



## CONTENTS

	Page
• Message from the Chairs of St. Canice's Kilkenny Credit Union Limited and Bagenalstown Credit Union Limited	2
• Member Information	3
• Statements required under Section 130 of the Credit Union Act, 1997 (as amended)	4-5
<b>St. Canice's Kilkenny Credit Union Limited</b>	
• Statement of Director's and Board Oversight Committee Responsibilities	6
• Independent Auditor's Report to the members	7
• Financial Statements for year-ended 30th September 2018	9
• Unaudited Management Accounts for 31st October 2018	22
<b>Bagenalstown Credit Union Limited</b>	
• Statement of Director's and Board Oversight Committee Responsibilities	23
• Independent Auditor's Report to the members	24
• Financial Statements for year-ended 30th September 2018	27
• Unaudited Management Accounts for 31st October 2018	39

## MESSAGE FROM THE CHAIRS OF ST. CANICE'S KILKENNY CREDIT UNION LIMITED AND BAGENALSTOWN CREDIT UNION LIMITED

Dear Members,

We are pleased to inform you, that the Board of Directors of St. Canice's Kilkenny Credit Union Limited and Bagenalstown Credit Union Limited are in a position to ask our members to approve the transfer of engagements, of Bagenalstown Credit Union Limited to St. Canice's Kilkenny Credit Union Limited. The Special Resolutions to approve the Transfer of Engagements will be voted on at the forthcoming Annual General Meetings.

This merger arises from the belief of the Board of Directors of our credit unions that our members can be better served together and we consider it an ideal opportunity to grow and develop our services to members locally. The Boards of both Credit Unions are confident that our decision to combine our Credit Unions will strengthen our position to be the most trusted, respected and preferred financial services provider for our members, providing good value, modern, accessible and tailored services. On completion of the proposed transfer of engagements, the common bond of St. Canice's Kilkenny Credit Union Limited will be extended to include all current members of Bagenalstown Credit Union Limited. The advantages for members are that the enlarged Credit Union will:

- protect the provision of Credit Union services in our community and allow for more investment in our community;
- allow access to a broader range of savings and loan services at competitive and sustainable rates;
- be a stronger, more viable Credit Union with healthy financial reserves;
- satisfy member expectations and security of savings and;
- provide greater efficiencies through sharing costs resulting in better value for members;

Included in this Section 130 Pack, for your information is a statement required under Section 130 of the Credit Union Act, 1997 (as amended). We would like to take this opportunity to thank you the members for your continued loyalty to your Credit Union and look forward to your support at the Annual General Meetings.

**Eamonn Mc Ardle**  
Chair, St. Canice's Kilkenny Credit Union Limited

**John Devine**  
Chair, Bagenalstown Credit Union Limited

## PROPOSED TRANSFER OF ENGAGEMENTS – BAGENALSTOWN CREDIT UNION LIMITED TO ST.CANICE'S KILKENNY CREDIT UNION LIMITED

### MEMBER INFORMATION

#### What does a Transfer of Engagements mean?

A Transfer of Engagement means that Bagenalstown Credit Union Limited will transfer their assets and liabilities to St. Canice's Kilkenny Credit Union Limited. Members in St. Canice's Kilkenny and Bagenalstown can continue in exactly the same way as before with the added advantage of access to all of the services that the combined Credit Union can offer, including the provision of low-cost loans and the maintenance of dividends.

#### What will happen next?

We envisage that if the Transfer of Engagements is approved by the Central Bank, the affairs of Bagenalstown Credit Union Limited will be transferred to St. Canice's Kilkenny Credit Union Limited before the end of Quarter 1, 2019.

#### How will this change affect me?

For existing members there will be no noticeable change. The offices at High Street, Kilkenny, Mc Donagh Junction, Dunnamaggin, Durrow, Ballyragget, Mountrath, Rathdowney, Graignamanagh, Callan, Ballingarry and Bagenalstown will remain open for members.

All members will have the added advantage of being able to transact their business, if it is convenient for them to do so, in all eight offices when the transfer takes operational effect.

- If you are a member of Bagenalstown Credit Union, you will still continue to be able to conduct your business in Bagenalstown, office during the opening hours of that office. In addition, once the transfer takes effect, you will be able to transact your business in all of the other offices also.
- If you are a member of Bagenalstown Credit Union, a new account number will be issued to you. All of your account balances and information will remain exactly the same.
- Members with current loans in St. Canice's Kilkenny Credit Union and Bagenalstown Credit Union will continue to repay loans under the existing terms of their credit agreements. New loans issued after the Transfer of Engagements will be at the then prevailing loan rate in St. Canice's Kilkenny Credit Union Limited.

#### Do I have to do anything?

We do welcome any views that any member may have on the proposed Transfer of Engagements. Members may write to the secretary of either credit union or email to [info@stcanicescu.ie](mailto:info@stcanicescu.ie) or [info@bagenalstowncu.ie](mailto:info@bagenalstowncu.ie) with any views, comments or queries they may have.

## **ST. CANICE'S KILKENNY CREDIT UNION LIMITED**

The Board of St. Canice's Kilkenny Credit Union Limited is pleased to present the following Special Resolution to the members for consideration at the Annual General Meeting:

### **Proposed Special Resolution**

The members of St. Canice's Kilkenny Credit Union Limited resolve that the Credit Union accepts the Transfer of Engagements of Bagenalstown Credit Union Limited in accordance with the relevant provisions of the Credit Union Act 1997 (as amended).

#### **Michael O Reilly**

Secretary  
St. Canice's Kilkenny Credit Union Limited

### **St. Canice's Kilkenny Credit Union Limited Statement required under Section 130 of the Credit Union Act 1997 in respect of Bagenalstown Credit Union Limited**

In accordance with Section 130 of the Credit Union Act, 1997 (as amended), the following matters are required to be stated:

1. The financial position of St. Canice's Kilkenny Credit Union Limited and of Bagenalstown Credit Union Limited is set out in the form of the audited annual accounts for St. Canice's Kilkenny Credit Union Limited as at 30th September 2018 and the most recent unaudited Income & Expenditure Account and Balance sheet as at 31st October 2018, and the audited annual accounts for Bagenalstown Credit Union Limited as at 30th September 2018 and the most recent unaudited Income & Expenditure Account and Balance sheet as at 31st October 2018.
2. No payment is proposed to be made to the members of Bagenalstown Credit Union Limited or St. Canice's Kilkenny Credit Union Limited in consideration of the proposed transfer.
3. There will be no change to the terms governing outstanding loans currently held by members in Bagenalstown Credit Union Limited or St. Canice's Kilkenny Credit Union Limited.

Members with current loans in St. Canice's Kilkenny Credit Union and Bagenalstown Credit Union will continue to repay loans under the existing terms of their credit agreements. New loans issued after the Transfer of Engagements will be at the then prevailing loan rate in St. Canice's Kilkenny Credit Union Limited

4. Staff at Bagenalstown Credit Union Limited and St. Canice's Kilkenny Credit Union Limited have been fully appraised of all aspects of the Transfer of Engagements and are very much involved in the Transfer of Engagements process. The staff of Bagenalstown Credit Union Limited will transfer to St. Canice's Kilkenny Credit Union Limited under the Transfer of Undertakings (Protection of Employment) regulations 2006.

## **BAGENALSTOWN CREDIT UNION LIMITED**

The Board of Bagenalstown Credit Union Limited is pleased to present the following Special Resolution to the members for consideration at the Annual General Meeting:

### **Proposed Special Resolution**

The members of Bagenalstown Credit Union Limited resolve that the Credit Union Transfers its Engagements to St. Canice's Kilkenny Credit Union Limited in accordance with the relevant provisions of the Credit Union Act 1997 (as amended).

#### **Michael Crowe**

Secretary  
Bagenalstown Credit Union Limited

### **Bagenalstown Credit Union Limited Statement required under Section 130 of the Credit Union Act 1997**

In accordance with Section 130 of the Credit Union Act, 1997 (as amended), the following matters are required to be stated:

1. The financial position of St. Canice's Kilkenny Credit Union Limited and of Bagenalstown Credit Union Limited is set out in the form of the audited annual accounts for St. Canice's Kilkenny Credit Union Limited as at 30th September 2018 and the most recent unaudited Income & Expenditure Account and Balance sheet as at 31st October 2018, and the audited annual accounts for Bagenalstown Credit Union Limited as at 30th September 2018 and the most recent unaudited Income & Expenditure Account and Balance sheet as at 31st October 2018.
2. No payment is proposed to be made to the members of Bagenalstown Credit Union Limited or St. Canice's Kilkenny Credit Union Limited in consideration of the proposed transfer.
3. There will be no change to the terms governing outstanding loans currently held by members in Bagenalstown Credit Union Limited or St. Canice's Kilkenny Credit Union Limited.

Members with current loans in St. Canice's Kilkenny Credit Union and Bagenalstown Credit Union will continue to repay loans under the existing terms of their credit agreements. New loans issued after the Transfer of Engagements will be at the then prevailing loan rate in St. Canice's Kilkenny Credit Union Limited

4. Staff at Bagenalstown Credit Union Limited and St. Canice's Kilkenny Credit Union Limited have been fully appraised of all aspects of the Transfer of Engagements and are very much involved in the Transfer of Engagements process. The staff of Bagenalstown Credit Union Limited will transfer to St. Canice's Kilkenny Credit Union Limited under the Transfer of Undertakings (Protection of Employment) regulations 2006.

**ST CANICE'S CREDIT UNION LIMITED STATEMENT OF DIRECTORS' AND BOARD  
OVERSIGHT COMMITTEE'S RESPONSIBILITIES**

**For the financial year ended 30 September 2018**

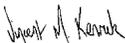
**Statement of directors' responsibilities**

The Credit Union Acts 1997, as amended require the directors to prepare financial statements for each financial year which give a true and fair view of the State of Affairs of the Credit Union and the Income and Expenditure Account of the Credit Union for that period. In preparing those 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;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Credit Union will continue in business.

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 are prepared in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland, including the standards issued by the Financial Reporting Council, and in particular FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". They are 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.

Member of the Board of Directors 

Member of the Board of Directors 

Date: 6th November 2018

**ST.CANICE'S CREDIT UNION LIMITED STATEMENT OF BOARD OVERSIGHT  
COMMITTEE'S RESPONSIBILITIES**

The Credit Union Acts 1997, as amended require the appointment of a Board Oversight Committee to assess whether the Board of Directors has operated in accordance with Part IV, Part IV(a) and any regulations made for the purposes of Part IV or Part IV(a) of the Credit Union Acts 1997, as amended and any other matter prescribed by the Central Bank in respect of which they are to have regard in relation to the Board.

Chairperson of the Board Oversight Committee: 

Date: 6th November 2018

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST CANICE'S  
KILKENNY CREDIT UNION LIMITED**

**Report on the audit of the financial statements**

**OPINION**

In our opinion, St Canice's Kilkenny Credit Union Limited financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2018 and of its income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Irish law); and
- have been properly prepared so as to conform with the requirements of the Credit Union Act 1997, as amended.

