

SAFE STRONG SECURE



Letterkenny Credit Union Limited

Annual Report & AGM Notice 2016

Wednesday 7th December 2016

Mount Errigal Hotel, Letterkenny at 8pm





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Contents

	Page
Directors' Report	1
Statement Of Directors' Responsibilities	2
Statement Of Oversight Committee's Responsibilities	2
Auditor's Report To The Members Of The Credit Union	3
Income And Expenditure Account	4
Balance Sheet	5
Statement Of Changes In Reserves	6 - 7
Cash Flow Statement	8
Notes To The Financial Statements	9 - 20
Schedule 1- Other Interest Receivable And Similar Income	21
Schedule 2- Other Income	21
Schedule 3- Other Management Expenses	22

Directors Report

for the year ended 30th September 2016

The directors submit herewith their Report and Audited Accounts for the year ended 30th September 2016 for consideration at the Annual General Meeting.

Directors and Board Oversight Committee

The Directors and Board Oversight Committee of the credit union at 30 September 2016 and during the year are listed below:

Directors

Paul Hume	James Gleeson
Denis O'Donnell	Liam Wiseman
Marie Carlin	Lisa McMonagle
Padraic Fingleton	Terence McMorrow
Mary Forde	Jim Toner
Mick Garry	

Board Oversight Committee

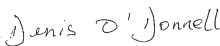
Charles McGlynn
Ted McLaughlin
Maureen O'Donnell

Auditors

In accordance with Section 115 of the Credit Union Act 1997, the auditors S. MacRory & Company offer themselves for re-election.

On Behalf of the Board

Director: Paul Hume	Date: 21st November 2016
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Director: Denis O'Donnell	Date: 21st November 2016
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Statement of Directors Responsibilities

The Credit Union Acts, 1997 to 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 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 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 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.

Signed on behalf of the Directors

Director: Paul Hume

Date: 21st November 2016



Director: Denis O'Donnell

Date: 21st November 2016

Statement of Board Oversight Committee's Responsibilities

The Credit Union Acts 1997 - 2012 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 - 2012 and any other matter prescribed by the Central Bank in respect of which they are to have regard in relation to the Board.



Ted McLaughlin
Member of Board Oversight Committee

Date: 21st November 2016

Independent Auditor's Report to the Members of Letterkenny Credit Union

We have audited the financial statements of Letterkenny Credit Union Ltd. for the year ended 30th September 2016 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Changes in Reserves, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practices in Ireland).

Respective Responsibilities of the Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the credit union's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2016 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, issued by the Financial Reporting Council; and
- have been properly prepared so as to conform with the requirements of the Credit Union Acts 1997 - 2012 and the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016.

Other matters prescribed by the Credit Union Act's 1997-2012

- we have obtained all the information and explanations which we considered 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.

S MacRory & Co.,
Registered Auditors & Accountants,
Market House,
Market Square,
Letterkenny.

21 November 2016

Income and Expenditure Account

for the year ended 30th September 2016

		2016	2015
	Schedule/Note	€	€
INCOME			
Interest on Members Loans	N 4	1,375,382	1,261,972
Other Interest Receivable and Similar Income	S1 & N5	<u>762,820</u>	<u>848,517</u>
Net Interest Income		2,138,202	2,110,489
Other Income	S2	<u>88,268</u>	<u>64,857</u>
TOTAL INCOME		<u>2,226,470</u>	<u>2,175,346</u>
EXPENDITURE			
Employment Costs		489,612	499,656
Other Management Expenses	S3	994,195	910,589
Depreciation		48,169	94,447
Net Recovery/Loss on Loans to Members	N 13	<u>(208,923)</u>	<u>(207,739)</u>
TOTAL EXPENDITURE		<u>1,323,053</u>	<u>1,296,953</u>
SURPLUS FOR THE YEAR		903,417	878,393
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>903,417</u>	<u>878,393</u>

The financial statements were approved, and authorised for issue, by the Board on 21 November 2016 and signed on its behalf by:



Gordon Randles
Manager

Paul Hume
Member of the
Board of Directors



Ted McLaughlin
Member of the
Board Oversight Committee


Date: 21 November 16

Balance Sheet

as at 30th September 2016

	Notes	2016 €	2015 €
ASSETS			
Cash and Cash Equivalents	8	15,354,852	14,182,675
Tangible Fixed Assets	9	696,317	730,715
Loans to Members	10	20,002,487	17,841,101
Prepayments and Accrued Income	14	482,553	265,218
Investments	15	40,911,940	39,013,989
Total Assets		77,448,149	72,033,698
LIABILITIES			
Members Shares	16	65,015,441	60,466,415
Other Members Funds	17	781,267	656,776
Other Payables	18	174,050	193,946
Total Liabilities		65,970,758	61,317,137
TOTAL ASSETS LESS LIABILITIES		11,477,391	10,716,561
RESERVES			
Regulatory Reserve		7,745,355	7,315,355
Operational Risk Reserve		360,000	-
Other Reserves		200,000	200,000
Revenue Reserve		3,172,036	3,201,206
Total Reserves		11,477,391	10,716,561

The financial statements were approved, and authorised for issue, by the Board on 21 November 2016 and signed on its behalf by:



Gordon Randles
Manager

Paul Hume
Member of the
Board of Directors



Ted McLaughlin
Member of the
Board Oversight Committee

Date: 21 November 16

Statement of Changes in Reserves

for the year ended 30th September 2016

	Regulatory Reserve	Operational Risk Reserve	Development Reserves	Revenue Reserve	Total
At 1st October 2014	6,905,779	-	200,000	3,384,582	10,490,361
Total Comprehensive Income for the year	-	-	-	878,393	878,393
Dividend Paid	-	-	-	(526,242)	(526,242)
Loan interest rebate paid	-	-	-	(125,952)	(125,952)
Transfers to Reserves	409,576	-	-	(409,576)	-
At 30th September 2015	7,315,355	-	200,000	3,201,205	10,716,560

	Regulatory Reserve	Operational Risk Reserve	Development Reserves	Revenue Reserve	Total
At 1st October 2015	7,315,355	-	200,000	3,201,205	10,716,560
Total Comprehensive Income for the year	-	-	-	903,417	903,417
Dividend Paid	-	-	-	(142,586)	142,586
Loan interest rebate paid	-	-	-	-	-
Transfers to Reserves	430,000	360,000	-	(790,000)	-
At 30th September 2016	7,745,355	360,000	200,000	3,172,036	11,477,391

Note (1)

The Regulatory reserve of the Credit Union as % of total assets:

30 September 2016	10.00%
30 September 2015	10.16%

Note (2)

In accordance with S45 of the Credit Union Act 1997 (as amended) Letterkenny Credit Union Ltd put in place an Operational Risk reserve during the current period. The Board approved a transfer of €360,000 from the Revenue reserve to the new Operational Risk reserve, following the completion of an internal process of assessing the level of the reserve required to cover the operational risk within the Credit Union.

Note (3)

The transfer of €409,576 to the Regulatory Reserve in the previous year represented 10% of the surplus of the Credit Union, as stated under previous Irish GAAP. No adjustment has been made to this transfer to reflect the restatement of the surplus for the previous year under FRS 102, nor has any adjustment been made for the uplift in the reserves of the Credit Union as at 1 October 2014.

Note (4)

Following commencement of S13 of the 2012 Act, the requirement for Credit Unions to transfer 10% of their annual surplus to their statutory reserve (now known as the Regulatory Reserve) each year has been removed. Notwithstanding this the Board of Letterkenny Credit Union Ltd. has transferred €430,000 of its current year surplus to its Regulatory reserve so that the reserve would stand in excess of the required limit of 10%.

