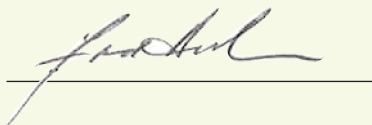


NOTICE IS HEREBY GIVEN that the Annual General Meeting of South Dublin Credit Union Limited will be held in Glenalbyn Sports Club on 17th January 2018 at 8.00 p.m.

## **AGENDA**

- 1. The acceptance by the Board of Directors of the authorised representative of members that are not natural persons**
- 2. Ascertainment that a quorum is present**
- 3. Adoption of Standing Orders**
- 4. Reading and approval (or correction) of minutes of last AGM**
- 5. Report of the Board of Directors**
- 6. Report of the Auditor**
- 7. Consideration and Proposal of Audited Accounts**
- 8. Report of the Oversight Committee**
- 9. Report of the Credit Committee, Credit Control Committee, Membership Committee, Marketing and Promotions, Nominations Committee, Internal Audit**
- 10. Declaration of Dividend, Rebate of Interest, Affiliation fees approved**
- 11. Appointment of Tellers**
- 12. (i) Election of Auditor**
  - (ii) Election to fill vacancies on the Board of Directors**
  - (iii) Election to fill vacancies on the Board Oversight Committee**
- 13. Any other business**
- 14. Announcements of Election Results**
- 15. Close of Meeting**

Signed:



**Fred Austin, Chairperson.**

Due to the enactment of the provision relating to composition of Board of Directors & oversight committee in the 2012 ACT, election of 6 directors and 2 Board Oversight Committee members will be held. Nominations for these elections will be presented to the meeting by the nominating committee.

## DIRECTORS AND OTHER INFORMATION

<b>Directors:</b>	Fred Austin (Chairman) Niamh O'Doherty (Secretary) Paul Cooney Colm Fitzsimons Paula Whelan Cathal Gilbride Paula Mythen Ray McMenamin Marie Hutton (Resigned) Brendan O'Sullivan (Resigned) Donough O'Reilly (Resigned) Avril Hodgins (Resigned) Carol Mulready (Resigned)
<b>Manager:</b>	Anne Quinn
<b>Deputy Manager:</b>	Caitriona Kelly Puca
<b>Financial/Risk Officer:</b>	Martin Baker
<b>Loan Officer/Counter Supervisor:</b>	Mihaela Orban
<b>Credit Control Officer:</b>	Helen O'Rourke
<b>Marketing and Business Development Officer:</b>	Jennifer Finegan
<b>Office Staff:</b>	Patricia Sweeney, Caroline Monson, Suzanne Farrell, Annette Duggan, Anne Polion, Paula Weldon Leona Stephenson, Thomas Hoban.
<b>Board Oversight Committee Members:</b>	Peggy Hayes, William Coleman and Eloise McNamee.
<b>Credit Union Number:</b>	78CU
<b>Registered Office and Business Address:</b>	63-65 Lower Kilmacud Road Stillorgan Co. Dublin, Ireland
<b>Stillorgan Branch:</b>	63-65 Lower Kilmacud Road Stillorgan Co. Dublin
<b>Donnybrook Branch:</b>	59 Morehampton Road Donnybrook Dublin 4
<b>Auditors:</b>	Colligan O Cearbhaill & Co. Chartered Accountants Registered Auditors BriChualann Court Adelaide Road Bray, Co. Wicklow, Ireland

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

for the year ended 30th September 2017

The Credit Union Acts, 1997 to 2012 (as amended) 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 year. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Credit Union will continue in business;

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Credit Union and enable them to ensure that the financial statements comply with the Credit Union Acts, 1997 to 2012 (as amended). They are also responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **STATEMENT OF BOARD OVERSIGHT COMMITTEES' RESPONSIBILITIES**

for the year ended 30th September 2017

The Credit Union Acts, 1997 to 2012 (as amended) require the appointment of a Board Oversight Committee to assess whether the board of directors has operated in accordance with Part IV, Part IVA and any regulations made for the purposes of Part IV or Part IVA of the Credit Union Act, 1997 (as amended) and any other matter prescribed by the Central Bank in respect of which they are to have regard to, in relation to the board.

