

**INDUSTRIAL AND PROVIDENT SOCIETY REGISTRATION NUMBER: RS00756C**  
**FCA REGISTRATION NUMBER: 654709**

**Churches' Mutual Credit Union**  
**Annual Report & Financial Statements**  
**For the Year Ended**  
**30 September 2021**

# Churches' Mutual Credit Union

## Financial Statements

Year Ended 30 September 2021

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# Churches' Mutual Credit Union

## Credit Union Information

Year Ended 30 September 2021

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**The Board of Directors**

Antony MacRow-Wood (Chair)  
Sheila Nicoll (Secretary)  
John Ellis (Treasurer from 29 January 2021)  
Samuel Kennedy  
Nick Mottershead  
Jeremy Oakes (until 29 January 2021)  
Jeremy Palmer  
John Rowland  
Alan Yates

**Supervisory Committee**

Dave Thomson (Chair)  
John Ellis (until 29 January 2021)  
Charles Sim

**Credit and Risk Committee**

Jeremy Palmer (Chair)  
Antony MacRow-Wood  
Alan Yates (from 29 January 2021)  
Nick Mottershead  
Jeremy Oakes (until 29 January 2021)  
John Ellis (from 29 January 2021)  
Hilary Sams (in attendance)

**Key Staff**

Hilary Sams (Chief Executive)  
Jane Turner

**Industrial and Provident Society  
Registration Number**

RS00756C

**FCA Registration Number**

654709

**Registered Office**

212 Conway House  
Worcester Street  
Gloucester  
GL1 3AJ

**Auditors**

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

**Bankers**

Unity Trust Bank  
Barclays Bank  
Nationwide Building Society  
Lloyds Bank

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# Churches' Mutual Credit Union

## Chairman's Report

Year Ended 30 September 2021

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I'm delighted, as President, to present the annual report of the Churches' Mutual Credit Union (CMCU) for the year 2020-21.

It would be fair to say that the year got off to a rocky start with the word 'variant' firmly established in our vocabulary as the United Kingdom entered its second and then just after Christmas its third national lockdown. As a result, 20/21 was another challenging year for everyone, Churches Mutual included. While the situation has eased through the roll out of the vaccine, we are aware that life is still far from what was considered normal in 2019.

We can, however, look back over the year with a very real sense of accomplishment. Although growth in the loan book was slower than expected and we saw an increase in the number of loans in default, we were able to cover our overheads and these losses and return a small operating surplus at year end. The increasing disparity between the Bank of England base rate, even with the recent rise, compared with the rate of inflation at the end of December has placed the credit union under considerable pressure to both keep its lending rates competitive while providing a respectable return for members entrusting us with their savings. We hope that the small dividend we are able to offer this year will show our appreciation of your consistent faith in us.

The impact of the pandemic has not just affected the business financially. Churches Mutual has always needed to provide a robust online offering to reach members in the far corners of its common bond. The investment in our new website was very timely, as was the move to open banking for loan applications and various other online provisions which have continued to prove invaluable over the past two years. It is now our intention to bring all these services together and improve online access with the introduction of an App early next year which we hope will enhance the member experience.

Churches Mutual is to its core an organisation owned and run by its members, and we are always looking for ways to retain existing members and attract new ones. An important part of this is our reliance on you as existing members to spread the word and encourage your colleagues to use our services. We are also looking for new members to join the Board, if you think you can help, please do get in touch.

On a personal note this is my last report as President as I am standing down after seven years chairing the Board. It has been a joy and a privilege to lead Churches Mutual and to see it become an established financial institution serving the needs of its members. I won't be disappearing completely as I hope to join the Supervisory Committee. I'm confident that CMCU will flourish under new leadership and in due course realise more fully the vision of a vibrant mutual financial institution witnessing to a different way of doing personal finance.

A MacRow-Wood  
**Chair**

# Churches' Mutual Credit Union

## Directors' Report

Year Ended 30 September 2021

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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)  
John Ellis (Treasurer from 29 January 2021)  
Samuel Kennedy  
Nick Mottershead  
Jeremy Palmer  
John Rowland

Changes in directors during the period were as follows:

Jeremy Oakes	resigned 29 January 2021
John Ellis	elected 29 January 2021

### 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 2021

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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 reappointed as external auditors for the year ended 30 September 2021 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 28 January 2022 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 2021

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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 2021 on pages 8 to 23. 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 2021 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.