Cashflow Statement

for the year ended 30th September 2016

	2016 €	2015 €
Cash flows from operating activities		
Loans repaid by members	11,398,649	10,363,952
Loans granted to members	(13,354,985)	(11,121,977)
Loan interest received	1,376,575	1,262,192
Investment Interest Received	535,229	883,237
Other income received	88,269	64,857
Bad Debts Recovered	95,227	121,374
Dividends paid	(142,587)	(526,242)
Loan interest rebate paid	-	(125,952)
Operating expenses paid to include employments costs	(1,585,996)	(1,531,004)
Net cash flows from operating activities	<u>(1,589,619)</u>	<u>(609,563)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,769)	(41,934)
Sale of property	-	-
Net cash flow from managing liquid deposits	(1,897,952)	(3,983,718)
Net cash flows from investing activities	<u>(1,911,721)</u>	<u>(4,025,652)</u>
Cash flow from financing activities		
Members' shares received	32,973,196	31,371,904
Members' shares withdrawn	(28,299,679)	(26,864,855)
Net cash flows from financing activities	<u>4,673,517</u>	<u>4,507,049</u>
Net increase/(decrease) in cash and cash equivalents	1,172,177	(128,166)
Cash and cash equivalents at beginning of year	14,182,675	14,310,841
Cash and cash equivalents at end of year	<u>15,354,852</u>	<u>14,182,675</u>

Notes to the Financial Statements

for the year ended 30th September 2016

1. Legal and regulatory framework

Letterkenny Credit Union Ltd is established under the Credit Union Act 1997 and 2012. Letterkenny Credit Union Ltd is registered with the Registrar of Credit Unions and is regulated by the Central Bank of Ireland.

2. Accounting policies

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.

First-time adoption of FRS 102

These are Letterkenny Credit Union Ltd's first financial statements to comply with FRS 102. The date of transition to FRS 102 is 1 October 2014. The transition to FRS 102 has resulted in a small number of accounting policy changes compared to those applied previously. A separate note to the financial statements describes the differences between the reserves and surplus presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ended at 30 September 2015 (i.e. comparative information), as well as the retained reserves presented in the opening balance sheet. It also describes all the required changes in accounting policies made on first-time adoption of FRS 102.

Going concern

The financial statements are prepared on the going concern basis. The directors of Letterkenny 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

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 foreign exchange services and paypoint services arises in connection to specific transactions. Income relating to individual transactions is recognised when the transaction is complete.

Dividends to members

Dividends are made from current year's surplus, or the dividend reserve set aside for that purpose. Our policy is to pay a reasonable dividend subject to covering our operating expenses and meeting our reserve requirements as set out in our reserve management policy.

Notes to the Financial Statements

for the year ended 30th September 2016

The rate of dividend and loan interest rebate recommended by the Boards will reflect:

- the risk profile of the Credit Union, particularly in its loan and investment portfolio;
- the boards desire to maintain a stable rather than a volatile rate of dividend each year; and,
- members' legitimate dividend expectations.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash deposited with banks 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 FRS102 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 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.

Investments held at amortised cost

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

Other receivables

Other receivables such as prepayments are initially measured at transaction price including transaction costs and are subsequently measured at amortised cost using 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

Notes to the Financial Statements

for the year ended 30th September 2016

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.

Letterkenny Credit Union Ltd assesses, at each balance sheet date, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics. Individually significant loans are assessed on a loan by loan basis. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised.

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

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. Letterkenny Credit Union Ltd does not transfer loans to third parties.

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 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.

Basic financial liabilities

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

Financial liabilities members' shares and deposits

Members' shareholdings in Letterkenny Credit Union Ltd are redeemable and therefore are classified as financial liabilities. They are initially recognised at the amount of cash deposited and subsequently measured at amortised cost.

Other payables

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

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.

Notes to the Financial Statements

for the year ended 30th September 2016

Tangible fixed assets

Tangible fixed assets comprise items of property, plant and equipment, which are stated at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

Freehold Premises	2% Straight Line
Fixtures and equipment	10% Straight Line
Office equipment	20% Straight Line
Computer software/hardware	25% 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 the fair value less costs to sell and value in use. In assessing value in use, the estimated future cashflows 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 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.

Employee benefits

Pension Costs

The Credit Union participates in the Irish League of Credit Unions Republic of Ireland Pension Scheme (the pension scheme). This is a funded, multi credit union, defined benefit pension scheme. Because the Credit Union is unable to identify its share of the assets and liabilities of the pension scheme, the Credit Union, in accordance with the requirements of Paragraph 28.11 of FRS 102, is accounting for the pension contributions as if the scheme was a defined contribution scheme. Contributions payable to the pension scheme are recognised in the income and expenditure account.