## **BOARD OVERSIGHT COMMITTEE REPORT**

The Board Oversight Committee is pleased to submit to you, the members of South Dublin Credit Union, its annual report. The Credit Union Act 1997- 2012 requires the appointment of an Oversight Committee. The Oversight Committee is elected by you, the members at the AGM and work independently of the Board of Directors. Our role is to protect the safety and soundness of the Credit Union by overseeing the Board of Directors and assessing whether they are operating in accordance with all the relevant legislation, best practice and good corporate governance. The Oversight Committee monitors compliance as set down in the Credit Union Act. This involves meeting monthly and being represented at every board meeting. Members of the Oversight Committee are also in attendance, where possible, at sub committees of South Dublin Credit Union. The committee comprises of three members, Peggy Hayes, William Coleman and Eloise McNamee. We can report that the Board of Directors comply with the Central Bank Regulatory requirements and the provisions set out in the relevant sections of the Credit Union Act 2012 as amended.

We would like to thank the Board, Manager and staff of the credit union for their assistance and cooperation during the year.

## REPORT OF THE BOARD OF DIRECTORS, 2017

It has been a busy year for your Credit Union with a significant number of projects being completed.

The integration of St. Marys Credit Union Donnybrook with Stillorgan Credit Union was completed by the end of February 2016.

Shortly afterwards the name change was registered with the Central Bank. The South Dublin Credit Union name reflects the geographic common bond all our members hold.

The building next door to our main office (No 67 Lower Kilmacud road) was purchased in March 2017. The extra space this building will afford the Stillorgan office will be very welcome in the future, considering an increase in staff and the ever changing nature of operations.

The financial position of your credit union remained strong over the past year. The economy continues to improve. Economic risks still exist and Ireland remains a high debt economy by international standards. Strong reserves are the key to protecting members' resources. To that end we continue to build reserves which currently stand at €8,666,393 representing 16.7% of total assets.

The loan portfolio increased by a healthy 27.4% over the previous year, though this figure also includes the loan portfolio contribution (€1.4m) from Donnybrook. The loan book now stands at €11,002,513.

Bad debt recovered was €179,873 for the year and we are confident that over time, much of the outstanding bad debt will be recoverable also.

Bad debt written off was €49,943 a figure which has decreased considerably over recent years.

The net financial position is an excess of income over expenditure of €506,402, a very satisfactory result for the year, given the continuing exceptionally low interest rate environment and associated costs with projects undertaken during the year.

We meet the statutory and regulatory requirements, both with regard to reserves and other obligations. The Board of Directors is recommending a dividend of 0.4% on shares for the year, this figure is mainly based on the solid financial performance of your credit union during the past year. The Board is also recommending a 5% interest rebate on loan interest paid by members during the year.

Savings have continued to increase during the year. Return on investments was satisfactory and all investments are capital guaranteed and meet Central Bank Guidelines. The Board of Directors is aware of the low interest rate environment in the general market. Risk management, compliance and internal audit functions are fully functioning.

Members' savings are guaranteed by the Irish Government Savings Guarantee scheme up to €100,000, while the maximum savings any member may hold in your credit union is €50,000 plus any dividends accumulated since 2004.

The savings maximum will be reviewed during the year. Your credit union was actively involved with many local community groups and several local schools have savings schemes with us.

Your credit union continues to seek opportunities to expand members' resources. To that end we have opened preliminary discussions with a smaller nearby credit union with a view to a further Transfer of Engagement.

The Board of Directors would like to thank our manager, Ms Anne Quinn and her efficient staff for the excellent service and commitment provided during the past year.



On behalf of the Board of Directors  
Fred Austin, **Chairperson.**

### **CREDIT CONTROL REPORT 2017**

The last year has been an excellent year for credit control. The bad debt charged off for 2016-2017 was €49,943. The bad debt recovered was €179,893. This reflects many members recommencing repayments on their loan contracts.

Considerable operational resources are devoted to credit control and successful outcomes with members in difficulties, have been achieved. A systematic procedure is in place to engage with members who fall in arrears with their loan repayments at an early stage.

Provision for bad and doubtful debt stands @ €834,430 a figure the Board of Directors considers extremely prudent.

The reserve is fully funded at year end and conforms fully to regulatory requirements. The reserve is held in the form of investments and is thus contributing an income return to your credit unions' overall income.

