

Churches'  
Mutual  
Credit  
Union

30 September

2017

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**PRA/ FCA registration  
number 654709**

**Directors'  
Report and  
Financial  
Statements**

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**Churches' Mutual Credit Union  
Year Ended 30 September 2017  
Administrative information**

<b>Directors:</b>	Antony MacRow-Wood (Chairman) Sheila Nicoll (Secretary) Jeremy Oakes (Treasurer) Steve Allinson (Resigned 26/01/17) Nigel Bourne Sue Haworth Uell Kennedy Stephen Morgan (Elected 27/01/17) Nick Mottershead Jeremy Palmer
<b>Supervisory Committee:</b>	Dave Thomson (Chair) Charles Sim John Ellis
<b>Credit and Risk Committee:</b>	Jeremy Palmer (Chair) Jeremy Oakes Nick Mottershead Antony MacRow-Wood Sue Haworth Hilary Sams (in attendance)
<b>Key Staff:</b>	Hilary Sams Jane Turner
<b>Secretary</b>	Sheila Nicoll
<b>Industrial and Provident Society Registration Number</b>	R500756C
<b>PRA/ FCA Registration Number</b>	654709
<b>Registered Office</b>	3 Beaufort Buildings Gloucester GL1 1XB
<b>Auditor</b>	PKF Francis Clark Statutory Auditors Towngate House 2~8 Parkstone Road Poole BH15 2PW
<b>Bankers</b>	Unity Trust Bank Barclays Bank Nationwide Building Society

**Churches' Mutual Credit Union  
Year Ended 30 September 2017  
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# **Churches' Mutual Credit Union Year Ended 30 September 2017 Directors' Report**

The Directors present their report and the financial statements for the year ended 30 September 2017.

I'm delighted, as President, to present the annual report of the Churches' Mutual Credit Union (CMCU) for the year 2016-17. Once again I am pleased to be able to report on a year of growth in all areas of the Credit Union's business with a number of significant high points.

At the AGM in January 2017 we were delighted to announce that our application to include members of the Roman Catholic Church in England and Wales, and in Scotland in our common bond had been approved. As a result membership is now open to some 50,000 additional employees and trustees of Roman Catholic dioceses and charities including priests, deacons, members of the curia and other employees. CMCU now has members connected with several RC dioceses and organisations and has started a phased introduction of payroll deduction to eligible Roman Catholic employees beginning with the Diocese of Westminster and we hope to bring more on board in this way in the year ahead.

As part of our commitment to working with our denominational partners CMCU has made a concerted effort in the past year to ensure that all sectors within our common bond are aware of the services we provide and find them easy to access. While we are often perceived as a credit union for clergy, ordained ministers in fact make up less than 5% of our eligible common bond. To this end we have worked closely with the Church of Scotland and now offer payroll savings and loans through CMCU to the 2000 employees of CrossReach, their social care arm. We would like to note our particular thanks to Karen Hunter of the Church and Society Council of the Church of Scotland for the work she did on the ground to facilitate this.

Another hitherto untapped section of our common bond has been those employed in church schools. All Diocesan Multi-Academy Trusts and Voluntary Aided Schools are recognised charities of their denomination and as such their employees are eligible for membership. We already have a small number of school employees as members and we are working with various dioceses to offer access to credit union services through payroll as an employee benefit. Research from around the world has shown this has a positive effect on staff retention.

Responding to the needs of members in the products and services we offer continues to be a priority for the CMCU. This year we have extended our loan products to offer a Payroll Savers Loan, which actively encourages members to save alongside their loan repayment and discounts the lending rate if they do so. Another product is designed to anticipate the needs of members coming up to retirement is our Commutation Loan (commutation is a technical term for the part of a final salary pension which can be taken as a lump sum) which allows the member to pay a smaller 'interest only' repayment for up to three years before the entire principal becomes due.

