

Ballymote and District Credit Union Ltd
Report and Financial Statements
for the financial year ended 30 September 2022

Ballymote and District Credit Union Ltd

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Ballymote and District Credit Union Ltd

DIRECTORS AND OTHER INFORMATION

Directors	Pauline Brennan (Chairperson) Maureen Lavin Thomas Scully Caroline Queenan Keith Henry Michael Doddy Marese Sweeney (Appointed 27 January 2022) Peter Lyons (Appointed 27 January 2022) Derek Tighe (Appointed 27 January 2022) Sean Stagg (Resigned 27 January 2022) Noreen Waters (Resigned 27 January 2022) Nuala Mullaney (Resigned 27 January 2022)
Board Oversight Committee Members	Mary McGettrick Hubert Killoran Mary Porter
Credit Union Number	444CU
Registered Office and Business Address	The Rock, Ballymote, Co. Sligo
Auditors	DHKN Limited Galway Financial Services Centre Moneenageisha Road Galway
Bankers	Ulster Bank Stephen Street Abbeyquarter North Sligo Danske Bank 3 Harbourmaster Place International Financial Services Dublin 1
Solicitors	O' Connor Johnson Solicitors O'Connell Street Ballymote Sligo

Ballymote and District Credit Union Ltd

for the financial year ended 30 September 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Credit Union Acts 1997 to 2018 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 financial 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	<u>Pauline Brennan</u> Pauline Brennan
Member of the Board of Directors	<u>Maureen Lavin</u> Maureen Lavin
Date	<u>22/11/2022</u>

STATEMENT OF BOARD OVERSIGHT COMMITTEE'S RESPONSIBILITIES

The Credit Union Acts 1997 to 2018 requires the appointment of a Board Oversight Committee to assess whether the board of directors has operated in accordance with Part IV, Part IV (a) and any regulations made for the purposes of Part IV or Part IV(a) of the Credit Union Acts 1997 to 2018 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	<u>Hubert Killoran</u> Hubert Killoran
Member of the Board Oversight Committee	<u>Mary McGettrick</u> Mary McGettrick
Date	<u>22/11/2022</u>

Ballymote and District Credit Union Ltd

REPORT OF THE BOARD OVERSIGHT COMMITTEE

for the financial year ended 30 September 2022

Every Credit Union must elect a Board Oversight Committee consisting of 3 or 5 members. The Board Oversight Committee must assess whether the Board of Directors have operated in accordance with Part IV & IV(a) of the Credit Union Act 1997, as amended, and any regulation or direction of the Registrar or Central Bank. The Board Oversight Committee of the Credit Union hold at least one meeting in every month, and meet with the Board of Directors at least 4 times in every year to facilitate carrying out the oversight role.

The Board Oversight Committee submits a written report to the Board of Directors on their assessment of whether the Board of Directors has operated in accordance with the Credit Union Act 1997, as amended, and any regulation or direction of the Registrar or Central Bank. The Board Oversight Committee has access, at all times, to the books and documents of the Credit Union, to enable it to carry out its functions under the Act and members of the Board Oversight Committee have the right to attend all meetings of the Board of Directors and all meetings of Committees of the Credit Union. The Board Oversight Committee ensures that at least one of its members attends every meeting of the Board of Directors. The Board Oversight Committee may notify the Central Bank of any concern it has, that the Board of Directors has not complied with any of the requirements and the Board Oversight Committee shall report to the Members at the Annual General Meeting and, if it thinks fit, at a Special General Meeting, on whether the Board of Directors has operated in accordance with Credit Union Act 1997, as amended, and any regulation or direction of the registrar or Central Bank.

For the year ended 30 September 2022, the Board Oversight Committee wish to report that no matters have come to their attention that indicates that the Directors have not complied with Part IV or IV(a) Credit Union Act 1997, as amended, and any regulation or direction of the Registrar or Central Bank. We extend our thanks to the Board of Directors, C.E.O., Management and Staff for their courtesy, assistance and co-operation during the year

Hubert Killoran _____

Hubert Killoran
Member of the Board Oversight Committee

Mary McGettrick _____

Mary McGettrick
Member of the Board Oversight Committee

Date: 22/11/2022

INDEPENDENT AUDITOR'S REPORT

to the Members of Ballymote and District Credit Union Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Ballymote and District Credit Union Ltd for the financial year ended 30 September 2022 which comprise the Revenue Account, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows 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" issued in the United Kingdom by the Financial Reporting Council and the Credit Union Acts 1997 to 2018.