***The credit control committee would like to stress the importance of contact with the credit union should any member have difficulties with their loan repayments. Difficulties which are addressed quickly are usually the easiest to solve. As a last resort court action is undertaken to protect your credit unions' resources but only after all other avenues have been exhausted.***

### **MEMBERSHIP REPORT 2017**

Membership continues to grow steadily. Total membership is 11321 at year end.

### **INSURANCE REPORT 2017**

During the year 39 claims were settled to a total value of €37,600.

***To the Relatives of those members who died during the year the sympathy of your Directors, Supervisors and Staff are offered.***

## **PROMOTIONS REPORT 2017**

It's been a busy and productive year in terms of marketing and promotions for our credit union.

One of the key tasks this year was to introduce and incorporate our new name and logo across both branches and all of our communications and to communicate with our members on an ongoing and engaging basis.

We have launched a new look website and mobile app, introduced our new logo and corporate logo and image in both branch offices. A new range of supporting marketing products have been designed and produced.

We have had a lot of new members join our credit union this year and we have seen a very positive response in the Donnybrook area. We have run several leaflet drop and ad-mailer and social media campaigns to target new members in the Donnybrook area as well as throughout our entire common bond.

As a community based credit union, helping people in our local community is one of our core values. We are delighted to be in a position to support many local schools, charities, clubs and organisations. During the year, we've supported many local groups including The Kilmacud Musical Society, Mount Merrion Mini World Cup, Stillorgan Mount Merrion Community Games, Beaufield Park Residents Association, The Capuchin Day Centre, Crokes Recalls, Kilmacud Croakes, Stillorgan Kilmacud Active Retirement Association and Donnybrook Tidy Towns.

We have school credit unions running in Mount Anville, Oatlands and St Raphaela's primary schools which we see as a fantastic way to introduce a good savings habit amongst school children. We also support many local school events, programmes and awards in schools throughout our community, including St Mary's Donnybrook, St Raphaela's Secondary, Benildus College and Oatlands College.

Our bi-monthly Members' €10,000 Cash Draw continues to be very popular among members. This is a completely not for profit draw, and all funds received are used as prizes. We would like to congratulate our 5 winners so far this year. The final draw for 2017 took place on Thursday 21st December. If you would like to enter the draw, please contact either branch or download an entry form from our website. Entry costs €52 for the year.

Next year we will be celebrating our 50th Anniversary and lots of special events and promotions are planned. We hope our members will help us celebrate our success. Details of these celebrations will be posted on our social media pages. Don't forget to follow us on Facebook: South Dublin Credit Union, Twitter: @SouthDublinCU and check out our website for up to date news on these celebrations and other events, promotions and competitions at your credit union.

## **CREDIT COMMITTEE REPORT 2017**

As at 30th September 2017 loans to members stands at €11,002,513.

During the year 1264 loan applications were approved. The total value of loans approved during the year was €6,361,916.11. Many loan applications are now being received via our website. There are no hidden charges and your loan is protected by Loan Insurance\* up to 70 years of age (\*terms and conditions apply).

Our loan book is growing steadily and our loan products are very competitive ranging from 5.5% APR to 10.5% APR.

The committee is available to meet any member to discuss queries or problems they may have with regard to their loan, just call the office to arrange an appointment.

## **NOMINATIONS COMMITTEE REPORT 2017**

The Nominations Committee is a statutory committee of the Board of South Dublin Credit Union. Its primary role is to identify and recruit suitable volunteers for nomination, or temporary co-option, to Board membership. As part of this process the Committee is required to manage a Fitness and Probity pre-approval assessment of each candidate in accordance with Central Bank and legal requirements. The Committee aims to maintain a Board membership which broadly reflects the demographic of the Credit Union's common bond area while providing the Credit Union with a range of developmental skills and experience relevant to its activities and governance.

New Board members are expected to participate in induction training. Part of this training programme is delivered by the Committee and is intended to familiarise members with the organisation, operation and performance of the Credit Union, the role and responsibilities of the Board and its sub-committees and aspects of the Credit Union's developmental strategy. Additionally, new members are asked to attend a broad-based induction programme for Board members devised and delivered by the ILCU.

