

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 2023

Churches' Mutual Credit Union

Financial Statements

Year Ended 30 September 2023

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Churches' Mutual Credit Union

Credit Union Information

Year Ended 30 September 2023

The Board of Directors

Alan Yates (Chair)
John Rowland (Secretary)
John Ellis (Treasurer)
Samuel Kennedy
Jeremy Palmer
Charles Sim
Ian Buchanan
Trudie Wigley (appointed 27 January 2023)
Paula Tweddle (co-opted May 2023)

Supervisory Committee

Dave Thomson (Chair)
Nigel Bourne
Antony MacRow-Wood

Credit and Risk Committee

Jeremy Palmer (Chair)
Alan Yates
John Ellis
Trudie Wigley (from 16 September 2023)

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

Cooper Parry Group Limited
Cubo Birmingham
Two Chamberlain Square
Birmingham
B3 3AX

Bankers

Unity Trust Bank
Barclays Bank
Nationwide Building Society
Lloyds Bank

Churches' Mutual Credit Union

Chairman's Report

Year Ended 30 September 2023

I'm pleased, as President, to present the annual report of the Churches' Mutual Credit Union for the year 2022-23.

The economic turmoil we have all experienced in the last financial year continued throughout most of 22/23. Although we saw Inflation peak early in our new financial year and start to fall quite quickly, the same cannot be said for the Bank of England base rates. Although the rate of increase did slow, our year ended with the BoE base rate at a record high, for Churches' Mutual, of 5.25%.

Despite these challenging conditions your board and staff have delivered a good set of results. We have increased our surplus for the year and embarked upon a significant marketing programme with a new website and an enhanced social media presence. We are grateful for generous donations from two of our denominational sponsors (The Church in Wales and The United Reformed Church) which have enabled this investment without dipping too far into our reserves. The marketing programme appears to be working as our loan book grew by almost 8% in the second half of the year; compared to a 4.5% decline the previous year. We are keen to emphasise, this is not growth for growth's sake. We are at a size where our growth will enable us to amortise our overheads across more loans, enabling us to drive down the cost of your loans: providing a valuable service to more people.

With an improved surplus we can recommend an increased dividend for the year, up to 0.25%. We know this does not compete with building society accounts. Our dividend is paid at such a rate for two key reasons. Firstly, and most importantly, our board prioritises the provision of fair and affordable rates for our borrowers, and this enables us to offer one of the most competitive set of rates to be found. Your investment in Churches' Mutual is helping our clergy and church workers to thrive in this testing environment. If we were to provide a competitive dividend, we would have to increase our loan rates by at least 5 percentage points to enable us to remain in surplus. The second key reason is driven by our deeply rooted ethical principles where do not raise our loan interest rates for existing customers; and given that typically loans are taken over terms of four or more years it can take several years before the average interest payments we receive reflect current circumstances; so today, the average interest rate from our current loan book lags behind current interest rates. We are grateful to all our savers who recognise the good their investment does in supporting struggling clergy and church workers and forgo higher returns from other institutions that do not operate within an ethical and mutual ethos.

We are still operating in a difficult economic environment, but I'm confident that, with the sustained support of our members, our staff and board, we will continue to deliver valuable services ethically and economically.

.....
Alan Yates
President and Chair of the Board

Churches' Mutual Credit Union

Directors' Report

Year Ended 30 September 2023

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:

Alan Yates (Chair)

John Rowland (Secretary)

John Ellis (Treasurer)

Samuel Kennedy

Jeremy Palmer

Charles Sim

Ian Buchanan

Trudie Wigley

appointed 27 January 2023

Paula Tweddle

co-opted May 2023

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.

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.

Churches' Mutual Credit Union

Directors' Report (continued)

Year Ended 30 September 2023

Auditor

The audit business of Haines Watts Birmingham LLP was acquired by Cooper Parry Group Limited on 14 November 2023. Accordingly, Haines Watts Birmingham LLP has resigned as auditor and Cooper Parry Group Limited has been appointed in its place.

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 and signed on its behalf by:

.....
Alan Yates
Chair

Churches' Mutual Credit Union
Independent Auditor's Report to the Members
Year Ended 30 September 2023

Opinion

We have audited the financial statements of Churches' Mutual Credit Union (the 'Credit Union') for the year ended 30 September 2023 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 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including FRC's Ethical Standards, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Credit Union's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises of the information in the Chairman's Report and the Directors' Report, but does not include the financial statements and our Report of the Auditors thereon.

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

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.

Churches' Mutual Credit Union

Independent Auditor's Report to the Members (continued)

Year Ended 30 September 2023

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.

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.