However, not all future events or conditions can be predicted. The COVID-19 viral pandemic is one of the most significant economic events for the UK with unprecedented levels of uncertainty of outcomes. It is therefore difficult to evaluate all of the potential implications on the organisation's activities, members, suppliers and the wider economy. The Directors' view on the impact of COVID-19 is disclosed in the accounting policies note.

#### 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.

# Churches' Mutual Credit Union

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

Year Ended 30 September 2021

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### Other information (continued)

Our opinion on the financial statements does not cover the other information and 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, 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.



# Churches' Mutual Credit Union

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

Year Ended 30 September 2021

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### **Our responsibilities for the audit of the financial statements (continued)**

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

We obtained an understanding of the legal and regulatory framework applicable to both the charitable company itself and the sector in which it operates. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the trustees and other management. The most significant were identified as the Industrial and Provident Societies act 1965, Credit Unions Act 1979, Co-operative and Community Benefit Societies Act 2014 and FRS 102.

We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements. Our audit procedures included:

- making enquires of management as to where they consider there to be a susceptibility to fraud and whether they have any knowledge or suspicion of fraud;
- obtaining an understanding of the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- assessing the design effectiveness of the controls in place to prevent and detect fraud;
- assessing the risk of management override including identifying and testing journal entries;
- challenging the assumptions and judgements made by trustees and management in their significant accounting estimates.

Whilst our audit did not identify any significant matters relating to the detection of irregularities including fraud, and despite the audit being planned and conducted in accordance with ISAs (UK), there remains an unavoidable risk that material misstatements in the financial statements may not be detected owing to inherent limitations of the audit, and that by their very nature, any such instances of fraud or irregularity would likely involve collusion, forgery, intentional misrepresentations, or the override of internal controls.

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.

### **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.

**DRAFT**

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

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# Churches' Mutual Credit Union

## Revenue Account

Year Ended 30 September 2021

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	Note	2021 £	2020 £
Loan interest receivable and similar income	4	156,758	156,297
Interest payable	5	-	(13,526)
<b>Net interest income</b>		<b>156,758</b>	<b>142,771</b>
Fees and commissions receivable	6	570	645
Fees and commissions payable	7	(2,150)	(2,054)
<b>Net fees and commissions payable</b>		<b>(1,580)</b>	<b>(1,409)</b>
Other income	8	7,111	708
Administrative expenses	9	(103,705)	(99,014)
Other operating expenses	10	(21,283)	(25,980)
Depreciation and amortisation of fixed assets		(2,364)	(2,148)
Impairment losses on loans to members	18	(30,544)	(10,000)
		<b>(157,896)</b>	<b>(137,142)</b>
<b>Surplus before taxation</b>		<b>4,393</b>	<b>4,928</b>
Taxation	13	(139)	(760)
<b>Surplus for the financial year</b>		<b>4,254</b>	<b>4,168</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>4,254</b>	<b>4,168</b>

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

*The notes on pages 12 to 23 form part of the financial statements*

# Churches' Mutual Credit Union

## Statement of Financial Position

As at 30 September 2021

	Note	2021 £	2020 £
<b>Assets</b>			
Cash, cash equivalents and liquid deposits:			
Loans and advances to banks		1,726,854	1,169,151
Loans and advances to members	17	2,925,417	3,021,173
Intangible fixed assets	14	2,148	4,296
Tangible fixed assets	15	433	-
Prepayments and accrued income	16	2,560	3,954
<b>Total assets</b>		<b>4,657,412</b>	<b>4,198,574</b>
<b>Liabilities</b>			
Subscribed capital - repayable on demand	20	(4,155,142)	(3,699,937)
Other payables	21	(8,430)	(9,051)
		<b>(4,163,572)</b>	<b>(3,708,988)</b>
<b>Equity</b>			
General reserve		37,639	37,586
Interest proposed		4,201	-
Retained earnings		41,840	37,586
Deferred shares	20	452,000	452,000
		<b>493,840</b>	<b>489,586</b>
<b>Total liabilities</b>		<b>4,657,412</b>	<b>4,198,574</b>

These financial statements were approved, and authorised for issue, by the Board of Directors on 28 January 2022 and signed on its behalf by:

Antony MacRow-Wood  
**Chair**

John Ellis  
**Treasurer**

Sheila Nicoll  
**Secretary**

*The notes on pages 12 to 23 form part of the financial statements*

# Churches' Mutual Credit Union

## Statement of Changes in Equity

Year Ended 30 September 2021

	General reserve £	Other reserve £	Interest proposed £	Retained earnings £	Deferred shares £
<b>At 1 October 2019</b>	<b>19,666</b>	-	<b>13,752</b>	<b>33,418</b>	<b>452,000</b>
Total comprehensive income	17,694	-	(13,526)	<b>4,168</b>	-
Designated for dividend	-	-	-	-	-
Transfer between funds	226	-	(226)	-	-
<b>At 30 September 2020</b>	<b>37,586</b>	-	-	<b>37,586</b>	<b>452,000</b>
Total comprehensive income	4,254	-	-	<b>4,254</b>	-
Designated for dividend	(4,201)	-	4,201	-	-
Transfer between funds	-	-	-	-	-
<b>At 30 September 2021</b>	<b>37,639</b>	-	<b>4,201</b>	<b>41,840</b>	<b>452,000</b>

*The notes on pages 12 to 23 form part of the financial statements*

# Churches' Mutual Credit Union

## Statement of Cash Flows

Year Ended 30 September 2021

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	2021	2020
	£	£
<b>Cash flows from operating activities</b>		
Surplus before taxation	4,393	4,928
Adjustments for non-cash items:		
Debt impairment and write off	30,544	10,000
Depreciation	216	-
Amortisation	2,148	2,148
	<hr/> 37,301	<hr/> 17,076
<b>Movements in:</b>		
Prepayments and accrued income	1,394	(796)
Other payables	-	-
	<hr/> 1,394	<hr/> (796)
<b>Cash flows from changes in operating assets and liabilities</b>		
Cash flow from subscribed and repaid capital	455,206	220,010
Net movement in member loans	65,211	(257,655)
	<hr/> 520,416	<hr/> (37,645)
Taxation paid	(760)	(1,192)
<b>Net cash flows from operating activities</b>	<hr/> 558,351	<hr/> (22,557)
<b>Cash flow from investing activities</b>		
Intangible fixed asset additions	(649)	(6,444)
	<hr/> (649)	<hr/> (6,444)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<hr/> 557,702	<hr/> (29,001)
<b>Cash and cash equivalents at the beginning of the year</b>	1,169,152	1,198,153
<b>Cash and cash equivalents at the end of the year</b>	<hr/> <b>1,726,854</b>	<hr/> <b>1,169,152</b>

*The notes on pages 12 to 23 form part of the financial statements.*

# Churches' Mutual Credit Union

## Notes to the Financial Statements

Year Ended 30 September 2021

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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 directors continue to adopt the going concern basis in preparing the financial statements as the belief is that company has adequate resources and support to continue in operational existence for the foreseeable future. In making this assessment the directors consider a period of at least 12 months from the date of approval of these financial statements.

The financial statements have been prepared on the going concern basis 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 (2020: £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.

#### Grants received

Grants (including government grants) which are of a revenue nature are credited to the profit and loss account in the same period as the related expenditure.

#### 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 2021

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### 2 Accounting policies (continued)

#### Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged to the profit and loss account on a straight line basis over 3 years.

#### 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.

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2021

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### 2 Accounting policies (continued)

#### 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.

### 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. 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

	2021	2020
	£	£
Loan interest receivable from members	156,156	152,296
Bank interest receivable on cash and liquid deposits	602	4,002
<b>Total loan interest receivable and similar income</b>	<b>156,758</b>	<b>156,298</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.



# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2021

### 5 Dividend paid to members (continued)

	2021	2020
	£	£
Interest overstated in the prior period	-	(226)
Interest paid during the year	-	13,752
	<u>-</u>	<u>13,526</u>
Dividend rate:		
Deferred shares	0.1%	0.0%
Corporate and member shares	0.1%	0.00%
Founder member shares	0.1%	0.00%
<b>Interest proposed, but not recognised</b>	<u>4,201</u>	<u>-</u>

### 6 Fees and commissions receivable

	2021	2020
	£	£
Entrance fees	<u>570</u>	<u>645</u>

### 7 Fees and commissions payable

	2021	2020
	£	£
Bank charges	<u>2,150</u>	<u>2,054</u>

### 8 Other income

	2021	2020
	£	£
Dormant account administration charges	260	323
Debt recovery	65	-
Job Retention Scheme income (furlough)	3,619	-
Grants	3,000	-
Donations	-	355
Withdrawal administration charges	166	30
	<u>7,111</u>	<u>708</u>

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2021

### 9 Administrative expenses

	2021	2020
	£	£
Employment costs	73,410	74,306
Staff training	1,861	655
Directors' expenses	174	456
Other staff expenses	166	329
Auditors remuneration	6,780	6,603
Bookkeeping and payroll	970	1,168
Telephone	343	778
Computer maintenance, software and website costs	12,548	12,212
Data protection	35	35
Licences	119	119
General expenses	299	836
Printing, postage, stationary, advertising and marketing	6,712	1,229
Other insurance	289	289
	<u>103,705</u>	<u>99,014</u>

