



**ST. CANICE'S**  
**CREDIT UNION**

YOU'RE IN GOOD HANDS



**Piltown Credit Union Ltd.**

# Transfer of Engagements Section 130 Pack

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

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## **MESSAGE FROM THE CHAIRS OF ST. CANICE'S KILKENNY CREDIT UNION LIMITED AND PILTOWN 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 Piltown Credit Union Limited are in a position to ask our members to approve the transfer of engagements, of Piltown 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 Piltown 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.

**Vincent Kenrick**  
Chair, St. Canice's Kilkenny Credit Union Limited

**John Fitzpatrick**  
Chair, Piltown Credit Union Limited

## MEMBER INFORMATION

### What does a Transfer of Engagements mean?

A Transfer of Engagement means that Piltown Credit Union Limited will transfer their assets and liabilities to St. Canice's Kilkenny Credit Union Limited. Members in St. Canice's Kilkenny and Piltown 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 Piltown Credit Union Limited will be transferred to St. Canice's Kilkenny Credit Union Limited before the end of Quarter 1, 2020.

### 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, Bagenalstown and Piltown 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 twelve offices when the transfer takes operational effect.

- If you are a member of Piltown Credit Union, you will still continue to be able to conduct your business in Piltown, 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 Piltown 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 Piltown 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@piltowncu.ie](mailto:info@piltowncu.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 Piltown 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 Piltown 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 Piltown 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 2019 and the most recent unaudited Income & Expenditure Account and Balance

sheet as at 31st October 2019, and the audited annual accounts for Piltown Credit Union Limited as at 30th September 2019 and the most recent unaudited Income & Expenditure Account and Balance sheet as at 31st October 2019.

2. No payment is proposed to be made to the members of Piltown 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 Piltown Credit Union Limited or St. Canice's Kilkenny Credit Union Limited.  
Members with current loans in St. Canice's Kilkenny Credit Union and Piltown 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 Piltown 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 Piltown Credit Union Limited will transfer to St. Canice's Kilkenny Credit Union Limited under the Transfer of Undertakings (Protection of Employment) regulations 2006.

## PILTOWN CREDIT UNION LIMITED

The Board of Piltown 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 Piltown 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).

**Dan Dineen**

Secretary

Piltown Credit Union Limited

### Piltown 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 Piltown 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 2019 and the most recent unaudited Income & Expenditure Account and Balance sheet as at 31st October 2019, and the audited annual accounts for Piltown Credit Union Limited as at 30th September 2019 and the most recent unaudited Income & Expenditure Account and Balance sheet as at 31st October 2019.
2. No payment is proposed to be made to the members of Piltown 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 Piltown Credit Union Limited or St. Canice's Kilkenny Credit Union Limited.  
Members with current loans in St. Canice's Kilkenny Credit Union and Piltown 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 Piltown 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 Piltown 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

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

For the financial year ended 30 September 2019

### 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: 5th November 2019

## 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: 5th November 2019

# 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 2019 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 2019
- 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  
Chartered Accountants and Statutory Audit Firm  
Kilkenny

21st November 2019



# INCOME AND EXPENDITURE ACCOUNT

For the financial year ended 30 September 2019

	Note	2019 €	2018 €
<b>Income</b>			
Loan interest on members' loans	5	6,626,747	5,735,423
Deposit interest and investment income	6	6,046,301	5,933,566
Other income	7	238,493	272,741
		<u>12,911,541</u>	<u>11,941,730</u>
<b>Expenditure</b>			
Employment costs	8	3,633,747	3,210,978
Other expenses		2,284,763	2,261,212
Share and loan insurance		1,303,770	1,249,570
Death benefit insurance		644,062	534,815
Provision for bad debts - (decrease)	11(iii)	(262,632)	(731,281)
Depreciation		399,342	365,260
		<u>8,003,052</u>	<u>6,890,554</u>
<b>Surplus for year</b>		<u>4,908,489</u>	<u>5,051,176</u>

## STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 September 2019

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:

Member of Board Oversight Committee:

Members of the Board of Directors:





## BALANCE SHEET As at 30 September 2019

	Note	2019 €	2018 €
<b>Assets</b>			
Cash at bank and on hand	9	41,837,258	35,845,101
Investments and deposits	10	296,438,871	251,302,625
Investment in associate		265,000	-
Loans to members	11	83,999,702	65,181,448
Tangible fixed assets	15	6,917,822	5,533,801
Debtors and prepaid expenses	12	3,047,959	3,077,559
Members' current accounts		-	-
<b>Total assets</b>		<u>432,506,612</u>	<u>360,940,534</u>
<b>Liabilities</b>			
Members' shares	13	359,432,377	295,678,123
Members' deposits		4,674,611	4,183,283
Members' current accounts	14	-	-
Accrued expenses	16	1,738,953	1,484,101
<b>Total liabilities</b>		<u>365,845,941</u>	<u>301,345,507</u>
<b>Assets less liabilities</b>		<u>66,660,671</u>	<u>59,595,027</u>
<b>Members' resources</b>			
Regulatory reserve		45,413,057	38,405,117
Other reserves		21,247,614	21,189,910
<b>Total reserves</b>		<u>66,660,671</u>	<u>59,595,027</u>

On behalf of the Credit Union

Manager:

Member of Board Oversight Committee:

Members of the Board of Directors:





# STATEMENT OF CHANGES IN RESERVES

For the financial year ended 30 September 2019

	Surplus €	Regulatory reserve €	Operational risk reserve €	Section 44 Community fund €	Dividend reserve €	Undistrib- utable surplus €	Total €
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 20)	-	-	-	-	(1,351,178)	-	(1,351,178)
Rebate paid (Note 20)	-	-	-	-	(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>
Opening balance at 1 October 2018	-	38,405,117	6,810,156	217,500	13,095,049	1,067,205	59,595,027
Surplus for the year	4,908,489	-	-	-	-	-	4,908,489
Dividends paid (Note 20)	-	-	-	-	(1,710,552)	-	(1,710,552)
Rebate paid (Note 20)	-	-	-	-	(1,445,346)	-	(1,445,346)
Transfer to regulatory reserves	-	1,836,525	-	-	(1,836,525)	-	-
Transfer to operational risk reserves	(80,000)	-	80,000	-	-	-	-
Transfer to dividend reserves	(4,828,489)	-	-	-	5,895,694	(1,067,205)	-
Payments from community fund	-	-	-	(90,855)	-	-	(90,855)
Payments to community fund	-	-	-	-	-	-	-
Arising on transfer of engagements (note 25)	-	5,171,415	120,000	-	112,493	-	5,403,908
<b>Closing balance at 30 September 2019</b>	<b>-</b>	<b>45,413,057</b>	<b>7,010,156</b>	<b>126,645</b>	<b>14,110,813</b>	<b>-</b>	<b>66,660,671</b>

The regulatory reserve of the Credit Union as % of total assets as at 30 September 2019 was 10.50% (2018: 10.64%).