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 2022 and of its surplus for the financial 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 Acts 1997 to 2018.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard for Auditors (Ireland) 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Credit Union's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 course of 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 Acts 1997 to 2018

In our opinion, based 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.
- Properly audited and the financial statements are in agreement with the accounting records.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities as set out on page 4, 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.

INDEPENDENT AUDITOR'S REPORT

to the Members of Ballymote and District Credit Union Ltd

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 has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Our report is made solely to the Credit Union's members, as a body, in accordance with section 120 of the Credit Union Acts 1997 to 2018. 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.

DHKN LIMITED

Registered Auditors
Galway Financial Services Centre
Moneenageisha Road
Galway

Date: 28/11/2022

Ballymote and District Credit Union Ltd

APPENDIX TO THE INDEPENDENT AUDITOR'S REPORT

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 the directors.
- 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.

Ballymote and District Credit Union Ltd

REVENUE ACCOUNT

for the financial year ended 30 September 2022

	Notes	2022 €	2021 €
Revenue			
Interest on members' loans	6	558,490	570,011
Other interest income and similar income	7	83,443	60,810
Net interest income		641,933	630,821
Savings protection scheme rebate	4	82,172	-
Other revenue	9	2,783	10,273
Total revenue		726,888	641,094
Expenditure			
Employment costs	10	229,290	222,555
Defined benefit pension scheme funding	4	65,590	-
Other management expenses (Schedule 4)		276,651	246,425
Depreciation		32,844	33,279
Net (recoveries) or losses on loans to members	14.4	(58,382)	(125,394)
Total expenditure		545,993	376,865
Surplus of revenue over expenditure		180,895	264,229
Other comprehensive income		-	-
Total comprehensive income		180,895	264,229
Transfer (to) / from reserves			
Regulatory reserve		168,015	258,113
General reserve		12,880	6,116
Total transfers		180,895	264,229

The financial statements were approved and authorised for issue by the Board of Directors on 22/11/2022 and signed on its behalf by;

Manager	<u>Baruch Scully</u> Baruch Scully
Chairperson	<u>Pauline Brennan</u> Pauline Brennan
Member of the Board Oversight Committee	<u>Mary McGettrick</u> Mary McGettrick
Date	<u>28/11/2022</u>

Ballymote and District Credit Union Ltd
STATEMENT OF FINANCIAL POSITION

as at 30 September 2022

	Notes	2022 €	2021 €
Assets			
Cash and cash equivalents	12	3,919,601	6,519,396
Property, plant and equipment	13	423,568	512,659
Loans to members	14	6,729,965	6,163,082
Provision for bad debts	14	(456,184)	(469,736)
Prepayments	15	40,079	18,701
Accrued income	15	53,368	52,323
Deposits and investments	16	10,433,613	6,747,437
Total Assets		21,144,010	19,543,862
Liabilities			
Members' shares	17	16,985,175	15,598,586
Trade Creditors and Other Accruals	18	126,400	93,736
Total Liabilities		17,111,575	15,692,322
Net Assets		4,032,435	3,851,540
Members' Resources			
Regulatory reserve	19	2,220,121	2,052,106
Distribution reserve	19	100,217	100,217
Operational risk reserve	19	105,186	105,186
Other reserves		1,606,911	1,594,031
Total Members' Resources		4,032,435	3,851,540

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

Manager

Baruch Scully

Baruch Scully

Chairperson

Pauline Brennan

Pauline Brennan

Member of the Board Oversight Committee

Mary McGettrick

Mary McGettrick

Date

28/11/2022

Ballymote and District Credit Union Ltd

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 September 2022

	Regulatory reserve	Distribution reserve	Operational risk reserve	Unrealised income reserve	General reserve	Total
	€	€	€	€	€	€
At 1 October 2020	1,793,993	100,217	105,186	-	1,587,915	3,587,311
Surplus allocation in financial year	258,113	-	-	-	6,116	264,229
At 30 September 2021	2,052,106	100,217	105,186	-	1,594,031	3,851,540
At 1 October 2021	2,052,106	100,217	105,186	-	1,594,031	3,851,540
Surplus allocation in financial year	168,015	-	-	-	12,880	180,895
Other movement in reserves	-	-	-	27,751	(27,751)	-
At 30 September 2022	2,220,121	100,217	105,186	27,751	1,579,160	4,032,435

The Regulatory Reserve of the Credit Union as a % of the total assets as at 30th September 2022 was 10.50% which is in excess of the Credit Union's Regulatory Reserve requirement of 10%.