### 10 Other operating expenses

	2021	2020
	£	£
Cleaning	-	914
Office service costs	8,866	5,640
<b>Costs of occupying offices (excluding depreciation)</b>	<u>8,866</u>	<u>6,554</u>
Financial Conduct Authority and Prudential Regulation Authority Fees	1,233	1,125
Association of British Credit Union Limited dues	2,048	1,970
Credit agency fees	3,277	5,064
Fidelity insurance	2,375	2,750
Loan protection and life savings insurance	3,485	8,517
<b>Regulatory and financial management costs</b>	<u>12,418</u>	<u>19,426</u>
	<u>21,284</u>	<u>25,980</u>

### 11 Employees and employment costs

	2021	2020
	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>

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2021

### 11 Employees and employment costs (continued)

	2021	2020
	£	£
<b>Employment costs</b>		
Wages and salaries	68,298	68,214
Social security costs	3,063	4,469
Payments to defined contribution pension schemes	2,049	1,625
	<u>73,410</u>	<u>74,308</u>

### 12 Remuneration of directors and key management personnel

Directors' remuneration for the year totalled £nil (2020: £nil).

Key management personnel consists of 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:

	2021	2020
	£	£
Short term employee benefits	68,298	68,214
Payments to defined contribution pension schemes	2,049	1,625
	<u>70,347</u>	<u>69,839</u>

### 13 Taxation

	2021	2020
	£	£
<b>Analysis of tax charge in year</b>		
UK Corporation tax on taxable profits for the year	139	760
<b>Total current tax</b>	<u>139</u>	<u>760</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% (2020: 19%). The differences are explained below:

	2021	2020
	£	£
<b>Surplus on ordinary activities before tax and dividends</b>	<u>4,393</u>	<u>4,928</u>
Surplus on ordinary activities multiplied by the relevant standard rate of Corporation tax in the UK of 19% (2019: 19%)	835	936
<b>Effects of:</b>		
Non taxable surplus on transactions with members	(696)	(176)
<b>Current tax charge for year (see note above)</b>	<u>139</u>	<u>760</u>

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2021

### 14 Intangible fixed assets

	Computer software £	Total £
<b>Cost</b>		
At 1 October 2020	6,444	6,444
Additions	-	-
Disposals	-	-
<b>At 30 September 2021</b>	<b>6,444</b>	<b>6,444</b>
<b>Amortisation</b>		
At 1 October 2020	2,148	2,148
Charge for the year	2,148	2,148
Eliminated on disposal	-	-
<b>At 30 September 2021</b>	<b>4,296</b>	<b>4,296</b>
<b>Net book value</b>		
<b>At 30 September 2021</b>	<b>2,148</b>	<b>2,148</b>
At 30 September 2020	4,296	4,296

### 15 Fixed assets

	Leasehold Property £	Fixtures, fittings, office and IT equipment £	Total £
<b>Cost</b>			
At 1 October 2020	-	15,562	15,562
Additions	-	649	649
Disposals	-	-	-
<b>At 30 September 2021</b>	<b>-</b>	<b>16,211</b>	<b>16,211</b>
<b>Depreciation</b>			
At 1 October 2020	-	15,562	15,562
Charge for the year	-	216	216
Eliminated on disposal	-	-	-
<b>At 30 September 2021</b>	<b>-</b>	<b>15,778</b>	<b>15,778</b>
<b>Net book value</b>			
<b>At 30 September 2021</b>	<b>-</b>	<b>433</b>	<b>433</b>
At 30 September 2020	-	-	-

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2021

### 16 Cash and cash equivalents

	2021	2020
	£	£
Cash and balances with the Bank of England		
Loans and advances to banks	1,726,854	1,169,151
Less: amounts maturing after three months	-	-
	<u>1,726,854</u>	<u>1,169,151</u>

### 17 Prepayments and accrued income

	2021	2020
	£	£
Prepayments	2,560	3,954
	<u>2,560</u>	<u>3,158</u>

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

Loans and advances to members	2021	2020
	£	£
As at 1 October 2020	3,053,458	2,795,800
Loan interest	156,156	152,296
Net advanced/(repaid) during the year	(221,368)	105,362
Written off	-	-
<b>Gross loans and advances to members</b>	<u>2,988,246</u>	<u>3,053,458</u>
Impairment losses		
As at 1 October 2020	(32,285)	(22,285)
Increase in allowances during the year	(30,544)	(10,000)
	<u>(62,829)</u>	<u>(32,285)</u>
<b>As at 30 September 2021</b>	<u>2,925,417</u>	<u>3,021,173</u>

### Memorandum - Total loan assets for regulatory purposes

	2021	2020
	£	£
Gross loans and advances to members	2,988,246	3,053,458
Impairment of individual financial assets	(62,829)	(32,285)
<b>Total loan assets for regulatory purposes</b>	<u>2,925,417</u>	<u>3,021,173</u>

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2021

### 19 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 £25,000 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.