There is no undistributable surplus not eligible for distribution which 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, along with an additional €200,000 in 2019 for Member Personal Current Account Operational Risk Reserve Requirements.

# CASH FLOW STATEMENT

## For the financial year ended 30 September 2019

	Note	2019 €	2018 €
<b>Cash flows from operating activities</b>			
Loans repaid		40,512,360	33,934,394
Loans granted		(47,353,399)	(39,727,431)
Member current account lodgements/withdrawals		-	-
Loan interest received		6,630,030	5,755,048
Investment interest received		6,352,805	6,053,108
Bad debts recovered		1,253,516	1,125,071
Dividends paid		(1,130,247)	(1,351,176)
DIRT paid		(580,305)	(485,099)
Loan interest rebate paid		(1,445,346)	(1,358,379)
Payments from community fund reserves		(90,855)	(32,500)
Operating expenses		(9,221,289)	(8,281,844)
<b>Net cash flows from operating activities</b>		<b>(5,072,730)</b>	<b>(4,368,808)</b>
<b>Cash flows from investing activities</b>			
Fixed assets purchases / disposals		(971,180)	(1,236,793)
New cash flow from investment in associate		(265,000)	-
Net cash flow from other investing activities		(10,751,260)	(37,685,159)
<b>Net cash flows from investing activities</b>		<b>(11,987,440)</b>	<b>(38,921,952)</b>
<b>Cash flows from financing activities</b>			
Members' shares received		184,069,856	159,165,868
Members' deposits received		65,682,496	62,610,694
Members' shares withdrawn		(161,909,010)	(141,205,387)
Members' deposits withdrawn		(65,731,364)	(61,818,422)
<b>Net cash flows from financing activities</b>		<b>22,111,978</b>	<b>18,752,753</b>
Other receipts		238,493	272,741
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,290,301</b>	<b>(24,265,266)</b>
Cash and cash equivalents at beginning of year		35,845,101	60,110,367
Cash and cash equivalents introduced from transfer of engagements		701,856	
<b>Cash and cash equivalent at end of year</b>	<b>9</b>	<b>41,837,258</b>	<b>35,845,101</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

St. Canice's Kilkenny Credit Union Limited ("the Credit Union") is established under the Credit Union Act 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.x

**(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.

**(i) 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:

**Investments in associated undertaking** - Investments where the credit union is deemed to have significant influence over an entity, but it is neither a subsidiary or a joint venture, are treated as investments in associated undertakings.

Investments in associates are accounted for at cost less impairment.

**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

**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.

## **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. This analysis influences the management of individual loans and 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 15 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.

(iii) **Investments in associates** - The investments in associates represents St. Canice's Kilkenny Credit Union Limited's investment in Metacu Management Designated Activity Company. This investment was made for operational purposes. The Credit Union holds 6.25% redeemable ordinary shares in the company and through the terms of the shareholders' agreement agreed between each of the participating credit unions, St. Canice's Kilkenny Credit Union Limited is deemed to have significant influence over the operations of this company. Therefore the investment has been accounted for as an investment in an associate.

## 5. LOAN INTEREST ON MEMBERS' LOANS

	2019 €	2018 €
Loan interest on members' loans	6,403,857	5,534,451
Loan interest receivable	209,865	186,054
Net interest earned on budget accounts	13,025	14,918
	<u>6,626,747</u>	<u>5,735,423</u>

## 6. DEPOSIT INTEREST AND INVESTMENT INCOME

	2019 €	2018 €
Received by the Credit Union at balance sheet date	3,636,074	3,395,120
Receivable within 12 months of the balance sheet date	2,410,227	2,538,446
	<u>6,046,301</u>	<u>5,933,566</u>

## 7. OTHER INCOME

	2019 €	2018 €
Claims experience refunds ECCU	138,365	50,494
Miscellaneous income	56,563	27,934
Budget accounts charges	14,497	14,687
ATM accounts charges	11,220	12,825
Commission (Coin machine, RPI, Paypoint)	17,455	7,675
Foreign exchange commission	393	841
Affiliation fee	-	158,285
Income from additional services	-	-
	<u>238,493</u>	<u>272,741</u>

## 8. EMPLOYEES AND EMPLOYMENT COSTS

	2019 Number	2018 Number
(i) <b>Number of employees</b>		
The average monthly number of employees during the year were:		
Management	8	8
Other staff	97	82
<b>Total</b>	<u>105</u>	<u>90</u>

## (ii) Employment costs

	2019 €	2018 €
Wages and salaries	2,983,313	2,642,321
Social security costs	320,884	283,527
Payments to pension schemes	329,550	285,130
	<u>3,633,747</u>	<u>3,210,978</u>

## (iii) Key management personnel

The remuneration of the 8 key management personnel (2018: 8) were as follows:

	2019 €	2018 €
Wages, salaries and other benefits	<u>679,005</u>	<u>639,222</u>

## 9 CASH AND CASH EQUIVALENTS

	2019 €	2018 €
Cash at bank and on hand	3,697,014	3,460,046
Short term deposits	38,140,244	32,385,055
	<u>41,837,258</u>	<u>35,845,101</u>

## 10. INVESTMENTS AND DEPOSITS

	2019 €	2018 €
Government & Bank bonds	88,711,080	95,251,326
Central bank minimum deposits	3,223,363	2,688,299
Fixed term deposits with banks	174,019,444	119,646,943
Other investments	30,484,984	34,666,057
	<u>296,438,871</u>	<u>252,252,625</u>
Provision for diminution in investments	-	(950,000)
	<u>296,438,871</u>	<u>251,302,625</u>