We have audited the financial statements, included within the Annual Report, which comprise:

- the balance sheet as at 30 September 2018
- the income and expenditure account for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in reserves for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

**BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We remained independent of the credit union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**CONCLUSIONS RELATING TO GOING CONCERN**

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the credit union's ability to continue as a going concern.

**REPORTING ON OTHER INFORMATION**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

### **RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT**

#### **Responsibilities of the directors for the financial statements**

As explained more fully in the statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the credit union's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the credit union or to cease operations, or have no realistic alternative but to do so.

#### **Auditors' 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 auditors' 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 (Ireland) 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 Irish Auditing and Accounting Supervisory Authority website at: [https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8fa98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8fa98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf).

This description forms part of our auditors' report.

#### **Use of this report**

This report, including the opinions, has been prepared for and only for the credit union's members as a body in accordance with section 120 of the Credit Union Act 1997, as amended and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on other legal and regulatory requirements

#### **Credit Union Act 1997, as amended opinions on other matters**

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- In our opinion proper accounting records have been kept by the Credit Union.
- The financial statements are in agreement with the accounting records.

*PricewaterhouseCoopers*

PricewaterhouseCoopers  
Chartered Accountants and Statutory Audit Firm  
Kilkenny  
November 2018



### **INCOME AND EXPENDITURE ACCOUNT For the financial year ended 30 September 2018**

<b>Income</b>	<b>Note</b>	<b>2018 €</b>	<b>2017 €</b>
Loan interest on members' loans	5	5,735,423	5,394,581
Deposit interest and investment income	6	5,933,566	5,767,541
Other Income	7	272,741	111,681
		<b>11,941,730</b>	<b>11,273,803</b>
<b>Expenditure</b>			
Employment costs	8	3,210,978	3,255,484
Other expenses		2,261,212	2,593,105
Share and loan insurance		1,249,570	1,088,878
Death benefit insurance		534,815	531,737
Provision for bad debts - (decrease)	11(iii)	(731,281)	(1,023,581)
Depreciation		365,260	309,270
Net gain on disposal of investments		-	(16,195)
		<b>6,890,554</b>	<b>6,738,698</b>
<b>Surplus for year</b>		<b>5,051,176</b>	<b>4,535,105</b>

The Credit Union has no gains or losses in the financial year or the preceding financial year other than those dealt with in the income and expenditure account. Accordingly, no Statement of Comprehensive Income is presented.

#### **On behalf of the Credit Union**

Manager: *Clare Easton*

Member of Board Oversight Committee: *Liam Doolin*

Members of the Board of Directors: *Eamon McBealla*

<b>Assets</b>	<b>Note</b>	<b>2018 €</b>	<b>2017 €</b>
Cash at bank and on hand	9	35,845,101	60,110,367
Investments and deposits	10	251,302,625	213,078,432
Loans to members	11	65,181,448	58,657,131
Tangible fixed assets	14	5,533,801	4,655,568
Debtors and prepaid expenses	12	3,077,559	3,166,133
<b>Total assets</b>		<b>360,940,534</b>	<b>339,667,631</b>
<b>Liabilities</b>			
Members' shares	23	295,678,123	277,717,642
Members' deposits		4,183,283	3,391,010
Accrued expenses	15	1,484,101	1,273,072
<b>Total liabilities</b>		<b>301,345,507</b>	<b>282,381,724</b>
<b>Assets less liabilities</b>		<b>59,595,027</b>	<b>57,285,907</b>
<b>Members' resources</b>			
Regulatory reserve		38,405,117	35,226,732
Other reserves		21,189,910	22,059,175
<b>Total reserves</b>		<b>59,595,027</b>	<b>57,285,907</b>

#### **On behalf of the Credit Union**

Manager: *Clare Easton*

Member of Board Oversight Committee: *Liam Doolin*

Members of the Board of Directors: *Eamon McBealla*

**STATEMENT OF CHANGES IN RESERVES  
For the financial year ended 30 September 2018**

	Surplus €	Regulatory reserve €	Operational risk reserve €	Section 44 Community fund €	Dividend reserve €	Undistri- butable surplus €	Total €
Opening balance at 1 October 2016	-	33,182,841	5,361,139	-	14,681,452	637,986	53,863,418
Surplus for the year	4,535,105	-	-	-	-	-	4,535,105
Dividends paid (Note 18)	-	-	-	-	(1,221,410)	-	(1,221,410)
Rebate paid (Note 18)	-	-	-	-	(1,481,587)	-	(1,481,587)
Transfer to regulatory reserves	(453,510)	453,510	-	-	-	-	-
Transfer to community reserves	-	-	-	200,000	(200,000)	-	-
Transfer to operational risk reserves	(1,023,581)	-	1,023,581	-	-	-	-
Transfer to dividend reserves	(3,058,014)	-	-	-	2,780,838	277,176	-
Arising on transfer of engagements (note 23)	-	1,590,381	-	-	-	-	1,590,381
<b>Closing balance at 30 September 2017</b>	<b>-</b>	<b>35,226,732</b>	<b>6,384,720</b>	<b>200,000</b>	<b>14,559,293</b>	<b>915,162</b>	<b>57,285,907</b>

Opening balance at 1 October 2017	-	35,226,732	6,384,720	200,000	14,559,293	915,162	57,285,907
Surplus for the year	5,051,177	-	-	-	-	-	5,051,177
Dividends paid (Note 18)	-	-	-	-	(1,351,178)	-	(1,351,178)
Rebate paid (Note 18)	-	-	-	-	(1,358,379)	-	(1,358,379)
Transfer to regulatory reserves	(505,117)	3,178,385	-	-	(2,673,268)	-	-
Transfer to operational risk reserves	(425,436)	-	425,436	-	-	-	-
Transfer to dividend reserves	(4,120,624)	-	-	-	3,968,581	152,043	-
Payments from community fund	-	-	-	(32,500)	-	-	(32,500)
Payments to community fund	-	-	-	50,000	(50,000)	-	-
<b>Closing balance at 30 September 2018</b>	<b>-</b>	<b>38,405,117</b>	<b>6,810,156</b>	<b>217,500</b>	<b>13,095,049</b>	<b>1,067,205</b>	<b>59,595,027</b>

The regulatory reserve of the Credit Union as % of total assets as at 30 September 2018 was 10.64% (2017: 10.37%).

The undistributable surplus of €1,067,205 is not eligible for distribution. It does not fall within the criteria of investment income and gains received in the year in question, or investment income receivable within 12 months of the balance sheet date.

The operational risk reserve has arisen as a result of the adjustment to the loan provision, on transition of St Canice's Kilkenny Credit Union Limited to FRS 102.

**CASH FLOW STATEMENT  
For the financial year ended 30 September 2018**

	Note	2018 €	2017 €
<b>Opening cash and cash equivalents</b>		60,110,367	61,459,831
Cash and cash equivalents introduced from transfer of engagements		-	2,112,170
		<b>60,110,367</b>	<b>63,572,001</b>
<b>Cash flows from operating activities</b>			
Loans repaid		33,934,394	32,027,618
Loans granted		(39,727,431)	(38,880,846)
Loan interest received		5,755,048	5,145,534
Investment interest received		6,053,108	6,009,511
Bad debts recovered		1,125,071	1,069,902
Dividends paid		(1,351,176)	(1,221,410)
Taxation paid		(485,099)	(443,167)
Loan interest rebate paid		(1,358,379)	(1,481,587)
Payments from community fund reserves		(32,500)	-
Operating expenses		(8,281,844)	(8,309,811)
<b>Net cash flows from operating activities</b>		<b>(4,368,808)</b>	<b>(6,084,256)</b>
<b>Cash flows from investing activities</b>			
Fixed assets purchases / disposals		(1,236,793)	(882,697)
Net cash flow from other investing activities		(37,685,159)	(22,857,392)
<b>Net cash flows from investing activities</b>		<b>(38,921,952)</b>	<b>(23,740,089)</b>
<b>Cash flows from financing activities</b>			
Members' shares received		159,165,868	163,275,265
Members' deposits received		62,610,694	63,968,228
Members' shares withdrawn		(141,205,387)	(137,606,375)
Members' deposits withdrawn		(61,818,422)	(63,419,140)
<b>Net cash flows from financing activities</b>		<b>18,752,793</b>	<b>26,217,978</b>
Other receipts		272,741	144,733
<b>Closing cash and cash equivalents</b>	<b>9</b>	<b>35,845,101</b>	<b>60,110,367</b>

**NOTES TO THE FINANCIAL STATEMENTS**
**1. GENERAL INFORMATION**

St. Canice's Credit Kilkenny Union Limited ("the Credit Union") is established under the Credit Union Acts 1997, as amended. The Credit Union is registered with the Register of Credit Unions and is regulated by the Central Bank of Ireland. The principal place of business is 78 High Street, Kilkenny.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

These financial statements have been prepared in accordance with FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS102").

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of the Credit Union's financial statements are set out below. These policies have been consistently applied to all financial periods presented, unless otherwise stated.

**(a) Basis of preparation** The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial period. It also requires the directors to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 4.

**(b) Going concern** The financial statements are prepared on the going concern basis. The directors of St. Canice's Kilkenny Credit Union Limited believe this is appropriate as the Credit Union:

- is generating annual surpluses;
- maintains an appropriate level of liquidity; and
- has reserves that are currently above the minimum requirements of the Central Bank.

**(c) Income**

**Interest on members' loans** - Interest on loans to members is recognised using the effective interest method, and is calculated and accrued on a daily basis.

**Investment income** - The Credit Union currently only has investments that are valued at amortised cost, and use the effective interest method to recognise investment income.

**Other income** - Other income such as commissions receivable on insurance products and foreign exchange services arises in connection to specific transactions. Income relating to individual transactions is recognised when the transaction is completed.

**(d) Tangible fixed assets** Tangible fixed assets are carried at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to the location and condition necessary for its intended use, applicable dismantling, removal and restoration costs and borrowing costs capitalised.

**(i) Leasehold premises and buildings** - Leasehold premises and buildings are carried at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses.

The difference between depreciation based on the deemed cost of land and buildings (which is recognised in profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve in equity to the profit and loss account reserve in equity each financial year.

**(ii) Fixtures and fittings and computer equipment** - Fixtures and fittings and computer equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

**(iii) Depreciation** - Depreciation on other assets is calculated, using the straight-line method over their estimated useful lives, as follows:

Leasehold premises	10% Straight Line
Freehold buildings	2% Straight Line
Fixtures and fittings	10% Straight Line
Computer equipment	20% Straight Line

**(iv) Derecognition** - Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income and expenditure account.

**(e) Taxation** The Credit Union is not subject to income tax or corporation tax on its activities as a Credit Union.

**(f) Dividends to members and loan interest rebates** The Board's proposed distribution to members each year is based on the dividend and loan interest rebate policy of the Credit Union. The rate of dividend and loan interest rebate recommended by the Board will reflect:

- the risk profile of the Credit Union, particularly in its loan and investment portfolios;
- the Board's desire to maintain a stable rather than a volatile rate of dividend each year; and
- members' legitimate dividend and loan interest rebate expectations all dominated by prudence and the need to sustain the long-term welfare of the Credit Union.

For this reason the Board will seek to build up its reserves to absorb unexpected shocks and still remain above minimum regulatory requirements. The Credit Union accounts for dividends and rebates of loan interest when members ratify such payments at the Annual General Meeting.

