

Churches'
Mutual
Credit
Union

30 September

2018

PRA/ FCA registration
number 654709

Directors'
Report and
Financial
Statements

**Churches' Mutual Credit Union
Year Ended 30 September 2018
Administrative information**

Directors: Antony MacRow-Wood (Chairman)
Sheila Nicoll (Secretary)
Jeremy Oakes (Treasurer)
Nigel Bourne
Sue Haworth (resigned 26/01/18)
Uell Kennedy
Stephen Morgan
Nick Mottershead
Jeremy Palmer
John Rowland (appointed 26/01/18)

Supervisory Committee: Dave Thomson (Chair)
Charles Sim
John Ellis

Credit and Risk Committee: Jeremy Palmer (Chair)
Jeremy Oakes
Nick Mottershead
Antony MacRow-Wood
Sue Haworth (resigned 26/01/18)
Hilary Sams (in attendance)

Key Staff: Hilary Sams
Jane Turner

Secretary Sheila Nicoll

**Industrial and Provident Society
Registration Number** R500756C

PRA/ FCA Registration Number 654709

Registered Office 3 Beaufort Buildings
Gloucester
GL1 1XB

Auditor PKF Francis Clark
Statutory Auditors
Towngate House
2-8 Parkstone Road
Poole
BH15 2PW

Bankers Unity Trust Bank
Barclays Bank
Nationwide Building Society

**Churches' Mutual Credit Union
Year Ended 30 September 2018
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Churches' Mutual Credit Union

Year Ended 30 September 2018

Directors' Report

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

I am delighted, as President, to present the annual report of the Churches' Mutual Credit Union (CMCU) for the year 2017-18. Once again, I am pleased to be able to report that despite the difficult economic and political climate, we have seen a year of steady growth in all areas of the credit union's business.

Now in our fourth year, Churches' Mutual has inevitably seen some accounts close due to circumstances such as death, illness or changes in employment. Despite this, we have seen a net growth in membership of 20% and a continued level of interest from individuals, churches and other eligible organisations in opening an account.

There has also been significant growth in the amount of savings deposited, and we are particularly pleased to report that the number of members saving alongside a loan repayment has increased, thus confirming that credit unions do indeed turn some borrowers into savers.

The Loan book has increased steadily although not as greatly as might have been the case in more settled times. The Credit Committee continues to pay careful attention to the affordability of loans for members in the current financial climate, and to ensure that we are helping individuals to manage their finances effectively and not encouraging excessive debt. After nearly four years, it remains a sign of our robust lending practices that the loan book is unimpaired.

Encouraging employers to address issues of financial wellbeing in their workforce continues to be a priority for Churches' Mutual. This year we took part in the national 'Work Not Worry' campaign and were pleased to add the Diocese of Oxford and the Diocese of Salisbury Academies Trust to the growing number of employers who offer access to regular savings and affordable loans through direct deduction from salary. This is a growing area of our business, and we already have three new employers in the pipeline with scope for many more.

Responding to the needs of members, in the products and services that we offer, continues to be a priority for the CMCU. This year we have worked towards fulfilling the regulatory requirements to be able to offer larger loans. I am pleased to confirm that we have achieved this, and from 1st October 2018 this has been in place.

The demise of Wonga and the Regulators' concerns regarding payday lending and rent-to-buy companies reinforces the need for credit unions to model integrity, fair and ethical practice. Churches' Mutual continues to strive to do this nationally and locally in order to promote the greater good.

The Credit Union board of directors, key volunteers and staff gathered in April to look at how Churches' Mutual will continue to grow through reaching out to all areas of our common bond. As last year, we start the new financial year on a sound footing, striving to expand our business in a managed and dynamic way in order to face the challenges that will undoubtedly lie ahead.

Churches' Mutual Credit Union Year Ended 30 September 2018 Directors' Report

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
and signed on its behalf by:

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

Churches' Mutual Credit Union Year Ended 30 September 2018 Independent Auditors' Report

Opinion

We have audited the financial statements of Churches' Mutual Credit Union (the 'credit union') for the year ended 30 September 2018, which comprise the Revenue Account, Balance Sheet, Statement of changes in Retained Earnings, Cash flow statement and the 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) incorporating the requirements of Section 1A.