The credit rating of counterparties with whom investments were held was as follows:

	2019 €	2018 €
A1	82,545,582	65,600,000
A2	48,826,305	57,691,644
A3	56,794,997	10,000,000
Aa3	20,321,911	11,099,306
Ba2	-	26,223,233
Baa1	22,000,000	3,013,359
Baa2	27,000,000	36,880,210
Baa3	37,700,076	43,717,374
BBB+	1,250,000	750,000
NR	-	277,499
	<u>296,438,871</u>	<u>252,252,625</u>

## 11. LOANS TO MEMBERS – FINANCIAL ASSETS

### (i) Loans to members

	Note	2019 €	2018 €
Gross loans to members	11 (ii)	91,120,785	71,423,541
Loan provision	11 (iii)	(7,121,083)	(6,242,093)
As at 30 September		<u>83,999,702</u>	<u>65,181,448</u>

### (ii) Credit risk disclosures

St. Canice's Kilkenny Credit Union Limited offers secured and unsecured loans to its members. There are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding. There are maximum amounts set down by the Central Bank in terms of what amount a member can borrow from the Credit Union. 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. Where loans are not impaired it is expected that the amounts repayable will be received in full.

	2019 €	2018 €
Not past due	74,954,720	59,746,801
Up to 9 weeks past due	12,658,681	9,004,759
Between 10 and 18 weeks past due	960,343	309,564
Between 19 and 26 weeks past due	460,996	319,493
Between 27 and 52 weeks past due	886,966	542,117
53 or more weeks due	<u>1,199,079</u>	<u>1,500,807</u>
<b>Total gross loans</b>	<b>91,120,785</b>	<b>71,423,541</b>
<b>Impairment allowance - individual loans</b>	<b>(7,121,083)</b>	<b>(6,242,093)</b>
<b>Total carrying value</b>	<b><u>83,999,702</u></b>	<b><u>65,181,448</u></b>

Factors that are considered in determining whether loans are impaired are discussed in note 4, dealing with estimates.

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

As at 1 October	6,242,093	6,973,374
Transfer from mergers	1,141,621	-
Decrease in loan provisions during the year	<u>(262,632)</u>	<u>(731,281)</u>
<b>As at 30 September</b>	<b><u>7,121,082</u></b>	<b><u>6,242,093</u></b>

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

Bad debts recovered	1,253,516	1,125,071
Decrease in loan provisions during the year	<u>262,632</u>	<u>731,281</u>
	<b><u>1,516,148</u></b>	<b><u>1,856,352</u></b>

<b>Loans written off</b>	<b><u>(350,785)</u></b>	<b><u>(305,845)</u></b>
<b>Net recoveries on loans to members recognised for the year</b>	<b><u>1,165,363</u></b>	<b><u>1,550,507</u></b>

**12. DEBTORS AND PREPAID EXPENSES**

	2019 €	2018 €
Prepayments	427,867	353,183
Accrued investment income	2,410,227	2,538,322
Accrued loan interest income	<u>209,865</u>	<u>186,054</u>
	<b><u>3,047,959</u></b>	<b><u>3,077,559</u></b>

**13. MEMBER SHARES**

	2019 €	2018 €
Shares	359,405,966	295,651,860
Shares 3 year term	-	9
Shares 5 year term	<u>26,411</u>	<u>26,254</u>
	<b><u>359,432,377</u></b>	<b><u>295,678,123</u></b>

**14. MEMBER CURRENT ACCOUNTS**

	2019 €	2018 €
At 30 September	-	-
Payment accounts	Number of	Balance of
	accounts	accounts
Credit	27	-
Debit	-	-
Permitted overdrafts	-	-

## 15. TANGIBLE FIXED ASSETS

	Leasehold premises €	Freehold buildings €	Fixtures & fittings €	Computer equipment €	Total €
<b>Cost</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>
At 30 September 2018	476,361	5,777,297	1,864,965	1,101,511	9,220,134
Transfers during the year	-	798,114	14,069	-	812,183
Additions during year	-	192,133	437,302	341,745	971,180
Removal of fully depreciated assets	(112,012)	(6,732)	(748,252)	(656,300)	(1,523,296)
<b>At 30 September 2019</b>	<b>364,349</b>	<b>6,760,812</b>	<b>1,568,084</b>	<b>786,956</b>	<b>9,480,201</b>
<b>Accumulated depreciation</b>					
At 30 September 2017	419,447	1,133,205	933,817	834,604	3,321,073
Charge for 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>
At 30 September 2018	466,309	1,245,078	1,055,678	919,268	3,686,333
Charge for year	7,231	127,477	142,134	122,500	399,342
Removal of fully depreciated assets	(112,012)	(6,732)	(748,252)	(656,300)	(1,523,296)
<b>At 30 September 2019</b>	<b>361,528</b>	<b>1,365,823</b>	<b>449,560</b>	<b>385,468</b>	<b>2,562,379</b>
<b>Net book value</b>					
At 30 September 2019	<u>2,821</u>	<u>5,394,989</u>	<u>1,118,524</u>	<u>401,488</u>	<u>6,917,822</u>
At 30 September 2018	<u>10,052</u>	<u>4,532,219</u>	<u>809,287</u>	<u>182,243</u>	<u>5,533,801</u>
At 30 September 2017	<u>54,766</u>	<u>3,843,663</u>	<u>597,444</u>	<u>159,695</u>	<u>4,655,568</u>

## 16. OTHER PAYABLES

	2019 €	2018 €
PAYE/PRSI	68,385	60,186
Pension and short term payroll accruals	58,621	46,597
Creditors and other accruals	1,611,947	1,377,318
	<u>1,738,953</u>	<u>1,484,101</u>

## 17. CREDIT UNION OWNED SERVICE PROVIDERS (CUSP)

The Credit Union has invested in the following CUSPs:

CUSP Name	Outsourced services	Funding/ Investment
Metacu Management DAC	No services launched to date	€265,000
Payac Services CLG	Payment account services (i)	€130,000
<b>Total</b>		<u>€395,000</u>

(i) This funding was an operational cost incurred up to 30 September 2018 and was fully written off through the income and expenditure account.