Other employee benefits

Other short and long term employee benefits, including holiday pay, are recognised as an expense over the period they are earned.

Notes to the Financial Statements

for the year ended 30th September 2016

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.

Revenue reserve

Revenue 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.

3. Use of estimates and judgements

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

Under FRS102 general bad debt provisions are not allowed. As Letterkenny Credit Union Ltd had a general reserve in the past this will be eliminated retrospectively as of 1 October 2014. As FRS102 allows an Incurred But Not Reported (IBNR) bad debt reserve, Letterkenny Credit Union Ltd will use this method to calculate their bad debt reserve. IBNR will produce a much lower bad debt provision than a general provision, which will be calculated under the "Resolution 49" plus a round sum additional prudent amount. This round sum amount will require judgement based on actual loan losses experienced in the past or expected in the future. This method will also rely on loans being individually and collectively assessed.

Impairment of buildings

The premises are recognised at cost less depreciation. The credit union has assessed whether there is an indication of impairment. The value of the premises is supported by the value in use calculation which is the present value of the future cash flows expected to be derived from the asset.

4. Interest on members' loans

	2016	2015
Opening accrued loan interest receivable	(35,671)	(35,891)
Loan interest received in year	1,376,575	1,262,192
Closing accrued loan interest receivable	34,478	35,671
	<u>1,375,382</u>	<u>1,261,972</u>

Notes to the Financial Statements

for the year ended 30th September 2016

5. Other interest income and similar income

	2016	2015
Investment income received by balance sheet date	345,435	612,656
Receivable within 12 months of balance sheet date	356,835	301,719
Other investment income and gains	60,550	(65,858)
	<u>762,820</u>	<u>848,517</u>

6. Dividend expense/interest rebate

	2016 Rate	2016 €	2015 Rate	2015 €
Dividend paid during the year Share accounts	0.25%	142,586	1%	526,242
Dividend proposed, but not recognised Share accounts	0.1%	61,556	0.25%	142,463
Loan Interest rebate paid during the year	0%	-	10%	125,952
Loan Interest rebate proposed, but not recognised	10%	137,657	0%	-

The dividend and loan interest rebate are formally proposed by the directors after the year end and are confirmed at the AGM of the members. As a result, it does not represent a liability at the balance sheet date and the amounts included in the statement of reserves in the current year relates to dividends paid to members for the prior year.

7. Key Management Remuneration

The Directors of Letterkenny Credit Union Ltd are all unpaid volunteers. The key management team for the Credit Union would include the credit union manager and two other senior staff.

	2016	2015
Short term employee benefits paid to key management	159,763	156,115
Payments to pension scheme	28,668	28,416
Total key management personnel compensation	<u>188,431</u>	<u>184,531</u>

8. Cash and cash equivalents

	2016	2015
Cash balances	257,960	173,395
Short term deposits	15,096,892	14,009,280
	<u>15,354,852</u>	<u>14,182,675</u>

Short term deposits are deposits with original maturity of less than or equal to three months. All other deposits with banks are included under Investments in the balance sheet.

Notes to the Financial Statements

for the year ended 30th September 2016

9. Tangible Fixed Assets

Cost	Premises €	Fixtures & Equipment €	Total €
At 1st October 2015	1,005,715	785,834	1,791,549
Additions	-	13,769	13,769
Disposals	-	-	-
At 30th September 2016	1,005,715	799,603	1,805,318
Depreciation			
At 1st October 2015	348,228	712,605	1,060,833
Revaluation	-	-	-
On disposals	-	-	-
Charge for the year	20,114	28,054	48,168
At 30th September 2016	368,342	740,659	1,109,001
Net Book Values			
At 30th September 2016	637,373	58,944	696,317
At 30th September 2015	657,487	73,229	730,716

10 Loans and advances to members - financial assets

	2016	2015
As at 1 October 2015	18,516,050	17,758,025
Advanced during the year	13,354,986	11,121,977
Repaid during the year	(11,398,649)	(10,363,952)
Loans written off	-	-
Gross loans and advances to members	20,472,387	18,516,050
Impairment losses	(469,900)	(674,950)
As at 30 September 2016	20,002,487	17,841,100

Notes to the Financial Statements

for the year ended 30th September 2016

11. Credit risk disclosures

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.