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the credit union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we

Churches' Mutual Credit Union Year Ended 30 September 2018 Independent Auditors' Report

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.

Opinion on other matter prescribed by the Co-operative and Community Benefit Societies Act 2014

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the credit union and its environment obtained in the course of the audit, we have not identified material misstatements in the financial statements.

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:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Responsibilities of directors

As explained more fully in the statement of Directors' responsibilities set out on page 1, 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.

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. This description forms part of our auditor's report.

**Churches' Mutual Credit Union
Year Ended 30 September 2018
Independent Auditors' Report**

Use of our report

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.

.....
PKF Francis Clark, Statutory Auditor

Towngate House
2-8 Parkstone Road
Poole
Dorset
BH15 2PW

Date:.....

**Churches' Mutual Credit Union
Year Ended 30 September 2018
Revenue Account**

	Note	2018 £	2017 £
Loan interest receivable and similar income	4	136,570	102,930
Interest payable	5	(11,510)	(10,481)
Net interest income		125,060	92,449
Fees and commissions receivable	6	1,130	1,411
Fees and commissions payable		(1,927)	(1,629)
Net fees and commissions receivable / (payable)		(797)	(218)
Other income (including grants, donations and website advertising)		9,255	40,694
Administrative expenses	7a	(106,575)	(100,595)
Depreciation and amortisation	10	-	(6,418)
Other operating expenses	7b	(18,731)	(15,002)
Impairment losses on loans to members	11e	2,900	(923)
(Deficit)/ Surplus before taxation		11,112	9,987
Taxation	9a	(683)	(290)
(Deficit)/ Surplus for the financial year		10,429	9,697
Other comprehensive income		-	-
Total comprehensive income		10,429	9,697

**Churches' Mutual Credit Union
Year Ended 30 September 2018
Balance Sheet**

	Note	2018 £	2017 £
ASSETS			
Cash, cash equivalents and liquid deposits			
Loans and advances to banks	15	1,234,076	1,205,402
Loans and advances to members	11	2,522,788	2,086,658
Tangible fixed assets	10	-	-
Prepayments and accrued income		3,158	3,158
Trade debtor		-	-
Total assets		3,760,022	3,295,218
LIABILITIES			
Subscribed capital – repayable on demand	12	(3,263,154)	(2,807,446)
Subscribed capital – not repayable on demand	12	(452,000)	(451,000)
Other payables	13	(8,971)	(11,304)
		(3,724,125)	(3,269,750)
RETAINED EARNINGS			
General Reserve		(12,447)	(8,060)
Other Reserve		(8,024)	(5,708)
Interest proposed	5	(15,426)	(11,700)
Total liabilities		(3,760,022)	(3,295,218)

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 2018
Statement of changes in retained earnings

	2018	2017
	£	£
As at 1 October 2017	13,768	5,271
Total comprehensive income for the year	10,429	9,697
Interest proposed 2017	11,700	10,500
Interest proposed 2018	(15,426)	(11,700)
As at 30 September 2018	20,471	13,768

Churches' Mutual Credit Union
Year Ended 30 September 2018
Cash flow statement

	Note	2018 £	2017 £
Cash flows from operating activities			
Total comprehensive income for the year		10,429	9,697
Adjustments for non-cash items:			
Depreciation	10	-	6,418
Impairment losses	11e	(3,558)	923
		<u>6,871</u>	<u>7,341</u>
Movements in:			
Prepayments and accrued income		-	-
Trade debtors		-	1,250
Other payables		(2,043)	5,866
		<u>(2,043)</u>	<u>7,116</u>
Cash inflow from subscribed capital	12	987,974	1,875,683
Cash outflow from repaid capital	12	(531,266)	(617,223)
New loans to members	11a	(1,434,414)	(1,277,622)
Repayment of loans by members	11a	1,001,842	661,668
		<u>24,136</u>	<u>642,506</u>
Taxation paid		(290)	(212)
Net cash flows from operating activities		<u>28,674</u>	<u>666,448</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	-	-
		<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash		<u>28,674</u>	<u>666,448</u>
Cash and cash equivalents at beginning of year		1,205,402	538,954
Cash and cash equivalents at end of year	15	<u>1,234,076</u>	<u>1,205,402</u>

Churches' Mutual Credit Union

Year Ended 30 September 2018

Notes to the financial statements

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 £452,000 (2017: £451,000).