## 18. 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 2018.

**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:

	2019		2018	
	Amount	Average	Amount	Average
	€	interest	€	interest
		rate %		rate %
Financial assets				
Gross loans to members	<u>91,120,785</u>	<u>7.5%</u>	<u>71,423,541</u>	<u>7.9%</u>

**(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 10.5% of the total assets of the Credit Union at the Balance Sheet date.

## 19. 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 Kilkenny Credit Union Limited has paid the contributions payable under this funding agreement.

## 20. DIVIDEND AND INTEREST REBATE

The dividend and interest rebate paid and accounted for during the year ended 30 September 2019 was proposed at the 2018 Annual General Meeting in respect of the year ended 30 September 2018. See Statements of Changes in Reserves for details of amounts paid.

No dividend or interest rebate in respect of the year ended 30 September 2019 is recognised in these financial statements, in line with FRS 102. The proposed final dividend of 0.1% (€348,712) and proposed interest rebate of 20% for interest paid at a rate of up to 5%, and 10% for interest paid at all other rates above 5% (€755,913) for the year ended 30 September 2019 will, if it is approved at the 2019 Annual General Meeting, be recognised in the year ending 30 September 2020.

## 21. FINANCIAL COMMITMENTS

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

	2019 €	2018 €
In one year or less	84,200	57,948
In more than one year, but not more than five years	35,000	84,200
In more than five years	35,000	35,000
	<u>154,200</u>	<u>177,148</u>

## 22. 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 €53,150 (2018: €109,500). 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 2019 is €234,228 (2018: €236,011). These loans amounted to 0.26% of total gross loans due at 30 September 2019 (2018: 0.33%).

There were provisions of €Nil against loans due from the directors and the management team at 30 September 2019 (2018: €Nil).

The directors and management team share balances (including their family members) stood at €765,538 at 30 September 2019 (2018: €832,205). Wages, salaries and other benefits payable to key management are disclosed in Note 8.

## 23. 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.

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

The rate of interest charged on members' loans during the year was as follows:

- Special third level education loans on which interest was charged at 6.4% per annum (2018: 6.4% per annum).
- Business support loan on which interest was charged at 6.4% per annum (2018: 6.4% per annum).
- Car loans, large home improvement/house extension loans and green loans were charged interest at a rate of 8.2% per annum (2018: 8.2%).
- Loans secured by way of a first charge on a property were charged interest at a rate of 6.4% per annum (2018: 6.4%).
- Loans secured by savings were charged interest at a rate of 6.4% per annum (2018: 6.4%).
- Community Energy Loans on which interest was charged at 4.9% per annum (2018: 4.9%).
- Community Loans on which interest was charged at 4.9% per annum (2018: 4.9%).
- Personal Loans on which interest was charged at 9.9% per annum (2018: 9.9%).
- House Loans on which interest was charged at 4.9% per annum (2018: 4.9%).
- Agri Loan on which interest was charged at 6.5% per annum (2018: 6.5%).
- Great rate loans for loan amounts between €25,000 and €75,000 over a minimum term of 5 years and maximum term of 10 years (launched in 2019) on which interest was charged at 6.2% per annum.

## 25. TRANSFER OF ENGAGEMENTS

On 27 February 2019 St. Canice's Kilkenny Credit Union Limited completed a merger with Bagenalstown Credit Union Limited. The transfer engagement has been accounted for as acquisition in the books of St. Canice's Kilkenny Credit Union Limited and the following assets and liabilities were subsumed into the assets and liabilities of St. Canice's Kilkenny Credit Union Limited.

Assets	2019 €
Investments	34,384,986
Loans to members	11,714,584

Tangible fixed assets	812,183
Cash	701,856
Prepayments	<u>205,503</u>
	<b>47,819,112</b>
<b>Liabilities and reserves</b>	
Accruals	(281,600)
Members' shares	(42,133,604)
Reserves	<u>(5,403,908)</u>
	<b>(47,819,112)</b>

## 26. 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. 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.

## 27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 5th November 2019.

<b>SCHEDULE 1 - OTHER EXPENSES</b>	<b>2019 €</b>	<b>2018 €</b>
AGM expenses	11,851	13,714
Audit fees - external	40,589	38,574
Audit fees - internal	24,600	24,600
Bad debts recovered	(1,253,516)	(1,125,071)
Bad debts written off	350,785	305,845
Bank charges	194,157	172,636
Central bank settlement	-	210,000
Chapter expenses	2,705	8,419
Computer maintenance	559,156	392,051
Donations, sponsorship and community activities	90,625	45,128
General insurance	98,744	97,382
IQ ATM expenses	12,997	16,814
League fees	52,000	-
Legal fees	3,535	36,195
Lighting, heating and cleaning	150,942	131,446
Member initiatives	54,850	256,800
Miscellaneous expenses	22,751	12,889
Postage and telephone	187,120	94,989
Printing and stationery	122,270	123,839
Professional fees	276,067	279,115
Promotion and advertising	150,778	103,420
Rates	41,994	43,196
Rent	55,774	50,379
Repairs and renewals	73,998	47,904
Security	51,505	47,016
Shredding costs	1,021	668
Staff uniforms and general expenses	59,906	75,405
Subscriptions and levies	703,235	616,874
Training costs	45,524	54,653
Transfer of engagement costs	65,124	56,376
Travel and subsistence	31,076	25,217
Voluntary Exit Scheme	2,600	4,739
	<u><u>2,284,763</u></u>	<u><u>2,261,212</u></u>

# UNAUDITED ACCOUNTS 31ST OCTOBER 2019

## ST. CANICE'S KILKENNY CREDIT UNION LIMITED

### INCOME & EXPENDITURE - 31 OCTOBER 2019

INCOME	€
Interest Income	623,196
Investment Income	412,910
Bad Debts Recovered	82,678
Other Income	5,637
<b>Total Income</b>	<b>1,124,421</b>
EXPENDITURE	€
Net Loan Protection / Life Savings Insurance	137,788
Salaries and Related Expenses	305,587
Bad Debts Written Off	6,723
Other Expenses	351,590
<b>Total Expenditure</b>	<b>801,688</b>
<b>YTD Surplus (Deficit)</b>	<b>322,733</b>

