individual financial assets	(22,285)	(13,865)
<b>Total loan assets for regulatory purposes</b>	<u>2,773,515</u>	<u>2,522,788</u>

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2019

### 18 Credit risk disclosures

Churches' Mutual Credit Union does not offer mortgages and all loans to members are unsecured, except that there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding. The maximum that can be borrowed by an individual is £15,000 in excess of any secured shares.

The carrying amount of the loans to members represents Churches' Mutual 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.

	2019		2018	
	Amount £	Proportion %	Amount £	Proportion %
<b>Not impaired:</b>				
Not yet past due	2,783,660	99.6%	2,536,653	100.0%
Up to 3 months past due	-	-	-	-
Between 3 and 6 months past due	-	-	-	-
Between 6 months and 1 year past due	-	-	-	-
Over 1 year past due	-	-	-	-
<b>Loans not impaired</b>	<u>2,783,660</u>	<u>99.6%</u>	<u>2,536,653</u>	<u>100.0%</u>
<b>Individually impaired:</b>				
Not yet past due	12,140	0.4%	-	-
Up to 3 months past due	-	-	-	-
Between 3 and 6 months past due	-	-	-	-
Between 6 months and 1 year past due	-	-	-	-
Over 1 year past due	-	-	-	-
<b>Loans impaired</b>	<u>12,140</u>	<u>0.4%</u>	<u>-</u>	<u>0.0%</u>
<b>Total loans</b>	<u>2,795,800</u>		<u>2,536,653</u>	
<b>Impairment allowance</b>	<u>(22,285)</u>		<u>(13,865)</u>	
<b>Total carrying value</b>	<u>2,773,515</u>		<u>2,522,788</u>	

Factors that are considered in determining whether loans are impaired are discussed in Note 3.

	2019 £	2018 £
<b>Allowance account for impairment losses</b>		
As at 1 October 2018	13,865	17,423
Increase/(decrease) in allowances during the year	8,420	(3,558)
<b>As at 30 September 2019</b>	<u>22,285</u>	<u>13,865</u>
<b>Impairment losses recognised for the year</b>		
Impairment of individual financial assets	8,288	658
Increase/(decrease) in impairment allowances during the year	132	-
	<u>8,420</u>	<u>658</u>
Reversal of impairment where debt recovered	-	(3,558)
<b>Total impairment losses/(gains) recognised for the year</b>	<u>8,420</u>	<u>(2,900)</u>

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2019

### 19 Subscribed capital

	2019	2018
	£	£
<b>Share deposits</b>		
As at 1 October 2018	3,715,154	3,258,446
Received during the year	753,522	987,974
Entrance fees	(705)	(1,130)
Repaid during the year	(847,118)	(749,204)
Transferred	311,074	219,068
<b>As at 30 September 2019</b>	<b>3,931,927</b>	<b>3,715,154</b>
<b>Subscribed capital presented as financial liabilities:</b>		
Members share deposits repayable on demand	3,479,927	3,263,154
<b>Subscribed capital presented as equity:</b>		
Deferred shares	452,000	452,000
<b>Total subscribed capital</b>	<b>3,931,927</b>	<b>3,715,154</b>

Churches' Mutual Credit Union has issued deferred shares in accordance with section 31 of the Credit Unions Act 1979, as introduced by the Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 and has asserted its unconditional right to refuse redemption of said shares. The fact that this limits the redemption of deferred shares to those at the consent of the credit union and the regulators permits their being accounted for as equity under Section 22.6 of FRS 102.

### 20 Other payables

	2019	2018
	£	£
UK Corporation Tax	1,192	683
Accruals and deferred income	8,289	8,288
	<b>9,481</b>	<b>8,971</b>

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2019

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### 21 Financial risk management

The main financial risks arising from Churches' Mutual Credit Union's activities are credit risk, liquidity risk and interest rate 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 repayments to Churches' Mutual Credit Union, resulting in financial loss. In order to manage this risk the Board approves Churches' Mutual's 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.

**Liquidity risk:** Churches' Mutual Credit Union's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due. The objective of Churches' Mutual's liquidity policy is to smooth the mismatch between maturing assets and liabilities and to provide a degree of protection against unexpected developments that may arise. Note 2 provides further details about the impact of the maturity mismatch on the going concern status of Churches' Mutual Credit Union.

**Market risk:** Market risk is generally comprised of interest rate risk, currency risk, and other price risk. Churches' Mutual Credit Union conducts all its transactions in sterling and does not deal in derivatives or commodity markets. Therefore Churches' Mutual is not exposed to any form of currency risk or other price risk.

**Interest rate risk:** Churches' Mutual decides on the level of dividend reward payable to holders of subscribed capital based on the actual and forecast levels of operating surplus. Aside from dividend costs, Churches' Mutual has no exposure to interest rate costs.

#### Interest rate risk disclosures

The following table shows the average interest rates applicable to relevant financial assets and financial liabilities.

	2019		2018	
	Amount £	Average interest rate	Amount £	Average interest rate
<b>Financial assets</b>				
Loans to members	<u>2,773,515</u>	5.24%	<u>2,522,788</u>	5.27%
<b>Financial liabilities</b>				
Subscribed capital	<u>3,479,927</u>	0.4%	<u>3,263,154</u>	0.5%

#### Liquidity risk disclosures

Excluding short-term other payables, as noted in the balance sheet, Churches' Mutual Credit Union's financial liabilities, the subscribed capital, are repayable on demand, with the exception of the deferred shares (see note 19).

#### Fair value of financial instruments

Churches' Mutual Credit Union does not hold any financial instruments at fair value.

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2019

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### 22 Contingent liabilities

Churches' Mutual Credit Union participates in the Financial Services Compensation Scheme (FSCS) and therefore has a contingent liability, which cannot be quantified, in respect of contributions to the FSCS, as required by the Financial Services and Markets Act 2000. The Financial Conduct Authority (FCA) had provided details of how the calculation of next year's contributions towards the FSCS will be calculated and full provision has been included for this in the liability. However, this is subject to future changes in interest rates and levels of deposits held by UK deposit takers. Therefore there is inherent uncertainty regarding the totality of the levy that Churches' Mutual Credit Union will have to pay.

### 23 Related party transactions

During the year, 19 members of the Board, staff and their close family members (2018: 20) had share accounts and 3 (2018: 3) had loans with Churches' Mutual Credit Union. These share accounts and loans were approved on the same basis as share accounts and loans to other members of Churches' Mutual Credit Union. None of the directors, staff or their close family members, have any preferential terms on their share accounts or loans.

	<b>Brought forward</b>	<b>Interest paid/recd</b>	<b>Deposited/ repaid</b>	<b>Withdrawn/ advanced</b>	<b>Carried forward</b>
Shares	(83,000)	(399)	(8,268)	4,492	(87,176)
Loans	12,601	544	(8,286)	3,000	7,859