A member who is elected to the Board of Directors may remain as a director for 3 consecutive years before being required to put their name forward for re-election to the Board of Directors, if they so wish. The maximum overall term of office for a director is 12 years consecutively. The Nominations Committee must consequently oversee and administer the succession process. Any Credit Union member (over 18) who has an interest either in becoming a Board member, a member of the Oversight Committee or otherwise contributing as a volunteer should in the first instance contact the Manager.

During 2017, the Nominations Committee recruited and co-opted two new Board members who are subject to election at the AGM.

## **INTERNAL AUDIT**

The role of internal audit is to provide Board and senior management with internal audit services and assurances, which are both independent and objective. Span of enquiries cover all aspects of controls within the financial systems, governance, safeguarding of assets and systems of risk management. An internal audit plan 2017 and updated operational charter has been provided to Board and I have received cooperation from all with my work.

During this year a range of areas were investigated, analyzed and reported upon, namely:

- Loans to Offices and Staff. Loans to Related Parties. Members' account balances and Dormant accounts.
- Management Information Systems and internal audit feedback loop.
- Aspects of the roles of Board of Directors, Board Oversight Committee and Manager. Staff and Directors training procedures and confidentially commitments.
  - Cash Draw process and procedures, including reconciliations and payments.
  - Property title documents.

Detailed reports have been submitted to Board and I am happy to say that all matters reported on by me were positive.

I can be contacted at [internalaudit@southdublincu.ie](mailto:internalaudit@southdublincu.ie). or on 085 8082 777 on any Credit Union matter or item of concern whatsoever.

Des Powell, Internal Auditor



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH DUBLIN CREDIT UNION LIMITED**

We have audited the financial statements of South Dublin Credit Union Limited for the year ended 30 September 2017 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

This report is made solely to the Credit Union's members, as a body, in accordance with Section 120 of the Credit Union Act, 1997 (as amended). 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.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

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

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

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

## **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Credit Union at 30 September 2017 and of its Income and Expenditure Account for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland; and
- have been properly prepared so as to conform with the requirements of the Credit Union Acts, 1997 to 2012 (as amended).

## **OTHER MATTERS PRESCRIBED BY THE CREDIT UNION ACTS, 1997 TO 2012 (AS AMENDED)**

- 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.
- The financial statements are in agreement with the accounting records.

27/11/2017



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COLLIGAN O'CEARBHAILL & CO.  
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS  
BRI CHUALANN COURT, ADELAIDE ROAD, BRAY, CO. WICKLOW

**FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30TH SEPTEMBER 2017**

	Notes	2017 €	2016 €
<b>INCOME</b>			
Interest on members' loans		782,087	682,169
Interest payable on members' deposits		(13,208)	(45,729)
Investment income	2	472,696	593,993
<b>NET INTEREST INCOME</b>		1,241,575	1,230,433
Other income		89,091	22,834
<b>TOTAL INCOME</b>		<b>1,330,666</b>	<b>1,253,267</b>
<b>EXPENDITURE</b>			
Salaries and other wage costs		459,293	412,001
Other management expenses		564,336	354,400
Depreciation charge on fixed assets	6	47,135	27,940
Loans written off	3	49,943	68,171
Provision for bad and doubtful debts	3	(116,570)	-
Bad debts recovered		(179,873)	(203,083)
<b>TOTAL EXPENDITURE</b>		<b>824,264</b>	<b>659,429</b>
<b>SURPLUS</b>		506,402	593,838

## BALANCE SHEET AS AT 30TH SEPTEMBER 2017

	Notes	2017		2016	
		€	€	€	€
<b>ASSETS</b>					
Cash and cash equivalents			12,864,823		10,594,265
Deposits and investments	4		27,760,075		23,810,640
Loans to members	5		11,002,513		8,634,117
Provision for bad and doubtful debts	5		(834,430)		(895,000)
			<u>50,792,981</u>		<u>42,144,022</u>
<b>OTHER ASSETS</b>					
Tangible assets	6		1,108,693		335,785
Prepayments and other debtors	7		50,953		53,858
			<u>51,952,627</u>		<u>42,533,665</u>
<b>LIABILITIES</b>					
Members' deposits			3,760,620		7,020,916
Members' shares			39,153,160		27,703,225
Other creditors	8		372,454		327,390
			<u>43,286,234</u>		<u>35,051,531</u>
<b>Members' Resources</b>					
Regulatory reserve		5,498,996		4,500,000	
		<u>5,498,996</u>		<u>4,500,000</u>	
Distribution reserve		2,751,782		2,644,228	
Other reserves		415,615		337,906	
			<u>8,666,393</u>		<u>7,482,134</u>
<b>TOTAL RESERVES AND LIABILITIES</b>			<u><u>51,952,627</u></u>		<u><u>42,533,665</u></u>

**FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30TH SEPTEMBER 2017**

	Regulatory reserve	Distribution reserve	Unrealised income reserve	Operational risk reserve	Total
	€	€	€	€	€
At 1 October 2015	4,000,000	3,053,816	-	-	7,053,816
Surplus	-	593,838	-	-	593,838
Distribution in year	-	(165,520)	-	-	(165,520)
Allocation of surplus	65,000	(65,000)	-	-	-
Transfer between reserves	435,000	(772,906)	37,906	300,000	-
<b>At 30 September 2016</b>	<b>4,500,000</b>	<b>2,644,228</b>	<b>37,906</b>	<b>300,000</b>	<b>7,482,134</b>
At 1 October 2016	4,500,000	2,644,228	37,906	300,000	7,482,134
Transfer of engagement	498,996	322,881	-	10,000	831,877
Surplus	-	506,402	-	-	506,402
Distribution in year	-	(154,020)	-	-	(154,020)
Allocation of surplus	55,000	(55,000)	-	-	-
Transfer between reserves	445,000	(512,709)	67,709	-	-
<b>At 30 September 2017</b>	<b>5,498,996</b>	<b>2,751,782</b>	<b>105,615</b>	<b>310,000</b>	<b>8,666,393</b>

(1) The Regulatory reserve of the Credit Union as % of total assets as at 30th September 2017 was 10.58%. (2016: 10.58%).

(2) In accordance with S45 of the Credit Union Act 1997 (as amended), South Dublin Credit Union Ltd. established an Operational Risk reserve during the current period. Based on the Board's assessment it was deemed appropriate to hold a minimum of 30% of general operating expenses as an Operational Risk reserve.

(3) Following commencement of S13 of the 2012 Act, the requirement for Credit Unions to transfer 10% of their annual surplus to their statutory reserve (now known as the Regulatory reserve) each year has been removed. Notwithstanding this the Board of South Dublin Credit Union Ltd. has transferred €500,000 of its current year surplus to its Regulatory reserve so that the reserve would stand at 10.58% at current year end which is in excess of the required limit of 10%.

## CASH FLOW STATEMENT

	Notes	2017 €	2017 €	2016 €	2016 €
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>					
Operating surplus			506,402		593,838
Depreciation	6		47,135		27,940
Provision for bad and doubtful debts			(116,570)		-
Loans written off			49,943		68,171
			<hr/>		<hr/>
<b>Net cash inflow from trading activities</b>			486,910		689,949
New loans to granted members		(6,339,113)		(5,416,795)	
Repayment of members' loans		5,322,786		4,613,727	
		<hr/>		<hr/>	
Net movement in members' loans	5		(1,016,327)		(803,068)
Members shares and deposits received		17,549,167		18,165,588	
Members shares and deposits withdrawn		(13,579,688)		(15,050,740)	
		<hr/>		<hr/>	
Net movement in members' shares and deposits			3,969,479		3,114,848
Net movement in other assets			25,208		1,500
Net movement in other creditors			45,064		(17,275)
			<hr/>		<hr/>
Net cash generated from operating activities			3,560,334		2,985,954
<b>Cash flows from investing activities</b>					
Capital expenditure	6		(477,634)		(3,703)
Net movement in investments			(1,778,798)		(1,258,744)
			<hr/>		<hr/>
Net cash generated from investing activities			(2,255,432)		(1,262,447)
<b>Cash flows from financing activities</b>					
Dividends and interest rebate paid			(154,020)		(165,520)
			<hr/>		<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>			1,100,882		1,557,987
<b>Cash and cash equivalents at 1st October 2016 St Marys - Cash introduced</b>			10,594,265		9,036,278
<b>Cash and cash equivalents at 30th September 2017</b>			1,169,676		-
			<hr/>		<hr/>
			<b>12,864,823</b>		<b>10,594,265</b>
			<hr/> <hr/>		<hr/> <hr/>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Statement of compliance**

These financial statements have been prepared in accordance with FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland). The financial statements are prepared on the historical cost basis.