### BALANCE SHEET - 31 OCTOBER 2019

ASSETS	€
Cash and Current Accounts	8,141,437
Minimum Reserve Deposit Held	3,273,348
Investment in Associate	265,000
Investments	328,849,051
Loans	90,734,246
Less Provision For Bad Debts	-7,121,083
Fixed Assets less Depreciation	6,984,040
Other Assets	2,861,737
<b>Total Assets</b>	<b>433,987,776</b>
LIABILITIES	€
Member Shares	360,635,564
Member Deposits	4,709,964
Member Current Accounts	6,264
Other Liabilities	1,672,579
<b>Total Liabilities</b>	<b>367,024,371</b>

Represented By:

RESERVES	€
Regulatory Reserve	45,413,057
Operational Risk Reserve	7,010,156
Realised Reserves	14,217,458
YTD Surplus	322,734
<b>Total Reserves</b>	<b>66,963,405</b>

## STATEMENT OF DIRECTORS' AND BOARD OVERSIGHT COMMITTEE'S RESPONSIBILITIES

For the financial year ended 30 September 2019

### 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 of the income and expenditure of the Credit Union for that year. In preparing these financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the credit union will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements. 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 for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information (information needed by the Credit Union's auditor in connection with preparing the auditor's report) of which the Credit Union's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Credit Union's auditor is aware of that information.

### Approved by the Board of Directors and signed on its behalf by:

Member of the Board of Directors: John Fitzpatrick

Member of the Board of Directors: Paddy Duggan

Date: 7 November 2019

### STATEMENT OF BOARD OVERSIGHT COMMITTEE'S RESPONSIBILITIES

The Credit Union Act 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 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.

### Approved on behalf of the Board Oversight Committee

Member of the Board Oversight Committee Mary McNamara

Member of the Board Oversight Committee Marion Lacey

Date 7 November 2019

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PILTOWN CREDIT UNION LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

We have audited the financial statements of Piltown Credit Union Limited for the year ended 30 September 2019 which comprise the Income & Expenditure Account, the Balance Sheet, the Statement of Changes in Reserves, the 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 including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Credit Union Act 1997 (as amended).

In our opinion the financial statements:

- give a true and fair view of the state of the assets, liabilities, and financial position of the Credit Union as at 30 September 2019 and of its surplus 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 further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Credit Union in accordance with 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 IAASA 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.
- 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 Statement of Directors' Responsibilities, 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 the 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgement 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 insert relevant term.
- Conclude on the appropriateness of the directors' 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.

### **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.

### **FITZGERALD FLEMING LONG**

Certified Public Accountants and Registered Auditors  
Railway House, Cregg Road, Carrick-on-Suir, Co. Tipperary

Date: 8 November 2019

# INCOME AND EXPENDITURE ACCOUNT

For the financial year ended 30 September 2019

	Note	2019 €	2018 €
<b>Income</b>			
Interest on members' loans	4	136,746	129,279
Other interest income and similar income	5	109,383	124,108
<b>Net interest income</b>		<u>246,129</u>	<u>253,387</u>
Other income	7	3,368	6,630
<b>Total income</b>		<u><u>249,497</u></u>	<u><u>260,017</u></u>
<b>Expenditure</b>			
Employment costs	8	79,772	78,800
Other management expenses (Schedule 1)		193,513	164,463
Depreciation		11,892	13,243
Net (recoveries) / losses on loans to members	12.4	(66,340)	(36,957)
<b>Total expenditure</b>		<u><u>218,837</u></u>	<u><u>219,549</u></u>
<b>Surplus for the financial year</b>		<u><u>30,660</u></u>	<u><u>40,468</u></u>

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.

The financial statements were approved and authorised for issue by the Board of Directors on 7 November 2019 and signed on its behalf by;

Manager: Catherine McMinn

Chairperson: John Fitzpatrick

Member of the Board Oversight Committee: Marion Lacey

Date: 7 November 2019

# BALANCE SHEET

## As at 30 September 2019

	Note	2019 €	2018 €
<b>Assets</b>			
Cash and cash equivalents	10	2,214,767	1,671,499
Tangible fixed assets	11	223,541	235,433
Loans to members	12	1,286,543	1,230,393
Prepayments and accrued income	13	82,490	74,648
Deposits and investments - other	14	<u>7,729,672</u>	<u>8,173,723</u>
<b>Total Assets</b>		<b><u>11,537,013</u></b>	<b><u>11,385,696</u></b>
<b>Liabilities</b>			
Members' shares	15	9,866,884	9,736,359
Other creditors	16	<u>26,193</u>	<u>26,872</u>
<b>Total Liabilities</b>		<b><u>9,893,077</u></b>	<b><u>9,763,231</u></b>
<b>Net Assets</b>		<b><u>1,643,936</u></b>	<b><u>1,622,465</u></b>
<b>Reserves</b>			
Regulatory reserve		1,249,301	1,229,301
Operational risk reserve		46,135	46,135
Dividend reserve		<u>348,500</u>	<u>347,029</u>
<b>Total Reserves</b>		<b><u>1,643,936</u></b>	<b><u>1,622,465</u></b>

Approved by the Board of Directors and signed on its behalf by:

Manager: Catherine McMinn

Chairperson: John Fitzpatrick

Member of the Board Oversight Committee: Marion Lacey

Date: 7 November 2019

# STATEMENT OF CHANGES IN RESERVES

For the financial year ended 30 September 2019

	Regulatory reserve €	Operational risk reserve €	Dividend reserve €	Total reserves €
At 1 October 2017	1,209,301	46,135	354,931	1,610,367
Dividends paid during the year	-	-	(9,072)	(9,072)
Loan interest rebate paid during the year	-	-	(19,298)	(19,298)
Surplus allocation in year	20,000	-	20,468	40,468
<b>At 30 September 2018</b>	<b><u>1,229,301</u></b>	<b><u>46,135</u></b>	<b><u>347,029</u></b>	<b><u>1,622,465</u></b>
At 1 October 2018	1,229,301	46,135	347,029	1,622,465
Dividends paid during the year	-	-	(2,799)	(2,799)
Loan interest rebate paid during the year	-	-	(6,390)	(6,390)
Surplus allocation in year	20,000	-	10,660	30,660
<b>At 30 September 2019</b>	<b><u>1,249,301</u></b>	<b><u>46,135</u></b>	<b><u>348,500</u></b>	<b><u>1,643,936</u></b>

The Regulatory Reserve of the Credit Union as a % of the total assets as at 30th September 2019 was 10.83% which is in excess of the Credit Union's Regulatory Reserve requirement of 10%.