The General reserve relates to the accumulated, realised and unallocated reserves of the credit union.

Ballymote and District Credit Union Ltd

STATEMENT OF CASH FLOWS

for the financial year ended 30 September 2022

	2022 €	2021 €
Opening cash and cash equivalents	6,519,396	3,400,181
Cash flows from operating activities		
Loans repaid	3,154,459	3,242,796
Loans granted	(3,760,050)	(2,939,176)
Loan interest income	558,490	570,011
Investment income	83,443	60,810
Other revenue received	84,955	10,273
Bad debts recovered	83,538	51,073
Operating expenses	(587,286)	(459,782)
Movement in other assets	(22,423)	(597)
Movement in other liabilities	32,664	3,555
Net cash (used in)/generated from operating activities	<u>(372,210)</u>	<u>538,963</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,998)	(79,203)
Receipts from disposal of property, plant and equipment	82,000	-
Net cash flow from other investing activities	<u>(3,686,176)</u>	<u>469,025</u>
Net cash (used in)/generated from investing activities	<u>(3,614,174)</u>	<u>389,822</u>
Cash flows from financing activities		
Members' shares received	9,792,117	12,236,517
Members' shares withdrawn	(8,405,528)	(10,046,087)
Net cash generated from financing activities	<u>1,386,589</u>	<u>2,190,430</u>
Net (decrease)/increase in cash and cash equivalents	(2,599,795)	3,119,215
Cash and cash equivalents at end of financial year	12 <u><u>3,919,601</u></u>	<u><u>6,519,396</u></u>

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

Manager	<u>Baruch Scully</u> Baruch Scully
Chairperson	<u>Pauline Brennan</u> Pauline Brennan
Member of the Board Oversight Committee	<u>Mary McGettrick</u> Mary McGettrick
Date	<u>28/11/2022</u>

Ballymote and District Credit Union Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2022

1. LEGAL AND REGULATORY FRAMEWORK

Ballymote and District Credit Union Ltd is established under the Credit Union Acts 1997 to 2018. 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 The Rock, Ballymote, Co. Sligo.

2. ACCOUNTING POLICIES

The following principal accounting policies have been applied;

Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with applicable Irish accounting standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) and Irish statute comprising of the Credit Union Acts 1997 to 2018. The financial statements have been 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 directors have very carefully reviewed the trade and the resources available to the credit union in the period following the balance sheet date and in light of the Covid-19 pandemic, which has had a significantly negative impact on the Irish and global economies in 2021. In their opinion the credit union will be in a position to continue to trade through the current difficult period and has sufficient liquid reserves to absorb any losses or disruption to trade caused by Covid-19 for at least twelve months from the date of signing the financial statements.

The risks for the credit union are that trade will be negatively disrupted as a result of social distancing requirements, a curtailment of opening hours, or as a result of decrease to staff availability due to illness, none of these possibilities are considered likely. The credit union also faces strong competition from banks and other similar credit unions operating locally who have a stronger online presence in terms of product and service offerings.

There is expected to be a curtailment of the business in the current environment, however, strategic plans have been drawn up to mitigate against any foreseeable risks. The directors are therefore confident that the credit union will continue and that the financial statements should be drawn up on a going concern basis.

Revenue 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

The Credit Union Act 1997 (as amended) requires that Interest on Members' Loans is recognised when payment is received (i.e. on a cash basis). This is not in accordance with accounting practice generally, but is consistent with normal practice for Irish credit unions. FRS 102 and accounting practice generally would require that interest be recognised using the effective interest method accrued on a daily basis. Ballymote & District Credit Union Limited accounts for interest on members' loans using the effective interest method and is accrued on a daily basis. Interest on members' loans is included in the financial statements in the period in which it is earned.

(ii) Investment income

Investment income is recognised when received or irrevocably receivable. Investments are recognised at cost less any permanent diminution in capital value but ignoring any increase in capital value or encashment value until realised in the form of cash or cash equivalents.

Ballymote and District Credit Union Ltd

NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2022

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.

Investments

Investment income is recognised on an accrual basis.