### **Basis of preparation**

These financial statements have been prepared in accordance with FRS 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland. The financial statements have been prepared under the historical cost 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.

#### **(i) Interest on members' loans**

Interest on loans to members is recognised on an accruals basis.

#### **(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.

### **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 2017.

#### **Operational Risk reserve**

The Credit Union has established an Operational Risk reserve which is separate, distinct and in addition to the reserves the Credit Union is required to hold in its Regulatory reserve. The amount held in the Operational Risk reserve is the predicted impact of operational risk events that may have a material impact on the Credit Union's business.

#### **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 2017. A reclassification between non-distributable and distributable is made as investments come to within 12 months of maturity date.

## **Use of estimates and judgements**

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.

## **Basic financial liabilities**

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

## **Financial liabilities members' shares and deposits**

Members' shares, Money Management Accounts and Deposits are redeemable and therefore are classified as financial liabilities. They are initially recognised at the amount of cash deposited and subsequently members' deposits are measured at amortised cost.

## **Other payables**

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



## **Tangible fixed assets 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	- 2% Straight line
Fixtures, fittings and equipment	- 20% Straight line
Improvements to premises	- 10% Straight line

## **Investments**

### ***Investments at fair value***

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.

### ***Held at amortised cost***

Investments designated on initial recognition as held at amortised cost are measured at amortised cost using the effective interest method less impairment. This means that the investment is measured at the amount paid for the investment, minus any repayments of the principal; plus or minus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount; minus, in the case of a financial asset, any reduction for impairment or uncollectability. This effectively spreads out the return on such investments over time, but does not take account immediately of any impairment in the value of the investment.

### ***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. In accordance with the direction of the Central Bank the amounts are shown as current assets and are not subject to impairment reviews.

### ***Fixed-term deposit accounts***

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.

## **Pensions**

Staff pension costs under a defined contribution plan are charged to the Income and Expenditure account in the period to which they relate.

## **Bad and Doubtful Debts**

Allowances for impaired loans represent reserves and/or provisions made during the year less amounts utilised or realised charged against the surplus for the year. Amounts are created after a detailed review of individual loans and groups of loans. Allowances are established by reviewing the credit worthiness of individual borrowers and the value of collateral underlying the loan. General allowances are measured based on Resolution 49 of the Irish League of Credit Unions. Bad debts in the Credit Union are recognised when there is a reasonable doubt that the full amount of principal 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.

## **Cash and cash equivalents**

Cash and cash equivalents comprise operating cash on hand and cash deposited with banks with original maturity of less than or equal to three months.

## **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.

## **Transfer of Engagements**

Transfer of Engagements are accounted for using the acquisition method of accounting. This involves recognising identifiable assets and liabilities of the acquired Credit Unions at fair value. In applying the acquisition method of accounting for these business combinations, the member interests transferred by South Dublin Credit Union Limited represents the consideration transferred for the net assets acquired. This consideration has been estimated as equivalent to the acquisition date fair value of the member interests in the Transferor Credit Unions (the fair value of the Transferor Credit Unions) at the date of the transfer, and is reflected as an adjustment in the statement of changes in reserves.

## I. TRANSFER OF ENGAGEMENTS

On 24 February 2017 South Dublin Credit Union Limited (“SDCU”) accepted the Transfer of Engagements of St Mary’s Credit Union Limited (“SMCU”). The Assets and Liabilities of SMCU were incorporated into the Balance Sheet of SDCU at this date.

SDCU did not pay any consideration in respect of the Transfer of Engagements. On the date of transfer, the members of the transferor credit unions became members of SDCU, and thereby became entitled to member interest associated with such membership. In applying the acquisition method of accounting for these business combinations, the members interests transferred by SDCU represents the consideration transferred for the net assets acquired. This consideration has been estimated as equivalent to the acquisition date fair value of the member interests in the transferor credit unions (the fair value of the transferor credit unions) at the date of transfer, and is reflected as an adjustment in “realised reserves” in the statement of changes in reserves.

