



# **BALLYMOTE & DISTRICT CREDIT UNION LIMITED**

The Rock, Ballymote, Co. Sligo

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## **REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2020**

### **OFFICE HOURS OF BALLYMOTE & DISTRICT CREDIT UNION**

**Monday** - Closed   **Tues & Wed** - 10.00am to 1.30pm

**Thursday** - 10.00am to 5.00pm   **Friday** - 10.00am to 4.00pm

**Saturday** - 10.00am to 1.00pm

**WE ARE OPEN THROUGH LUNCH**

## **NOTICE OF ANNUAL GENERAL MEETING VIA A VIRTUAL ONLINE MEETING**

**on Friday 19th March  
at 8pm**



**Ballymote and District Credit Union Ltd**  
**Report and Financial Statements**  
**for the financial year ended 30 September 2020**

**DHKN Limited**  
**Registered Auditors**  
**Galway Financial Services Centre**  
**Moneenageisha Road**  
**Galway**

**Registered Number: 444CU**

# Ballymote and District Credit Union Ltd

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## **AGENDA**

1. Ascertainment that a quorum is present;
2. Adoption of Standing Orders
3. Reading and approval (or correction) of the minutes of the last annual general meeting.
4. Report of the Board of Directors;
5. Report of the Manager;
6. Report of the Auditor;
7. Declaration of dividend;
8. Report of the Board Oversight Committee;
9. Report of the Credit Committee;
10. Report of Credit Control Committee;
11. Report of Membership Committee;
12. Report of the Nomination Committee;
13. Appointment of Tellers;
  - Election of Auditor
  - Election to fill vacancies on the Board Oversight Committee
  - Election to fill vacancies on the Board of Directors
14. Amendments to Rules
15. Any other business
16. Close of meeting

# Ballymote and District Credit Union Ltd

## DIRECTORS AND OTHER INFORMATION

<b>Directors</b>	Thomas Scully (Chairperson) Maureen Lavin Marguerite Egan Pauline Brennan Mary McGettrick Mary Porter Hubert Killoran Keith Henry Noreen Waters
<b>Board Oversight Committee Members</b>	Niamh Rodgers Nuala Mullaney Margaret Curley
<b>Credit Union Number</b>	444CU
<b>Registered Office and Business Address</b>	The Rock, Ballymote, Co.Sligo
<b>Auditors</b>	DHKN Limited Galway Financial Services Centre Moneenageisha Road Galway
<b>Bankers</b>	Danske Bank 3 Harbourmaster Place International Financial Services Dublin 1  Ulster Bank Stephen Street Abbeyquarter North Sligo
<b>Solicitors</b>	O' Connor Johnson Solicitors O'Connell Street Ballymote Sligo

## Ballymote and District Credit Union Ltd

for the financial year ended 30 September 2020

### 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

\_\_\_\_\_  
**Thomas Scully**

Member of the Board of Directors

\_\_\_\_\_  
**Maureen Lavin**

Date

\_\_\_\_\_

### 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

\_\_\_\_\_  
**Niamh Rodgers**

Member of the Board Oversight Committee

\_\_\_\_\_  
**Nuala Mullaney**

Date

\_\_\_\_\_

# **Ballymote and District Credit Union Ltd**

## **REPORT OF THE BOARD OVERSIGHT COMMITTEE**

for the financial year ended 30 September 2020

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 2020, 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