The Credit Union team continue to look for innovative ways to promote the CMCU to all sections of its common bond as a viable alternative to mainstream lenders, whilst demonstrating that it is possible to be ethical, co-operative and competitive in the service it provides. A particular concern is to ensure members can afford the loan they apply for and finishing the year, once again, with zero bad debt is a testament to our lending practices. We start the new credit union year on a sound footing, working to expand the Credit Union in a managed and dynamic way.

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Credit Union 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). 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 the surplus or deficit loss 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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.

The Directors' Report was approved by the Board of Directors on 11<sup>th</sup> December 2017 and signed on its behalf by:

.....  
Antony MacRow-Wood (Chairman)

# **Churches' Mutual Credit Union Year Ended 30 September 2017 Independent Auditors' Report**

We have audited the financial statements of Churches Mutual Credit Union Limited for the year ended 30 September 2017 which comprise the Revenue Account, Appropriation Account, Reserves, the Balance Sheet and the related notes. 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, specifically Financial Reporting Standard 102).

This report is made solely to the credit union's members, as a body, in accordance with Section 87 of 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.

## **Respective responsibilities of the Directors and Auditors**

As explained more fully in the Director's Responsibilities Statement, set out on page 2, the directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

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

In addition, we read all the financial and non-financial information in the director's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- Give a true and fair view of the state of the credit union's affairs as at 30 September 2017 and of its income and expenditure for the period then ended; and
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, specifically Financial Reporting Standard 102 and with the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

**Churches' Mutual Credit Union  
Year Ended 30 September 2017  
Independent Auditors' Report continued**

**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 require us to report to you, if in our opinion:

- Proper books of account have not been kept by the credit union in accordance with the requirements of the legislation;
- A satisfactory system of control over transactions has not been maintained by the credit union in accordance with the requirements of the legislation;
- The revenue account or the 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 unions; or
- We have not obtained all the information and explanations necessary for the purposes of our audit.

Towngate House  
2-8 Parkstone Road  
POOLE  
BH15 2PW

PKF Francis Clark  
Statutory Auditors

Date: .....

**Churches' Mutual Credit Union  
Year Ended 30 September 2017  
Revenue Account**

for the year ended 30 September 2017

	Note	2017 £	2016 £
Loan interest receivable and similar income	4	101,444	51,683
Interest payable	5	(10,481)	(4,459)
<b>Net interest income</b>		<b>90,963</b>	47,224
Fees and commissions receivable	6	1,411	1,765
Fees and commissions payable		(1,629)	(960)
<b>Net fees and commissions receivable / (payable)</b>		<b>(218)</b>	805
Other income (including grants, donations and website advertising)		42,180	95,826
Administrative expenses	7a	(100,595)	(106,105)
Depreciation and amortisation	10	(6,418)	(6,222)
Other operating expenses	7b	(15,002)	(16,793)
Impairment losses on loans to members	11e	(923)	(7,843)
<b>(Deficit)/ Surplus before taxation</b>		<b>9,987</b>	6,892
Taxation	9a	(290)	(212)
<b>(Deficit)/ Surplus for the financial year</b>		<b>9,697</b>	6,680
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>9,697</b>	6,680

**Churches' Mutual Credit Union  
Year Ended 30 September 2017  
Balance Sheet**

as at 30 September 2017

	Note	2017 £	2016 £
<b>ASSETS</b>			
Cash, cash equivalents and liquid deposits			
Loans and advances to banks	15	<b>1,205,402</b>	538,954
Loans and advances to members	11	<b>2,086,658</b>	1,471,627
Tangible fixed assets	10	-	6,418
Prepayments and accrued income		<b>3,158</b>	3,158
Trade debtor		-	1,250
<b>Total assets</b>		<b>3,295,218</b>	2,021,407
<b>LIABILITIES</b>			
Subscribed capital – repayable on demand	12	<b>(2,807,446)</b>	(1,558,986)
Subscribed capital – not repayable on demand	12	<b>(451,000)</b>	(441,000)
Other payables	13	<b>(11,304)</b>	(5,650)
		<b>(3,269,750)</b>	(2,005,636)
<b>RETAINED EARNINGS</b>			
General Reserve		<b>(8,060)</b>	(4,024)
Other Reserve		<b>(5,708)</b>	(1,247)
Interest proposed	5	<b>(11,700)</b>	(10,500)
<b>Total liabilities</b>		<b>(3,295,218)</b>	(2,021,407)

