

Annual Accounts and Financial Statements

**For the Year Ended 30th September 2012
of**

LETTERKENNY CREDIT UNION LIMITED

50th A.G.M. NOTICE

**The Annual General Meeting of
Letterkenny Credit Union Limited
will be held on**

**Tuesday 18th December 2012
in the Mount Errigal Hotel, Letterkenny,
at 8pm**



IRELAND

REGISTERED NUMBER : 232 CU

ORDER OF BUSINESS AT AGM

The business at annual general meeting of the members shall be:

- a) The acceptance by the board of directors of the authorised representatives of members that are not natural persons
- b) Ascertainment that a quorum is present
- c) Adoption of Standing Orders
- d) Reading and approval (or correction) of the minutes of the last annual general meeting.
- e) Report of the Board of Directors
- f) Report of the Treasurer, consideration of accounts and approval of Treasurer's honorarium
- g) Report of the Auditor
- h) Report of the Supervisory Committee
- i) Declaration of Dividend
- j) Report of the Credit Committee
- k) Report of the Credit Control Committee
- l) Report of the Insurance Committee
- m) Report of Membership Committee
- n) Report of Nominating Committee
- o) Appointment of Tellers
- p) Election of Auditor
- q) Election to fill vacancies on the Supervisory Committee
- r) Election to fill vacancies on the Board of Directors
- s) Any other business
- t) Announcement of election results
- u) Adjournment or close of meeting



LETTERKENNY CREDIT UNION LIMITED

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LETTERKENNY CREDIT UNION LIMITED

DIRECTORS' REPORT for the year ended 30th September 2012

The directors submit herewith their Report and Audited Accounts for the year ended 30th September 2012 for consideration at the Annual General Meeting.

1 RESULTS

The results for the year ended 30th September 2012 are set out on page 7.

2 IMPORTANT EVENTS SINCE THE YEAR END

There were no important events since the year end.

3 DIVIDENDS

The Directors propose a dividend of 1.5% for year ended 30th September 2012.

4 DIRECTORS INTERESTS

The Directors have had no material interest in any contract with the Credit Union during the year other than those disclosed in the accounts.

5 AUDITOR

S MacRory & Co have expressed their willingness to continue as Auditors in pursuant to S.115 of the Credit Union Act 1997.

6 RISKS/UNCERTAINTIES

The Directors continue to address the key risks or uncertainties that may arise. In light of the current economic climate, we assess the level of risks and manage those risks so as to ensure the continued future of the Credit Union. Key risks identified is the financial risk of losses on investments and potential bad debts. The Credit Union in addition use external advisors to ensure that any potential risks involved are identified quickly and dealt with appropriately.

Signed on behalf of the Directors

Denis O Donnell

Director

James Mc Monagle

Director



LETTERKENNY CREDIT UNION LIMITED

STATEMENT OF DIRECTORS RESPONSIBILITES

The Credit Union Act, 1997 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 its Income and Expenditure for that period. In preparing those financial statements, the directors are required to

- * select suitable accounting policies and then apply them consistently;
- * make adjustments 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 are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Credit Union and to enable them to ensure that the financial statements comply with the Credit Union Act, 1997.

They are also responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Director *Denis O Donnell*

Director *James Mc Monagle*

STATEMENT OF SUPERVISORY COMMITTEE'S RESPONSIBILITIES

The Credit Union Act, 1997 requires the appointment of a Supervisory Committee which will oversee Directors in the performance of their functions, examine books and documents of the Credit Union and verify a sample of members balances.

On behalf of the Supervisory Committee:

Ted McLaughlin



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LETTERKENNY CREDIT UNION LIMITED

We have audited the financial statements of the Credit Union on pages 7 to 14 which comprise the Income and Expenditure Account, Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out in the statement of Accounting Policies.

This report is made solely to the credit union's members, as a body, in accordance with section 120 of the Credit Union Act, 1997. 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 auditors 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.