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**Niamh Rodgers**

Member of the Board Oversight Committee

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**Nuala Mullaney**

Member of the Board Oversight Committee

Date: \_\_\_\_\_



# Ballymote and District Credit Union Ltd

## REVENUE ACCOUNT

for the financial year ended 30 September 2020

	Notes	2020 €	2019 €
<b>Revenue</b>			
Interest on members' loans	4	596,964	554,647
Other interest income and similar income	5	60,727	55,075
<b>Net interest income</b>		657,691	609,722
Other revenue	7	1,533	17,754
<b>Total revenue</b>		659,224	627,476
<b>Expenditure</b>			
Employment costs	8	173,124	152,865
Other management expenses (Schedule 4)		202,401	215,160
Depreciation		13,757	8,742
Impairment of fixed assets/investments		16,855	-
Net (recoveries) or losses on loans to members	12.4	(36,722)	(15,810)
<b>Total expenditure</b>		369,415	360,957
<b>Surplus of revenue over expenditure</b>		289,809	266,519
Other comprehensive income		-	-
<b>Total comprehensive income</b>		289,809	266,519
<b>Transfer (to) / from reserves</b>			
Regulatory reserve		217,684	174,851
Distribution reserve		-	28,755
General reserve		72,125	62,913
<b>Total transfers</b>		289,809	266,519

The financial statements were approved and authorised for issue by the Board of Directors on \_\_\_\_\_ and signed on its behalf by;

Manager

Baruch Scully

Chairperson

Thomas Scully

Member of the Board Oversight Committee

Niamh Rodgers

Date

# Ballymote and District Credit Union Ltd

## STATEMENT OF FINANCIAL POSITION

as at 30 September 2020

	Notes	2020 €	2019 €
<b>Assets</b>			
Cash and cash equivalents	10	3,400,181	2,329,621
Property, plant and equipment	11	475,933	249,964
Loans to members	12	6,510,012	6,418,721
Provision for bad debts	12	(587,367)	(582,432)
Prepayments	13	15,317	16,263
Accrued income	13	55,110	45,496
Deposits and investments	14	7,216,462	6,534,830
<b>Total Assets</b>		<b>17,085,648</b>	<b>15,012,463</b>
<b>Liabilities</b>			
Members' shares	15	12,666,553	11,426,381
Money management accounts	16	741,603	200,461
Trade payables and accruals	17	90,181	59,334
<b>Total Liabilities</b>		<b>13,498,337</b>	<b>11,686,176</b>
<b>Net Assets</b>		<b>3,587,311</b>	<b>3,326,287</b>
<b>Members' Resources</b>			
Regulatory reserve	18	1,793,993	1,576,309
Distribution reserve	18	100,217	129,002
Operational risk reserve	18	105,186	105,186
General reserve	18	1,587,915	1,515,790
<b>Total Members' Resources</b>		<b>3,587,311</b>	<b>3,326,287</b>

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

Manager

Baruch Scully

Chairperson

Thomas Scully

Member of the Board Oversight Committee

Niamh Rodgers

Date

# Ballymote and District Credit Union Ltd

## STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 September 2020

	Regulatory reserve	Distribution reserve	Operational risk reserve	General reserve	Total
	€	€	€	€	€
At 1 October 2018	1,401,458	126,645	105,186	1,452,877	3,086,166
Dividends paid during the financial year	-	(965)			(965)
Loan interest rebate paid during the financial year		(25,433)			(25,433)
Surplus allocation in financial year	174,851	28,755	-	62,913	266,519
At 30 September 2019	<b>1,576,309</b>	<b>129,002</b>	<b>105,186</b>	<b>1,515,790</b>	<b>3,326,287</b>
At 1 October 2019	1,576,309	129,002	105,186	1,515,790	3,326,287
Dividends paid during the financial year	-	(1,082)			(1,082)
Loan interest rebate paid during the financial year		(27,703)			(27,703)
Surplus allocation in financial year	217,684	-	-	72,125	289,809
At 30 September 2020	<b>1,793,993</b>	<b>100,217</b>	<b>105,186</b>	<b>1,587,915</b>	<b>3,587,311</b>

The Regulatory Reserve of the Credit Union as a % of the total assets as at 30th September 2020 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 2020