Churches' Mutual Credit Union

Independent Auditor's Report to the Members (continued)

Year Ended 30 September 2023

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

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, but were not limited to:

- 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. 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.

.....
Cooper Parry Group Limited
Statutory Auditor
Cubo Birmingham
Two Chamberlain Square
Birmingham
B3 3AX

Churches' Mutual Credit Union

Revenue Account

Year Ended 30 September 2023

	Note	2023 £	2022 £
Loan interest receivable and similar income	4	201,526	158,188
Interest payable	5	(3,769)	(4,158)
Net interest income		197,757	154,030
Fees and commissions receivable	6	600	535
Fees and commissions payable	7	(2,396)	(2,194)
Net fees and commissions payable		(1,796)	(1,659)
Other income	8	12,374	3,020
Administrative expenses	9	(129,427)	(120,085)
Other operating expenses	10	(14,328)	(17,275)
Depreciation and amortisation of fixed assets		(922)	(3,070)
Impairment losses on loans to members	19	(14,400)	(7,500)
		(159,077)	(147,930)
Surplus before taxation		49,258	7,461
Taxation	13	(7,122)	(830)
Surplus for the financial year		42,136	6,631
Other comprehensive income		-	-
Total comprehensive income for the year		42,136	6,631

There are no recognised gains or losses other than those reported above.

The surplus 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 2023

	Note	2023 £	2022 £
Assets			
Cash, cash equivalents and liquid deposits:			
Loans and advances to banks		1,831,683	1,924,473
Loans and advances to members	18	3,015,312	2,798,703
Intangible fixed assets	14	-	-
Tangible fixed assets	15	706	1,628
Prepayments and accrued income	17	2,560	2,560
Total assets		4,850,261	4,727,364
Liabilities			
Subscribed capital - repayable on demand	20	4,292,242	4,217,774
Other payables	21	15,412	9,119
		4,307,654	4,226,893
Equity			
General reserve		79,307	43,971
Interest proposed		11,300	4,500
Retained earnings		90,607	48,471
Deferred shares	20	452,000	452,000
		542,607	500,471
Total liabilities		4,850,261	4,727,364

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

.....
Alan Yates
Chair

.....
John Ellis
Treasurer

.....
John Rowland
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 2023

	General reserve £	Other reserve £	Interest proposed £	Retained earnings £	Deferred shares £
At 1 October 2021	37,639	-	4,201	41,840	452,000
Total comprehensive income	10,789	-	(4,158)	6,631	-
Transfer between funds	43	-	(43)	-	-
Designated for dividend	(4,500)	-	4,500	-	-
At 30 September 2022	43,971	-	4,500	48,471	452,000
Total comprehensive income	45,905	-	(3,769)	42,136	-
Transfer between funds	731	-	(731)	-	-
Designated for dividend	(11,300)	-	11,300	-	-
At 30 September 2023	79,307	-	11,300	90,607	452,000

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 2023

	2023	2022
	£	£
Cash flows from operating activities		
Surplus before taxation	49,258	7,461
Adjustments for non-cash items:		
Debt impairment and write off	14,400	7,500
Depreciation	922	922
Amortisation	-	2,148
	<u>64,580</u>	<u>18,031</u>
Movements in:		
Prepayments and accrued income	-	-
Other payables	-	-
	<u>-</u>	<u>-</u>
Cash flows from changes in operating assets and liabilities		
Cash flow from subscribed and repaid capital	74,467	62,632
Net movement in member loans	(231,007)	119,211
	<u>(156,540)</u>	<u>181,843</u>
Taxation paid	(830)	(139)
	<u>(92,790)</u>	<u>199,735</u>
Net cash flows from operating activities		
	<u>(92,790)</u>	<u>199,735</u>
Cash flow from investing activities		
Intangible fixed asset additions	-	(2,117)
	<u>-</u>	<u>(2,117)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(92,790)</u>	<u>197,618</u>
Cash and cash equivalents at the beginning of the year	<u>1,924,473</u>	<u>1,726,855</u>
Cash and cash equivalents at the end of the year	<u><u>1,831,683</u></u>	<u><u>1,924,473</u></u>

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 2023

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 (2022: £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 2023

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:

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 2023

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.