Individual members may borrow up to €200,000 or 1.5% of the Credit Unions assets and the Credit Union is currently not restricted by the Central Bank in relation to lending.

The carrying amount of the loans to members represents Letterkenny 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

	2016		2015	
	Amount €	Proportion %	Amount €	Proportion %
Loans not impaired	20,079,375		17,951,101	
Individually impaired				
Neither past due nor impaired	92,844	0.45%		
Up to 9 weeks past due	52,728	0.26%	169,026	0.91%
Between 10 and 18 weeks past due	8,780	0.04%	22,219	0.12%
Between 19 and 26 weeks past due	8,896	0.04%	8,784	0.05%
Between 27 and 39 weeks past due	10,698	0.05%	11,260	0.06%
Between 40 and 52 weeks past due	23,963	0.12%	19,777	0.11%
53 or more weeks	195,104	0.95%	333,884	1.80%
Total Loans	20,472,388		18,516,051	
Impairment allowance	(469,900)		(674,950)	
Total carrying value	20,002,488		17,841,101	

12. Loan provision account for impairment losses

	2016	2015
As at 1 October 2015	674,950	926,434
Increase/(Decrease) in loan provisions during the year	(205,050)	(251,484)
As at 30 September 2016	469,900	674,950

13. Net recoveries or losses recognised for the year

	2016	2015
Bad debts recovered	(95,227)	(121,374)
Increase in loan provision during the year	(205,050)	(251,484)
Loans written off	91,354	165,119
Net recoveries on loans to members recognised for the year	(208,923)	(207,739)

Notes to the Financial Statements

for the year ended 30th September 2016

14. Prepayments and accrued income

	2016	2015
Prepayments	91,240	100,303
Accrued income investments	356,835	129,244
Accrued loan interest income	34,478	35,671
	<u>482,553</u>	<u>265,218</u>

15. Investments

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

	2016	2015
Fixed term deposits and bonds with banks	40,911,940	39,013,989
Central bank minimum deposits	-	-
	<u>40,911,940</u>	<u>39,013,989</u>

16. Members shares - financial liabilities

	2016	2015
As at 1 October 2015	60,466,415	56,182,622
Received during the year	30,998,341	30,007,547
Repaid during the year	(26,449,315)	(25,723,754)
	<u>65,015,441</u>	<u>60,466,415</u>

Members' shares are repayable on demand except for shares attached to loans.

	2016	2015
Unattached shares	57,352,805	53,139,394
Attached shares	<u>8,443,903</u>	<u>7,983,797</u>
	<u>65,796,708</u>	<u>61,123,191</u>

17. Members ATM Accounts - financial liabilities

	2016	2015
As at 1 October 2015	656,776	433,520
Received during the year	1,974,854	1,364,357
Repaid during the year	(1,850,363)	(1,141,101)
	<u>781,267</u>	<u>656,776</u>

Members' ATM accounts are repayable on demand.

18. Other Liabilities

	2016	2015
Other creditors and accruals	<u>174,050</u>	<u>193,946</u>
	<u>174,050</u>	<u>193,946</u>

Notes to the Financial Statements

for the year ended 30th September 2016

19. Additional financial instruments disclosures

19a. Financial risk management

Letterkenny Credit Union Ltd manages its members shares and loans to members so that it earns income from the margin between interest receivable and interest payable. The main financial risks arising from Letterkenny Credit Union Ltd'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 Letterkenny Credit Union Ltd, resulting in financial loss to the Credit Union. In order to manage this risk the Board approves its lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed. The Credit Union also monitors its banking arrangements closely in light of the current banking situation.

Liquidity risk: Letterkenny Credit Union Ltd's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due. The objective of the Credit Union's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

Market risk: Market risk is generally comprised of interest rate risk, currency risk and other price risk. Letterkenny 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: Letterkenny Credit Union Ltd'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 members' shares and any loan interest rebate. Letterkenny Credit Union Ltd does not use interest rate options to hedge its own positions.

