

Annual Accounts and Financial Statements

**For the Year Ended 30th September 2013
of**

LETTERKENNY CREDIT UNION LIMITED

**The Annual General Meeting of
Letterkenny Credit Union Limited
will be held on
Tuesday 17th December 2013
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 Oversight 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 Oversight 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 2013**

The directors submit herewith their Report and Audited Accounts for the year ended 30th September 2013 for consideration at the Annual General Meeting.

1 RESULTS

The results for the year ended 30th September 2013 are set out on page 7.

2 IMPORTANT EVENTS SINCE THE YEAR END

There were no important events since the year end.

3 DIVIDENDS & INTEREST REBATE

The Directors propose a dividend of 1.25% for the year ended 30th September 2013 and an interest rebate of 10%.

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 has expressed their willingness to continue as Auditor in pursuant to S.115 of the Credit Union Act 1997-2012.

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

Mary Forde

Director

James McMonagle

Director



LETTERKENNY CREDIT UNION LIMITED

STATEMENT OF DIRECTORS RESPONSIBILITES

The Credit Union Act, 1997-2012 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, 1997-2012.

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 *Mary Forde*

Director *James McMonagle*

STATEMENT OF OVERSIGHT COMMITTEE'S RESPONSIBILITIES

The Credit Union Act, 1997-2012 requires the appointment of an Oversight 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 Oversight Committee:

Ted McLaughlin



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LETTERKENNY CREDIT UNION

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 unions members, as a body, in accordance with section 120 of the Credit Union Act, 1997-2012. 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 3 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, 1997-2012. 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 Oversight 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 2013 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, 1997-2012.

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

S MacRory & Co.,

Market House, Market Square, Letterkenny, Co. Donegal.

Date: 28th November 2013



LETTERKENNY CREDIT UNION LIMITED

INCOME AND EXPENDITURE ACCOUNT for the year ended 30th September 2013

	<u>Schedule</u>	<u>2013</u> €	<u>2012</u> €
INCOME			
Interest on Members Loans		1,269,421	1,400,926
Other Interest Receivable and Similar Income	1	1,389,253	1,292,265
Net Interest Income		2,658,674	2,693,191
Other Income	2	59,900	34,356
TOTAL INCOME		<u>2,718,574</u>	<u>2,727,547</u>
EXPENDITURE			
Salaries		443,786	432,745
Other Management Expenses	3	883,066	977,766
(Gain)/Loss on Investments		64,805	(502,576)
Depreciation		62,389	62,903
Provision for Bad and Doubtful Debts		103,944	(310,869)
Bad Debts Recovered		(84,125)	(84,409)
TOTAL EXPENDITURE		<u>1,473,865</u>	<u>575,560</u>
EXCESS OF INCOME OVER EXPENDITURE FOR THE YEAR		<u>1,244,709</u>	<u>2,151,987</u>

On behalf of the Credit Union:

Manager	<i>Gordon Randles</i>	28/11/2013
Member of Oversight Committee	<i>Ted McLaughlin</i>	28/11/2013
Member of Board of Directors	<i>James Mc Monagle</i>	28/11/2013



LETTERKENNY CREDIT UNION LIMITED

BALANCE SHEET **as at 30th September 2013**

	<u>Notes</u>	<u>2013</u> €	<u>2012</u> €
ASSETS			
Cash and Balances at Bank		264,418	332,522
Deposits and Investments		44,648,255	40,788,454
Loans to Members		17,345,099	17,395,150
Less: Provision for Bad and Doubtful Debts		(1,801,769)	(1,697,825)
Tangible Fixed Assets	2	813,945	862,736
Debtors and Prepayments		459,569	286,741
TOTAL ASSETS		<u>61,729,517</u>	<u>57,967,778</u>
LIABILITIES			
Members Deposits		-	-
Other Liabilities and Charges		166,531	133,232
MEMBER'S RESOURCES			
Members Shares	12	52,221,198	49,024,833
Statutory Reserve		6,794,921	6,434,538
Other Reserves	3	<u>2,546,867</u>	<u>2,375,175</u>
		<u>61,729,517</u>	<u>57,967,778</u>