	2021		2020	
	Amount £	Proportion %	Amount £	Proportion %
<b>Not impaired:</b>				
Not yet past due	2,928,630	98.0%	2,981,482	97.6%
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>	<b>2,928,630</b>	<b>98.0%</b>	<b>2,981,482</b>	<b>97.6%</b>
<b>Individually impaired:</b>				
Not yet past due	-	-	-	-
Up to 3 months past due	-	0.0%	27,728	0.9%
Between 3 and 6 months past due	-	0.0%	14,791	0.5%
Between 6 months and 1 year past due	6,384	0.2%	18,129	0.6%
Over 1 year past due	53,232	1.8%	11,328	0.4%
<b>Loans impaired</b>	<b>59,616</b>	<b>2.0%</b>	<b>71,976</b>	<b>0.4%</b>
<b>Total loans</b>	<b>2,988,246</b>		<b>3,053,458</b>	
<b>Impairment allowance</b>	<b>(62,829)</b>		<b>(32,285)</b>	
<b>Total carrying value</b>	<b>2,925,417</b>		<b>3,021,173</b>	

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

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2021

### 19 Credit risk disclosures (continued)

	2021 £	2020 £
<b>Allowance account for impairment losses</b>		
As at 1 October	32,285	22,285
Increase/(decrease) in allowances during the year	30,544	10,000
<b>As at 30 September</b>	<u>62,829</u>	<u>32,285</u>
<b>Impairment losses recognised for the year</b>		
Impairment of individual financial assets	18,000	5,229
Increase/(decrease) in impairment allowances during the year	12,544	4,771
	<u>30,544</u>	<u>10,000</u>
Reversal of impairment where debt recovered	-	-
<b>Total impairment losses/(gains) recognised for the year</b>	<u>30,544</u>	<u>10,000</u>

### 20 Subscribed capital

	2021 £	2020 £
<b>Share deposits</b>		
As at 1 October 2020	4,151,937	3,931,927
Received during the year	1,133,241	958,121
Entrance fees	(570)	(645)
Repaid during the year	(1,019,452)	(1,142,066)
Transferred	341,987	404,600
<b>As at 30 September 2021</b>	<u>4,607,143</u>	<u>4,151,937</u>
<b>Subscribed capital presented as financial liabilities:</b>		
Members' share deposits repayable on demand	4,155,143	3,699,937
<b>Subscribed capital presented as equity:</b>		
Deferred shares	452,000	452,000
<b>Total subscribed capital</b>	<u>4,607,143</u>	<u>4,151,937</u>

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.

# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2021

### 21 Other payables

	2021	2020
	£	£
UK Corporation Tax	139	762
Accruals and deferred income	8,291	8,289
	<u>8,430</u>	<u>9,481</u>

### 22 Commitments under Operating Leases

At 30 September 2020 the total of the Credit Union future minimum lease payments under non-cancellable operating leases was:

	2021	2020
	£	£
<b>Land &amp; Buildings</b>		
Amounts due within one year	5,976	7,968
Amounts due between one and five years	-	5,976
	<u>5,976</u>	<u>13,944</u>

### 23 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.



# Churches' Mutual Credit Union

## Notes to the Financial Statements (continued)

Year Ended 30 September 2021

### 23 Financial risk management (continued)

#### Interest rate risk disclosures

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

	2021		2020	
	Amount £	Average interest rate	Amount £	Average interest rate
<b>Financial assets</b>				
Loans to members	<u>2,925,417</u>	5.34%	<u>3,021,173</u>	5.04%
<b>Financial liabilities</b>				
Subscribed capital	<u>4,155,143</u>	0.1%	<u>3,699,937</u>	0.0%

#### 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.

### 24 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.

### 25 Related party transactions

During the year, 22 members of the Board, staff and their close family members (2020: 22) had share accounts and 2 (2020: 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/recd	Deposited/ repaid	Withdrawn/ advanced	Carried forward
Shares	(127,747)	-	(4,305)	2,170	(129,883)
Loans	1,580	410	(2,765)	12,000	11,225