**(g) Cash and cash equivalents** Cash and cash equivalents comprise operating cash on hand and cash deposited with banks with original maturity of less than or equal to three months.

**(h) Employee benefits** The Credit Union provides a range of benefits to employees, including short term employee benefits such as annual bonus arrangements and paid holiday arrangements and post-employment benefits (in the form of defined contribution and defined benefit pension plans).

**(i) Short term benefits** - Short term employee benefits, including wages and salaries, paid holiday arrangements and other similar non-monetary benefits, are recognised as an expense in the financial year in which employees render the related service. The company operates an annual bonus plan for employees. An expense is recognised in the income and expenditure account when the company has a present legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

**(ii) Pension scheme** - St Canice's Kilkenny Credit Union Limited participates in two pensions. One is an industry-wide pension scheme for employees (The Irish League of Credit Unions Republic of Ireland Pension Scheme). This is a funded defined benefit scheme with assets managed by the scheme's trustees. The scheme is a multi-employer scheme and due to the nature of the scheme, it is not possible for the Credit Union to separately identify its share of the scheme's underlying assets and liabilities. Consequently, the Credit Union accounts for the scheme as a defined contribution plan.

However, there is an agreed funding plan in respect of the pension scheme as a result of a Minimum Funding Standard deficit certified by the scheme's actuary in 2009. Consequently, St Canice's Kilkenny Credit Union Limited recognises a liability at each Balance Sheet date for its outstanding contributions payable under the agreed funding plan to the extent that they relate to committed funding in respect of the deficit to which the funding plan relates. The second scheme is a defined contribution scheme operated by Bank of Ireland. Payments to the scheme are charged to the Income and Expenditure account in the year to which they relate.

**(i) Financial instruments** The Credit Union has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised when the Credit Union becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets and liabilities are classified according to the substance of the contractual arrangements entered into.

**(ii) Basic financial assets** - Basic financial assets are initially measured at the transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method. Basic financial instruments include the following:

**Loans to members** - Loans to members are financial assets with fixed or determinable payments. Loans are recognised when cash is advanced to members and measured at a mortised cost using the effective interest method.

**Investments held at amortised cost** - Investments held at amortised cost are measured at amortised cost using the effective interest method less impairment. This means that the investment is measured at the amount paid for the investment, minus any repayments of the principal; plus or minus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount; minus, in the case of a financial asset, any reduction for impairment or uncollectability. This effectively spreads out the return on such investments over time, but does take account immediately of any impairment in the value of the investment.

**Other receivables** - Other receivables such as prepayments are initially measured at transaction price including transaction costs and are subsequently measured at amortised cost using the effective interest method.

**Impairment of financial assets** - Financial assets, other than those held at fair value, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the expected cash flows discounted at the asset's original effective interest rate.

In the case of impairment of loans to members, the loans are assessed collectively in groups that share similar credit risk characteristics except for individually significant loans which are assessed on a loan by loan basis for impairment.

Any impairment losses are recognised in the Income and Expenditure account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the Income and Expenditure account.

**De-recognition of financial assets** - Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Credit Union transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

In the case of loans to members, loans are derecognised, when the right to receive cash flows from the loans have expired, usually when all amounts outstanding have been repaid by the member. St. Canice's Kilkenny Credit Union Limited does not transfer loans to third parties.

**(ii) Basic financial liabilities** - Basic financial liabilities are initially recognised at the transaction price, including transaction costs, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities are subsequently carried at amortised cost using the effective interest method.

**Financial liabilities members' shares** - Members' shares are redeemable and therefore are classified as financial liabilities. They are initially recognised at the amount of cash deposited and subsequently members' deposits are measured at amortised cost. Members' shares are repayable on demand except for shares attached to loans.

**Other payables** - Other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

**De-recognition of financial liabilities** - Financial liabilities are derecognised when the obligations of the Credit Union specified in the contract are discharged, cancelled or expire.

**(j) Reserves**

**Regulatory reserve** - The Credit Union is required to maintain and establish a minimum regulatory reserve of at least 10% of the assets of the Credit Union in accordance with Credit Union Act 1997 (Regulatory Requirements) Regulations 2016.

**Operational risk reserve** - The Credit Union has established an Operational Risk reserve which is separate, distinct and in addition to the reserves the Credit Union is required to hold in its regulatory reserve. The amount held in the Operational Risk reserve is the predicted impact of operational risk events that may have a material impact on the Credit Union's business.

**Dividend reserve** - Dividend reserves are the accumulated surpluses to date that have not been declared as dividends or loan interest rebate returnable to members or set aside to the regulatory or operational risk reserves.

**Undistributable surplus** - Investment income that has been recognised in the financial statements but will not be received within 12 months of the Balance Sheet date is classified as "undistributable surplus" as it is not distributable as a dividend in accordance with Section 31 of the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016. A reclassification between non-distributable and distributable is made as investments come to within 12 months of maturity date.

**Section 44 community fund** - The Credit Union has established a community fund reserve in accordance with Section 44 of the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016. The amount held in this reserve is to be set aside to fund community projects.

**(k) Transfer of Engagements** Transfer of Engagements are accounted for by recognising identifiable assets and liabilities of the acquired Credit Union at fair value. The member interests taken on by St Canice's Kilkenny Credit Union Limited represent the consideration transferred for the net assets acquired. The assets acquired net of member interests are recognised as a reserve on transfer of engagements which is subsequently transferred to Statutory Reserves.

**4. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATION UNCERTAINTY**

Estimates and judgements made in the process of preparing the entity financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**(a) Critical accounting estimates and assumptions** - The directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**(i) Impairment losses on loans to members** - The Credit Union's accounting policy for impairment of financial assets is set out in accounting policy in Note 3 (i). The estimation of loan losses is inherently uncertain and depends upon many factors, including loan loss trends, credit risk characteristics in loan classes, local and international economic climates, conditions in various sectors of the economy to which the Credit Union is exposed, and, other external factors such as legal and regulatory requirements. Credit risk is identified, assessed and measured through the use of rating and scoring tools with emphasis on weeks in arrears and other observable credit risk metrics. The ratings influence the management of individual loans. The credit rating triggers the impairment assessment and if relevant the raising of specific provisions on individual loans where there is doubt about their recoverability. Loan loss provisioning is monitored by the Credit Union, and the Credit Union assesses and approves its provisions and provision adequacy on a quarterly basis. Key assumptions underpinning the Credit Union's estimates of collective provisions for loans with similar credit risk characteristics, and, Incurred But Not Reported provisions ("IBNR") are based on the historical experiences of the Credit Union's allied to the Credit Union's judgement of relevant conditions in the wider technological, market, economic or legal environment in which the Credit Union operates. If a loan is impaired, the impairment loss is the difference between the carrying amount of the loan and the present value of the expected cash flows discounted at the asset's original effective interest rate taking account of pledged shares and other security as appropriate.

**(ii) Useful economic lives of tangible assets** - The annual depreciation on tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying amount of the tangible fixed assets, and note 3d (iii) for the useful economic lives for each class of tangible fixed assets.

**NOTES TO THE FINANCIAL STATEMENTS**

<b>5. LOAN INTEREST ON MEMBERS' LOANS</b>	<b>2018</b>	<b>2017</b>
	€	€
Loan interest on members' loans	5,534,451	5,172,046
Loan interest receivable	186,054	205,679
Net interest earned on budget accounts	14,918	16,856
	<b>5,735,423</b>	<b>5,394,581</b>

<b>6. DEPOSIT INTEREST AND INVESTMENT INCOME</b>	<b>2018</b>	<b>2017</b>
	€	€
Received by the Credit Union at balance sheet date	3,395,120	3,058,659
Receivable within 12 months of the balance sheet date	2,538,446	2,657,988
Other investment income	-	50,894
	<b>5,933,566</b>	<b>5,767,541</b>

<b>7. OTHER INCOME</b>	<b>2018</b>	<b>2017</b>
	€	€
Claims experience refunds ECCU	50,494	7,518
Miscellaneous income	27,934	63,702
Budget accounts charges	14,687	14,649
ATM accounts charges	12,825	13,530
Insurance commission	7,675	9,905
Foreign exchange commission	841	2,377
Affiliation fee	158,285	-
	<b>272,741</b>	<b>111,681</b>

<b>8. EMPLOYEES AND EMPLOYMENT COSTS</b>	<b>2018</b>	<b>2017</b>
	Number	Number
<b>(i) Number of employees</b>		
The average monthly number of employees during the year were:		
Management	8	9
Other staff	82	77
<b>Total</b>	<b>90</b>	<b>86</b>

<b>(ii) Employment costs</b>	<b>2018</b>	<b>2017</b>
Wages and salaries	2,642,321	2,700,829
Social security costs	283,527	288,364
Payments to pension schemes	285,130	266,291
	<b>3,210,978</b>	<b>3,255,484</b>

<b>(iii) Key management personnel</b>	<b>2018</b>	<b>2017</b>
The remuneration of the 8 key management personnel (2017: 9) were as follows:		
Short term employee benefits	544,538	582,766
Payments to defined benefit pension scheme	60,857	69,987
Payments to defined contribution pension scheme	33,827	38,672
	<b>639,221</b>	<b>691,425</b>

Short term employee benefits include wages, salaries, social security contributions and paid annual leave.

**NOTES TO THE FINANCIAL STATEMENTS**
**9 CASH AND CASH EQUIVALENTS**

	2018 €	2017 €
Cash at bank and on hand	3,460,046	4,358,442
Short term deposits	32,385,055	55,751,925
	<b>35,845,101</b>	<b>60,110,367</b>

**10. INVESTMENTS AND DEPOSITS**

	2018 €	2017 €
Government & Bank bonds	95,251,326	151,860,251
Central bank minimum deposits	2,688,299	2,622,869
Fixed term deposits with banks	119,646,943	57,155,959
Other investments	34,666,057	2,928,387
	252,252,625	214,567,466
Provision for diminution in investments	(950,000)	(1,489,034)
	<b>251,302,625</b>	<b>213,078,432</b>

**11. LOANS TO MEMBERS – FINANCIAL ASSETS**

	Note	2018 €	2017 €
<b>(i) Loans to members</b>			
Gross loans to members	11 (ii)	71,423,541	65,630,505
Loan provision	11 (iii)	(6,242,093)	(6,973,374)
<b>As at 30 September</b>		<b>65,181,448</b>	<b>58,657,131</b>

**(ii) Credit risk disclosures**

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 St. Canice's Kilkenny Credit Union Limited's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments.