4 Loan interest receivable and similar income

	2023	2022
	£	£
Loan interest receivable from members	164,040	153,816
Bank interest receivable on cash and liquid deposits	37,486	4,372
Total loan interest receivable and similar income	201,526	158,188

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 2023

5 Dividend paid to members (continued)

	2023	£
Interest paid during the year	3,769	4,158
	<u>3,769</u>	<u>4,158</u>
Dividend rate:		
Deferred shares	0.25%	0.1%
Corporate and member shares	0.25%	0.1%
Founder member shares	0.25%	0.1%
Interest proposed, but not recognised	<u>11,300</u>	<u>4,500</u>

6 Fees and commissions receivable

	2023	2022
	£	£
Entrance fees	<u>600</u>	<u>535</u>

7 Fees and commissions payable

	2023	2022
	£	£
Bank charges	<u>2,396</u>	<u>2,194</u>

8 Other income

	2023	2022
	£	£
Dormant account administration charges	220	257
Grants	10,834	2,500
Donations	1,094	50
Withdrawal administration charges	226	213
	<u>12,374</u>	<u>3,020</u>

Churches' Mutual Credit Union

Notes to the Financial Statements (continued)

Year Ended 30 September 2023

9 Administrative expenses	2023	2022
	£	£
Employment costs	78,756	75,369
Staff training	2,561	2,796
Directors' expenses	1,531	2,476
Other staff expenses	593	850
Auditors remuneration	7,500	7,055
Bookkeeping and payroll	963	1,149
Telephone	568	358
Computer maintenance, software and website costs	17,720	13,630
Data protection	35	35
Licences	727	119
General expenses	477	321
Printing, postage, stationary, advertising and marketing	17,595	15,638
Other insurance	400	289
	129,427	120,085
10 Other operating expenses		
	2023	2022
	£	£
Office service costs	2,873	6,814
Costs of occupying offices (excluding depreciation)	2,873	6,814
Financial Conduct Authority and Prudential Regulation Authority Fees	1,370	1,357
Association of British Credit Union Limited dues	3,258	2,292
Credit agency fees	3,736	3,721
Fidelity insurance	3,091	3,091
Regulatory and financial management costs	11,455	10,461
	14,328	17,275
11 Employees and employment costs		
	2023	2022
Number of employees	No.	No.
The average monthly number of employees during the year were:		
Office staff	2	2

Churches' Mutual Credit Union

Notes to the Financial Statements (continued)

Year Ended 30 September 2023

11 Employees and employment costs (continued)

	2023	2022
	£	£
Employment costs		
Wages and salaries	73,160	70,347
Social security costs	2,708	2,984
Payments to defined contribution pension schemes	2,887	2,038
	<u>78,756</u>	<u>75,369</u>

12 Remuneration of directors and key management personnel

Directors' remuneration for the year totalled £nil (2022: £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:

	2023	2022
	£	£
Short term employee benefits	73,160	70,347
Payments to defined contribution pension schemes	2,194	2,038
	<u>75,354</u>	<u>72,385</u>

13 Taxation

	2023	2022
	£	£
Analysis of tax charge in year		
UK Corporation tax on taxable profits for the year	7,122	830
Total current tax	<u>7,122</u>	<u>830</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% (2022: 19%). The differences are explained below:

	2023	2022
	£	£
Surplus on ordinary activities before tax and dividends	<u>49,258</u>	<u>7,461</u>
Surplus on ordinary activities multiplied by the relevant standard rate of Corporation tax in the UK of 19% (2022: 19%)	12,315	1,418
Effects of:		
Non taxable surplus on transactions with members	(5,193)	(588)
Current tax charge for year (see note above)	<u>7,122</u>	<u>830</u>

Churches' Mutual Credit Union
Notes to the Financial Statements (continued)
Year Ended 30 September 2023

14 Intangible fixed assets

	Computer software £	Total £
Cost		
At 1 October 2022	6,444	6,444
Additions	-	-
Disposals	-	-
At 30 September 2023	6,444	6,444
Amortisation		
At 1 October 2022	6,444	6,444
Charge for the year	-	-
Eliminated on disposal	-	-
At 30 September 2023	6,444	6,444
Net book value		
At 30 September 2023	-	-
<i>At 30 September 2022</i>	<i>-</i>	<i>-</i>

15 Fixed assets

	Fixtures, fittings, office and IT equipment £	Total £
Cost		
At 1 October 2022	18,328	18,328
Additions	-	-
Disposals	-	-
At 30 September 2023	18,328	18,328
Depreciation		
At 1 October 2022	16,700	16,700
Charge for the year	922	922
Eliminated on disposal	-	-
At 30 September 2023	17,622	17,622
Net book value		
At 30 September 2023	706	706
<i>At 30 September 2022</i>	<i>1,628</i>	<i>1,628</i>

Churches' Mutual Credit Union

Notes to the Financial Statements (continued)

Year Ended 30 September 2023

16 Cash and cash equivalents

	2023 £	2022 £
Cash and balances with the Bank of England		
Loans and advances to banks	1,831,683	1,924,473
Less: amounts maturing after three months	-	-
	<u>1,831,683</u>	<u>1,924,473</u>