In accordance with section 45 of the Credit Union Act 1997 (as amended) Piltown Credit Union Limited put in place an Operational Risk Reserve.

The Operational Risk reserve as a % of the total assets as at 30th September 2019 was 0.40%.

Following the commencement of Section 13 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 Piltown Credit Union Ltd has transferred €20,000 of its current year surplus to its Regulatory reserve.

Approved by the Board of Directors and signed on its behalf by:

Manager: Catherine McMinn

Chairperson: John Fitzpatrick

Member of the Board Oversight Committee: Marion Lacey

Date: 7 November 2019

# CASH FLOW STATEMENT

For the financial year ended 30 September 2019

	Note	2019 €	2018 €
Opening cash and cash equivalents		1,671,499	2,110,634
<b>Cash flows from operating activities</b>			
Loans repaid by members		771,267	719,722
Loans granted to members		(794,360)	(786,110)
Loan interest income		137,077	128,608
Investment income received		101,210	113,416
Other income received		3,368	6,630
Bad debts recovered		33,283	20,622
Dividends paid		(2,799)	(9,072)
Loan interest rebate		(6,390)	(19,298)
Operating expenses paid to include employment costs		(273,964)	(244,079)
<b>Net cash flows from operating activities</b>		<b>(31,308)</b>	<b>(69,561)</b>
<b>Cash flows from investing activities</b>			
<b>Net cash flow from other investing activities</b>		<b>444,051</b>	<b>(745,001)</b>
Net cash used in investing activities		444,051	(745,001)
<b>Cash flows from financing activities</b>			
Members' shares received		2,562,561	2,799,664
Members' shares withdrawn		(2,432,036)	(2,424,237)
Net cash generated from financing activities		130,525	375,427
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>543,268</b>	<b>(439,135)</b>
Cash and cash equivalents at end of financial year		2,214,767	1,671,499

## NOTES TO THE FINANCIAL STATEMENTS

### 1. LEGAL AND REGULATORY FRAMEWORK

Piltown 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, Piltown, Co. Kilkenny.

### 2. ACCOUNTING POLICIES

The following principal accounting policies have been applied:

#### 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). The financial statements are prepared on the historical cost basis.

#### 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.

#### Going concern

The financial statements are prepared on the going concern basis. The directors of Piltown Credit Union Ltd 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.

### Income recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following criteria must also be met before revenue is recognised:

#### (i) 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.

#### (ii) 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.

#### (iii) Other income

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

### Dividend and loan interest rebate

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 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.

### Taxation

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

### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or at valuation, less accumulated depreciation. The charge to depreciation is calculated to write off the original cost or valuation of tangible fixed assets, less their estimated residual value, over their expected useful lives as follows:

Land and buildings freehold	2% Straight line
Fixtures and fittings	10% Straight line
Equipment	10% Reducing balance
Computer equipment	15% Straight line

### 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.

### **Cash and cash equivalents**

Cash and cash equivalents comprises of operating cash on hand, cash deposited with banks and investments with original maturity of less than or equal to three months.

### **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.

### **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.

#### **Other Debtors**

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

#### **De-recognition of financial assets**

Financial assets are de-recognised 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 de-recognised when the right to receive cash flows from the loans have expired, usually when all amounts outstanding have been repaid by the member. Piltown Credit Union Ltd. does not transfer loans to third parties.

#### **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.

#### **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.

### **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.

### **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' shares are measured at amortised cost.

### **Other creditors**

Other creditors 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 liability**

Financial liabilities are derecognised when the obligations of the Credit Union specified in the contract are discharged, cancelled or expire.

### **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.

### **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.

#### **Non-Distributable Investment Income reserve**

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 "non-distributable" and 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.

## **3. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES**

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying Piltown Credit Union Ltd's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below:

### **Impairment losses on loans to members**

The Credit Union's accounting policy for impairment of financial assets is set out in accounting policy in Note 2. 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. Assumptions are back tested with the benefit of experience. After a period of time, when it is concluded that there is no real prospect of recovery of loans/part of loans, which have been subjected to a specific provision, the Credit Union writes off that amount of the loan deemed irrecoverable against the specific provision held against the loan.

<b>4. INTEREST ON MEMBERS' LOANS</b>	<b>2019</b>	<b>2018</b>
	€	€
Closing accrued interest receivable	2,757	3,088
Loan interest received in year	137,077	128,608
Opening accrued loan interest receivable	(3,088)	(2,417)
	<u>136,746</u>	<u>129,279</u>

<b>5. OTHER INTEREST INCOME AND SIMILAR INCOME</b>	<b>2019</b>	<b>2018</b>
	€	€
Investment income received	30,938	53,642
Investment income receivable within 12 months	78,445	70,466
	<u>109,383</u>	<u>124,108</u>

#### **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 and loan interest rebate for the current year does not represent a liability at the Balance Sheet date and the dividend and loan interest rebate included in the Statement of Reserves in the current year relates to dividends and loan interest rebate paid to members for the prior year.

##### **Dividends and loan interest rebate**

The following distributions were made during the year:

	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	%	€	%	€
Dividends on shares	0.03	2,799	0.10	9,072
Loan interest rebate	5.00	6,390	15.00	19,298
		<u>9,189</u>		<u>28,370</u>

The above dividends refer to those paid out in those years from the surplus earned in previous years.