	2018 €	2017 €
Not past due	59,746,801	53,580,254
Up to 9 weeks past due	9,004,759	8,694,292
Between 10 and 18 weeks past due	309,564	586,505
Between 19 and 26 weeks past due	319,493	326,372
Between 27 and 52 weeks past due	542,117	537,292
53 or more weeks due	1,500,806	1,905,789
<b>Total gross loans</b>	<b>71,423,541</b>	<b>65,630,505</b>
<b>Loan provisions</b>	<b>(6,242,093)</b>	<b>(6,973,374)</b>
<b>Total carrying value</b>	<b>65,181,448</b>	<b>58,657,131</b>

**(iii) Loan provision account for impairment losses**

As at 1 October	6,973,374	7,658,494
Transfer from mergers	-	338,461
Decrease in loan provisions during the year	(731,281)	(1,023,581)
<b>As at 30 September</b>	<b>6,242,093</b>	<b>6,973,374</b>

**(iv) Net recoveries or losses recognised for the year**

Bad debts recovered	1,125,071	1,069,902
Reduction in loan provisions during the year	731,281	685,120
	<b>1,856,352</b>	<b>1,755,022</b>
<b>Loans written off</b>	<b>(305,845)</b>	<b>(339,741)</b>
<b>Net recoveries on loans to members recognised for the year</b>	<b>1,550,507</b>	<b>1,415,281</b>

**NOTES TO THE FINANCIAL STATEMENTS**
**12. DEBTORS AND PREPAID EXPENSES**

	2018 €	2017 €
Prepayments	353,183	302,456
Accrued investment income	2,538,322	2,657,998
Accrued loan interest income	186,054	205,679
	<b>3,077,559</b>	<b>3,166,133</b>

**13. MEMBER SHARES**

	2018 €	2017 €
Shares	295,651,860	277,548,453
Shares 3 year term	9	9
Shares 5 year term	26,254	169,180
	<b>295,678,123</b>	<b>277,717,642</b>

**14. FIXED ASSETS**

	Leasehold premises €	Freehold buildings €	Fixtures & fittings €	Computer equipment €	Total €
<b>Cost</b>					
At 30 September 2016	438,932	4,349,864	1,348,763	956,385	7,093,944
Additions during year	35,281	627,004	182,498	37,914	882,697
<b>At 30 September 2017</b>	<b>474,213</b>	<b>4,976,868</b>	<b>1,531,261</b>	<b>994,299</b>	<b>7,976,641</b>
At 30 September 2017	474,213	4,976,868	1,531,261	994,299	7,976,641
Additions during year	2,148	800,429	333,704	107,212	1,243,493
<b>At 30 September 2018</b>	<b>476,361</b>	<b>5,777,297</b>	<b>1,864,965</b>	<b>1,101,511</b>	<b>9,220,134</b>
<b>Accumulated depreciation</b>					
At 30 September 2016	372,230	1,040,912	841,345	757,316	3,011,803
Additions during year	47,217	92,293	92,472	77,288	309,270
<b>At 30 September 2017</b>	<b>419,447</b>	<b>1,133,205</b>	<b>933,817</b>	<b>834,604</b>	<b>3,321,073</b>
At 30 September 2017	419,447	1,133,205	933,817	834,604	3,321,073
Additions during year	46,862	111,873	121,861	84,664	365,260
<b>At 30 September 2018</b>	<b>466,309</b>	<b>1,245,078</b>	<b>1,055,678</b>	<b>919,268</b>	<b>3,686,333</b>
<b>Net book value</b>					
<b>At 30 September 2018</b>	<b>10,052</b>	<b>4,532,219</b>	<b>809,287</b>	<b>182,243</b>	<b>5,533,801</b>
<b>At 30 September 2017</b>	<b>54,766</b>	<b>3,843,663</b>	<b>597,444</b>	<b>159,695</b>	<b>4,655,568</b>
<b>At 30 September 2016</b>	<b>66,702</b>	<b>3,308,952</b>	<b>507,418</b>	<b>199,069</b>	<b>4,082,141</b>

**15. OTHER PAYABLES**

	2018 €	2017 €
PAYE/PRSI	60,186	59,718
Pension and short term payroll accruals	46,597	104,102
Creditors and other accruals	1,377,318	1,109,252
	<b>1,484,101</b>	<b>1,273,072</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 16. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES

**(a) Financial risk management** - St. Canice's Kilkenny Credit Union Limited is a provider of personal and business loans and also provides savings products to its members. The Credit Union invests excess funds with a view to ensuring that the return from members' loans and investments is adequate to meet the overheads of the Credit Union and provide a reasonable return to members on shares and deposits. The Credit Union has a risk register in place to help the directors manage the various risks arising from its activities to include the issuing of loans to members and investing the excess funds of the Credit Union.

The main financial risks arising from St. Canice's Kilkenny Credit Union Limited'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 St. Canice's Kilkenny Credit Union Limited, resulting in financial loss to the Credit Union. In order to manage this risk the Board approves the Credit Union's credit policy, and all changes to it. All loan applications are assessed with reference to the credit policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed. The credit risk on members' loans is disclosed in Note 11.

The Credit Union's investments are also exposed to credit risk and the Credit Union mitigates the risk by only placing investments with financial institutions where the counterparties have strong credit ratings and using investment products authorised by the Central Bank.

**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 Credit Union adheres on an ongoing basis to the minimum liquidity ratio and minimum short term liquidity ratio as set out in the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016.

**Market risk** - Market risk is generally comprised of interest rate risk, currency risk and other price risk. St. Canice's Kilkenny Credit Union Limited conducts all its transactions in Euro 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 Credit Union's main interest rate risk arises from differences between the interest rate exposures on the receivables and payables that form an integral part of a Credit Union's operations. The Credit Union considers rates of interest receivable on investments and members' loans when deciding on the dividend rate payable on shares and on any loan interest rebate.

#### **(b) Interest rate risk disclosures**

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

	2018		2017	
	Amount €	Average interest rate %	Amount €	Average interest rate %
<b>Financial assets</b>				
<b>Gross loans to members</b>	<b>71,423,541</b>	<b>7.9%</b>	<b>65,630,504</b>	<b>8.1%</b>

**(c) Liquidity risk disclosures** - All of the financial liabilities of the Credit Union are repayable on demand except for certain members' shares attached to loans and members' deposits which have a fixed maturity date.

**(d) Fair value of financial instruments** - St Canice's Kilkenny Credit Union Limited does not hold any financial instruments at fair value.

**(e) Capital** - St Canice's Kilkenny Credit Union Limited maintains sufficient reserves to buffer the Credit Union against any losses on its members' loans and also its investments. The current regulatory reserves are in excess of the minimum requirement set down by the Central Bank, and stand at 10.64% of the total assets of the Credit Union at the Balance Sheet date.

### 17. PENSION CONTRIBUTION

St Canice's Kilkenny Credit Union Limited participates in an industry-wide pension scheme for employees (The Irish League of Credit Unions Republic of Ireland Pension Scheme). This is a funded defined benefit scheme with assets managed by the Scheme's trustees.

The scheme is a multi-employer Scheme and due to the nature of the Scheme it is not possible for St Canice's Kilkenny Credit Union Limited to separately identify its share of the Scheme's underlying assets and liabilities. Consequently, it accounts for the Scheme as a defined contribution plan, in accordance with FRS 102.

The Pension's Act requires the trustees of the Scheme to assess whether it could meet a certain prescribed standard, known as the Minimum Funding Standard. This assesses whether, if the scheme was wound up on a specified theoretical valuation date, it could satisfy the Funding Standard at that date. Following the Scheme's actuary certifying a Minimum Funding Standard deficit in the Scheme in 2009, St Canice's Kilkenny Credit Union Limited, the ILCU Group and the other credit unions participating in the Scheme entered into a funding agreement with the Scheme that was designed to ensure that, the Scheme could be reasonably expected to satisfy the Minimum Funding Standard by a specified future date (1 March 2019). This funding plan runs up until 2019 and was approved by the Pensions Authority. In accordance with the requirements of FRS102, St Canice's Kilkenny Credit Union Limited has paid the contributions payable under this funding agreement.

As part of the above solvency assessment process, the Scheme actuary must carry out a separate valuation under the Minimum Funding Standard every 3 years and produce a funding certificate for submission to the Pensions Authority within 9 months of the effective date of the valuation. The purpose of the certificate is to certify whether or not the assets of the scheme at the effective date are sufficient to meet the liabilities of the scheme based on the assumption that the scheme was wound up at that date. The most recent Actuarial Funding Certificate was effective as at 1 March 2018 and it certified that the Scheme satisfied the funding standard. Further, the Actuary was reasonably satisfied that as at 28 February 2018 the scheme can be expected to satisfy the funding standard as specified in Section 44 of the Pensions Act, 1990, at 1 March 2019, being the date specified by the Pensions Authority under Section 49(2) (a) of the Act for the purpose of the existing funding proposal.

An actuarial review of the fund is normally carried out every three years by the Scheme's independent, professionally qualified actuary. The actuarial review considers the past and future liabilities of the scheme. The last completed triennial actuarial review was carried out with an effective date of 1 March 2017, using the Projected Unit valuation method. The principal actuarial assumption used in the valuation was the investment return would be 1.75% higher than the annual salary increases. The market value of the scheme's assets at 1 March 2017 was €216m. The actuarial valuation disclosed a past service deficit of €6.4m at 1 March 2017 calculated under the Ongoing Actuarial Valuation method. This valuation method assumes that the Scheme will continue in existence for the foreseeable future. The assumptions used in the actuarial review to determine the past service deficit differ from the assumptions that would be used to determine the liabilities for defined benefit obligations under FRS102. This actuarial review recommended that the rate agreed under the funding proposal, 27.5% of pensionable salary, continues to be paid. The cost of risk benefits is paid in addition to this rate giving a total contribution rate of 30% of Pensionable Salary.

FRS 102 requires a provision to be recognised where an agreement has been entered into with a multi-employer plan that determines how the deficit will be funded. The provision was measured based on the contributions payable that arose from the agreement with the multi-employer pension plan to the extent that they relate to the deficit. St Canice's Credit Union Limited has paid the contributions payable under this funding agreement.

### 18. DIVIDEND AND INTEREST REBATE

The dividend and interest rebate paid and accounted for during the year ended 30 September 2018 was proposed at the 2017 Annual General Meeting in respect of the year ended 30 September 2017. See Statements of Changes in Reserves for details of amounts paid.

No dividend or interest rebate in respect of the year ended 30 September 2018 is recognised in these financial statements, in line with FRS 102. The proposed final dividend of 0.6% (€1,720,419) and proposed interest rebate of 10% for interest paid at a rate of up to 5%, and 25% for interest paid at all other rates above 5% (€1,447,545) for the year ended 30 September 2018 will, if it is approved at the 2018 Annual General Meeting, be recognised in the year ending 30 September 2019.

### 19. FINANCIAL COMMITMENTS

At the year end the Credit Union had minimum lease payments under non-cancellable operating leases due as follows:-

	2018 €	2017 €
In one year or less	57,948	61,500
In more than one year, but not more than five years	84,200	61,500
In more than five years	35,000	-
	<b>177,148</b>	<b>123,000</b>

During the year St. Canice's Kilkenny Credit Union Limited entered into an agreement with Richard McEvoy Contracting Limited, in relation to the construction work on the expansion of High Street. During the year ending 30 September 2018 an amount of €539,823 was paid with the remainder of the agreement €80,000 due to be paid during the year ending 30 September 2018.

## 20. RELATED PARTY TRANSACTIONS

During the year loans were advanced to directors and key management team of St Canice's Kilkenny Credit Union Limited (including their family members or any business in which the directors or management team had a significant shareholding) in the amount of €109,500 (2017: €98,539). These loans were approved in accordance with the Standard Credit Union rules and the Credit Union Act, 1997 (Regulatory Requirements) Regulations 2016. The loans outstanding from these parties at 30 September 2018 were €236,011 (2017: €309,320). These loans amounted to 0.33% of total gross loans due at 30 September 2018 (2017: 0.49%).