19b. Interest rate risk disclosures

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

	2016		2015	
	Amount €	Average Interest Rate	Amount €	Average Interest Rate
<u>Financial Assets</u>				
Loans to members	20,472,387	6.71%	18,516,051	6.79%
<u>Financial Liabilities</u>				
Member shares	65,015,441	0.1%	60,466,415	0.25%

Notes to the Financial Statements

for the year ended 30th September 2016

The interest rates applicable to loans to members are standard 7.95%, student 6.95%, motor 6.3%, secured 4.85% and seasonal 4.85%.

The dividend payable is at the discretion of the Directors and is therefore not a financial liability of the Credit Union until declared and approved at the AGM.

19c. Liquidity risk disclosures

All Letterkenny Credit Union Ltd's financial liabilities are repayable on demand.

19d. Fair value of financial instruments

Letterkenny Credit Union Ltd does not hold any financial instruments at fair value.

20. Capital

The credit union maintains sufficient reserves to buffer the credit union against any losses on its members' loans and also its investments. The current Regulatory reserves comply with the minimum set down by the Central Bank, and stand at 10.0% of total assets of the Credit Union at the balance sheet date.

21. Post balance sheet events

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

22. Contingent liabilities

Letterkenny Credit Union Ltd had no contingent liabilities at 30 September 2016.

23. Capital commitments

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

24. Related Party Transactions and loans to officers

Related party transactions

During the year a member of the board was a director of a company which provided stationery supplies to the credit union in the amount of €7,071.

Loans to officers

Loans amounting to €159,550 in total, were granted to officers of the Credit Union during the period. At 30 September 2016 the balance outstanding on loans to officers amounted to €263,681. At 30 September 2016 savings to officers amounted to €345,507.

25. 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.

26. Non-Audit Services

No non-audit services were provided by the auditor.

Notes to the Financial Statements

for the year ended 30th September 2016

27. Transition to FRS 102

Letterkenny Credit Union Ltd has adopted FRS 102 for the first time in these financial statements for the year ended 30 September 2016. The reconciliations below highlight the key impacts on both the surplus for the financial year and the retained earnings:

Reconciliation of surplus from previous ROI accounting standards to FRS 102

	Note	2015
Surplus/(deficit) as previously reported		993,639
General loan provision under FRS 102	27a	(115,026)
Interest on members' loans using effective interest method	27b	(220)
Surplus in accordance with FRS 102		<u>878,393</u>

Reconciliation of credit union's reserves from previous ROI accounting standards to FRS 102

	Note	2016	2015
Opening reserves as previously stated		10,052,090	9,710,645
General loan provision under FRS 102	27a	628,800	743,826
Interest on members' loans using effective interest method	27b	35,671	35,891
Opening reserves in accordance with FRS 102		<u>10,716,561</u>	<u>10,490,362</u>

The adjustments are:

27a. General loan provision

Letterkenny Credit Union Ltd carried general loan provisions of €738,800 at 30 September 2015 and €878,826 at 30 September 2014 in its previous Irish GAAP financial statements. €628,800 of the general loan provision at 30 September 2015 and €743,826 of the general loan provision at 30 September 2014 on review do not satisfy the criteria as set down in Section 11 of FRS 102 in relation to objective evidence of impairment and as such that element of the General provision has not been recognised for the FRS 102 financial statements of the credit union.

27b. Interest on members' loans

Under previous Irish accounting standards, Letterkenny Credit Union Ltd accounted for its loan interest from members' loans on a cash basis. Section 11 of FRS102 requires the use of the effective interest method for recognising loan interest income, which effectively means recognising interest on members' loans on an accruals basis, with appropriate allowance made for recognising interest on any impaired loans. The amount of the accrued interest after allowance for interest on impaired loans was €35,671 at 30 September 2015 and €35,891 at 30 September 2014.