Fixed-term deposits

Term deposits and fixed interest investment bonds with fixed maturity dates are valued at the lower of cost or encashment value and interest is recognised in the income statement when it is received or irrevocably receivable.

Bank bonds

With profit bonds with capital guaranteed are valued at cost. Declared bonuses are recognised in the income statement when irrevocably receivable or earlier if the bond becomes realisable in the form of cash or cash equivalents in a secondary market. Terminal bonuses are recognised in the income statement when the Credit Union becomes irrevocably entitled to receive them.

Commodities and other bonds

Income is recognised once it is "locked in" and irrevocably receivable. The capital value of the bond is tested annually for impairment and impairment losses are taken to the income statement. Impairment gains which reverse a previous impairment loss are taken to the income statement with any gains in excess of the cost of the product ignored until the bond matures.

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.

Central Bank deposits

Credit Unions are obliged to maintain certain deposits with the Central Bank. These deposits are technically assets of the credit union but to which the Credit Union has restricted access. The funds on deposit with the Central Bank attract nominal interest and will not ordinarily be returned to the credit union while it is a going concern. The amounts are stated at the amount deposited plus accrued income and are not subject to impairment reviews.

Investments at fair value

Investments held for trading and investment in stock market shares (i.e. non-convertible preference shares and non-puttable ordinary shares or preference shares) are included in this category. Financial assets at fair value are classified as held for trading if they are acquired for sale in the short term. They are valued at fair value (market value) at the year end date and all gains and losses are taken to the income and expenditure account. The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market these assets will be carried at cost less impairment.

Ballymote and District Credit Union Ltd

NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2022

Property, plant and equipment 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	50 years Straight line
Fixtures, fittings and equipment	8 years Straight line
Computer equipment	5 years Straight line

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

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 equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition.

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 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 rate method.

Ballymote and District Credit Union Ltd

NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2022

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. The Credit Union 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.

Other Financial Instruments

Other financial assets are initially measured at fair value and are subsequently carried at fair value with changes to fair value recognised in the income & expenditure annually.

Bad debt provision

Bad debts written off and bad debts recovered are included in the Income Statement. Ballymote and District Credit Union Limited 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.

Bad debts in the Credit Union are recognised when there is a reasonable doubt that the full amount of principle will not be collected, or the financial capacity of the borrower has deteriorated such that the recovery of the whole, or part of an outstanding loan advanced is in doubt. In all cases where it is impractical to estimate the recoverable amount, the carrying amount is reduced to zero.

Basic financial liabilities

Members' shares

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.

Ballymote and District Credit Union Ltd

NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2022

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 rate 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.

Holiday pay

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

Pensions

Ballymote & District 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 Ballymote & District 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.

Employee benefits

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 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, the Credit Union 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.

Distribution

Ballymote and District Credit Union Ltd's policy is to pay a reasonable rate of dividend and loan interest rebate subject to covering operating expenses and meeting reserve requirements as set out in the Credit Union's Reserve Management Policy.

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 under Section 45(5)(a) of the Credit Union Act (as amended) which is separate, distinct and in addition to the reserves the Credit Union is required to hold in its Regulatory reserve. The Credit Union has adopted the 'Basic Indicator Approach' as proposed under Basel II capital adequacy rules in calculating the minimum amounts to be held in this reserve.

Dividend reserve

Distribution 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.

Ballymote and District Credit Union Ltd

NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2022

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.

General Reserve

General reserves were established to maintain and develop the business model of the Credit Union.

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 the credit union'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 policies. 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.

Depreciation of Property, plant & equipment

The annual depreciation charge depends primarily on the estimated useful economic lives of each type of asset and estimates of residual values. The directors regularly review these asset useful economic lives and change them as necessary to reflect current thinking on remaining lives in light of perspective economic utilisation and physical condition of the assets concerned. Changes in asset useful lives can have an impact on depreciation and amortisation charges for the period. Details of the useful economic lives is included in the accounting policies.

4. EXCEPTIONAL ITEM

Ballymote and District Credit Union is a member of the Irish League of Credit Unions (ILCU) Multi-Employer Defined Benefit Pension Scheme. During the year ended 30 September 2022 a deficit existing in this ILCU pension scheme has been communicated to all participating credit unions. Based on calculations provided by the Trustees of the scheme, the portion of the funding requirement required to meet this deficit applicable to Ballymote and District Credit Union presently amounts to €65,590. This amount has been paid by Ballymote and District Credit Union to the Scheme Trustees during 2022.