##### **Proposed dividends and loan interest rebate**

At the year-end the directors propose a distribution which may be returned to the members by way of dividend and a loan interest rebate by way of resolution by a majority of the members at the annual general meeting. The proposed distribution is as follows:

	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	%	€	%	€
Dividends on shares	0.03	2,882	0.03	2,825
Loan interest rebate	5.00	6,855	5.00	6,430
		<u>9,737</u>		<u>9,255</u>

#### **7. OTHER INCOME**

	<b>2019</b>	<b>2018</b>
	€	€
E.C.C.U. claims experience refund fees	3,333	6,197
Miscellaneous income	35	433
	<u>3,368</u>	<u>6,630</u>

#### **8. EMPLOYEES AND EMPLOYMENT COSTS**

	<b>2019</b>	<b>2018</b>
	Number	Number
Manager	1	1
Other staff	2	2
	<u>3</u>	<u>3</u>

The staff costs comprise:

	<b>2019</b>	<b>2018</b>
	€	€
Wages and salaries	72,271	71,483
Social security costs	7,501	7,317
	<u>79,772</u>	<u>78,800</u>

## 9 KEY MANAGEMENT PERSONNEL

The directors of Piltown Credit Union Limited are all unpaid volunteers. The management personnel compensation is as follows:

	2019 €	2018 €
Short term employee benefits	<u>74,009</u>	<u>72,884</u>

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

## 10. CASH AND CASH EQUIVALENTS

	2019 €	2018 €
Cash and balances at bank	155,937	198,741
Fixed term deposits with banks	<u>2,058,830</u>	<u>1,472,758</u>
	<u>2,214,767</u>	<u>1,671,499</u>

## 11. TANGIBLE FIXED ASSETS

	Land and buildings freehold €	Fixtures and fittings €	Equipment €	Computer equipment €	Total €
<b>Cost</b>					
At 30 September 2019	<u>300,170</u>	<u>128,382</u>	<u>48,865</u>	<u>76,683</u>	<u>554,100</u>
<b>Depreciation</b>					
At 1 October 2018	95,041	99,902	48,865	74,859	318,667
Charge for the year	<u>6,000</u>	<u>4,068</u>	<u>-</u>	<u>1,824</u>	<u>11,892</u>
At 30 September 2019	<u>101,041</u>	<u>103,970</u>	<u>48,865</u>	<u>76,683</u>	<u>330,559</u>
<b>Net book value</b>					
At 30 September 2019	<u>199,129</u>	<u>24,412</u>	<u>-</u>	<u>-</u>	<u>223,541</u>
At 30 September 2018	<u>205,129</u>	<u>28,480</u>	<u>-</u>	<u>1,824</u>	<u>235,433</u>

## 12. LOANS TO MEMBERS - FINANCIAL ASSETS

### 12.1 LOANS TO MEMBERS

	Note	2019 €	2018 €
As at 1 October		1,392,682	1,329,001
Advanced during the year		794,360	786,110
Repaid during the year		(771,267)	(719,722)
Loans written off		(5,459)	(2,707)
<b>Gross loans to members</b>	12.2	<u>1,410,316</u>	<u>1,392,682</u>

### Impairment allowances

The provision for bad debts is analysed as follows;

Individually significant loans		<u>(123,773)</u>	<u>(162,289)</u>
<b>Loan provision</b>	12.3	<u>(123,773)</u>	<u>(162,289)</u>
<b>As at 30 September</b>		<u>1,286,543</u>	<u>1,230,393</u>

### 12.2 CREDIT RISK DISCLOSURES

Piltown Credit Union Ltd does not offer mortgages and as a result all loans to members are unsecured, except that there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding. There are maximum amounts set down by the Central Bank in terms of what amount a member can borrow from the Credit Union.

The carrying amount of the loans to members represents Piltown Credit Union Ltd'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.

	2019 %	2019 €	2018 % %	2018 €
<b>Gross loans not impaired</b>				
Not past due	963,209	68.30	812,440	58.33
Gross loans individually impaired				
Not past due	286,946	20.35	355,077	25.50
Up to 9 weeks past due	78,162	5.54	117,800	8.46
Between 10 and 18 weeks past due	12,834	0.91	10,101	0.73
Between 19 and 26 weeks past due	5,228	0.37	-	-
Between 27 and 39 weeks past due	4,152	0.29	-	-
Between 40 and 52 weeks past due	-	-	13,924	1.00
53 or more weeks past due	59,785	4.24	83,340	5.98
<b>Total</b>	<b>447,107</b>	<b>31.70</b>	<b>580,242</b>	<b>41.67</b>
<b>Total gross loans</b>	<b>1,410,316</b>	<b>100.00</b>	<b>1,392,682</b>	<b>100.00</b>
<b>Impairment allowance</b>				
Individually significant loans	(123,773)		(162,289)	
<b>Total carrying value</b>	<b>1,286,543</b>		<b>1,230,393</b>	

	2019 €	2018 €
<b>12.3 LOAN PROVISION ACCOUNT FOR IMPAIRMENT LOSSES</b>		
As at 1 October	162,289	181,331
Increase/(decrease) in provision in year	(38,516)	(19,042)
<b>As at 30 September</b>	<b>123,773</b>	<b>162,289</b>

	2019 €	2018 €
<b>12.4 NET RECOVERIES OR LOSSES RECOGNISED FOR THE YEAR</b>		
Bad debts recovered	(33,283)	(20,622)
Movement in provision in year	(38,516)	(19,042)
Loans written off	5,459	2,707
<b>Net (recoveries)/losses on loans to members recognised for the year</b>	<b>(66,340)</b>	<b>(36,957)</b>

	2019 Number of loans	2018 €	2018 % Number of loans	2018 €
<b>12.5 ANALYSIS OF GROSS LOANS OUTSTANDING</b>				
Less than one year	52	43,412	56	42,777
Greater than 1 year and less than 3 years	93	343,301	110	371,814
Greater than 3 years and less than 5 years	119	933,274	112	922,604
Greater than 5 years and less than 10 years	8	90,328	4	46,428
Greater than 10 years and less than 25 years	-	-	1	9,059
	<b>272</b>	<b>1,410,315</b>	<b>283</b>	<b>1,392,682</b>

	2019 €	2018 €
<b>13. PREPAYMENTS AND ACCRUED INCOME</b>		
Other debtors	1,100	1,100
Accrued income investments	78,633	70,460
Accrued loan interest income	2,757	3,088
	<b>82,490</b>	<b>74,648</b>

<b>14. DEPOSITS AND INVESTMENTS</b>	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
<b>Deposits and investments - cash equivalents</b>		
Fixed term deposits with banks	2,058,830	1,472,758
<b>Other (Maturity after 3 months)</b>		
Fixed term deposits with banks	7,729,672	7,563,473
Senior bank bonds	-	610,250
	<u>7,729,672</u>	<u>8,173,723</u>
<b>Total deposits and investments</b>	<b><u>9,788,502</u></b>	<b><u>9,646,481</u></b>