	2020 €	2019 €
<b>Opening cash and cash equivalents</b>	<b>2,329,621</b>	<b>2,342,826</b>
<b>Cash flows from operating activities</b>		
Loans repaid	2,943,780	2,785,285
Loans granted	(3,054,071)	(3,352,228)
Loan interest income	596,964	554,647
Investment income	60,727	55,075
Other revenue received	1,533	17,754
Bad debts recovered	60,657	64,524
Dividends paid	(1,082)	(965)
Loan interest rebate	(27,703)	(25,433)
Operating expenses	(375,525)	(368,025)
Movement in other assets	(8,668)	6,117
Movement in other liabilities	30,847	36,662
Net cash generated from/(used in) operating activities	<u>227,459</u>	<u>(226,587)</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(256,581)	(165,053)
Net cash flow from other investing activities	<u>(681,632)</u>	<u>(1,010,025)</u>
Net cash used in investing activities	<u>(938,213)</u>	<u>(1,175,078)</u>
<b>Cash flows from financing activities</b>		
Members' shares received	5,830,962	5,534,078
Members' deposits received	5,453,326	4,455,270
Members' shares withdrawn	(4,590,790)	(4,337,318)
Members' deposits withdrawn	(4,912,184)	(4,263,570)
Net cash generated from financing activities	<u>1,781,314</u>	<u>1,388,460</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>1,070,560</u>	<u>(13,205)</u>
<b>Cash and cash equivalents at end of financial year</b>	<u><u>10 3,400,181</u></u>	<u><u>2,329,621</u></u>

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

Manager

Baruch Scully

Chairperson

Thomas Scully

Member of the Board Oversight Committee

Niamh Rodgers

Date

# Ballymote and District Credit Union Ltd

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2020

### 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 2020. 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 2020

### **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 un-collectability.

#### **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 2020

### Investment properties

Revalued investment properties are not depreciated or amortised. Where the valuation indicates a permanent diminution in the value of the property, the permanent diminution is charged to the income and expenditure account. All other fluctuations in value are transferred to a revaluation reserve.

### 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	6 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.



# Ballymote and District Credit Union Ltd

## NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

### 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.

#### 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.



# Ballymote and District Credit Union Ltd

## NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

### **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.

#### **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**

The Credit Union participates in the Irish League of Credit Unions Republic of Ireland Pension Scheme. This is a multi-employer defined benefit scheme with assets invested in separate trustee administered funds. However, as the underlying assets and liabilities attributable to individual employers cannot be identified on a consistent and reasonable basis, the Credit Union is accounting for the pension scheme as if it is a defined contribution scheme. This is in accordance with the rules Financial Reporting Standard 102.

### **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.

# Ballymote and District Credit Union Ltd

## NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

### 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.

#### 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.

# Ballymote and District Credit Union Ltd

## NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

### 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. INTEREST ON MEMBERS' LOANS

	2020 €	2019 €
Loan interest received in financial year	<b>596,964</b>	554,647

### 5. OTHER INTEREST INCOME AND SIMILAR INCOME

	2020 €	2019 €
Investment income received	<b>28,782</b>	27,679
Investment income receivable within 12 months	<b>31,945</b>	27,182
Investment income receivable after 12 months	-	214
	<b>60,727</b>	55,075

### 6. INTEREST PAYABLE AND DIVIDENDS

# Ballymote and District Credit Union Ltd

## NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

### Dividends and loan interest rebate

The following distributions were made during the financial year:

	2020 %	2020 €	2019 %	2019 €
Dividends on shares	0.01	1,082	0.01	965
Loan interest rebate	5.00	27,703	5.00	25,433
		<u>28,785</u>		<u>26,398</u>

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

### Proposed dividends and loan interest rebate

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. The proposed distribution is as follows:

	2020 %	2020 €	2019 %	2019 €
Dividends on shares	-	-	0.01	1,075
Loan interest rebate	-	-	5.00	27,680
		<u>-</u>		<u>28,755</u>

## 7. OTHER REVENUE

	2020 €	2019 €
Entrance fees	219	232
E.C.C.U. claims experience refund fees	-	16,648
Miscellaneous income	1,314	874
	<u>1,533</u>	<u>17,754</u>