Respective Responsibilities of the Directors and Auditors

As described on page 4 the Credit Union's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice, and are properly prepared in accordance with the Credit Union Act, 1997. We also report to you whether in our opinion, proper accounting records have been kept by the credit union and whether the information given in the Director's report is consistent with the financial statements. In addition we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the credit unions balance sheet and income and expenditure are in agreement with the books of account.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the director's Report, the Chairman's Statement, the Treasurer's Report and the Supervisory Committee Report.

We consider the implications for our report if we become aware of any misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information. These financial statements have been prepared under the accounting policies set out therein.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LETTERKENNY CREDIT UNION LIMITED

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and whether the accounting policies are appropriate to the Credit Union's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Credit Union's affairs as at 30th September 2012 and of its Income & Expenditure for the year then ended and have been properly prepared in accordance with the provisions of the Credit Union Act, 1997.

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

In our opinion the information given in the Director's Report on page 3 is consistent with the financial statements.

Paul Carr

Paul Carr for and on behalf of S. MacRory & Co.,
Market House, Market Square, Letterkenny, Co. Donegal.

Date: 29.11.2012



LETTERKENNY CREDIT UNION LIMITED

INCOME AND EXPENDITURE ACCOUNT

for the year ended 30th September 2012

	<u>Schedule</u>	<u>2012</u>	<u>2011</u>
INCOME		€	€
Interest on Members Loans		1,400,926	1,617,466
Other Interest Receivable and Similar Income	1	<u>1,292,265</u>	<u>1,028,874</u>
Net Interest Income		2,693,191	2,646,340
Other Income	2	<u>34,356</u>	<u>42,155</u>
TOTAL INCOME		<u>2,727,547</u>	<u>2,688,495</u>
EXPENDITURE			
Salaries		432,745	402,619
Other Management Expenses	3	977,766	1,013,675
Gain/Loss on Investments		(502,576)	1,454,495
Depreciation		62,903	71,499
Provision for Bad and Doubtful Debts		(310,869)	158,694
Bad Debts Recovered		(84,409)	(73,472)
TOTAL EXPENDITURE		<u>575,560</u>	<u>3,027,510</u>

EXCESS OF INCOME OVER EXPENDITURE FOR THE YEAR	<u>2,151,987</u>	<u>(339,015)</u>
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On behalf of the Credit Union:

Treasurer:	James Mc Monagle	Date:	29.11.12
Member of Supervisory Committee:	Ted Mc Laughlin	Date:	29.11.12
Member of Board of Directors:	Denis O Donnell	Date:	29.11.12



LETTERKENNY CREDIT UNION LIMITED

BALANCE SHEET **as at 30th September 2012**

	<u>Notes</u>	<u>2012</u> €	<u>2011</u> €
ASSETS			
Cash and Balances at Bank		332,522	296,046
Deposits and Investments		40,788,454	37,741,875
Loans to Members		17,395,150	20,223,805
Less: Provision for Bad and Doubtful Debts		(1,697,825)	(2,008,694)
Tangible Fixed Assets	2	862,735	881,064
Debtors and Prepayments		286,742	123,427
TOTAL ASSETS		<u>57,967,778</u>	<u>57,257,523</u>
LIABILITIES			
Other Liabilities and Charges		133,232	116,452
MEMBER'S RESOURCES			
Members Shares	12	49,024,833	50,483,345
Statutory Reserve		6,434,538	6,219,339
Other Reserves	3	2,375,175	438,387
TOTAL LIABILITIES		<u>57,967,778</u>	<u>57,257,523</u>

Signed on behalf of the Credit Union:

Treasurer:	James Mc Monagle	Date:	29.11.12
Member of Supervisory Committee:	Ted Mc Laughlin	Date:	29.11.12
Member of Board of Directors:	Denis O Donnell	Date:	29.11.12