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.

Churches' Mutual Credit Union

Year Ended 30 September 2018

Notes to the financial statements

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.

Churches' Mutual Credit Union

Year Ended 30 September 2018

Notes to the financial statements

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	2018 £	2017 £
Loan interest receivable from members	11	132,975	101,444
Bank interest receivable on cash and liquid deposits		3,595	1,486
Total loan interest receivable and similar income		136,570	102,930

Churches' Mutual Credit Union
Year Ended 30 September 2018
Notes to the financial statements

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	2018 £	2017 £
Interest understated / (overstated) in the prior period		(190)	(19)
Interest paid during the year		11,700	10,500
Dividend rate:			
Deferred shares		0.25%	0.5%
Corporate & members shares		0.25-0.5%	1%
Founder member shares		0.5%	0.75%
Interest proposed		15,426	11,700
Dividend rate:			
Deferred shares		0.25%	0.25%
Corporate & members shares		0.25-0.5%	0.25-0.5%
Founder member shares		0.5%	0.5%

6. Fees and commissions receivable

	Note	2018 £	2017 £
Entrance Fees		1,130	1,411
Total fees and commissions receivable		1,130	1,411

7. Expenses

	Note	2018 £	2017 £
Administrative expenses	7a	106,575	100,595
Depreciation and amortisation	10	-	6,418
Other operating expenses	7b	18,731	15,002
		125,306	122,015

Churches' Mutual Credit Union
Year Ended 30 September 2018
Notes to the financial statements

7a. Administrative expenses

	Note	2018 £	2017 £
Employment costs	8b	71,173	68,765
Staff training		3,576	1,667
Directors' expenses		1,578	1,471
Other staff expenses		1,025	771
Auditors' remuneration	7c	7,240	5,352
Bookkeeping and payroll		2,062	1,822
Telephone		1,490	1,721
Computer maintenance, software and website costs		12,151	11,673
Legal and professional		-	-
Data protection		35	35
Licences		1,150	710
General expenses		456	533
Printing, postage, stationery, advertising and marketing		4,274	5,698
Other insurance		365	357
Total administrative expenses		106,575	100,595

Churches' Mutual Credit Union
Year Ended 30 September 2018
Notes to the financial statements

7b. Other operating expenses

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

	2018	2017
	£	£
Cost of occupying offices (excluding depreciation)		
Cleaning	1,947	1,585
Office service costs	2,500	2,500
	4,447	4,085
Regulatory and financial management costs		
Financial Conduct Authority and Prudential Regulation Authority fees	999	580
Association of British Credit Unions Limited dues	736	378
Credit agency fees	3,360	3,360
Fidelity insurance	2,200	1,551
Loan protection and life savings insurance	6,989	5,048
	14,284	10,917
	18,731	15,002

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.

	2018	2017
	£	£
Fees payable for the audit of Churches' Mutual Credit Union		
Annual accounts	7,240	5,352
Fees payable to Churches' Mutual Credit Union's auditor for other services:		
Services relating to taxation	-	-
Total auditors' remuneration	7,240	5,352

Churches' Mutual Credit Union
Year Ended 30 September 2018
Notes to the financial statements

8. Employees and employment costs

8a. Number of employees

The average monthly number of employees during the year were:

	2018	2017
	Number	Number
Office staff	2	2

8b. Employment costs

	2018	2017
	£	£
Wages and salaries	64,312	62,041
Social security costs	6,861	6,724
Total employment costs	71,173	68,765

9. Taxation

9a. Recognised in the Revenue Account

The taxation charge for the year of 19% (2017: 19% / 20%) comprised:

		2018	2017
	Note	£	£
Current tax			
UK Corporation tax	9b	683	290
Total current tax and total taxation expense recognised in the Revenue Account		683	290

Churches' Mutual Credit Union
Year Ended 30 September 2018
Notes to the financial statements

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:

	2018	2017
	£	£
Surplus before taxation	11,112	9,987
Surplus before taxation multiplied by rate of corporation tax in the UK of 19% (2017: 19% / 20%)	2,111	1,947
Effects of:		
Non-taxable surplus/(deficit) on transactions with members	1,428	1,657
Total tax charge for the year	683	290