The financial statements were approved, and authorised for issue, by the Board on  
..... and signed on its behalf by:

.....  
Sheila Nicoll (Secretary)

.....  
Antony MacRow Wood (Chairman)

.....  
Jeremy Oakes (Treasurer)

**Churches' Mutual Credit Union**  
**Year Ended 30 September 2017**  
**Statement of changes in retained earnings**

for the year ended 30 September 2017

	<b>2017</b>	2016
	<b>£</b>	£
As at 1 October 2016	<b>5,271</b>	4,741
Total comprehensive income for the year	<b>9,697</b>	6,680
Interest proposed 2016	<b>10,500</b>	4,350
Interest proposed 2017	<b>(11,700)</b>	(10,500)
<b>As at 30 September 2017</b>	<b>13,768</b>	5,271

**Churches' Mutual Credit Union  
Year Ended 30 September 2017**

**Cash flow statement**

for the year ended 30 September 2017

	Note	2017 £	2016 £
<b>Cash flows from operating activities</b>			
Total comprehensive income for the year		9,697	6,680
Adjustments for non-cash items:			
Depreciation	10	6,418	6,222
Impairment losses	11e	923	7,843
		<hr/>	<hr/>
		7,341	14,065
Movements in:			
Prepayments and accrued income		-	680
Trade debtors		1,250	(1,250)
Other payables		5,866	(70,404)
		<hr/>	<hr/>
		7,116	(70,974)
<b>Cash flows from changes in operating assets and liabilities</b>			
Cash inflow from subscribed capital	12	1,875,683	1,041,946
Cash outflow from repaid capital	12	(617,223)	(306,470)
New loans to members	11a	(1,277,622)	(1,318,055)
Repayment of loans by members	11a	661,668	271,344
		<hr/>	<hr/>
		642,506	(311,235)
Taxation paid		(212)	(397)
		<hr/>	<hr/>
<b>Net cash flows from operating activities</b>		666,448	(361,861)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	-	-
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>
<b>Net increase / (decrease) in cash and cash</b>		666,448	(361,861)
Cash and cash equivalents at beginning of year		538,954	900,815
<b>Cash and cash equivalents at end of year</b>	15	<hr/>	<hr/>
		1,205,402	538,954

# **Churches' Mutual Credit Union**

## **Year Ended 30 September 2017**

### **Notes to the financial statements**

for the year ended 30 September 2017

#### **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 and is regulated by the Prudential Regulation Authority under the provisions of the Financial Services and Markets Act 2000.

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

#### **2. Accounting policies**

##### **Basis of preparation**

These financial statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are prepared on the historical cost basis.

##### **Going concern**

The financial statements are prepared on the going concern basis. The directors of Churches' Mutual Credit Union 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 £451,000 (2016: £441,000).

## Income

Loan interest receivable and similar income: Interest on both loans to members and loans to banks (i.e. cash and cash equivalents held on deposit with other financial institutions) 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.

Grants received are released to the Revenue Account as the Credit Union incurs the relevant expenditure. Donations and other income are accounted for on a receivable basis.

## 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 a 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.

## Tangible fixed assets

Tangible fixed assets comprises items of property, plant and equipment, which are stated at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value, on a straight line basis over its estimated useful life. The categories of property, plant and equipment are depreciated 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 with the Bank of England and loans and advances 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 the member. Churches Mutual Credit Union does not transfer loans to third parties.

### **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.

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.

### **Financial liabilities – subscribed capital**

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

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 & 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.

### **Employee benefits**

Short and long term employee benefits, including holiday pay, are recognised as an expense over the period they are earned.