There were provisions of €Nil against loans due from the directors and the management team at 30 September 2018 (2017: €20,184).

The directors and management team share balances (including their family members) stood at €832,205 at 30 September 2018 (2017: €683,681).

## 21. INSURANCE AGAINST FRAUD

The Credit Union has insurance against fraud in the amount of €5,200,000 in compliance with section 47 of the Credit Union Act 1997, as amended.

## 22. RATES OF INTEREST CHARGED ON MEMBERS' LOAN

The rate of interest charged on members' loans during the year was 7.4% per annum except in respect of the following:-

- Special third level education loans (taken out since September 2002) on which interest was charged at 6.4% per annum (2017: 6.4% per annum).
- Business support loan (launched July 2009) on which interest was charged at 6.4% per annum (2017: 6.4% per annum).
- Car loans, large home improvement/house extension loans, mortgage redemption loans and green loans were charged interest at a rate of 8.2% per annum (2017: 8.2%).
- Loans secured by way of a first charge on a property were charged interest at a rate of 6.4% per annum (2017: 6.4%).
- Loans secured by savings (launched on 1 May 2013) were charged interest at a rate of 4.9% per annum (2017: 6.4%).
- Community Energy Loans (launched in 2015) on which interest was charged at 4.9% per annum (2017: 6.4%).
- Community Loans (launched in 2017) on which interest was charged at 4.9% per annum.
- Personal Loans (launched 2018) on which interest was charged at 9.9% per annum.
- House Loans (launched in 2017) on which interest was charged at 4.9% per annum.
- Agri Loan (launched 2018) on which interest was charged at 6.55% per annum.

## 23. TRANSFER OF ENGAGEMENTS

On 28 February 2017 St Canice's Kilkenny Credit Union Limited completed a transfer of engagement with Callan Credit Union Limited and therefore recognised the following balances within its respective balances.

	<b>2017 €</b>
Investments	8,485,385
Loans to members	1,071,714
Tangible fixed assets	503,212
Cash	2,112,170
Prepayments	38,104
Accruals	(119,672)
Members' shares	(10,500,532)
	<b>1,590,381</b>

This resulted in recognition of a reserve on transfer of engagements of €1,590,381, which was subsequently transferred to the Statutory Reserve.

## 24. CONTINGENT LIABILITY

In September 2018, the Registry of Credit Unions advised all credit unions of a potential matter in relation to accrued interest outstanding on certain top-up loans which may have led to a potential overcollection of interest. The credit union has commenced a review to ascertain whether any top-up loans made to members might be impacted by these circumstances, and if so, to determine what actions may need to be taken. Consequently it is impracticable at this time to estimate the impact, financial or otherwise, if any, of this matter and whether any net amounts will become payable or not in the future. The credit union believe that this will not have a material adverse effect on the financial results of the credit union.

## 25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 6 November 2018.

### SCHEDULE 1 - OTHER EXPENSES

	<b>2018 €</b>	<b>2017 €</b>
AGM expense	13,714	12,050
Audit fees - external	38,574	39,025
Audit fees - internal	24,600	19,988
Bad debts recovered	(1,125,071)	(1,069,902)
Bad debts written off	305,845	339,741
Bank charges	172,636	195,074
Central bank settlement	210,000	-
Chapter expenses	8,419	4,307
Computer maintenance	392,051	336,128
Donations, sponsorship and community activities	45,128	31,417
General insurance	97,382	92,704
IQ ATM expenses	16,814	13,748
Legal fees	36,195	86,732
Lighting, heating and cleaning	131,446	103,653
Member initiatives	256,800	110,000
Miscellaneous expenses	12,889	32,572
Postage and telephone	94,989	70,015
Printing and stationery	123,839	105,212
Professional fees	279,115	249,999
Promotion and advertising	103,420	142,930
Rates	43,196	39,852
Rent	50,379	61,500
Repairs and renewals	47,904	108,817
Security	47,016	(8,436)
Shredding costs	668	7,150
Staff uniforms and general expenses	75,405	6,900
Subscriptions and levies	616,874	826,201
Training costs	54,653	59,418
Transfer of engagement costs	56,376	58,166
Travel and subsistence	25,217	23,989
Voluntary Exit Scheme	4,739	494,155
	<b>2,261,212</b>	<b>2,593,105</b>

## ST. CANICE'S KILKENNY CREDIT UNION LIMITED

### INCOME & EXPENDITURE - 31 OCTOBER 2018

INCOME	€
Interest Income	514,869
Investment Income Rec'd/Receivable within 1 year	304,319
<b>OTHER</b>	55,624
Bad Debts Recovered	80,048
Other Income	9,441
<b>Total Income</b>	<b>964,301</b>

EXPENDITURE	€
Net Loan Protection / Life Savings Insurance	100,151
Salaries and Related Expenses	252,846
Bad Debts Written Off	21,577
Bad Debts Provision	-
Other Expenses	287,088
<b>Total Expenditure</b>	<b>661,662</b>

<b>YTD Surplus (Deficit)</b>	<b>302,639</b>
------------------------------	----------------

### BALANCE SHEET - 31 OCTOBER 2018

ASSETS	€
Cash and Current Accounts	3,455,589
Minimum Reserve Deposit Held	2,688,299
<b>INVESTMENTS</b>	
Irish and EEA State Securities	44,289,405
Accounts in Authorised Credit Institutions	157,353,276
Bank Bonds	48,505,492
Collective Investment Schemes	277,416
Other	33,475,107
<b>Total Investments</b>	<b>283,900,696</b>
Loans	71,136,984
Less Provision For Bad Debts	-6,242,093
Fixed Assets less Depreciation	5,508,986
Other Assets	2,553,018
<b>Total Assets</b>	<b>363,001,479</b>

LIABILITIES	€
Member Shares - Regular	296,859,551
Member Shares - Term	26,262
Member Deposits	4,140,213
Other Member Funds	639,436
Other Liabilities	1,458,351
<b>Total Liabilities</b>	<b>303,123,813</b>

## BAGENALSTOWN CREDIT UNION LIMITED STATEMENT OF DIRECTORS' AND BOARD OVERSIGHT COMMITTEE'S RESPONSIBILITIES

### For the financial year ended 30 September 2018

#### Statement of directors' responsibilities

The Credit Union Act 1997, as amended requires the directors to prepare financial statements for each financial year which give a true and fair view of the State of Affairs of the Credit Union and the Income and Expenditure Account of the Credit Union for that period. In preparing those 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;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Credit Union will continue in business.

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 enable them to ensure that the financial statements are prepared in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland, including the standards issued by the Financial Reporting Council, and in particular FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". They are responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps in the prevention and detection of fraud and other irregularities.

#### On behalf of the Board of Directors



**John Devine**  
Chairperson  
Date: 5th November 2018



**Michael Crowe**  
Director  
Date: 5th November 2018

## BAGENALSTOWN CREDIT UNION LIMITED STATEMENT OF BOARD OVERSIGHT COMMITTEE'S RESPONSIBILITIES

The Credit Union Act 1997, as amended requires the appointment of a Board Oversight Committee to assess whether the Board of Directors has operated in accordance with Part IV, Part IV (a) and any regulations made for the purposes of Part IV or Part IV (a) of the Credit Union Act 1997, as amended and any other matter prescribed by the Central Bank in respect of which they are to have regard in relation to the Board.

#### Chairperson of the Board Oversight Committee



**Teresa Cushen**  
Chairperson  
Date: 5th November 2018



**Nicole Bambrick**  
Secretary  
Date: 5th November 2018

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BAGENALSTOWN CREDIT UNION LIMITED

### Report on the audit of the financial statements

#### OPINION

We have audited the financial statements of Bagenalstown Credit Union Limited for the year ended 30th September 2018, which comprise the Income and Expenditure Account, Balance Sheet, Statement of Changes in Reserves and Cash flow Statement and notes to the financial statements, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Irish Law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In our opinion the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as at 30th September 2018 and its income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been properly prepared in accordance with the requirements of the Credit Union Act 1997, as amended.

#### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below 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 ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), 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 ISAs (Ireland) require us to report to you where:

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

#### OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

#### OPINIONS ON OTHER MATTERS PRESCRIBED BY THE CREDIT UNION ACT 1997, AS AMENDED

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper accounting records have been kept by the Credit Union, and
- The financial statements are in agreement with the accounting records.

#### RESPECTIVE RESPONSIBILITIES

##### *Responsibilities of directors for the financial statements*

As explained more fully in the directors' responsibilities statement set on page 7, 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 they 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 management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

##### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) 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.

Further details relating to our work as auditor is set out in the Scope of Responsibilities Statement contained in the appendix of this report, which is to be read as an integral part of our report.

##### *The purpose of our audit work and to whom we owe our responsibilities*

Our report is made solely to the Credit Union's members, as a body, in accordance with section 120 of the Credit Union Act 1997, as amended. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### Lalor O'Shea McQuillan

Chartered Accountants & Registered Auditors  
44 Tullow Street  
Carlow

Date: 5th November 2018

## APPENDIX TO THE INDEPENDENT AUDITORS' REPORT

### Further information regarding the scope of our responsibilities as auditor

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## INCOME AND EXPENDITURE ACCOUNT For the financial year ended 30 September 2018

	Note	2018 €	2017 €
Interest on members' loans	4	1,020,412	930,543
Other interest income and similar income	5	418,168	389,109
<b>Net interest income</b>		<b>1,438,580</b>	<b>1,319,652</b>
Other income	7	78,322	67,882
Employment costs	9b	(422,869)	(418,404)
Depreciation	11	(113,342)	(120,860)
Other management expenses (Schedule 1)		(640,749)	(632,291)
Gain/(Loss) on purchase of bonds		(25,911)	(20,023)
Net recoveries or losses on loans to members	12d	214,203	371,491
<b>Surplus for the financial year</b>		<b>528,234</b>	<b>567,447</b>
Other comprehensive income	8	-	-
<b>Total comprehensive income</b>		<b>528,234</b>	<b>567,447</b>

The financial statements were approved, and authorised for issue, by the Board on 5th November 2018 and signed on its behalf by:

<b>Richard Dwyer</b> Manager	<b>John Devine</b> Member of the Board of Directors	<b>Teresa Cushen</b> Member of the Board Oversight Committee
---------------------------------	---	--

## BALANCE SHEET As at 30th September 2018

	Note	2018 €	2017 €
<b>Assets</b>			
Cash and cash equivalents	10	599,626	608,166
Tangible fixed assets	11	856,150	967,945
Loans to members	12a	11,052,457	9,469,518
Prepayments and accrued income	13	200,354	211,821
Investments	14	35,129,949	34,413,943
<b>Total assets</b>		<b>47,838,536</b>	<b>45,671,393</b>
<b>Liabilities</b>			
Bank overdrafts	10	-	-
Members' shares	15	(41,431,580)	(39,667,161)
Other payables	18	(63,649)	(56,137)
<b>Total liabilities</b>		<b>(41,495,229)</b>	<b>(39,723,298)</b>
<b>Assets Less Liabilities</b>		<b>6,343,307</b>	<b>5,948,095</b>
<b>Reserves</b>			
Regulatory reserve		5,171,415	5,116,415
Contingency reserve		-	-
Operational risk reserve		120,000	90,000
Application of surplus account		1,051,892	741,680
<b>Total reserves</b>		<b>6,343,307</b>	<b>5,948,095</b>