Signed on behalf of the Credit Union:

Manager	<i>Gordon Randles</i>	28/11/2013
Member of Oversight Committee	<i>Ted McLaughlin</i>	28/11/2013
Member of Board of Directors	<i>James Mc Monagle</i>	28/11/2013



LETTERKENNY CREDIT UNION LIMITED

CASHFLOW STATEMENT for the year ended 30th September 2013

	<u>2013</u>	<u>2012</u>
	€	€
Opening Cash and Investments	41,120,976	38,037,921
Receipts		
Members Shares	25,585,890	22,208,394
Members Loans Repaid	9,902,575	10,721,860
Members Loan Interest Repaid	1,269,421	1,400,926
Investment Interest Received	1,389,253	1,292,265
Bad Debts Recovered	84,125	84,409
Other Receipts	59,900	34,356
Decrease/(Increase) in Prepayments	(172,828)	(163,316)
TOTAL	<u>38,118,336</u>	<u>35,578,894</u>
Disbursements		
Members Shares Withdrawn	22,385,556	23,666,875
Members Loans Granted	9,997,016	7,893,205
Dividends Paid	712,634	-
Operating Expenses	807,347	441,660
Fixed Assets Purchased	13,599	44,574
Other Disbursements	443,786	432,745
Decrease/(Increase) in Other Liabilities Accruals and Charges	(33,299)	16,780
TOTAL	<u>34,326,639</u>	<u>32,495,839</u>
Closing Cash and Investments	<u><u>44,912,673</u></u>	<u><u>41,120,976</u></u>



LETTERKENNY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30th September 2013

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, 1997-2012, (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 when written off. 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 2013 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 1997-2012.

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 2013

2. TANGIBLE FIXED ASSETS

	New Premises €	Fixtures & Equipment €	TOTAL €
Cost			
At 1st October 2012	1,005,714	705,846	1,711,560
Additions	-	13,599	13,599
At 30th September 2013	<u>1,005,714</u>	<u>719,445</u>	<u>1,725,159</u>
Depreciation			
At 1st October 2012	287,886	560,939	848,825
Charge for the year	<u>20,114</u>	<u>42,275</u>	<u>62,389</u>
At 30th September 2013	<u>308,000</u>	<u>603,214</u>	<u>911,214</u>
Net Book Values			
At 30th September 2013	<u>697,714</u>	<u>116,231</u>	<u>813,945</u>
At 30th September 2012	<u>717,828</u>	<u>144,907</u>	<u>862,735</u>

3. OTHER RESERVES

	Unrealised General Reserves	Development Reserves	Investment Reserves	Total
1 October 2012	1,726,260		648,916	2,375,176
Surplus for the year	1,244,709			1,244,709
Dividend & Loan Interest Rebate Paid	(712,634)			(712,634)
Transfer to/from Unrealised Investment Income	611,495		(611,495)	-
Transfer to Statutory Reserve	(360,384)			(360,384)
Transfer to Development Reserve	<u>(200,000)</u>	<u>200,000</u>		-
At 30 September 2013	<u>2,309,446</u>	<u>200,000</u>	<u>37,421</u>	<u>2,546,867</u>

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 2013 the Regulatory Reserve Ratio is 11%.

4. PROPOSED DIVIDENDS and LOAN INTEREST REBATE

	<u>2013</u>		<u>2012</u>	
	Rate %	€	Rate %	€
Dividends on Shares	1.25	612,985	1.5	712,634
Interest Rebate	10.00	126,942	-	-

LETTERKENNY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30th September 2013

5. 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, 1997-2012

6. HONORARIUM TO TREASURER

The treasurer provisionally accepted an honorarium of €3,500 in relation to the financial year ended 30th September 2013. Subject to Board 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 2013 is 7.95%. (APR 8.20%).