LETTERKENNY CREDIT UNION LIMITED

CASHFLOW STATEMENT for the year ended 30th September 2012

	<u>2012</u>	<u>2011</u>
	€	€
Opening Cash and Investments	38,037,921	34,288,732
Receipts		
Members Shares	22,208,394	23,949,485
Members Loans Repaid	10,721,860	10,728,653
Members Loan Interest Repaid	1,400,926	1,617,466
Investment Interest Received	1,292,265	1,158,251
Bad Debts Recovered	84,409	73,472
Other Receipts	34,356	42,155
Decrease/(Increase) in Prepayments	(163,316)	418,906
TOTAL	<u>35,578,894</u>	<u>37,988,388</u>
Disbursements		
Members Shares Withdrawn	23,666,875	22,635,489
Members Loans Granted	7,893,205	8,453,186
Dividends Paid	0	465,882
Operating Expenses	441,660	2,142,069
Fixed Assets Purchased	44,574	95,417
Other Disbursements	432,745	402,619
(Decrease)/Increase in Other Liabilities Accruals and Charges	16,780	44,537
TOTAL	<u>35,495,839</u>	<u>34,239,199</u>
Closing Cash and Investments	<u><u>41,120,976</u></u>	<u><u>38,037,921</u></u>



LETTERKENNY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30th September 2012

1. SIGNIFICANT ACCOUNTING POLICIES

a) Accounting Convention

The accounts are prepared under the historical cost convention.

b). Income Recognition

Interest on Members' Loans is recognised when payment is received as specified in Section 110(1)(C)(i) of the Credit Union Act, 1997, (i.e. on a cash basis).

c). Depreciation.

Depreciation is provided on a straight line basis over the expected lives of Tangible Fixed Assets at the following annual rates:

Freehold Premises	2%
Fixtures & Equipment	10%
Office equipment	20%
Computer Software/Hardware	15%

d). Investments

- Bank Deposits are valued at the deposit amount plus any accrued interest.
- Equity based structured products and life policies with a guaranteed return of original investment have being valued at the cost of the investment.
- Corporate Bonds and Direct Investment in Equities have been valued at the lower of cost or market value.

e). Bad and Doubtful Debts.

Bad debts written off are included in Other Management Expenses. Bad debts recovered are included in the Income and Expenditure Account when received. A provision for doubtful debts is made against loan balances in arrears at 30th September 2012 based upon the number of weeks a loan is in arrears in accordance with Resolution 49/2010 Irish League of Credit Unions. An additional provision is made for other loans considered doubtful and rescheduled loans as required by Section 35 Credit Union Act 1997.

f). Dividends

Dividends are recognised in the financial statements when they have been appropriately approved or authorised by the shareholders.

Under the provisions of Financial Reporting Standard No.21 "Events after the Balance Sheet Date" dividends approved after the year end are not provided for in the Balance Sheet but are accounted for in the year of payment.

g). Reserves

The Credit Union maintains reserves to support its operations, provide a base for future growth and protect against the risk of unforeseen losses. The following reserves are maintained:

- Statutory & Additional Regulatory Reserve as required by law. These are realised, unrestricted and non-distributable.
- an Unrealised Investment Reserve contains investment income not receivable within 12 months of the balance sheet date. Such income is deemed to be realised and distributable when it becomes receivable within 12 months; &
- a General Reserve is maintained to fund the development of the Credit Union and to pay dividends in the future, if recommended by the Directors and approved at General Meeting.