The financial statements were approved, and authorised for issue, by the Board on 5th November 2018 and signed on its behalf by:

<b>Richard Dwyer</b> Manager	<b>John Devine</b> Member of the Board of Directors	<b>Teresa Cushen</b> Member of the Board Oversight Committee
---------------------------------	---	--

## STATEMENT OF CHANGES IN RESERVES

### For the year ended 30th September 2018

	Regulatory reserve €	Operational risk reserve €	Application of surplus account €	Total reserves €
Opening balance at 1st October 2016	5,059,670	38,000	430,102	5,527,772
Total comprehensive income for the year	-	-	567,447	567,447
Dividends and Interest Rebate paid during the year (Note 6)	-	-	(147,124)	(147,124)
Transfer between reserves	56,745	52,000	(108,745)	-
<b>Closing balance at 30th September 2017</b>	<b>5,116,415</b>	<b>90,000</b>	<b>741,680</b>	<b>5,948,095</b>

	Regulatory reserve €	Operational risk reserve €	Application of surplus account €	Total reserves €
Opening balance at 1st October 2017	5,116,415	90,000	741,680	5,948,095
Total comprehensive income for the year	-	-	528,234	528,234
Dividends and Interest Rebate paid during the year (Note 6)	-	-	(133,022)	(133,022)
Transfer between reserves	55,000	30,000	(85,000)	-
<b>Closing balance at 30th September 2018</b>	<b>5,171,415</b>	<b>120,000</b>	<b>1,051,892</b>	<b>6,343,307</b>

- (1) The Regulatory reserve of the Credit Union as % of total assets as at 30th September 2018 was 10.81%. (2017: 11.09%).
- (2) In accordance with S45 of the Credit Union Act 1997 (as amended) Bagenalstown Credit Union Limited put in place an Operational Risk reserve during the current period. The Board approved a transfer of €30,000 from the current year's surplus, following the completion of an internal process of assessing the level of the reserve required to cover the operational risk within the Credit Union.
- (3) Following commencement of S13 of the 2012 Act, the requirement for Credit Unions to transfer 10% of their annual surplus to their statutory reserve (now known as the Regulatory reserve) each year has been removed. Notwithstanding this the Board of Bagenalstown Credit Union Limited has transferred €55,000 of its current year surplus to its Regulatory reserve so that the reserve would stand at 10.81% at current year end, in excess of the required limit of 10%.

## CASH FLOW STATEMENT

### For the year ended 30th September 2018

	Note	2018 €	2017 €
<b>Cash flows from operating activities</b>			
Loans repaid by members	12a	4,969,421	4,846,843
Loans granted to members	12a	(6,338,157)	(5,526,656)
Loan interest received	4	1,016,055	924,858
Investment income received		434,299	436,836
Other income received	7	78,322	67,882
Dividends paid	6	(19,156)	(55,957)
Interest rebate paid	6	(113,866)	(91,167)
Operating expenses paid to include employment costs		(1,082,324)	(1,090,902)
<b>Net cash flows from operating activities</b>		<b>(1,055,406)</b>	<b>(488,263)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(1,547)	-
Net cash flows from managing investments		(716,006)	(2,054,502)
<b>Net cash flows from investing activities</b>		<b>(717,553)</b>	<b>(2,054,502)</b>
<b>Cash flows from financing activities</b>			
Members' shares received	15	23,447,533	23,120,152
Members' shares withdrawn	15	(21,683,114)	(21,581,654)
<b>Net cash flows from financing activities</b>		<b>1,764,419</b>	<b>1,538,498</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(8,540)</b>	<b>(1,004,267)</b>
Cash and cash equivalents at beginning of year		608,166	1,612,433
<b>Cash and cash equivalents at end of year</b>	<b>10</b>	<b>599,626</b>	<b>608,166</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. LEGAL AND REGULATORY FRAMEWORK

Bagenalstown Credit Union Limited is established under the Credit Union Act 1997, as amended. The Credit Union is registered with the Registrar of Credit Unions and is regulated by the Central Bank of Ireland. The principal place of business is Main Street, Bagenalstown, Co Carlow.

### 2. ACCOUNTING POLICIES

**2.1. Statement of compliance and 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" ("FRS 102").

**2.2. Currency** The financial statements are prepared in Euro, which is the functional currency of the Credit Union. Monetary amounts in these financial statements are rounded to the nearest Euro.

**2.3. Going concern** The financial statements are prepared on the going concern basis. The directors of Bagenalstown Credit Union Limited believe this is appropriate as the Credit Union:

- Is generating annual surpluses;
- Maintains an appropriate level of liquidity; and
- Has reserves that are currently above the minimum requirements of the Central Bank.

### 2.4. Income

**Interest on members' loans** - Under previous Irish accounting standards, the Credit Union accounted for its loan interest from members' loans on a cash basis. Section 11 of FRS 102 requires the use of the effective interest method for recognising loan interest income, which effectively means recognising interest on members' loans on an accruals basis, with appropriate allowance made for recognising interest on impaired loans.

**Investment income** - The Credit Union currently only has investments that are valued at amortised cost, and use the effective interest method to recognise investment income.

**Other income** - Other income such as commission receivable on insurance products and entrance fees arises in connection to specific transactions. Income relating to individual transactions is recognised when the transaction is completed.

## 2.5. Dividends to Members

**Dividends on shares and loan interest rebates** - Dividends are made from current year's surplus or the dividend reserves set aside for that purpose. The Board's proposed distribution to members each year is based on the dividend and loan interest rebate policy of the Credit Union.

The policy of the Credit Union is to pay a reasonable and consistent rate of dividend having provided for operational expenditure, including transfer to bad debt provision, bad debt written off and depreciation. The Board must first ensure that sufficient transfers are made to ensure the minimum requirement for the Regulatory and Operational Risk Reserve are complied with in full before any consideration to payment of dividend or interest rebate can be proposed.

The Credit Union accounts for dividends and rebates of loan interest when members ratify such payments at the Annual General Meeting.

**2.6. Taxation** The Credit Union is not subject to income tax or corporation tax on its activities as a Credit Union.

**2.7. Cash and cash equivalents** Cash and cash equivalents comprise operating cash on hand and cash deposited with banks with original maturity of less than or equal to three months.

**2.8. Financial instruments** The Credit Union has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised when the Credit Union becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets and liabilities are classified according to the substance of the contractual arrangements entered into.

**2.9. Basic financial assets** Basic financial assets are initially measured at the transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method. Basic financial instruments include the following:

**Loans to members** - Loans to members are financial assets with fixed or determinable payments. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

**Investments held at amortised cost** - Investments held at amortised cost are measured at amortised cost using the effective interest method less impairment. This means that the investment is measured at the amount paid for the investment, minus any repayments of the principal; plus or minus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount; minus, in the case of a financial asset, any reduction for impairment or un-collectability. This effectively spreads out the return on such investments over time, but does take account immediately of any impairment in the value of the investment.

**2.10. Other receivables** Financial assets, other than those held at fair value, are assessed for indicators of impairment at each reporting end date.

**2.11. Impairment of financial assets** Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the expected cash flows discounted at the asset's original effective interest rate.

In the case of impairment of loans to members, the loans are assessed collectively in groups that share similar credit risk characteristics except for individually significant loans which are assessed on a loan by loan basis for impairment. Any impairment losses are recognised in the Income and Expenditure account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the Income and Expenditure account.

**2.12. De-recognition of financial assets** Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Credit Union transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

In the case of loans to members, loans are derecognised, when the right to receive cash flows from the loans have expired, usually when all amounts outstanding have been repaid by the member. Bagenalstown Credit Union Limited does not transfer loans to third parties.

**2.13. Basic financial liabilities** Basic financial liabilities are initially recognised at the transaction price, including transaction costs, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities are subsequently carried at amortised cost using the effective interest method.

**Financial liabilities members' shares and deposits** - Members' shares, Money Management Accounts and Deposits are redeemable and therefore are classified as financial liabilities. They are initially recognised at the amount of cash deposited and subsequently members' deposits are measured at amortised cost.

**Other payables** - Other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

**2.14. De-recognition of financial liabilities** Financial liabilities are derecognised when the obligations of the Credit Union specified in the contract are discharged, cancelled or expire.

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

Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value over its estimated useful life. The categories of property, plant and equipment are depreciated as follows:

Premises	2% straight line
Fixtures & fittings	15% straight line
Computers	33.33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the Income and Expenditure account.

**2.16. Impairment of tangible fixed assets** At each reporting end date, the Credit Union reviews the carrying value of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income and Expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Income and Expenditure account.

## 2.17. Employee benefits

**Pension Scheme** - Bagenalstown Credit Union Limited participates in an industry-wide pension scheme for employees (The Irish League of Credit Unions Republic of Ireland Pension Scheme). This is a funded defined benefit scheme with assets managed by the Scheme's trustees.

The scheme is a multi-employer Scheme and due to the nature of the Scheme, it is not possible for the Bagenalstown Credit Union Limited to separately identify its share of the Scheme's underlying assets and liabilities.

Consequently, it accounts for the Scheme as a defined contribution plan. There is an agreed funding plan in respect of the Pension Scheme as a result of a Minimum Funding Standard deficit certified by the Scheme's Actuary in 2009. Consequently, Bagenalstown Credit Union Limited recognises a liability at each balance sheet date for its outstanding contributions payable under the agreed funding plan to the extent that they relate to committed funding in respect of the deficit to which the funding plan relates.

**Other Employee Benefits** - The costs of short-term employee benefits, including holiday pay, are recognised as a liability and as an expense (unless those costs are required to be recognised as part of the cost of fixed assets) over the period they are earned.

## 2.18. Reserves

**Regulatory reserve** - The Credit Union is required to maintain and establish a minimum Regulatory reserve of at least 10% of the assets of the Credit Union in accordance with Credit Union Act 1997 (Regulatory Requirements) Regulations 2016.

**Operational Risk reserve** - The Credit Union has established an Operational Risk reserve which is separate, distinct and in addition to the reserves the Credit Union is required to hold in its Regulatory reserve. The amount held in the Operational Risk reserve is the predicted impact of operational risk events that may have a material impact on the Credit Union's business.

## 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 Bagenalstown Credit Union Limited'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

In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Credit Union makes judgement on whether objective evidence of impairment exists individually for financial assets that are individually significant. Where this does not exist the Credit Union uses its judgement to group member loans with similar credit risk characteristics to allow a collective assessment of the group to determine the impairment loss.

In determining the collective loan loss provision Management uses estimates based on historical loss experience for assets with similar risk characteristics and objective evidence of impairment.