Schedules to the Financial Statements

for the year ended 30th September 2016

Schedule 1 - Other Interest Receivable and Similar Income

	2016	2015
	€	€
Investment Income	762,820	848,517
	<u>762,820</u>	<u>848,517</u>

Schedule 2 - Other Income

	2016	2015
	€	€
Membership Fees	138	136
Foreign Exchange Commission	-	-
Commissions	88,130	64,721
Sundry	-	-
	<u>88,268</u>	<u>64,857</u>

Schedule 3 - Other Management Expenses

	2016	2015
	€	€
Staff money purchase pension costs	59,200	60,941
Training and Promotion	12,552	8,538
Commissions payable	19,434	14,040
Rent and Rates	16,897	16,929
Insurance	23,034	20,623
Share, Loan and Death Benefit Insurance	354,097	318,743
Light and heat	11,381	12,702
Repairs and maintenance	109,977	79,617
Affiliation Fees & Int Dev Fund	33,141	23,798
SPS contribution	25,757	30,016
Licences and Fees	45,572	45,376
Central Bank Charges	63,073	52,706
Printing and stationery	20,910	19,196
Advertising	26,474	30,818
Telephone and Postage	20,568	23,949
Debt Collection	11,769	15,563
ICB Credit Checks	11,291	10,504
Cash Over/Under	520	793
Travelling and Subsistence	11,682	8,939
Consultancy fees	31,042	40,367
Audit	19,988	15,252
Bank Charges and Interest	21,390	18,701
AGM Expenses	24,445	22,519
General Expenses	10,686	11,269
Donations and Sponsorship	9,315	8,690
	<u>994,195</u>	<u>910,589</u>

Services Overview

Letterkenny Credit Union Ltd continues to provide a personal and friendly service to our members. By offering a range of online and in-branch services, this affords members the perfect balance between personal attention and convenience.

DAILY BANKING

No fees
Online Mobile access 24/7/365
Online transactions

SAVINGS ACCOUNTS

Secure Savings
ATM access 24/7/365
Free Life Assurance, Death Benefit Insurance

LENDING SERVICES

Competitive Loan Rates from 5% APR
Suite of 6 various loan types
Free Loan Protection

OTHER SERVICES

Foreign Exchange, Bill Payment
Self-service Kiosk
Automated payments, Cashless transactions



www.facebook.com/LetterkennyCreditUnion



www.twitter.com/LetterkennyCU

Online Banking



"flexible and convenient"


Giving members complete control of their credit union account. Beat the queues and do your transaction while on the go or from the comfort of home.

- ▶ CU Anywhere offers you ▶ Check Balances ▶ View Statements
- ▶ Transfer Funds ▶ Pay Bills
- ▶ Contact your credit union securely



Letterkenny Credit Union

Tel: 074 91 24166

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[Other Resources](#)

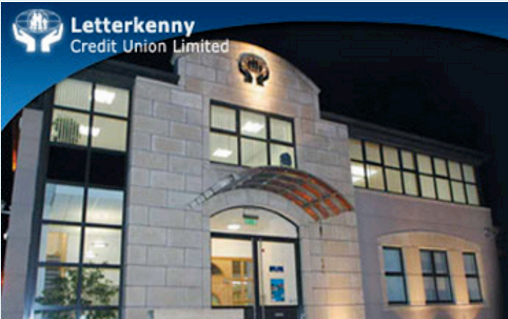
[Beat the Queue Services](#)

[Youth Link >](#)

[CU Online >](#)

[Car Draw](#)

[Photo Gallery](#)



CU Online Login

All our members can use our Online Service by clicking on the buttons below.

[Log In](#)

[Register](#)

Open an Account

Joining the Credit Union is the easiest and best decision you could make.

[Find Out More](#)

Welcome to Letterkenny Credit Union

WE LOOK AT THINGS DIFFERENTLY



Our website in addition to information and news, offers a Secure members area

Transfer funds in or out of your credit union account – Online Debit Card Payments

www.letterkennycu.ie

Express Lodgement Kiosk

Tired of wasting time queuing?

Have you met the latest member of Letterkenny Credit Union's team?

Our new self-service express lodgement machine is available for members who don't have time to wait.

But rest assured, our front line team will always be here to help.

The Kiosk can accept cash payments to shares, ATM or single loan accounts.