LETTERKENNY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30th September 2012

2. TANGIBLE FIXED ASSETS

	New Premises €	Fixtures & Equipment €	TOTAL €
Cost/Revaluation			
At 1st October 2011	1,005,714	661,271	1,666,985
Additions	-	44,574	44,574
At 30th September 2012	1,005,714	705,845	1,711,559
Depreciation			
At 1st October 2011	267,772	518,149	785,921
Charge for the year	20,114	42,789	62,903
At 30th September 2012	287,886	560,938	848,824
Net Book Values			
At 30th September 2012	717,828	144,907	862,735
At 30th September 2011	737,942	143,122	881,064

3. OTHER RESERVES

	General Reserves €	Unrealised Investment Reserves €	TOTAL €
1 October 2011	(393,009)	831,397	438,388
Surplus for the year	2,151,987	-	2,151,987
Dividend & Loan Interest Rebate Paid	0	-	0
Transfer to Unrealised Investment Income	182,481	(182,481)	0
Transfer to Statutory Reserve	(215,199)	-	(215,199)
At 30th September 2012	1,726,260	648,916	2,375,176

In accordance with the Credit Union Act 1997 (as amended), (Section 85) Rules 2009, the Credit Union is required to maintain a Regulatory Reserve Ratio of not less than 10 per cent with effect from 30th September 2009. As at 30th September 2012 the Regulatory Reserve Ratio is 11%.

4. PROPOSED DIVIDENDS and LOAN INTEREST REBATE

	<u>2012</u>		<u>2011</u>	
	Rate %	€	Rate %	€
Dividend on Shares	1.5%	713,022	0	

LETTERKENNY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30th September 2012

5. INSURANCE AGAINST FRAUD

The Credit Union has insurance against fraud in the amount of €2,100,000 in compliance with Section 47 of the Credit Union Act, 1997.

6. HONORARIUM TO TREASURER

The treasurer provisionally accepted an honorarium of €3,500 in relation to the financial year ended 30th September 2012. Subject to approval at the A.G.M.

7. RATES OF INTEREST CHARGED ON MEMBERS LOANS.

Rate of interest charged on members standard loan as at 30th September 2012 is 7.95%. (APR 8.20%). Rate of interest charged on car loan as at 30th September 2012 is 6.3% (APR 6.5%). Rate of interest charged on share secured loan as at 30th September 2012 is 4.85% (APR 5%).

8. RELATED PARTY TRANSACTIONS

The following details relate to officers accounts with the credit union:

	2012
	€
Aggregate Shares held by officers	321,679
Aggregate Loans held by officers	254,164

9. POST BALANCE SHEET EVENTS

There were no post balance sheet events that would affect the financial statements.

10. CAPITAL COMMITMENTS

The Credit Union did not have any capital commitments at 30th September 2012.

11. CONTINGENT LIABILITIES

The Credit Union did not have any contingent liabilities at 30th September 2012.

12. MEMBERS SHARES

	2012	2011
	€	€
Regular Share Accounts	38,882,006	40,718,962
Special Share Accounts	9,887,230	9,557,276
ATM Accounts	255,597	207,107
Total as per Balance Sheet	<u>49,024,833</u>	<u>50,483,345</u>

13. DEPOSITS AND INVESTMENTS

	2012	2011
Accounts in Authorised Credit Institutions	35,227,249	28,712,646
Bank Bonds	2,728,315	4,746,975
Investments in Equities	116,536	136,323
Collective Investment Schemes	1,865,465	3,299,730
Central Bank Minimum Reserve	850,889	846,201
	<u>40,788,454</u>	<u>37,741,875</u>

LETTERKENNY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS **for the year ended 30th September 2012**

14. PENSION COMMITMENTS

The credit union participates in an industry-wide pension scheme for employees (The Irish League of Credit Unions Republic of Ireland Pension Scheme). This is a funded scheme of the defined benefit type, with assets invested in separate trustee administered funds. However, Letterkenny Credit Union Limited is unable to identify its shares of the underlying assets and liabilities. Consequently, Letterkenny Credit Union Limited accounts for its contributions to the scheme as if it were a defined contribution scheme. Contributions payable to the scheme are recognised in the income and expenditure account.

An actuarial review of the fund is normally carried out every three years by the Scheme's independent, professionally qualified, actuary. The actuarial review looks at the past & future liabilities of the scheme.