The book values and fair values of the net assets acquired are detailed in the table below:

	<b>SMCU assets and liabilities prior to transfer</b>	<b>Fair value adjustment</b>	<b>Fair value of assets and liabilities acquired by SDCU</b>
	€	€	€
Cash and balances at bank	1,169,676	-	1,169,676
Deposits and investments	2,171,637	-	2,171,637
Loans to members	1,402,012	-	1,402,012
Provision for bad and doubtful debts	(56,000)	-	(56,000)
Tangible fixed assets	342,409	-	342,409
Prepayments and accrued income	22,303	-	22,303
Members shares	(4,220,160)	-	(4,220,160)
	<b>831,877</b>	<b>-</b>	<b>831,877</b>

<b>2. INCOME FROM INVESTMENTS</b>	<b>2017</b>	<b>2016</b>
	€	€
Investment income received	258,602	276,465
Investment income receivable within 12 months	194,092	279,622
Investment income receivable after 12 months	20,002	37,906
	<b>472,696</b>	<b>593,993</b>

<b>3. BAD AND DOUBTFUL DEBTS</b>	<b>2017</b>	<b>2016</b>
	€	€
Provision for bad and doubtful debts	(116,570)	-
Loans written off	49,943	68,171
	<b>(66,627)</b>	<b>68,171</b>

<b>4. INVESTMENTS</b>	<b>2017</b>	<b>2016</b>
	€	€
Accounts in authorised credit institutions	19,306,888	16,762,006
Bank bonds	5,539,472	6,781,773
EEA State Securities	2,606,018	-
Central bank deposit protection fund	20,297	59,349
Central bank minimum reserve	287,400	207,512
	<b>27,760,075</b>	<b>23,810,640</b>

<b>Investments by counterparty</b>	<b>Maturity</b>	<b>€</b>
AIB Group	2017/2021	4,905,662
Bank of Ireland	2017/2024	6,754,467
Irish Life and Permanent	2017/2019	3,466,546
Royal Bank of Scotland	2017/2019	1,101,126
Goldman Sachs	2021/2022	4,345,672
Deutsche Bank	2022/2025	3,172,116
EEA State Securities	2027	2,606,018
BNP Paribas	2019	100,000
Credit Suisse	2024	1,000,771
Central bank deposit protection fund		20,297
Central bank minimum reserve		287,400
		<b>27,760,075</b>

<b>5. MEMBERS' LOANS</b>	<b>2017</b>	<b>2016</b>
	€	€
Loans to members	11,002,513	8,634,117
Provision for bad and doubtful debts	(834,430)	(895,000)
	<b>10,168,083</b>	<b>7,739,117</b>
<b>Movement in members' loans</b>	<b>2017</b>	<b>2016</b>
	€	€
Opening balance	8,634,117	7,899,220
Cash movement in year	1,016,327	803,068
Loans written off	(49,943)	(68,171)
Transfer of engagement	1,402,012	-
Closing balance	<b>11,002,513</b>	<b>8,634,117</b>
<b>Movement in provision for doubtful debts</b>	<b>2017</b>	<b>2016</b>
	€	€
Opening provision	895,000	895,000
Transfer of engagement	56,000	-
Movement in year	(116,570)	-
	<b>834,430</b>	<b>895,000</b>

South Dublin Credit Union Ltd. does not offer mortgages and as a result all loans to members are unsecured, except that there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding. There are maximum amounts set down by the Central Bank in terms of what amount a member can borrow from the Credit Union.

The carrying amount of the loans to members represents South Dublin Credit Union Ltd.'s maximum exposure to credit risk.