### **Reserves**

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

### 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 Credit Union'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 on loans to members

Churches' Mutual Credit Union exercises 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 2017. The credit union operates a sliding scale of general provisioning between 0.5% and 2% based on estimated risk of each loan product.

### 4. Loan interest receivable and similar income

	Note	2017 £	2016 £
Loan interest receivable from members	11	101,444	50,624
Bank interest receivable on cash and liquid deposits		1,486	1,059
<b>Total loan interest receivable and similar income</b>		<b>102,930</b>	<b>51,683</b>

### 5. Interest expense

Interest expense is the dividend paid to members for the 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.

	Note	2017 £	2016 £
<b>Interest understated / (overstated) in the prior period</b>		<b>(19)</b>	109
<b>Interest paid during the year</b>		<b>10,500</b>	4,350
Dividend rate:			
Deferred shares		0.5%	0.5%
Corporate & member shares		1%	1%
Founder member shares		0.75%	0.75%
<b>Interest proposed</b>		<b>11,700</b>	10,500
Dividend rate:			
Deferred shares		0.25%	0.5%
Corporate & member shares		0.25-0.5%	0.5-0.75%
Founder member shares		0.5%	0.75%

## 6. Fees and commissions receivable

	Note	2017 £	2016 £
Entrance Fees		1,411	1,765
<b>Total fees and commissions receivable</b>		<b>1,411</b>	<b>1,765</b>

## 7. Expenses

	Note	2017 £	2016 £
Administrative expenses	7a	100,595	106,105
Depreciation and amortisation	10	6,418	6,222
Other operating expenses	7b	15,002	16,793
		<b>122,015</b>	<b>129,120</b>

### 7a. Administrative expenses

	Note	2017 £	2016 £
Employment costs	8b	68,765	68,945
Staff training		1,667	3,043
Directors' expenses		1,471	2,424
Other staff expenses		771	929
Auditors' remuneration	7c	5,352	4,151
Bookkeeping and payroll		1,822	1,569
Telephone		1,721	1,507
Computer maintenance, software and website costs		11,673	14,736
Legal and professional		-	-
Data protection		35	35
Licences		710	1,051
Conference calls		-	-
General expenses		553	224
Printing, postage, stationery, advertising and marketing		5,698	7,164
Other insurance		357	327
<b>Total administrative expenses</b>		<b>100,595</b>	<b>106,105</b>

## 7b. Other operating expenses

Other operating expenses comprise the costs of occupying offices and regulatory and financial management costs:

	2017	2016
	£	£
<b>Cost of occupying offices (excluding depreciation)</b>		
Cleaning	1,585	1,928
Office service costs	2,500	3,125
	<hr/>	<hr/>
	4,085	5,053
<b>Regulatory and financial management costs</b>		
Financial Conduct Authority and Prudential Regulation Authority fees	580	2,029
Association of British Credit Unions Limited dues	378	658
Credit agency fees	3,360	5,520
Fidelity insurance	1,551	1,016
Loan protection and life savings insurance	5,048	2,517
	<hr/>	<hr/>
	10,917	11,740
	<hr/>	<hr/>
	15,002	16,793
	<hr/>	<hr/>

## 7c. Auditors' remuneration

Churches' Mutual Credit Union voluntarily presents an analysis of its auditors' remuneration in accordance with the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008.

	2017	2016
	£	£
Fees payable for the audit of Churches' Mutual Credit Union		
annual accounts	5,352	4,151
Fees payable to Churches' Mutual Credit Union's auditor for other services:		
Services relating to taxation	-	-
	<hr/>	<hr/>
<b>Total auditors' remuneration</b>	<b>5,352</b>	<b>4,151</b>
	<hr/>	<hr/>

## 8. Employees and employment costs

### 8a. Number of employees

The average monthly number of employees during the year were:

	2017 Number	2016 Number
Office staff	2	2

### 8b. Employment costs

	2017 £	2016 £
Wages and salaries	62,041	62,214
Social security costs	6,724	6,731
<b>Total employment costs</b>	<b>68,765</b>	<b>68,945</b>