Following the ILCU AGM held in April of 2022, a motion was passed whereby it was agreed that ILCU affiliated credit unions would receive a rebate from the ILCU Savings Protection Scheme to help fund this liability. The portion of this funding applicable to Ballymote and District Credit Union amounted to €82,172, of which 90% was paid prior to 30th September 2022, with the balance due to be received after twelve months following the balance sheet date. As this 10% balance is not expected to be received within twelve months of the balance sheet date, the amount of €8,217 has been transferred to the Unrealised Income Reserve as it is not yet distributable.

Ballymote and District Credit Union Ltd

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2022

continued

5. INTEREST ON MEMBERS' LOANS

In September 2018, the Registry of Credit Unions ("RCU") wrote to all credit unions giving notice that it had become aware of a potential issue in relation to accrued interest outstanding on loans in circumstances where additional credit is extended to a member by way of a top-up-loan, which could lead to the potential over-collection of interest. Ballymote and District Credit Union has examined this matter thoroughly and engaged with various stakeholders. Following this examination, the Board of Ballymote and District Credit Union has decided to make refunds to members impacted and plans to do so before 31 December 2022. Ballymote and District Credit Union made a provision for an estimated liability in the 2022 financial statements, the Board remain satisfied that this provision is sufficient to deal with this matter.

6. INTEREST ON MEMBERS' LOANS

	2022 €	2021 €
Loan interest received in financial year	<u>558,490</u>	<u>570,011</u>

7. OTHER INTEREST INCOME AND SIMILAR INCOME

	2022 €	2021 €
Investment income received	50,628	30,358
Investment income receivable within 12 months	<u>32,815</u>	<u>30,452</u>
	<u>83,443</u>	<u>60,810</u>

8. INTEREST PAYABLE AND DIVIDENDS

At the financial year-end the directors have allocated the amount of €100,217 to the Distribution Reserve 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. No dividend distribution has been proposed in respect of the current or previous financial years.

9. OTHER REVENUE

	2022 €	2021 €
Entrance fees	189	219
E.C.C.U. claims experience refund fees	-	8,127
Miscellaneous income	<u>2,594</u>	<u>1,927</u>
	<u>2,783</u>	<u>10,273</u>

10. EMPLOYEES AND REMUNERATION

The average monthly number of employees during the financial year was:

	2022 Number	2021 Number
Key management personnel	2	2
Other staff	<u>6</u>	<u>6</u>
	<u>8</u>	<u>8</u>

Ballymote and District Credit Union Ltd
NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2022

The staff costs comprise:	2022	2021
	€	€
Wages and salaries	191,417	189,729
Social security costs	20,638	20,036
Pension costs	17,235	12,790
	<u>229,290</u>	<u>222,555</u>

11. KEY MANAGEMENT PERSONNEL

The remuneration of key management personnel was as follows;

	2022	2021
	€	€
Remuneration	72,785	72,757
Pension	7,502	7,269
Total key management personnel compensation	<u>80,287</u>	<u>80,026</u>

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash on hand and deposits and investments with a maturity of less than or equal to three months.

	2022	2021
	€	€
Cash and bank balances	2,650,319	5,043,032
Cash equivalents	1,269,282	1,476,364
	<u>3,919,601</u>	<u>6,519,396</u>

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition.

Ballymote and District Credit Union Ltd
NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2022

continued

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings freehold €	Fixtures, fittings and equipment €	Computer equipment €	Total €
Cost				
At 1 October 2021	496,219	68,257	161,524	726,000
Additions	-	-	9,998	9,998
Disposals	(116,737)	-	-	(116,737)
At 30 September 2022	<u>379,482</u>	<u>68,257</u>	<u>171,522</u>	<u>619,261</u>
Depreciation				
At 1 October 2021	77,250	35,794	100,297	213,341
Charge for the financial year	7,584	5,995	19,265	32,844
On disposals	(50,492)	-	-	(50,492)
At 30 September 2022	<u>34,342</u>	<u>41,789</u>	<u>119,562</u>	<u>195,693</u>
Net book value				
At 30 September 2022	<u><u>345,140</u></u>	<u><u>26,468</u></u>	<u><u>51,960</u></u>	<u><u>423,568</u></u>
At 30 September 2021	<u><u>418,969</u></u>	<u><u>32,463</u></u>	<u><u>61,227</u></u>	<u><u>512,659</u></u>