## 8. EMPLOYEES AND REMUNERATION

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

	2020 Number	2019 Number
Key management personnel	2	2
Other staff	5	4
	<u>7</u>	<u>6</u>

# Ballymote and District Credit Union Ltd

## NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

The staff costs comprise:

	2020 €	2019 €
Wages and salaries	144,799	129,648
Social security costs	15,562	13,897
Pension costs	12,763	9,320
	<u>173,124</u>	<u>152,865</u>

### 9. KEY MANAGEMENT PERSONNEL

The remuneration of key management personnel was as follows;

	2020 €	2019 €
Short term employee benefits	65,984	59,858
Payments to defined contribution pension scheme	6,220	4,730
Total key management personnel compensation	<u>72,204</u>	<u>64,588</u>

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

### 10. 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.

	2020 €	2019 €
Cash and bank balances	2,589,865	2,000,652
Cash equivalents	810,316	328,969
	<u>3,400,181</u>	<u>2,329,621</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

continued

for the financial year ended 30 September 2020

### 11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings freehold €	Fixtures, fittings and equipment €	Computer equipment €	Total €
<b>Cost</b>				
At 1 October 2019	279,973	32,688	96,774	409,435
Additions	215,571	23,852	17,158	256,581
At 30 September 2020	495,544	56,540	113,932	666,016
<b>Depreciation and impairments</b>				
At 1 October 2019	48,156	25,241	86,074	159,471
Charge for the financial year	19,176	4,558	6,878	30,612
At 30 September 2020	67,332	29,799	92,952	190,083
<b>Net book value</b>				
At 30 September 2020	<b>428,212</b>	<b>26,741</b>	<b>20,980</b>	<b>475,933</b>
At 30 September 2019	231,817	7,447	10,700	249,964

During the year ended 30th September 2020 the credit union obtained an independent market valuation in respect of the freehold land and buildings owned by the credit union. This valuation was carried out by "E&M Scanlon Auctioneers and Estate Agents", Lord Edward Street, Ballymote, County Sligo. In accordance with relevant accounting standards, the credit union has revalued freehold land and buildings to their market value. The impairment charge recorded in the above amounts to €16,855.

### 12. LOANS TO MEMBERS - FINANCIAL ASSETS

#### 12.1 LOANS TO MEMBERS

	2020 €	2019 €
As at 1 October	6,418,721	5,890,363
Advanced during the financial year	3,054,071	3,352,228
Repaid during the financial year	(2,943,780)	(2,785,285)
Loans written off	(19,000)	(38,585)
<b>Gross loans to members</b>	<b>6,510,012</b>	<b>6,418,721</b>
<b>Impairment allowances</b>		
The provision for bad debts is analysed as follows;		
Individual loans	(378,281)	(288,713)
Grouped loans	(209,086)	(293,719)
<b>Loan provision</b>	<b>(587,367)</b>	<b>(582,432)</b>
As at 30 September	<b>5,922,645</b>	5,836,289

# Ballymote and District Credit Union Ltd

## NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

### 12.2 CREDIT RISK DISCLOSURES

	2020 €	2020 %	2019 €	2019 %
<b>Gross loans not impaired</b>				
Not past due	<b>5,520,368</b>	<b>84.80</b>	5,718,333	89.09
<b>Gross loans individually impaired</b>				
Not past due	<b>141,261</b>	<b>2.17</b>	94,168	1.47
Up to 9 weeks past due	<b>487,841</b>	<b>7.49</b>	180,120	2.81
Between 10 and 18 weeks past due	<b>54,281</b>	<b>0.83</b>	95,614	1.49
Between 19 and 26 weeks past due	<b>76,868</b>	<b>1.18</b>	98,339	1.53
Between 27 and 39 weeks past due	<b>34,322</b>	<b>0.53</b>	24,636	0.38
Between 40 and 52 weeks past due	<b>14,452</b>	<b>0.22</b>	16,788	0.26
53 or more weeks past due	<b>180,619</b>	<b>2.78</b>	190,723	2.97
<b>Total</b>	<b>989,644</b>	<b>15.20</b>	700,388	10.91
<b>Total gross loans</b>	<b>6,510,012</b>	<b>100.00</b>	6,418,721	100.00
<b>Impairment allowance</b>				
Individually significant loans	<b>(378,281)</b>		(288,713)	
Collectively assessed loans	<b>(209,086)</b>		(293,719)	
<b>Total carrying value</b>	<b>5,922,645</b>		5,836,289	

