

UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG

**FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2019**

BEVAN BUCKLAND
CHARTERED ACCOUNTANTS
LANGDON HOUSE
LANGDON ROAD
SWANSEA WATERFRONT

UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG

INFORMATION PAGE

YEAR ENDED 30 SEPTEMBER 2019

DIRECTORS

P Hussey ~ Treasurer
J Bayliss ~ Secretary
L D Fulford
K Yorston
N Roberts
J Parris
J Brown

FCA REGISTERED NUMBER

213592

COMPANY REGISTRATION NO

432C

REGISTERED OFFICE

The Old Tourist Information Centre
Groe Car Park
Builth Wells
Powys
LD2 3BL

AUDITORS

Bevan Buckland LLP
Langdon House
Langdon Road
SA1 Swansea Waterfront
Swansea
SA1 8QY

BANKERS

Barclays Bank plc
3 Cross Buildings
Newtown
Powys
SY16 2AJ

Co-operative Bank
Business Direct
P O Box 250
Skelmersdale
WN8 6WT

UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG

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UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG

DIRECTORS' REPORT

YEAR ENDED 30 SEPTEMBER 2019

The board of directors presents its report together with the financial statements for the year ended 30 September 2019.

The Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979 require the directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the credit union and of its income and expenditure 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 estimates that are reasonable and prudent;
- ♦ state whether applicable 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 to operate.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the credit union and to enable them to ensure that the financial statements comply with the requirements of 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.

DISCLOSURE TO AUDITORS

The Board confirms that all necessary steps have been taken to make themselves aware of matters which would be relevant for audit purposes and have communicated such matters to the auditors. They also confirm that, so far as they are aware, at the date of approval of the financial statements there are no matters relevant to the audit of the financial statements which have not been disclosed to the auditors.

RESULTS AND DIVIDEND

The results for the year are set out in the Revenue Account on page 3.

The directors are pleased with the results in the current economic climate and hope to see continued growth in membership in the coming twelve months.

The board of directors propose the payment of a dividend of 1% for the year (2018 - 1%). This proposal will be put to the members of the credit union at the Annual General Meeting.

AUDITORS

Bevan Buckland LLP were appointed as auditors during the year.

.....
L D Fulford
Secretary

.....
Date

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG
YEAR ENDED 30 SEPTEMBER 2019**

Opinion

We have audited the financial statements of Undeb Credyd Y Barcud Coch Cyfyngedig for the year ended 30 September 2019 which comprise the Revenue Account, Statement of Changes in Retained Earnings, Balance Sheet, the Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with 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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity'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 other information comprises the information included in the annual report, including the trustees' report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information.

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 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG
YEAR ENDED 30 SEPTEMBER 2019**

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of financial statements which 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 trustees 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 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 Report of the Independent Auditors.

Use of our report

This report is made solely to the credit union's directors, as a body, in accordance with Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the directors 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's directors as a body, for our audit work, for this report, or for the opinions we have formed.

Bevan Buckland LLP
Chartered Accountants
Statutory Auditors

Langdon House
Langdon Road
SA1 Swansea Waterfront
Swansea
SA1 8QY

Date:

UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG

REVENUE ACCOUNT

YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 £	2018 £
Loan interest receivable and similar income	4	21,439	17,732
Interest payable	5	(413)	(457)
Net interest income		21,026	17,275
Fees and commissions receivable	6	66	630
Net fees and commissions receivable		66	630
Grant income		-	-
Other income		46	287
Employment costs	7	-	-
Establishment costs	8	-	-
Administrative expenses	9	(5,752)	(6,296)
Regulatory costs	10	(1,458)	(1,667)
Depreciation and amortisation		(216)	(150)
Bad Debts		(956)	-
Impairment losses on loans to members		(1,934)	(5,314)
SURPLUS FOR THE YEAR BEFORE TAXATION		10,822	4,765
Taxation	13	(137)	(65)
TOTAL COMPREHENSIVE INCOME		10,685	4,700

There are no items of other comprehensive income.

STATEMENT OF CHANGES IN RETAINED EARNINGS

	2019 £	2018 £
As at 1 October 2018	49,021	49,170
Total comprehensive income for the year	10,685	4,700
Dividends paid	(3,234)	(4,849)
As at 30 September 2019	56,472	49,021

UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG

BALANCE SHEET 30 SEPTEMBER 2019

	Note	2019 £	2018 £
ASSETS			
Loans and advances to banks		334,645	307,077
Cash in hand		700	200
		<u>335,345</u>	<u>307,277</u>
Loans to members	15	170,421	131,755
Tangible fixed assets	14	734	950
Other receivables		-	-
Prepayments and accrued income		4,122	1,688
		<u>510,622</u>	<u>441,670</u>
TOTAL ASSETS			
LIABILITIES			
Subscribed capital - repayable on demand	16	418,440	351,146
Junior savers	17	27,528	33,115
Other payables	18	8,182	8,388
		<u>454,150</u>	<u>392,649</u>
Retained earnings	19	56,472	49,021
		<u>510,622</u>	<u>441,670</u>
TOTAL LIABILITIES			