14. LOANS TO MEMBERS - FINANCIAL ASSETS

14.1 LOANS TO MEMBERS

	2022 €	2021 €
As at 1 October	6,163,082	6,510,012
Advanced during the financial year	3,760,050	2,939,176
Repaid during the financial year	(3,154,459)	(3,242,796)
Loans written off	(38,708)	(43,310)
Gross loans to members	<u><u>14.2 6,729,965</u></u>	<u><u>6,163,082</u></u>
Impairment allowances		
The provision for bad debts is analysed as follows;		
Individual loans	(220,468)	(273,036)
Grouped loans	(235,716)	(196,700)
Loan provision	<u><u>14.3 (456,184)</u></u>	<u><u>(469,736)</u></u>
As at 30 September	<u><u>14.2 6,273,781</u></u>	<u><u>5,693,346</u></u>

Ballymote and District Credit Union Ltd
NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2022

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14.2 CREDIT RISK DISCLOSURES

	2022 €	2022 %	2021 €	2021 %
Gross loans not impaired				
Not past due	5,962,010	88.59	5,477,458	88.88
Gross loans individually impaired				
Not past due	250,444	3.72	191,228	3.10
Up to 9 weeks past due	229,657	3.41	207,821	3.37
Between 10 and 18 weeks past due	73,234	1.09	48,745	0.79
Between 19 and 26 weeks past due	18,099	0.27	45,365	0.74
Between 27 and 39 weeks past due	33,874	0.50	25,898	0.42
Between 40 and 52 weeks past due	22,221	0.33	19,925	0.32
53 or more weeks past due	140,426	2.09	146,642	2.38
Total	767,955	11.41	685,624	11.12
Total gross loans	6,729,965	100.00	6,163,082	100.00
Impairment allowance				
Individually significant loans	(220,468)		(273,036)	
Collectively assessed loans	(235,716)		(196,700)	
Total carrying value	6,273,781		5,693,346	

14.3 LOAN PROVISION ACCOUNT FOR IMPAIRMENT LOSSES

	2022 €	2021 €
As at 1 October	469,736	587,367
Allowance for loan losses made during the financial year	(48,036)	(43,310)
Allowances reversed during the financial year	34,484	(74,321)
(Decrease) in loan provision during the financial year	(13,552)	(117,631)
As at 30 September	456,184	469,736

14.4 NET RECOVERIES OR LOSSES RECOGNISED FOR THE FINANCIAL YEAR

	2022 €	2021 €
Bad debts recovered	(83,538)	(51,073)
Decrease in provision for doubtful debts	(22,880)	(117,631)
Loans written off	(106,418)	(168,704)
	48,036	43,310
Net (recoveries)/losses on loans to members recognised for the financial year	(58,382)	(125,394)

14.5 ANALYSIS OF GROSS LOANS OUTSTANDING

	2022 Number of loans	2022 €	2021 Number of loans	2021 €
Less than one year	224	322,670	72	53,902
Greater than 1 year and less than 3 years	359	1,976,203	215	704,108
Greater than 3 years and less than 5 years	197	2,172,393	441	3,229,772
Greater than 5 years and less than 10 years	112	2,258,699	182	2,175,300
	892	6,729,965	910	6,163,082

Ballymote and District Credit Union Ltd
NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2022

continued

15. RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME

	2022 €	2021 €
Prepayments	40,079	18,701
Accrued income	53,368	52,323
	<u>93,447</u>	<u>71,024</u>

16. DEPOSITS AND INVESTMENTS

	2022 €	2021 €
Fixed-term deposits	4,951,622	5,701,622
Bank bonds	5,423,194	997,700
Central Bank minimum deposits	58,797	48,115
	<u>10,433,613</u>	<u>6,747,437</u>

17. MEMBERS' SHARES - FINANCIAL LIABILITIES

	2022 €	2021 €
As at 1 October	15,598,586	13,408,156
Received during the financial year	9,792,117	12,236,517
Repaid during the financial year	(8,405,528)	(10,046,087)
As at 30 September	<u>16,985,175</u>	<u>15,598,586</u>

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

	2022 €	2021 €
Unattached shares	15,914,218	14,422,095
Attached shares	1,070,957	1,176,491
Total	<u>16,985,175</u>	<u>15,598,586</u>