### 12.3 LOAN PROVISION ACCOUNT FOR IMPAIRMENT LOSSES

	2020 €	2019 €
As at 1 October	<b>582,432</b>	572,303
Allowance for loan losses made during the financial year	<b>(19,000)</b>	(38,585)
Allowances reversed during the financial year	<b>23,935</b>	48,714
Increase in loan provision during the financial year	<b>4,935</b>	10,129
As at 30 September	<b>587,367</b>	582,432

### 12.4 NET RECOVERIES OR LOSSES RECOGNISED FOR THE FINANCIAL YEAR

	2020 €	2019 €
Bad debts recovered	<b>(60,657)</b>	(64,524)
Reduction	<b>4,935</b>	10,129
Loans written off	<b>(55,722)</b>	(54,395)
Loans written off	<b>19,000</b>	38,585
Net (recoveries)/losses on loans to members recognised for the financial year	<b>(36,722)</b>	(15,810)

# Ballymote and District Credit Union Ltd

## NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

### 12.5 ANALYSIS OF GROSS LOANS OUTSTANDING

	2020 Number of loans	2020 €	2019 Number of loans	2019 €
Less than one year	78	68,533	244	447,071
Greater than 1 year and less than 3 years	253	867,913	382	2,036,255
Greater than 3 years and less than 5 years	538	4,477,269	323	3,558,384
Greater than 5 years and less than 10 years	81	1,096,297	25	377,011
	<u>950</u>	<u>6,510,012</u>	<u>974</u>	<u>6,418,721</u>

### 13. RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME

	2020 €	2019 €
Prepayments	15,317	16,263
Accrued income	55,110	45,496
	<u>70,427</u>	<u>61,759</u>

### 14. DEPOSITS AND INVESTMENTS

	2020 €	2019 €
Fixed-term deposits	6,799,322	6,379,084
Bank bonds	400,000	150,000
Central Bank minimum deposits	17,140	5,746
	<u>7,216,462</u>	<u>6,534,830</u>

### 15. MEMBERS' SHARES - FINANCIAL LIABILITIES

	2020 €	2019 €
As at 1 October	11,426,381	10,229,621
Received during the financial year	5,830,962	5,534,078
Repaid during the financial year	(4,590,790)	(4,337,318)
As at 30 September	<u>12,666,553</u>	<u>11,426,381</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;

	2020 €	2019 €
Unattached shares	11,377,790	10,234,215
Attached shares	1,288,763	1,192,166
<b>Total</b>	<u>12,666,553</u>	<u>11,426,381</u>



# Ballymote and District Credit Union Ltd

## NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

### 16. MONEY MANAGEMENT ACCOUNTS

	2020 €	2019 €
As at 1 October	200,461	8,761
Received during the financial year	5,453,326	4,455,270
Repaid during the financial year	(4,912,184)	(4,263,570)
As at 30 September	<u>741,603</u>	<u>200,461</u>

Money management accounts are repayable on demand.