10. Tangible fixed assets

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

Cost	Leasehold Property	Fixtures, fittings, office and IT equipment £	Total £
At 30 September 2017	3,300	15,562	18,862
Additions	-	-	-
At 30 September 2018	3,300	15,562	18,862
Depreciation			
At 30 September 2017	3,300	15,562	18,862
Charge for the year	-	-	-
At 30 September 2018	3,300	15,562	18,862
Net book value			
At 30 September 2018	-	-	-
At 30 September 2017	-	-	-

Churches' Mutual Credit Union
Year Ended 30 September 2018
Notes to the financial statements

11. Loans and advances to members – financial assets

11a. Loans and advances to members

	Note	2018 £	2017 £
As at 1 October 2017		2,104,081	1,488,127
Loan interest	4	132,975	101,444
Advanced during the year		1,434,414	1,277,622
Repaid during the year		(1,134,817)	(763,112)
Gross loans and advances to members	11b	2,536,653	2,104,081
Impairment losses			
Individual financial assets	11b, 11d	-	-
Groups of financial assets	11c	(13,865)	(17,423)
		(13,865)	(17,423)
As at 30 September 2018		2,522,788	2,086,658

11b. Memorandum – Total loan assets for regulatory purposes

	Note	2018 £	2017 £
Gross loans and advances to members		2,536,653	2,104,081
Impairment of individual financial assets		(13,865)	(17,423)
Total loan assets for regulatory purposes	14b	2,522,788	2,086,658

Churches' Mutual Credit Union
Year Ended 30 September 2018
Notes to the financial statements

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.

	2018		2017	
	Amount £	Proportion %	Amount £	Proportion %
Not impaired:				
Neither past due nor impaired	2,536,653	100	2,104,081	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	-	-	-	-
Sub-total: loans not impaired	2,536,653	100%	2,104,081	100%
Individually impaired:				
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	-	-	-	-
Total loans	2,536,653	100%	2,104,081	100%
Impairment allowance	(13,865)		(17,423)	
Total carrying value	2,522,788		2,086,658	

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

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11d. Allowance account for impairment losses

	Note	2018 £	2017 £
As at 1 October 2017		17,423	16,500
Allowance for losses made during the year		(3,558)	923
Allowances reversed during the year		-	-
Increase (decrease) in allowances during the year	11e	(3,558)	17,423
As at 30 September 2018		13,865	17,423

11e. Impairment losses recognised for the year

		2018 £	2017 £
Impairment of individual financial assets		658	-
Increase in impairment allowances during the year		-	923
		-	923
Reversal of impairment where debts recovered		(3,558)	-
Total impairment losses recognised for the year		(2,900)	923

12. Subscribed capital – financial liabilities

	Note	2018 £	2017 £
As at 1 October 2017		3,258,446	1,999,986
Received during the year		987,974	1,875,683
Entrance fees		(1,130)	(1,410)
Repaid during the year		(749,204)	(616,789)
Transferred		219,068	976
As at 30 September 2018	14b	3,715,154	3,258,446

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

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13. Other payables

	2018	2017
	£	£
UK Corporation Tax	683	290
Accruals and deferred income	8,288	11,014
	<hr/> 8,971	<hr/> 11,304

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

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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.

	2018		2017	
	Average		Average	
	Amount £	interest rate	Amount £	interest rate
Financial assets				
Loans to members	2,522,788	5.77%	2,086,658	5.70%
Financial liabilities				
Subscribed capital	3,715,154	0.5-0.75%	3,258,446	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.

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15. Cash and cash equivalents

	2018 £	2017 £
Cash and balances with the Bank of England		-
Loans and advances to banks	1,234,076	1,205,402
	1,234,076	1,205,402
Less: amounts maturing after three months	-	-
Total cash and cash equivalents	1,234,076	1,205,402

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, 20 members of the Board, staff and their close family members (2017: 19 members) had share accounts and 3 (2017: 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.

	Brought Forward	Interest paid / received	Deposited/ repaid	Withdrawn/ advanced	Carried Forward
Shares	(£85,686)	(£389)	(£5,164)	£8,239	(£83,000)
Loans	£19,777	£740	(£7,916)	£-	£12,601