18. OTHER PAYABLES AND ACCRUALS

	2022 €	2021 €
Other payables	<u>126,400</u>	<u>93,736</u>

19. CREDIT UNION RESERVES

	Regulatory reserve €	Distribution reserve €	Operational risk reserve €	Other reserves €	Total €
At 1 October 2021	2,052,106	100,217	105,186	1,594,031	3,851,540
Surplus allocation in financial year	168,015	-	-	12,880	180,895
At 30 September 2022	<u>2,220,121</u>	<u>100,217</u>	<u>105,186</u>	<u>1,606,911</u>	<u>4,032,435</u>

Ballymote and District Credit Union Ltd

NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2022

The Regulatory Reserve of the Credit Union as a % of the total assets as at 30th September 2022 was 10.50% (30th September 2021: 10.50%) which is in excess of the Credit Union's Regulatory Reserve requirement of 10%.

The Operational Risk Reserve of the Credit Union as a % of the total assets as at 30th September 2022 was .50% (30th September 2021: .54%)

The General reserve relates to the accumulated, realised and unallocated reserves of the credit union.

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.

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 financial year has been removed. Notwithstanding this the Board of Ballymote and District Credit Union Ltd has transferred €168,015 of its current financial year surplus to its regulatory reserve.

Distribution reserve

Distribution 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.

Operational risk reserve

The Credit Union has established an Operational Risk reserve under Section 45(5)(a) of the Credit Union Act (as amended) which is separate, distinct and in addition to the reserves the Credit Union is required to hold in its Regulatory reserve. The Credit Union has adopted the 'Basic Indicator Approach' as proposed under Basel II capital adequacy rules in calculating the minimum amounts to be held in this reserve. At the balance sheet date, the Operational Risk Reserve amounted to 0.50% (2021: 0.54%) of total assets.

Other reserves

Other reserves are comprised of the Credit Union's General reserve.

20. FINANCIAL INSTRUMENTS

The Credit Union 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. 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 the 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 the credit union., 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 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 and the Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2018.

Ballymote and District Credit Union Ltd
NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2022

Market Risk:

Market risk is generally comprised of interest rate risk, currency risk and other price risk. The Credit Union 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.

20.1 INTEREST RATE RISK DISCLOSURE

The interest rate applicable to loans to members range from 6% to 12%. 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. As a result, the surplus for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented below;

	2022	Average interest rate	2021	Average interest rate
	€	%	€	%
Financial assets				
Gross loans to members	<u>6,729,965</u>	<u>8.66</u>	<u>6,163,082</u>	<u>8.99</u>
Financial liabilities				
Members' shares	<u>16,985,175</u>	<u>-</u>	<u>15,598,586</u>	<u>-</u>

20.2 LIQUIDITY RISK DISCLOSURE

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

Ballymote and District Credit Union Ltd

NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2022

21. PENSION SCHEME

Ballymote & District 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.

On 31 March 2022, the defined benefit scheme ceased to accrual and although staff retained all the benefits that they had earned in the scheme to that date, Ballymote & District Union Limited and the employees ceased making regular contributions to the scheme and ceased earning any additional benefits from the scheme.

At the date of closure of the scheme, there was a past service deficit which was allocated to each individual credit union based on the total benefits earned by staff in each credit union. Ballymote & District Credit Union Limited's allocation of that past service deficit is €65,590. This total cost was paid to the scheme trustees during the year ended 30 September 2022.

As this is a pooled pension scheme, Ballymote & District Credit Union Limited remains liable to cover the cost of their share of any future increase in the total cost of providing the pension payments to credit union employees who were part of the scheme. Ballymote & District Credit Union Limited exited the scheme during the financial year and therefore never have to make an additional payment requirement.

The Scheme is a multi-employer scheme and there is pooling of the assets, and the sharing of risks associated with the liabilities for all participating employers. Judgement is required to assess whether Ballymote & District Credit Union Limited has sufficient information to provide an appropriate allocation of pension assets and liabilities. An assessment has been performed of the information available and Ballymote & District Credit Union Limited has determined that there is currently insufficient information available. Consequently, Ballymote & District Credit Union Limited continues to account for the plan as a defined contribution plan.