The last completed triennial actuarial review was carried out with an effective date of 1 March 2011 using the Projected Unit Credit 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 2011 was €107m. The actuarial valuation disclosed a past service deficit of €28.7m on the long term funding basis at 1st March 2011. This actuarial review recommended a long term funding rate of 22.5%. The cost of risk benefits is paid in addition to this rate.

It should be noted that the above rate is based on the long term funding objectives. As a separate requirement under section 56(1) of the Pensions Act 1990, the scheme actuary must carry out a separate valuation every 3 years and produce a funding certificate for submission to The Pensions Board 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.

An actuarial funding certificate, certifying the Scheme did not meet the statutory minimum funding standard was submitted to the Pensions Board with an effective date of 1 March 2009. Consequently, the Trustees submitted a new funding proposal, to address the shortfall in funding, to the Pensions Board. The submitted funding proposal, is designed to ensure that the scheme could reasonably be expected to satisfy the funding standard as at 1st March 2019 and provides for a retirement contribution of 27.7%. The cost of the risk benefits is payable in addition giving a total contribution rate of 30% of Pensionable Salary. For the scheme year ended 28th February 2012 the actuary advised that having been directed by the Trustees and Employer, in light of the current economic outlook, that it was appropriate to revise assumption for salary increases over the remaining term of the funding proposal from 5% pa to 3% pa he was reasonably satisfied that the scheme will satisfy the funding standard as specified in Section 44 of the Pensions Act, 1990, at the date of 1 March 2019 specified by the Pensions Board under Section 49(2) (a) of the Act for the purpose of the existing funding proposal. The scheme's Solvency Position in accordance with the aggregate cover for total Funding Standard liabilities as at 29th February 2012 was 90.5%.

LETTERKENNY CREDIT UNION LIMITED

SCHEDULES TO THE FINANCIAL STATEMENTS **for the year ended 30th September 2012**

Schedule 1 - Other Interest Receivable and Similar Income

	2012	2011
	€	€
Interest Received	1,019,335	677,778
Investment Income receivable < 12 months	39,736	172,875
Investment Income receivable > 12 months	233,191	178,221
TOTAL PER INCOME AND EXPENDITURE ACCOUNT	1,292,262	1,028,874

Schedule 2 - Other Income

Membership Fees	611	14,136
Commissions and Miscellaneous Income	33,745	28,019
TOTAL PER INCOME AND EXPENDITURE	34,356	42,155

Schedule 3 - Other Management Expenses

	2012	2011
	€	€
Note		
Treasurer's Honorarium	3,500	-
Staff pension costs	58,333	48,320
Educational expenses	5,940	715
Rent and rates	16,726	16,796
General Insurance	17,831	17,821
LP/LS/DBI Insurance	227,244	228,360
Light, heat and cleaning	14,711	13,243
Repairs and maintenance	32,892	43,216
Printing and stationery	17,259	17,434
Advertising	14,079	14,087
Telephone and postage	23,098	25,318
Debt collection	22,245	34,955
Cash over/under	(5)	1,236
Travel Chapter & Seminar	4,604	5,609
Travelling and subsistence	5,080	4,097
AGM expenses	18,067	13,275
Consultancy fees	24,855	6,292
Audit	13,403	12,705
Affiliation fees & Int Dev Fund	28,030	33,394
SPS contribution	16,834	35,366
Licences and fees	25,677	27,438
Bank & revenue charges	16,876	14,535
Bad debts	352,995	358,961
General expenses	4,022	5,610
Donations and sponsorship	13,470	27,450
Profit/Loss on Disposal	-	7,442
TOTAL PER INCOME AND EXPENDITURE	977,766	1,013,675

**There are 7 vacancies on the Board of Directors and
one on the Supervisory Committee.**

**Nomination forms for the filling of these vacancies are
available at our office, High Road, Letterkenny.**

**Nominations must be returned to our office
at High Road, Letterkenny
on or before 1pm Friday 14th December 2012**

Signed: *Mary Forde*

**Mary Forde
Secretary,
Letterkenny Credit Union**