17 Prepayments and accrued income

	2023 £	2022 £
Prepayments	2,560	2,560
	<u>2,560</u>	<u>2,560</u>

18 Loans and advances to members - financial assets

Loans and advances to members	2023 £	2022 £
As at 1 October 2022	2,869,032	2,988,246
Loan interest	164,040	153,816
Net advanced/(repaid) during the year	66,969	(263,403)
Written off during the year	(9,471)	(9,627)
Gross loans and advances to members	<u>3,090,570</u>	<u>2,869,032</u>
Impairment losses		
As at 1 October	(70,329)	(72,456)
(Increase)/decrease in allowances during the year	(4,929)	2,127
As at 30 September	<u>(75,258)</u>	<u>(70,329)</u>
As at 30 September 2023	<u>3,015,312</u>	<u>2,798,703</u>

Memorandum - Total loan assets for regulatory purposes

	2023 £	2022 £
Gross loans and advances to members	3,090,570	2,869,032
Impairment of collective financial assets	(75,258)	(70,329)
Impairment of individual financial assets	-	-
Total loan assets for regulatory purposes	<u>3,015,312</u>	<u>2,798,703</u>

Churches' Mutual Credit Union

Notes to the Financial Statements (continued)

Year Ended 30 September 2023

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.

	2023		2022	
	Amount £	Proportion %	Amount £	Proportion %
Not impaired:				
Not yet past due	3,021,876	97.8%	2,796,037	97.5%
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	-	-	-	-
Loans not impaired	3,021,876	97.8%	2,796,037	97.5%
Collectively impaired:				
Not yet past due	-	0.0%	-	0.0%
Up to 3 months past due	2,145	0.1%	-	0.0%
Between 3 and 6 months past due	1,375	0.0%	6,869	0.2%
Between 6 months and 9 months past due	1,591	0.1%	4,603	0.2%
Between 9 months and 1 year past due	3,135	0.1%	-	0.0%
Over 1 year past due	60,448	2.0%	61,523	2.1%
Loans impaired	68,694	2.2%	72,995	2.5%
Total loans	3,090,570		2,869,032	
Impairment allowance - collective financial assets				
Based on default/arrears	(64,393)		(66,689)	
Other	(10,865)		(3,640)	
Total impairment allowance	(75,258)		(70,329)	
Total carrying value	3,015,312		2,798,703	

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

Restatement of comparative information in note above

The comparative column for the amounts and proportion of loans individually impaired has been restated to correctly reflect the analysis of the aged arrears at 30.09.2022. There has been no adjustment to the gross loans, nor impairment provision at that date, only in the presentation of the ageing of the arrears.

Churches' Mutual Credit Union
Notes to the Financial Statements (continued)
Year Ended 30 September 2023

19 Credit risk disclosures (continued)

	2023	2022
	£	£
Allowance account for impairment losses		
As at 1 October 2022	70,329	72,456
Increase/(decrease) in allowances during the year	4,929	(2,127)
As at 30 September	75,258	70,329
Impairment losses recognised for the year		
Amounts written off/ (recovered) during the year	9,471	9,627
Increase/(decrease) in impairment allowances during the year	4,929	(2,127)
	14,400	7,500
Total impairment losses/(gains) recognised for the year	14,400	7,500

20 Subscribed capital

	2023	2022
	£	£
Share deposits		
As at 1 October 2022	4,669,775	4,607,143
Received during the year	1,048,843	1,135,105
Entrance fees	(595)	(535)
Repaid during the year	(1,334,587)	(1,253,917)
Transferred	360,806	181,979
As at 30 September 2023	4,744,242	4,669,775
Subscribed capital presented as financial liabilities:		
Members' share deposits repayable on demand	4,292,242	4,217,775
Subscribed capital presented as equity:		
Deferred shares	452,000	452,000
Total subscribed capital	4,744,242	4,669,775

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 2023

21 Other payables

	2023	2022
	£	£
UK Corporation Tax	7,122	830
Accruals and deferred income	8,290	8,289
	<u>15,412</u>	<u>9,119</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.

Interest rate risk disclosures

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

	2023		2022	
	Amount	Average	Amount	Average
	£	interest rate	£	interest rate
Financial assets				
Loans to members	<u>3,015,312</u>	5.44%	<u>2,798,703</u>	5.50%
Financial liabilities				
Subscribed capital	<u>4,292,242</u>	0.26%	<u>4,217,775</u>	0.11%

Churches' Mutual Credit Union

Notes to the Financial Statements (continued)

Year Ended 30 September 2023

23 Financial risk management (continued)

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, 24 members of the Board, staff and their close family members (2022: 22) had share accounts and 3 (2022: 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	120,555	108	8,561	(52,393)	76,831
Loans	18,777	342	(2,218)	-	16,901