Approved by the board of directors on

and signed on their behalf by:

N J Roberts
Director

L D Furford
Secretary

J Parris
Director

UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG

CASH FLOW STATEMENT YEAR ENDED 30 SEPTEMBER 2019

	2019 £	2018 £
OPERATING ACTIVITIES		
Surplus before taxation	10,822	4,765
Adjustments for non-cash items:		
Depreciation	216	150
Impairment losses	1,934	5,314
	<hr/> 12,972	<hr/> 10,229
Movements in:		
Accrued interest	(2,434)	2,278
Other receivables	-	260
Other payables	(206)	146
	<hr/> (2,640)	<hr/> 2,684
CASH FLOWS FROM CHANGES IN OPERATING ASSETS AND LIABILITIES		
Cash inflow from subscribed capital	174,339	150,580
Cash outflow from repaid capital	(107,045)	(125,247)
Cash inflow from junior shares	6,644	5,485
Cash outflow from junior shares	(12,535)	(506)
New loans to members	(112,494)	(90,857)
Repayment of loans by members	72,126	57,482
	<hr/> 21,035	<hr/> (3,063)
Dividend paid	(3,234)	(4,849)
Corporation Tax paid	(65)	(164)
	<hr/>	<hr/>
NET CASH FLOWS FROM OPERATING ACTIVITIES	17,735	(8,076)
INVESTING ACTIVITIES		
Purchase of fixed assets	-	(819)
	<hr/>	<hr/>
	<hr/> -	<hr/> (819)
Net increase/(decrease) in cash and cash equivalents	28,067	4,018
Cash and cash equivalents at beginning of year	307,277	303,259
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	335,344	307,277
	<hr/> <hr/>	<hr/> <hr/>

UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2019

1 LEGAL AND REGULATORY FRAMEWORK

Undeb Credyd y Barcud Coch Cyfyngedig is a society established under the Co-operative and Community Benefit Societies Act 2014, whose principal activity is to operate as a credit union, within the meaning of the Credit Unions Act 1979. Undeb Credyd y Barcud Coch Cyfyngedig 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, deferred shares and interest-bearing shares. At present, Undeb Credyd y Barcud Coch Cyfyngedig has only issued redeemable 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 believe this is appropriate because there is adequate reserves and working capital to support the operations of the credit union.

Income

Loan interest receivable and similar income:

Interest on both loans to members and loans to banks (ie. Cash and cash equivalents held on deposit with other financial institutions) is recognised using the effective interest rate method, and is calculated and accrued on a daily basis.

Fees and commissions receivable:

Fees and charges either arise in connection with a specific transaction, or accrue evenly over the year. Income relating to individual transactions is recognised when the transaction is completed.

Taxation

The tax charge for the year reflects current tax payable. Current tax is the expected corporation tax payable for the year, using tax rates in force for the year. The 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 property and investment income.

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

UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2019

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. The 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 property and investment income.

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

Tangible Fixed Assets

Fixed assets are shown at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation has been charged on this valuation to write off the value of each asset over its estimated useful life. The following depreciation rates are used:

Computer equipment	~ 20% reducing balance
Furniture and fittings	~ 20% straight line

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and with the Bank of England and loans and advances to banks (ie cash deposited with banks) with maturity of less than or equal to three months.

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. The credit union does not transfer loans to third parties.

Subscribed Capital

Members' shareholdings 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.

Reserves

Retained earnings are the accumulated surpluses to date that have not been declared as dividends returnable to members. The balances of the distributable and non-distributable reserves are detailed in note 19 to the financial statements.

UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2019

3 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying the 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:

The following provisions for impairment losses were made on loans to members:

- 100% of outstanding net liabilities on loans over 12 months in arrears or where recovery is considered unfeasible;
- 80% of outstanding liabilities on loans 9 to 12 months in arrears;
- 60% of outstanding liabilities on loans 6 to 9 months in arrears;
- 35% of outstanding liabilities on loans 3 to 6 months in arrears.