## 9. Taxation

### 9a. Recognised in the Revenue Account

The taxation charge for the year of 20% (2016: 20%) comprised:

	2017 £	2016 £
Current tax		
UK Corporation tax	290	212
<b>Total current tax and total taxation expense recognised in the Revenue Account</b>	<b>290</b>	<b>212</b>

## 9b. Reconciliation of taxation expense

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 a trade. However, corporation tax is payable on investment income. As a result, the tax charge for the year differs from the standard rate of Corporation Tax. The differences are explained below:

	2017	2016
	£	£
Surplus before taxation	9,987	6,892
Surplus before taxation multiplied by rate of corporation tax in the UK of 19% / 20% (2016: 20%)	1,947	1,378
<b>Effects of:</b>		
Non-taxable surplus/(deficit) on transactions with members	1,657	1,166
<b>Total tax charge for the year</b>	<b>290</b>	<b>212</b>

## 10. Tangible fixed assets

Tangible fixed assets comprise the following property, plant and equipment:

	Leasehold Property	Fixtures, fittings, office and IT equipment	Total £
Cost	£	£	
At 30 September 2016	3,300	15,562	<b>18,862</b>
Additions	-	-	-
<b>At 30 September 2017</b>	<b>3,300</b>	<b>15,562</b>	<b>18,862</b>
<b>Depreciation</b>			
At 30 September 2016	2,200	10,244	<b>12,444</b>
Charge for the year	1,100	5,318	<b>6,418</b>
<b>At 30 September 2017</b>	<b>3,300</b>	<b>15,562</b>	<b>18,862</b>
<b>Net book value</b>			
<b>At 30 September 2017</b>	-	-	-
At 30 September 2016	1,100	5,318	6,418

## 11. Loans and advances to members – financial assets

### 11a. Loans and advances to members

	Note	2017 £	2016 £
As at 1 October 2016		<b>1,488,127</b>	441,416
Loan interest	4	<b>101,444</b>	50,624
Advanced during the year		<b>1,277,622</b>	1,318,055
Repaid during the year		<b>(763,112)</b>	(321,968)
<b>Gross loans and advances to members</b>	11b	<b>2,104,081</b>	1,488,127
Impairment losses			
Individual financial assets	11b, 11d	-	-
Groups of financial assets	11c	<b>(17,423)</b>	(16,500)
		<b>(17,423)</b>	(16,500)
<b>As at 30 September 2017</b>		<b>2,086,658</b>	1,471,627

## 11b. Memorandum – Total loan assets for regulatory purposes

	Note	2017 £	2016 £
Gross loans and advances to members		2,104,081	1,488,127
Impairment of individual financial assets		(17,423)	(16,500)
<b>Total loan assets for regulatory purposes</b>	14b	<b>2,086,658</b>	1,471,627

## 11c. Credit risk disclosures

Churches' Mutual Credit Union does not offer mortgages and as a result 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 sum that may 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.

	2017		2016	
	Amount £	Proportion %	Amount £	Proportion %
<b>Not impaired:</b>				
Neither past due nor impaired	2,104,081	100	1,488,127	100
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>Sub-total: loans not impaired</b>	<b>2,104,081</b>	<b>100%</b>	1,488,127	98%
<b>Individually impaired:</b>				
Not yet past due, but impaired	-	-	-	-
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>Total loans</b>	<b>2,104,081</b>	<b>100%</b>	1,488,127	100%
<b>Impairment allowance</b>	<b>(17,423)</b>		(16,500)	
<b>Total carrying value</b>	<b>2,087,581</b>		1,471,627	

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

## 11d. Allowance account for impairment losses

		2017	2016
	Note	£	£
As at 1 October 2016		16,500	8,657
Allowance for losses made during the year		923	7,843
Allowances reversed during the year		-	-
Increase in allowances during the year	11e	17,423	7,843
<b>As at 30 September 2017</b>		<b>17,423</b>	<b>16,500</b>