### 17. OTHER PAYABLES AND ACCRUALS

	2020 €	2019 €
Accruals	<u>90,181</u>	<u>59,334</u>

### 18. CREDIT UNION RESERVES

	Regulatory reserve €	Distribution reserve €	Operational risk reserve €	General reserve €	Total €
At 1 October 2019	1,576,309	129,002	105,186	1,515,790	3,326,287
Distribution in financial year	-	(28,785)	-	-	(28,785)
Surplus allocation in financial year	217,684	-	-	72,125	289,809
At 30 September 2020	<u>1,793,993</u>	<u>100,217</u>	<u>105,186</u>	<u>1,587,915</u>	<u>3,587,311</u>

The Regulatory Reserve of the Credit Union as a % of the total assets as at 30th September 2020 was 10.50% (30th September 2019: 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 2020 was .62% (30th September 2019: .70%)

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 €217,684 of its current financial year surplus to its regulatory reserve.

# Ballymote and District Credit Union Ltd

## NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

### **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 0.62% (2019: 0.7%) of total assets.

### **General reserve**

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

## **19. 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.

### **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.

# Ballymote and District Credit Union Ltd

## NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

### 19.1 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;

	2020	Average interest rate	2019	Average interest rate
	€	%	€	%
<b>Financial assets</b>				
Gross loans to members	<b>6,510,012</b>	<b>9.23</b>	6,418,721	9.01
<b>Financial liabilities</b>				
Members' shares	<b>12,666,553</b>	-	11,426,381	-
Money management accounts	<b>741,603</b>	-	200,461	-
	<b>13,408,156</b>	-	11,626,842	-

### 19.2 LIQUIDITY RISK DISCLOSURE

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

### 20. 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.

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, in accordance with FRS 102.

The Pension's Act requires the trustees of the Scheme to assess whether it could meet a certain prescribed standard, known as the Minimum Funding Standard. This assesses whether, if the scheme was wound up on a specified theoretical valuation date, it could satisfy the Funding Standard at that date. Following the Scheme's actuary certifying a Minimum Funding Standard deficit in the Scheme in 2009, Ballymote & District Credit Union Limited, the ILCU Group and the other credit unions participating in the Scheme entered into a funding agreement with the Scheme that was designed to ensure that, the Scheme could be reasonably expected to satisfy the Minimum Funding Standard by a specified future date (1 March 2019). This funding plan was approved by the Pensions Authority. The Scheme exited the funding plan as scheduled on 1 March 2019 meeting its statutory funding obligations on that date.

As part of the solvency assessment process, the Scheme actuary must carry out a separate valuation under the Minimum Funding Standard every 3 years and produce a funding certificate for submission to the Pensions Authority within 9 months of the effective date of the valuation. The purpose of the certificate is to certify whether or not the assets of the scheme at the effective date are sufficient to meet the liabilities of the scheme based on the assumption that the scheme was wound up at that date. The most recent Actuarial Funding Certificate was effective as at 1 March 2018 and it certified that the Scheme satisfied the funding standard.

# Ballymote and District Credit Union Ltd

## NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

An actuarial review of the fund is normally carried out every three years by the Scheme's independent, professionally qualified actuary. The actuarial review considers the past and future liabilities of the scheme. The last completed triennial actuarial review was carried out with an effective date of 1 March 2017 using the Projected Unit valuation method. The principal actuarial assumption used in the valuation was the investment return would be 1.75% higher than the annual salary increases. The market value of the scheme's assets at 1 March 2017 was €216m. The actuarial valuation disclosed a past service deficit of €6.4m at 1 March 2017 calculated under the Ongoing Actuarial Valuation method. This valuation method assumes that the Scheme will continue in existence for the foreseeable future. The assumptions used in the actuarial review to determine the past service deficit differ from the assumptions that would be used to determine the liabilities for defined benefit obligations under FRS102. This actuarial review recommended that the rate agreed under the funding proposal, 27.5% of pensionable salary, continues to be paid. The cost of risk benefits is paid in addition to this rate giving a total contribution rate of 30% of Pensionable Salary. The 2020 actuarial review is underway and is expected to be concluded by 30 November 2020.