Rate of interest charged on car loan as at 30th September 2013 is 6.3%. (APR 6.5%)

Rate of interest charged on share secured loan as at 30th September 2013 is 4.85% (APR 5%)

8. RELATED PARTY TRANSACTIONS

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

	2013
	€
Aggregate Shares held by officers	361,807
Aggregate Loans held by officers	274,836

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 2013.

11. CONTINGENT LIABILITIES

The Credit Union did not have any contingent liabilities at 30th September 2013

12. MEMBERS SHARES

	2013	2012
Regular Share Accounts	40,618,616	38,882,006
Special Share Accounts	11,289,599	9,887,230
ATM Accounts	312,983	255,597
Total as per Balance Sheet	<u>52,221,198</u>	<u>49,024,833</u>

13. DEPOSITS AND INVESTMENTS

	2013	2012
Accounts in Authorised Credit Institutions	37,062,669	35,227,249
Bank Bonds	2,147,368	2,728,315
Investments in Equities	79,093	116,536
Collective Investment Schemes	505,998	1,865,465
Irish & EMU State Securities	4,000,000	-
Central Bank Minimum Reserve	853,127	850,889
	<u>44,648,255</u>	<u>40,788,454</u>

LETTERKENNY CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30th September 2013

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 rate of 27.7%. The cost of risk benefits is payable in addition giving a total contribution rate of 30% of Pensionable Salary. This funding proposal was approved by the Pensions Board.

For the scheme year ended 28th February 2013 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 3.25% 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 28th February 2013 was 97.5%.

LETTERKENNY CREDIT UNION LIMITED

SCHEDULES TO THE FINANCIAL STATEMENTS for the year ended 30th September 2013

Schedule 1 - Other Interest Receivable and Similar Income

	2013 €	2012 €
Interest Received	803,251	1,019,335
Investment Income Receivable < 12 months	578,522	39,736
Investment Income receivable > 12 months	7,480	233,191
TOTAL PER INCOME AND EXPENDITURE ACCOUNT	1,389,253	1,292,262

Schedule 2 - Other Income

Membership Fees	891	611
Commissions and Miscellaneous Income	59,009	33,745
TOTAL PER INCOME AND EXPENDITURE	59,900	34,356

Schedule 3 - Other Management Expenses

	<u>Note</u> 2013 €	2012 €
Treasurer's Honorarium	3,500	3,500
Staff pension costs	51,231	58,333
Educational expenses	4,397	5,940
Commissions payable	8,734	-
Rent and rates	16,140	16,726
General Insurance	17,734	17,831
LP/LS/DBI Insurance	253,006	227,244
Light, heat and cleaning	15,150	14,711
Repairs and maintenance	45,031	32,892
Brinks Security	1,624	-
Printing and stationery	17,253	17,259
Advertising	14,344	14,079
Telephone and postage	23,698	23,098
Debt collection	17,627	22,245
ICB Credit Checks	3,499	-
Cash over/under	(98)	(5)
Travelling and subsistence	10,231	9,684
AGM expenses	18,165	18,067
Consultancy fees	23,025	24,855
Audit	13,838	13,403
Affiliation fees & Int Dev Fund	30,016	28,030
SPS contribution	32,590	16,834
Licences and fees	49,131	25,677
Bank & revenue charges	12,864	16,876
Central Bank Charges	32,785	-
Bad debts	144,492	352,995
General expenses	14,359	4,022
Donations and sponsorship	8,700	13,470
TOTAL PER INCOME AND EXPENDITURE	883,066	977,766

**Nomination Forms for filling vacancies on the
Board of Directors and
Board Oversight Committee
are available at our office,
High Road, Letterkenny.**

Signed: *Mary Forde*

**Mary Forde
Secretary,
Letterkenny Credit Union**