#### Establishing useful economic lives for depreciation purposes of tangible fixed assets

Long-lived assets, consisting primarily of Tangible fixed assets, comprise a significant portion of the total assets. The annual depreciation charge depends primarily on the estimated useful economic lives of each type of asset and estimates of residual values. The directors regularly review these asset useful economic lives and change them as necessary to reflect current thinking on remaining lives in light of prospective economic utilisation and physical condition of the assets concerned. Changes in asset useful lives can have a significant impact on depreciation and amortisation charges for the period. Detail of the useful economic lives is included in the accounting policies.

4. INTEREST ON MEMBERS' LOANS	2018 €	2017 €
Closing accrued loan interest receivable	27,361	23,004
Loan interest received in year	1,016,055	924,858
Opening accrued loan interest receivable	(23,004)	(17,319)
<b>Total interest on members' loans</b>	<b>1,020,412</b>	<b>930,543</b>

5. OTHER INTEREST INCOME AND SIMILAR INCOME	2018 €	2017 €
Investment income and gains received by the Balance Sheet date	317,050	271,860
Receivable within 12 months of Balance Sheet date	101,118	117,249
Receivable after 12 months of Balance Sheet date	-	-
<b>Total investment income</b>	<b>418,168</b>	<b>389,109</b>

#### 6. INTEREST PAYABLE AND DIVIDENDS

The dividend and any loan interest rebate are formally proposed by the directors after the year end and are confirmed at an AGM of the members. As a result the proposed dividend for the current year does not represent a liability at the Balance Sheet date and the dividend included in the Statement of Reserves in the current year relates to dividends paid to members for the prior year. The dividends and loan interest rebate paid in the current and prior year periods were as follows:

	2018 €	2017 €
Dividend paid during the year	19,156	55,957
Interest Rebate paid during the year	113,866	91,167
	<b>133,022</b>	<b>147,124</b>

	2018 %	2017 %
Dividend Rate	0.05%	0.15%
Interest Rebate Rate	12.5%	12.5%

	2018 €	2017 €
Dividend proposed, but not recognised	19,899	19,307
Interest Rebate proposed, but not recognised	151,514	115,643
	<b>171,413</b>	<b>134,950</b>

	2018 %	2017 %
Dividend Rate	0.05%	0.05%
Interest Rebate Rate	15%	10%

7. OTHER INCOME	2018 €	2017 €
Other income	23,366	17,749
Rental income	54,956	50,133
<b>Total other income</b>	<b>78,322</b>	<b>67,882</b>

8. EXPENSES	Note	2018 €	2017 €
Employment costs	9b	422,869	418,404
Depreciation	11	113,342	120,860
Loss on purchase of bonds		25,911	20,023
Other management expenses (Schedule 1)		640,749	632,291
		<b>1,202,871</b>	<b>1,191,578</b>

#### 9. EMPLOYEES AND EMPLOYMENT COSTS

##### 9a. Number of employees

The average monthly number of employees during the year was:	2018	2017
Managers	3	3
Other staff	7	7
<b>Total</b>	<b>10</b>	<b>10</b>

##### 9b. Employment costs

	2018 €	2017 €
Wages and salaries	330,199	329,233
Social welfare costs	36,434	35,673
Payments to defined benefit pension scheme	56,236	53,498
<b>Total employment costs</b>	<b>422,869</b>	<b>418,404</b>

##### 9c. Key management personnel

The remuneration of key management personnel was as follows:	2018 €	2017 €
Short term employee benefits	168,189	168,981
Payments to defined contribution pension schemes	38,347	38,347
<b>Total key management personnel compensation</b>	<b>206,536</b>	<b>207,328</b>

Employee benefits include wages, salaries, social welfare contributions and paid annual leave.

##### 9d. Pensions

Bagenalstown Credit Union Limited participates in an industry-wide pension scheme for employees (The Irish League of Credit Unions Republic of Ireland Pension Scheme). This is a funded defined benefit scheme with assets managed by the Scheme's trustees.

The scheme is a multi-employer Scheme and due to the nature of the Scheme it is not possible for Bagenalstown Credit Union Limited to separately identify its share of the Scheme's underlying assets and liabilities. Consequently, it accounts for the Scheme as a defined contribution plan, in accordance with FRS 102.

The Pension's Act requires the trustees of the Scheme to assess whether it could meet a certain prescribed standard, known as the Minimum Funding Standard. This assesses whether, if the scheme was wound up on a specified theoretical valuation date, it could satisfy the Funding Standard at that date. Following the Scheme's actuary certifying a Minimum Funding Standard deficit in the Scheme in 2009, Bagenalstown Credit Union Limited, the ILCU Group and the other credit unions participating in the Scheme entered into a funding agreement with the Scheme that was designed to ensure that, the Scheme could be reasonably expected to satisfy the Minimum Funding Standard by a specified future date (1 March 2019). This funding plan runs up until 2019 and was approved by the Pensions Authority. Bagenalstown Credit Union Limited has paid the contributions payable under this funding agreement.

As part of the above solvency assessment process, the Scheme actuary must carry out a separate valuation under the Minimum Funding Standard every 3 years and produce a funding certificate for submission to the Pensions Authority within 9 months of the effective date of the valuation. The purpose of the certificate is to certify whether or not the assets of the scheme at the effective date are sufficient to meet the liabilities of the scheme based on the assumption that the scheme was wound up at that date. The most recent Actuarial Funding Certificate was effective as at 1 March 2018 and it certified that the Scheme satisfied the funding standard. Further, the Actuary was reasonably satisfied that as at 28 February 2018 the scheme can be expected to satisfy the funding standard as specified in Section 44 of the Pensions Act, 1990, at 1 March 2019, being the date specified by the Pensions Authority under Section 49(2) (a) of the Act for the purpose of the existing funding proposal.

An actuarial review of the fund is normally carried out every three years by the Scheme's independent, professionally qualified actuary. The actuarial review considers the past and future liabilities of the scheme. The last completed triennial actuarial review was carried out with an effective date of 1 March 2017 using the Projected Unit valuation method. The principal actuarial assumption used in the valuation was the investment return would be 1.75% higher than the annual salary increases. The market value of the scheme's assets at 1 March 2017 was €216m. The actuarial valuation disclosed a past service deficit of €6.4m at 1 March 2017 calculated under the Ongoing Actuarial Valuation method. This valuation method assumes that the Scheme will continue in existence for the foreseeable future. The assumptions used in the actuarial review to determine the past service deficit differ from the assumptions that would be used to determine the liabilities for defined benefit obligations under FRS102. This actuarial review recommended that the rate agreed under the funding proposal, 27.5% of pensionable salary, continues to be paid. The cost of risk benefits is paid in addition to this rate giving a total contribution rate of 30% of Pensionable Salary.

FRS 102 requires a provision to be recognised where an agreement has been entered into with a multiemployer plan that determines how the deficit will be funded. The provision was measured based on the contributions payable that arose from the agreement with the multi-employer pension plan to the extent that they relate to the deficit. Bagenalstown Credit Union Limited has paid the contributions payable under this funding agreement.

### 10. CASH AND CASH EQUIVALENTS

Bank and cash balances	2018 €	2017 €
	599,626	608,166
<b>Total cash and cash equivalents</b>	<b>599,626</b>	<b>608,166</b>

Short term deposits with banks are deposits with original maturity of less than or equal to three months. All other deposits with banks are included under Investments in the Balance Sheet and disclosed in Note 14.

### 11. TANGIBLE FIXED ASSETS

	Freehold land & buildings €	Fixtures & fittings €	Computer equipment €	Total €
<b>Cost</b>				
At 1st October 2017	5,115,810	379,993	420,476	5,916,279
Additions	-	150	1,397	1,547
<b>At 30th September 2018</b>	<b>5,115,810</b>	<b>380,143</b>	<b>421,873</b>	<b>5,917,826</b>
<b>Depreciation</b>				
At 1st October 2017	4,172,754	355,104	420,476	4,948,334
Charge for the year	102,316	10,565	461	113,342
<b>At 30th September 2018</b>	<b>4,275,070</b>	<b>365,669</b>	<b>420,937</b>	<b>5,061,676</b>
<b>Net book value</b>				
<b>At 30th September 2018</b>	<b>840,740</b>	<b>14,474</b>	<b>936</b>	<b>856,150</b>
At 30th September 2017	943,056	24,889	-	967,945

### 12. LOANS TO MEMBERS – FINANCIAL ASSETS

#### 12a. Loans To Members

	Note	2018 €	2017 €
As at 1st October		10,790,611	10,107,233
Advanced during the year		6,338,157	5,526,656
Repaid during the year		(4,969,421)	(4,846,843)
Loans recovered		160,342	164,628
Loans written off		(35,036)	(161,063)
<b>Gross loans to members</b>	<b>12b</b>	<b>12,284,653</b>	<b>10,790,611</b>
<b>Impairment allowances</b>			
Individual loans		(675,984)	(635,470)
Groups of loans		(556,212)	(685,623)
<b>Loan provision</b>	<b>12c</b>	<b>(1,232,196)</b>	<b>(1,321,093)</b>
<b>As at 30th September</b>	<b>12b</b>	<b>11,052,457</b>	<b>9,469,518</b>

#### 12b. Credit risk disclosures

Since 2012, Bagenalstown Credit Union Limited has not offered mortgages and as a result, all loans issued since then are unsecured, except that there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding. There were a number of mortgages issued prior to this time which are still outstanding and are secured by a first legal charge as outlined in the terms and conditions of the mortgage product.

The carrying amount of the loans to members represents Bagenalstown Credit Union Limited'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.

### 12b. Credit risk disclosures continued

	2018		2017	
	Amount €	Proportion %	Amount €	Proportion %
Not past due	8,971,443	73.2	7,839,379	72.6
Up to 9 weeks past due	2,743,668	22.3	2,415,106	22.4
Between 10 and 18 weeks past due	189,001	1.5	207,958	1.9
Between 19 and 26 weeks past due	66,668	0.5	154,865	1.4
Between 27 and 39 weeks past due	195,373	1.6	24,247	0.2
Between 40 and 52 weeks past due	28,966	0.2	10,174	0.2
53 or more weeks due	89,534	0.7	138,882	1.3
<b>Total gross loans</b>	<b>12,284,653</b>	<b>380,143</b>	<b>10,790,611</b>	<b>100%</b>
Gross loans not impaired	8,661,622	70.5	7,768,692	72.0
Gross loans individually impaired	3,623,031	29.5	3,021,919	28.0
Gross loans collectively impaired	-	0.0	-	0.0
<b>Total gross loans</b>	<b>12,284,653</b>	<b>100%</b>	<b>10,790,611</b>	<b>100%</b>
<b>Impairment allowance</b>				
Individual loans	(1,232,196)		(1,321,093)	
Groups of loans	(-)		(-)	
<b>Total carrying value</b>	<b>11,052,457</b>		<b>9,469,518</b>	

#### 12c. Loan provision account for impairment losses

	2018 €	2017 €
As at 1st October	1,321,093	1,689,019
Allowances reversed during the year	(88,897)	(367,926)
Increase / (Decrease) in loan provisions during the year	(88,897)	(367,926)
<b>As at 30th September</b>	<b>1,232,196</b>	<b>1,321,093</b>