4 LOAN INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£	£
Loan interest receivable from members	20,720	17,419
Bank interest receivable on cash and liquid deposits	719	313
Total loan interest receivable and similar income	21,439	17,732

5 INTEREST EXPENSE

	2019	2018
	£	£
Junior interest	413	457
Other interest paid	-	-
Interest paid during the year	413	457
Dividend rate on subscribed capital	1.00%	1.00%
Interest proposed, but not recognised	-	-

6 FEES AND COMMISSIONS RECEIVABLE

	2019	2018
	£	£
Entrance fees	66	79
Members' administration fees	-	551
Total fees and commissions receivable	66	630

7 EXPENSES

	2019	2018
	£	£
Employment costs	-	-
Establishment costs	-	-
Administrative expenses	5,751	6,296
Depreciation and amortisation	216	150
Regulatory costs	1,458	1,667
	7,426	8,113

Note

12

8

9

10

UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2019

8 ESTABLISHMENT COSTS

	2019	2018
	£	£
Rent and rates	-	-
Heat and light	-	-
	<u>-</u>	<u>-</u>

9 ADMINISTRATIVE COSTS

	2019	2018
	£	£
Advertising and publicity expenses	80	447
Printing, stationery, postage and office consumables	99	224
Telephone	792	994
Equipment hire	-	-
Auditors' remuneration	3,864	3,864
General expenses	428	731
Bank charges and interest	487	36
	<u>5,751</u>	<u>6,296</u>

10 REGULATORY COSTS

	2019	2018
	£	£
Loan protection / life savings insurance	589	748
Fidelity bond and general insurance	669	605
PRA fees	165	279
Data Protection Registry	35	35
	<u>1,458</u>	<u>1,667</u>

11 AUDITORS' REMUNERATION

	2019	2018
	£	£
Fees payable for audit of accounts	3,480	3,480
Fees payable for other services:		
Preparation of Annual Return	288	288
Services relating to Taxation	96	96
Other services	-	-
	<u>3,864</u>	<u>3,864</u>

UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2019

12 EMPLOYEES AND EMPLOYMENT COSTS

Employee information	2019	2018
	£	£
Wages and salaries	-	-
Social security costs	-	-
Payments to defined contribution pension schemes	-	-
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

The directors are not remunerated and no employee received emoluments in excess of £60,000.

The average monthly number of persons, employed by the credit union during the year was:

	2019	2018
Management and administration	<u>0</u>	<u>0</u>

13 TAXATION

13a Recognised in the Revenue Account

	2019	2018
	£	£
Corporation Tax @ 19% (2018 - 19%) on bank deposit interest receivable	137	65
Underprovision in prior year	-	-
	<u>137</u>	<u>65</u>
	<u><u>137</u></u>	<u><u>65</u></u>

13b Reconciliation of Taxation Expense

Undeb Credyd y Barcud Coch Cyfyngedig 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:

	2019	2018
	£	£
Surplus before taxation	<u>10,822</u>	<u>4,765</u>
Surplus before taxation multiplied by small profits rate of corporation tax in the UK of 19% (2018: 19%)	2,056	905
Non-taxable surplus on transactions with members	(1,919)	(840)
Corporation tax charge for the year	<u>137</u>	<u>65</u>

UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2019

14 FIXED ASSETS - TANGIBLE

	Furniture & fittings £	Computer equipment £	Total £
Cost:			
Opening balance	909	5,284	6,193
Additions	-	-	-
Disposals	-	-	-
Closing balance	<u>909</u>	<u>5,284</u>	<u>6,193</u>
Depreciation:			
Opening balance	724	4,518	5,242
Charge for year	37	179	216
On disposals	-	-	-
Closing balance	<u>761</u>	<u>4,698</u>	<u>5,459</u>
Net Book Value:			
30 September 2019	<u>148</u>	<u>586</u>	<u>734</u>
30 September 2018	<u>185</u>	<u>766</u>	<u>950</u>

15 LOANS AND ADVANCES TO MEMBERS

15a Loans and Advances to Members

	2019 £	2018 £
Opening loan balances	146,361	112,986
Loans advanced in year	<u>112,494</u>	<u>90,857</u>
	258,855	203,843
Loans repaid in year	(71,894)	(57,482)
Adjustment to impairment losses	(See Note 15c) (3,919)	-
Closing loan balances	<u>183,042</u>	<u>146,361</u>

15b Credit Risk Disclosures

Undeb Credyd y Barcud Coch Cyfyngedig 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 carrying amount of the loans to members represents the 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.

UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2019

15b Credit Risk Disclosures

	2019	2018
	£	£
Not impaired:		
Neither past due nor impaired	119,124	104,645
Up to 3 months past due	52,392	18,480
Between 3 and 6 months past due	-	-
Between 6 months and 1 year past due	-	-
Over 1 year past due	-	-
Loans not impaired	<u>171,516</u>	<u>123,125</u>
Individually impaired:		
Not yet past due, but impaired	-	-
Up to 3 months past due	-	-
Between 3 and 6 months past due	5,584	13,290
Between 6 months and 1 year past due	423	1,485
Over 1 year past due	9,438	8,461
Total loans	<u>186,961</u>	<u>146,361</u>
Impairment allowance	(16,540)	(14,606)
Total carrying value	<u><u>170,421</u></u>	<u><u>131,755</u></u>

15c Impairment losses

	2019	2018
	£	£
As at 1 October 2018	14,606	9,292
Allowance for losses made during the year	-	5,314
Allowances reversed during the year	(1,985)	-
Increase/(decrease) in allowances during the year	(1,985)	5,314
Adjustment to impairment losses (See Note 15a)	3,919	-
As at 30 September 2019	<u><u>16,540</u></u>	<u><u>14,606</u></u>

16 SUBSCRIBED CAPITAL

	2019	2018
	£	£
Opening balance	351,146	325,813
Share monies received	171,105	145,731
Dividends added to members' accounts	3,234	4,849
	<u>525,485</u>	<u>476,393</u>
Less: Share monies repaid	(107,045)	(125,247)
Closing balance	<u><u>418,440</u></u>	<u><u>351,146</u></u>

Members' shares include 16 corporate members with balances totalling £28,614 (2018 - £16,275).

UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2019

17 JUNIOR SAVERS	2019	2018
	£	£
Opening balance	33,115	28,136
Share monies received	6,644	5,095
Interest paid	304	390
	<u>40,063</u>	<u>33,621</u>
Less: Share monies repaid	(12,535)	(506)
Closing balance	<u><u>27,528</u></u>	<u><u>33,115</u></u>

18 OTHER PAYABLES	2019	2018
	£	£
Trade creditors and accruals	8,045	8,323
Taxes and Social Security	137	65
	<u>8,182</u>	<u>8,388</u>

19 RETAINED EARNINGS	2019			2018
	Revenue Reserve	General Reserve	Total	Total
	£	£	£	£
Balance at 1 October 2018	24,951	24,070	49,021	49,170
Surplus for the year after taxation	10,685	-	10,685	4,700
	<u>35,636</u>	<u>24,070</u>	<u>59,706</u>	<u>53,870</u>
Dividends paid during year	(3,234)	-	(3,234)	(4,849)
Transfers between reserves	-	-	-	-
Balance at 30 September 2019	<u><u>32,402</u></u>	<u><u>24,070</u></u>	<u><u>56,472</u></u>	<u><u>49,021</u></u>

Revenue Reserves are distributable. The General Reserve is not distributable.

20 ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES

20a Financial Risk Management

The 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 the 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 the credit union, resulting in financial loss to Undeb Credyd y Barcud Coch Cyfyngedig. In order to manage this risk, the Board approves 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.

UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2019

Liquidity risk:

The 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 the 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.

Market risk:

Market risk is generally comprised of interest rate risk, currency risk and other price risk. The credit union conducts all its transactions in sterling and does not deal in derivatives or commodity markets. Therefore, the credit union is not exposed to any form of currency risk or other price risk.

Interest rate risk:

The main interest rate risk for the credit union arises from differences between the interest rate exposures on the receivables and payables that form an integral part of a credit union's operations. Undeb Credyd y Barcud Coch Cyfyngedig considers rates of interest receivable when deciding on the dividend rate payable on subscribed capital. The credit union does not use interest rate options to hedge its own positions.

20b Interest Rate Risk Disclosures

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

	2019		2018	
	Amount	Average interest rate	Amount	Average interest rate
	£	%	£	%
Financial assets				
Loans to members	<u>166,503</u>	14.2%	<u>131,755</u>	16.3
Financial liabilities				
Subscribed capital	<u>418,440</u>	1.5	<u>351,146</u>	1.5

The interest rates applicable on loans to members are fixed and range from 12.67% APR to 19.96% APR.

The interest payable on subscribed capital is determined on the basis of income less administrative expenses and 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.

20c Liquidity Risk Disclosures

Excluding short-term other payables, as noted in the Balance Sheet, the credit union's financial liabilities, the subscribed capital, are repayable on demand.

20d Fair Value of Financial Instruments

Undeb Credyd y Barcud Coch Cyfyngedig does not hold any financial instruments at fair value.

UNDEB CREDYD Y BARCUD COCH CYFYNGEDIG

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2019

21 CASH AND CASH EQUIVALENTS

	2019	2018
	£	£
Loans and advances to banks	334,645	307,077
Cash in hand	700	200
Less: Amounts maturing after three months	-	-
	<u>335,345</u>	<u>307,277</u>

22 CONTINGENT LIABILITIES

Undeb Credyd y Barcud Coch Cyfyngedig 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.

23 POST BALANCE SHEET EVENTS

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

24 RELATED PARTY TRANSACTIONS

During the year, 5 members of staff and their close family members had loans with Undeb Credyd y Barcud Coch Cyfyngedig. These loans were approved on the same basis as loans to other members of the credit union.