An actuarial review of the Scheme is normally carried out every three years by the Scheme's independent, professionally qualified actuary. The actuarial review considers the past and future service liabilities of the Scheme. The last completed triennial actuarial review was carried out with an effective date of 29 February 2020, using the Attained Age valuation method.

There was a review of the Scheme in conjunction with advisors independent of the trustees. The conclusion of this review was that the Scheme should close to future accrual and this occurred with effect from 31 March 2022 with an associated Funding Plan.

The assets and liabilities of the Scheme and the key assumptions are included in the table below at the respective dates of the Funding Plan and the last triennial valuation date in the table below:

	31 March 2022	29 February 2020
Assets	€283.4m	€250.0m
Liabilities	€377.1m	€291.8m
Deficit	€93.7m	€41.8m
	31 March 2022	29 February 2020
Investment Return in the period	3.35%	3.50%
Investment return while in receipt of pension	0.25%	0.40%
Annual indexation of accrued pensions up to retirement	2.05%	1.25%
Annual increases to pensions in payment	3% / 0%	3% / 0%
Life expectancy		
- 65 year old male lives to	87	86
- 65 year old female lives to	89	88
Amount of pension exchanged for tax-free cash at retirement	0%	25%

Ballymote and District Credit Union Ltd
NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2022

22. RELATED PARTY TRANSACTIONS

During the financial year, a number of related parties of the Credit Union (i.e. Directors, board oversight committee members, the management team of the Credit Union and their family members or any business in which the directors or management team had a significant shareholding), operated share and loan accounts with the Credit Union.

All loans advanced to related parties are approved in accordance with Section 36(4) Credit Union Act, 1997 (as amended). The following transactions and balances existed with members who were Officers during the financial year ended 30th September 2022-

Loans outstanding to related parties amounts to 1.83% of total loans outstanding at the balance sheet date.

	No. of loans	2022 €
Total shares outstanding to Related Parties at the financial year end	79	390,928
Total loans outstanding to Related Parties at the financial year end	15	123,184
Loans issued to Related Parties during the financial year	7	63,700

23. INSURANCE AGAINST FRAUD

The Credit Union has insurance against fraud in the amount of €1,300,000 (2021: €1,300,000) in compliance with Section 47 of the Credit Union Act, 1997 (as amended).

24. CAPITAL COMMITMENTS

The Credit Union had no material capital commitments at the financial year-ended 30 September 2022.

25. POST-BALANCE SHEET EVENTS

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

26. APPROVAL OF FINANCIAL STATEMENTS

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

Ballymote and District Credit Union Ltd
SCHEDULES TO THE REVENUE ACCOUNT
for the financial year ended 2022

Schedule 1 - Interest on Loans

	2022	2021
	€	€
Interest on Loans		
Interest on members' loans	558,490	570,011
	<u>558,490</u>	<u>570,011</u>

Schedule 2 - Investment Income

	2022	2021
	€	€
Investment Income		
Investment income received	50,628	30,358
Investment income receivable within 12 months	32,815	30,452
	<u>83,443</u>	<u>60,810</u>

Schedule 3 - Other Revenue

	2022	2021
	€	€
Other Revenue		
Entrance fees	189	219
E.C.C.U. claims experience refund fees	-	8,127
Miscellaneous income	2,594	1,927
	<u>2,783</u>	<u>10,273</u>

Ballymote and District Credit Union Ltd
SCHEDULES TO THE REVENUE ACCOUNT
for the financial year ended 2022

Schedule 4 - Other Management Expenses

	2022	2021
	€	€
Other Management Expenses		
Training and education	4,747	2,460
Rent and rates payable	5,972	5,117
General insurance	12,904	10,617
Share and loan insurance	56,667	54,242
Light, heat and cleaning	7,314	5,144
Repairs and renewals	1,877	6,811
Computer and equipment maintenance	33,805	32,232
Printing and stationery	2,457	2,607
Promotion and advertising	5,574	6,103
Telephone and postage	1,748	1,902
AGM and convention expenses	4,542	3,547
Legal and professional fees	40,879	31,869
Audit fees	12,500	12,500
Bank charges	20,355	12,644
Miscellaneous expenses	4,671	5,137
Rebate of interest on top-up loans (Note 5)	14,483	-
CUSOP costs	15,401	9,750
Affiliation fees	5,187	6,329
Regulatory levies	41,323	28,216
Surpluses/deficits on disposal of tangibles	(15,755)	9,198
	<u>276,651</u>	<u>246,425</u>