#### 12d. Net recoveries or losses recognised for the year

	2018 €	2017 €
Bad debts recovered	160,342	164,628
Movement in loan provisions during the year	88,897	367,926
-	249,239	532,554
Loans written off	(35,036)	(161,063)
<b>Net recoveries on loans to members recognised for the year</b>	<b>214,203</b>	<b>371,491</b>

#### 12e. Analysis of Gross Loans Outstanding

	2018 Number of Loans	€	2017 Number of Loans	€
Less than one year	303	407,039	287	469,271
Greater than 1 year and less than 3 years	706	3,342,259	755	3,295,471
Greater than 3 and less than 5 years	607	6,407,150	544	5,290,488
Greater than 5 years and less than 10 years	68	1,767,836	57	1,361,822
Greater than 10 years and less than 25 years	4	360,369	4	373,559
Greater than 25 years	-	-	-	-
	<b>1,688</b>	<b>12,284,653</b>	<b>1,647</b>	<b>10,791,611</b>

### 13. PREPAYMENTS AND ACCRUED INCOME

	2018 €	2017 €
Prepayments	71,875	71,568
Accrued income investments	101,118	117,249
Accrued loan interest income	27,361	23,004
<b>Total</b>	<b>200,354</b>	<b>211,821</b>

### 14. INVESTMENTS

Investments at the current and prior Balance Sheet date were all measured at amortised cost as appropriate and comprised of the following:

	2018 €	2017 €
Accounts in authorised credit institutions	24,823,953	21,517,281
Bank bonds	10,305,996	12,896,662
<b>Total investments at amortised cost</b>	<b>35,129,949</b>	<b>34,413,943</b>

The category of counterparties with whom the investments were held was as follows:

	2018 €	2017 €
A1	5,700,000	3,850,000
A2	1,250,000	1,508,071
A3	3,527,282	5,328,935
Aa3	2,500,000	-
Ba2	-	4,797,332
Ba3	-	5,855,292
Baa1	5,794,278	13,074,313
Baa2	7,992,186	-
Baa3	3,062,041	-
BBB-	5,304,162	-
<b>Total investments</b>	<b>35,129,949</b>	<b>34,413,943</b>

### 15. MEMBERS' SHARES & MONEY MANAGEMENT ACCOUNTS – FINANCIAL LIABILITIES

	2018 €	2017 €
As at 1st October	39,667,161	38,128,663
Received during the year	23,447,533	23,120,152
Repaid during the year	(21,683,114)	(21,581,654)
<b>As at 30th September</b>	<b>41,081,356</b>	<b>39,667,161</b>

Members' shares are repayable on demand except for shares attached to loans. The breakdown of the shares between attached and unattached is as follows:

	2018 €	2017 €
Unattached shares	36,701,421	35,215,238
Attached shares	4,730,159	4,451,923
<b>Total members' shares</b>	<b>41,431,580</b>	<b>39,667,161</b>

### 16. OTHER PAYABLES

	2018 €	2017 €
Creditors and other accruals	63,649	56,137
<b>Total</b>	<b>63,649</b>	<b>56,137</b>

### 17. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES

**17a. Financial risk management** Bagenalstown Credit Union Limited is a provider of personal loans and also provides savings products to its members. The Credit Union invests excess funds with a view to ensuring that the return from members' loans and investments is adequate to meet the overheads of the Credit Union and provide a reasonable return to members on shares and deposits. The Credit Union has a risk register in place to help the directors manage the various risks arising from its activities to include the issuing of loans to members and investing the excess funds of the Credit Union.

The main financial risks arising from Bagenalstown 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 Bagenalstown Credit Union Limited, resulting in financial loss to the Credit Union. In order to manage this risk the Board approves the Credit Union's credit policy, and all changes to it. All loan applications are assessed with reference to the credit policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed. The credit risk on members' loans is disclosed in Note 12b.

The Credit Union's investments are also exposed to credit risk and the Credit Union mitigates the risk by only placing investments with financial institutions where the counterparties have strong credit ratings and using investment products authorised by the Central Bank. The credit ratings of the financial institutions where investments are held are disclosed in Note 14.

**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 Credit Union adheres on an ongoing basis to the minimum liquidity ratio and minimum short term liquidity ratio as set out in the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016.

**Market risk:** Market risk is generally comprised of interest rate risk, currency risk and other price risk. Bagenalstown Credit Union Limited conducts all its transactions in Euro 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 Credit Union's main interest rate risk arises from differences between the interest rate exposures on the receivables and payables that form an integral part of a Credit Union's operations. The Credit Union considers rates of interest receivable on investments and members' loans when deciding on the dividend rate payable on shares and on any loan interest rebate.

**17b. Interest rate risk disclosures** The following table shows the average interest rates applicable to relevant financial assets and financial liabilities.

	2018		2017	
	Amount €	Average interest rate	Amount €	Average interest rate
<b>Financial assets</b>				
Gross loans to members	12,284,653	8.31%	10,790,611	8.9%
<b>Financial liabilities</b>				
Members shares	41,431,580	0.05%	39,667,161	0.05%

The interest rates applicable to loans to members are fixed and range from 5.2% to 10.25%. The dividend on shares is determined on the basis of income less administrative expenses and, as can be seen above, a consistent margin is maintained between interest receivable and dividend on shares. As a result, the surplus for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

**17c. Liquidity risk disclosures** All of the financial liabilities of the Credit Union are repayable on demand except for some members' shares attached to loans.

**17d. Fair value of financial instruments** Bagenalstown Credit Union Limited does not hold any financial instruments at fair value.

**17e. Capital** The Credit Union maintains sufficient reserves to buffer the Credit Union against any losses on its members' loans and also its investments. The current Regulatory reserves are in excess of the minimum requirement set down by the Central Bank, and stand at 10.81% of the total assets of the Credit Union at the Balance Sheet date.

### 18. POST BALANCE SHEET EVENTS

There are no material events after the Balance Sheet date to disclose.

### 19. CONTINGENT LIABILITIES

The Registry of Credit Unions informed credit unions in the Republic of Ireland on 17 September 2018 that it had become aware of a potential matter that may impact certain credit unions in respect of accrued interest outstanding on loans where additional credit is extended to a member by way of a top-up-loan, which could potentially result in over-collection of interest. The Registry of Credit Unions has requested information from credit unions in this

context to assess the potential impact of this matter. A process to establish the potential impact, if any of this matter on Bagenalstown Credit Union Limited is on-going. This process is not yet complete and therefore, the existence of any liability and any reliable estimate amount of any liability associated with this matter, while possible, remains uncertain along with the timing of same. Consequently, no provision has been made in the financial statements to 30th September 2018 for any amount that may become payable by Bagenalstown Credit Union Limited.

#### 20. CAPITAL COMMITMENTS

There were no capital commitments either contracted for or approved by the Board at the year end.

#### 21. INSURANCE AGAINST FRAUD

The Credit Union has insurance against fraud in the amount of €5,200,000 (2017: €5,200,000) in compliance with Section 47 of the Credit Union Acts 1997 to 2012.

#### 22. RELATED PARTY TRANSACTIONS

During the year loans were advanced to directors and the management team of the Credit Union (including their family members or any business in which the directors or management team had a significant shareholding) in the amount of €79,850 (2017: €63,200). These loans were approved in accordance with the Standard Credit Union rules and the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016. The loans outstanding from these parties at 30th September 2018 were €316,653 (2017: €233,949). These loans amounted to 2.86% of total gross loans due at 30th September 2018 (2017: 2.16%)

Bad debt provisions against the loans due from related parties at 30th September 2018 amounted to €8,194 (2017: €6,219).

The total share balances for related parties amounted to €530,408 at 30th September 2018 (2017: €623,242).

#### 23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved, and authorised for issue, by the Board on 5th November 2018.

### SCHEDULE TO THE FINANCIAL STATEMENTS

#### for the year ended 30th September 2018

	2018 €	2017 €
Training	4,115	3,575
Rates	19,802	19,025
Light & heating	13,009	16,640
Repairs & maintenance	39,559	42,116
Printing, stationery & computer costs	96,919	62,255
Postage & telephone	20,607	15,482
Legal & professional fees	67,437	35,611
Debt collection costs	5,475	19,756
Chapter & convention expenses	4,698	2,679
AGM expenses	1,275	1,000
Bank charges	36,311	31,207
Audit fees	19,065	26,814
General insurance	25,382	22,652
Share & loan insurance	92,116	127,718
Death benefit insurance	80,750	74,027
Affiliation fees	18,942	16,894
SPS contribution	21,538	38,953
Promotion, advertising & donations	33,920	33,150
Travel & meeting expenses	2,798	2,174
Stamp duty	1,327	1,469
Levies	30,891	25,832
Miscellaneous expenses	4,813	13,262
<b>Total other management expenses</b>	<b>640,749</b>	<b>632,291</b>

### BAGENALSTOWN CREDIT UNION LIMITED

#### INCOME & EXPENDITURE - 31 OCTOBER 2018

INCOME	€
Interest Income	93,498
Investment Income Rec'd/Receivable within 1 year	20,284
<b>OTHER</b>	<b>55,624</b>
Bad Debts Recovered	13,897
Other Income	4,541
<b>Total Income</b>	<b>132,220</b>

EXPENDITURE	€
Net Loan Protection / Life Savings Insurance	10,696
Salaries and Related Expenses	29,343
Bad Debts Provision	21,108
Other Expenses	59,936
<b>Total Expenditure</b>	<b>121,083</b>

<b>YTD Surplus (Deficit)</b>	<b>11,137</b>
------------------------------	---------------

#### BALANCE SHEET - 31 OCTOBER 2018

ASSETS	€
Cash and Current Accounts	593,207
Minimum Reserve Deposit Held	282,282
<b>INVESTMENTS</b>	
Irish and EEA State Securities	750,000
Accounts in Authorised Credit Institutions	23,797,178
Bank Bonds	10,306,891
<b>Total Investments</b>	<b>34,854,069</b>
Loans to Members	12,585,890
Less Provision For Bad Debts - Specific	-1,253,304
Fixed Assets less Depreciation	846,898
Other Assets	226,203
<b>Total Assets</b>	<b>48,135,245</b>

LIABILITIES	€
Member Shares - Regular	41,698,855
Other Liabilities	90,946
<b>Total Liabilities</b>	<b>41,789,801</b>
<b>Net Worth</b>	<b>6,345,444</b>

RESERVES	€
Statutory Reserve	5,171,415
YTD Surplus (Deficit)	11,100
Other Reserves - Realised	1,171,892
<b>Total Reserves</b>	<b>6,354,407</b>



**ST. CANICE'S  
CREDIT UNION**  
YOU'RE IN GOOD HANDS



Main Branch 78 High Street, Kilkenny



Enquiries to any St. Canice's branch



Email [info@stcanicescu.ie](mailto:info@stcanicescu.ie)



Tel (056) 772 2042



Website [www.stcanicescu.ie](http://www.stcanicescu.ie)



Open 6 days a week

### **St. Canice's Credit Union Branches:**

Ballingarry, Ballyragget, Callan, Dunnamaggin, Durrow, Graignamanagh, High Street in Kilkenny, MacDonagh Junction Shopping Centre in Kilkenny, Mountrath and Rathdowney.

St. Canice's Kilkenny Credit Union Limited  
is regulated by the Central Bank of Ireland.