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

<b>Deposits and investments</b>	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Aa2	-	17,947
A1	2,174,000	1,150,000
A2	3,155,670	1,901,420
A3	1,000,000	1,400,000
Baa1	1,851,955	1,960,731
Baa2	-	405,190
Baa3	1,606,877	1,429,758
Ba2	-	1,381,435
<b>Total deposits and investments</b>	<b><u>9,788,502</u></b>	<b><u>9,646,481</u></b>

<b>15. MEMBERS' SHARES - FINANCIAL LIABILITIES</b>	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
As at 1 October	9,736,359	9,360,932
Received during the year	2,562,561	2,799,664
Repaid during the year	(2,432,036)	(2,424,237)
<b>As at 30 September</b>	<b><u>9,866,884</u></b>	<b><u>9,736,359</u></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:

	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Unattached shares	9,237,503	9,076,679
Attached shares	629,381	659,680
<b>Total members' shares</b>	<b><u>9,866,884</u></b>	<b><u>9,736,359</u></b>

<b>16. OTHER CREDITORS AND ACCRUALS</b>	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
PAYE/PRSI	1,804	4,095
Short term payroll accruals	1,011	990
Creditors and other accruals	23,378	21,787
	<u>26,193</u>	<u>26,872</u>

#### **17. FINANCIAL INSTRUMENTS**

Piltown Credit Union Ltd is a provider of personal loans 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 shares. 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 Piltown 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 Piltown Credit Union Ltd, 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 12.2.

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. Piltown Credit Union Ltd 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.

**17.1 INTEREST RATE RISK DISCLOSURE**

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

	2019	Average interest rate	2018	Average interest rate
	€	%	€	%
<b>Financial assets</b>				
Gross loans to members	<u>1,410,315</u>	<u>10.00</u>	<u>1,392,682</u>	<u>10.00</u>
<b>Financial liabilities</b>				
Members' shares	<u>9,866,882</u>	<u>0.03</u>	<u>9,736,359</u>	<u>0.10</u>

The interest rate applicable to loans to members is fixed to 9.75%. 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.

**17.2 LIQUIDITY RISK DISCLOSURE**

All of the financial liabilities of the Credit Union are repayable on demand except for some members' shares attached to loans.

**18. RELATED PARTY TRANSACTIONS**

During the year, loans were advanced to directors and the management team of the Credit Union (to include their family members). These loans were approved in accordance with the Standard Credit Union rules and the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016.

Related parties have been identified in line with the definition in Credit Union Act 1997 (Regulatory Requirements) Regulations 2016.

There were no provisions against the loans due from the directors and the management team at the current or prior Balance Sheet date.

	No. of loans	2019 €
Loans advanced to Related Parties during the year	11	56,900
Total loans outstanding to Related Parties at the year end	20	<u>107,951</u>

## 19. INSURANCE AGAINST FRAUD

The credit union has insurance against fraud in the amount of €1,300,000 in compliance with section 47 of the Credit Union Act 1997 (as amended).

## 20. CAPITAL COMMITMENTS

The Credit Union had no material capital commitments at the year-ended 30 September 2019.

## 21. POST-BALANCE SHEET EVENTS

There have been no significant events affecting the Credit Union since the year-end.

## 22. CONTINGENT LIABILITIES

There are no contingent liabilities at 30 September 2019.

## 23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved, and authorised for issue, by the Board of Directors on 7 November 2019.

## SCHEDULE 1 - OTHER MANAGEMENT EXPENSES

	2019 €	2018 €
<b>Other Management Expenses</b>		
Training and seminars	900	1,580
Rent and rates payable	951	771
General insurance	7,132	7,005
Share and loan insurance	20,662	20,131
Death benefit insurance	23,774	21,160
Security costs	4,787	3,941
Light, heat and cleaning	4,389	4,760
Repairs and renewals	1,415	33
Computer and equipment maintenance	18,963	19,676
Printing and stationery	2,114	4,316
Promotion and education	1,006	2,071
Telephone and postage	1,688	1,724
AGM expenses	1,850	460
Chapter expenses	303	325
Travelling and subsistence	7,748	7,069
Legal and debt recovery fees	4,131	2,436
Professional and internal audit fees	23,247	16,236
Audit fees	11,800	11,800
Transfer of engagement costs	20,903	-
Credit agency fees	149	2,424
Bank interest and charges	5,896	6,253
Miscellaneous expenses	4,008	3,460
Subscriptions and donations	100	300
Affiliation fees	3,552	3,552
Saving protection scheme	1,074	1,048
Regulatory levies	20,971	21,932
	<u>193,513</u>	<u>164,463</u>

# UNAUDITED ACCOUNTS 31ST OCTOBER 2019

## PILTOWN CREDIT UNION LIMITED

### INCOME & EXPENDITURE - 31 OCTOBER 2019

INCOME	€
Interest Income	10,768
Investment Income	7,222
Bad Debts Recovered	1,868
Other Income	
<b>Total Income</b>	<b>19,858</b>
EXPENDITURE	€
Net Loan Protection / Life Savings Insurance	1,707
Salaries and Related Expenses	5,569
Bad Debts Written Off	
Other Expenses	8,179
<b>Total Expenditure</b>	<b>15,455</b>
<b>YTD Surplus (Deficit)</b>	<b>4,403</b>

### BALANCE SHEET - 31 OCTOBER 2019

ASSETS	€
Cash and Current Accounts	94,063
Minimum Reserve Deposit Held	
Investment in Associate	
Investments	9,688,503
Loans	1,449,138
Less Provision For Bad Debts	-123,773
Fixed Assets less Depreciation	222,701
Other Assets	105,571
<b>Total Assets</b>	<b>11,436,203</b>
LIABILITIES	€
Member Shares	9,769,098
Member Deposits	
Member Current Accounts	
Other Liabilities	18,760
<b>Total Liabilities</b>	<b>9,787,858</b>
<b>Net Worth</b>	<b>1,648,345</b>
Represented By:	
RESERVES	€
Regulatory Reserve	1,249,301
Operational Risk Reserve	46,135
Realised Reserves	348,506
YTD Surplus	4,403
<b>Total Reserves</b>	<b>1,648,345</b>



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



**Piltown Credit Union Ltd.**



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:**

Bagenalstown, Ballingarry, Ballyragget, Callan, Dunnamaggin, Durrow, Gaignamanagh, 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.