### 21. 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 2020-

Loans outstanding to related parties amounts to 1.54% of total loans outstanding at the balance sheet date.

	No. of loans	2020 €
Loans advanced to Related Parties during the year	7	55,500
Total loans outstanding to Related Parties at the financial year end	12	100,237
Total share balance held by Related Parties at the financial year end		330,498

### 22. INSURANCE AGAINST FRAUD

The Credit Union has insurance against fraud in the amount of €1,300,000 (2019: €1,300,000) in compliance with Section 47 of the Credit Union Act, 1997 (as amended).

### 23. CAPITAL COMMITMENTS

The Credit Union had no material capital commitments at the financial year-ended 30 September 2020.

### 24. POST-BALANCE SHEET EVENTS

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 2020. 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.

# **Ballymote and District Credit Union Ltd**

## **NOTES TO THE FINANCIAL STATEMENTS**

continued

for the financial year ended 30 September 2020

### **25. CONTINGENT LIABILITIES**

In September 2018, all credit unions received correspondence from the Central Bank on a potential matter relating to accrued interest outstanding on members top up loans, which may have led to a potential overcollection of interest. The Credit Union has commenced a review to ascertain whether any top up loans to members might be impacted by these circumstances, and to determine what actions may need to be taken, in consultation with the Central Bank. At the time of sign off of these financial statements and given the degree of work required to quantify the possible liability including the fact that the Central Bank instructions have yet to be issued, it is impractical to reliably measure or in fact determine whether liability arises.

### **26. APPROVAL OF FINANCIAL STATEMENTS**

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

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# Ballymote and District Credit Union Ltd

## SCHEDULES TO THE REVENUE ACCOUNT

for the financial year ended 2020

### Schedule 1 - Interest on Loans

	2020 €	2019 €
<b>Interest on Loans</b>		
Interest on members' loans	596,964	554,647
	<u>596,964</u>	<u>554,647</u>

### Schedule 2 - Investment Income

	2020 €	2019 €
<b>Investment Income</b>		
Investment income received	28,782	27,679
Investment income receivable within 12 months	31,945	27,182
Investment income receivable after 12 months	-	214
	<u>60,727</u>	<u>55,075</u>

### Schedule 3 - Other Revenue

	2020 €	2019 €
<b>Other Revenue</b>		
Entrance fees	219	232
E.C.C.U. claims experience refund fees	-	16,648
Miscellaneous income	1,314	874
	<u>1,533</u>	<u>17,754</u>

# Ballymote and District Credit Union Ltd

## SCHEDULES TO THE REVENUE ACCOUNT

for the financial year ended 2020

### Schedule 4 - Other Management Expenses

	2020 €	2019 €
<b>Other Management Expenses</b>		
Training and education	4,783	4,004
Rent and rates payable	1,130	1,322
General insurance	10,574	10,196
Share and loan insurance	48,282	42,353
Light, heat and cleaning	7,831	4,727
Repairs and renewals	10,865	18,713
Computer and equipment maintenance	27,388	24,978
Printing and stationery	3,706	4,588
Promotion and advertising	3,517	4,853
Telephone and postage	7,905	4,935
AGM and convention expenses	3,389	1,306
Legal and professional fees	19,167	26,618
Audit fees	12,500	8,500
Bank charges	7,858	6,939
Miscellaneous expenses	1,480	2,934
CUSOP costs	8,935	11,721
Affiliation fees	6,248	5,594
Regulatory levies	16,843	30,879
	<b>202,401</b>	<b>215,160</b>

# **Need a Loan?**

## **Special Rate Loan 6.5% APR**

(Christmas and Education loans up to €10,000)

€1000 for one year at € 19.85 per week - total repayments € 1,032

## **Car Loan Rate 7.95% APR**

€1000 for one year at € 20.00 per week - total repayments €1,040

## **Regular rate 10.5% APR**

€1000 for one year at € 20.23 per week - total repayments €1,052

Terms and Conditions Apply

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