## 11e. Impairment losses recognised for the year

		2017	2016
		£	£
Impairment of individual financial assets		-	-
Increase in impairment allowances during the year		923	7,843
		923	7,843
Reversal of impairment where debts recovered		-	-
<b>Total impairment losses recognised for the year</b>		<b>923</b>	<b>7,843</b>

## 12. Subscribed capital – financial liabilities

		2017	2016
	Note	£	£
As at 1 October 2016		1,999,986	1,264,510
Received during the year		1,875,683	1,041,946
Entrance fees		(1,410)	(1,765)
Repaid during the year		(616,789)	(288,628)
Transferred		976	(16,077)
<b>As at 30 September 2017</b>	14b	<b>3,258,446</b>	<b>1,999,986</b>

Deposits from members may only be made by way of subscription for shares.

### 13. Other payables

	2017	2016
	£	£
UK Corporation Tax	290	212
Accruals and deferred income	11,014	5,438
	<u>11,304</u>	<u>5,650</u>

### 14. Additional financial instruments disclosures

#### 14a. Financial risk management

Churches' Mutual Credit Union manages its subscribed capital and loans to members so that it earns income from the margin between interest receivable and interest payable.

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 to Churches' Mutual Credit Union. In order to manage this risk the Board approves Churches' Mutual Credit Union'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 that the likelihood of repayment has changed. Churches' Mutual Credit Union also monitors its banking arrangements closely in light of the current banking situation and refers to the PRA stress testing in assessing the suitability of its deposit takers.

**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 Credit Union's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any 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 Credit Union is not exposed to any form of **currency risk** or **other price risk**.

**Interest rate risk:** Churches' Mutual Credit Union's main interest rate risk arises from differences between the interest rate exposures on the receivables and payables that form an integral part of a credit union's operations. Churches' Mutual Credit Union considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital. Churches' Mutual Credit Union does not use interest rate options to hedge its own positions. CMCU's share accounts carry dividend, not contractual interest, and the actual dividend is decided by the Board and confirmed at the AGM, after the close of the financial year, having regard to the actual levels of interest income, management expenses, and net surplus, for the year. Interest rate risk in the strict sense therefore does not arise. However, the Board does monitor closely the levels of interest receivable on CMCU's various loan products so as to ensure that income generated will be sufficient to cover the targeted dividend

#### 14b. Interest rate risk disclosures

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

	2017		2016	
	Average		Average	
	Amount £	interest rate	Amount £	interest rate
<b>Financial assets</b>				
Loans to members	<b>2,086,658</b>	<b>5.70%</b>	1,466,627	5.33%
<b>Financial liabilities</b>				
Subscribed capital	<b>1,999,986</b>	<b>0.5-0.75%</b>	1,999,986	0.5-0.75%

The interest rates applicable to loans to members are fixed and range from 3.9% to 30.6%. The interest payable on subscribed capital is determined on the basis of income less administrative expenses and, as can be seen above, a consistent margin is maintained between interest receivable and interest payable. As a result, the surplus for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

#### 14c. 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.

#### 14d. Fair value of financial instruments

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

## 15. Cash and cash equivalents

	2017	2016
	£	£
Cash and balances with the Bank of England	-	-
Loans and advances to banks	1,205,402	538,954
	<hr/> 1,205,402	<hr/> 538,954
Less: amounts maturing after three months	-	-
<b>Total cash and cash equivalents</b>	<hr/> <b>1,205,402</b>	<hr/> <b>538,954</b>

## 16. Post balance sheet events

There are no material events after the balance sheet date to disclose.

## 17. 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 contribution towards the FSCS will be calculated and full provision has been included for this 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.

## 18. Related party transactions

During the year, 19 members of the Board, staff and their close family members (2016: 14 members) had share accounts and 3 (2016: 1) 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.

	Brought Forward	Interest paid / received	Deposited/ repaid	Withdrawn/ advanced	Carried Forward
Shares	(£66,814)	(£419)	(£11,300)	£5,690	(£72,865)
Loans	£11,278	£486	(£3,787)	£11,800	£19,777