The following table provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full

	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	Amount	Proportion	Amount	Proportion
	€	%	€	%
Secured loans	1,599,699	14.54	1,338,437	15.50
Neither past due or impaired	7,257,636	65.96	5,445,697	63.07
Up to 9 weeks past due	1,532,035	13.93	1,438,812	16.67
Between 10 to 18 weeks past due	226,826	2.06	112,386	1.30
Between 19 to 26 weeks past due	77,691	0.71	20,767	0.24
Between 27 to 39 weeks past due	42,079	0.38	30,748	0.36
Between 40 to 52 weeks past due	53,170	0.48	45,276	0.52
53 or more weeks past due	213,377	1.94	201,994	2.34
	<b>11,002,513</b>	<b>100.00</b>	<b>8,634,117</b>	<b>100.00</b>
Impairment allowance				
Individual loans	(195,320)		(207,433)	
Groups of loans	(639,110)		(687,567)	
Total carrying value	<b>10,168,083</b>		<b>7,739,117</b>	

## 6. TANGIBLE FIXED ASSETS

	Land and buildings freehold €	Fixtures, fittings and equipment €	Improvements to premises €	Total €
<b>Cost</b>				
At 1 October 2016	464,245	145,047	29,300	638,592
Additions	415,771	61,863	-	477,634
Transfer of engagement	534,143	141,417	-	675,560
At 30 September 2017	1,414,159	348,327	29,300	1,791,786
<b>Depreciation</b>				
At 1 October 2016	154,424	137,193	11,190	302,807
Charge for the year	25,510	19,425	2,200	47,135
Transfer of engagement	198,334	134,817	-	333,151
At 30 September 2017	378,268	291,435	13,390	683,093
<b>Net book value</b>				
At 30 September 2017	1,035,891	56,892	15,910	1,108,693
At 30 September 2016	309,821	7,854	18,110	335,785

## 7. PREPAYMENT AND ACCRUED INCOME

	2017 €	2016 €
Prepayments	19,758	26,037
Accrued interest member's loans	31,195	27,821
	<b>50,953</b>	<b>53,858</b>

## 8. OTHER CREDITORS

	2017 €	2016 €
Saving stamps	-	154
Cash Draw	24,289	23,565
Savings club	264,738	246,018
Accrued expenses and sundry credit balances	83,427	57,653
	<b>372,454</b>	<b>327,390</b>

## 9. DIVIDENDS

	2017 %	2017 €	2016 %	2016 €
Dividends on shares	0.60	154,020	0.75	165,520

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

## 10. PROPOSED DIVIDENDS

At the year-end the directors have allocated the amount of €2,751,782 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:

	2017	2017	2016	2017
	%	€	%	€
Dividends on shares	0.40	143,921	0.60	154,020
Loan interest rebate	5.00	43,213	-	-
		<u>187,134</u>		<u>154,020</u>

## 11. PENSION SCHEME

Staff pension costs under a defined contribution plan are charged to the Income and Expenditure account in the period to which they relate.

## 12. RELATED PARTY TRANSACTIONS

Directors and management of the Credit Union during the financial year ended 30 September 2017 operated share and loan accounts with the Credit Union. All loans advanced to directors and management are approved in accordance with Section 36(4) Credit Union Act, 1997 (as amended). The following transactions and balances existed with directors and management during the financial year ended 30 September 2017:

	Number	2016
		€
New loans advanced to officers	6	<u>22,000</u>
Loan balances relating to officers	10	<u>117,502</u>
Provisions against loans to officers		<u>5,211</u>
Total share and deposit balances relating to officers		<u>152,229</u>

## 13. INSURANCE AGAINST FRAUD

The Credit Union has insurance against fraud in the amount of €4,000,000 (2016: €4,000,000) in compliance with Section 47 of the Credit Union Acts 1997 to 2012.

## 14. CAPITAL COMMITMENTS

The Credit Union had no material capital commitments at the year-ended 30 September 2017.

## 15. POST-BALANCE SHEET EVENTS

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

## 16. CASH AND CASH EQUIVALENTS

	2017	2016
	€	€
Cash and bank balances	12,864,823	10,594,265

## **17. RATES OF INTEREST CHARGED ON MEMBERS' LOANS**

Interest was charged at rates of 10.035%, 9.119%, 7.674%, 7.273%, 5.366% and 6.33%.

The equivalent APR rates were 10.5%, 9.5%, 7.95%, 7.5%, 5.5% and 6.5%.

## **18. TREASURY MANAGEMENT AND FINANCIAL INSTRUMENTS**

### **Financial risk management**

South Dublin Credit Union manages its members shares and loans to members so that it earns income from the margin between interest receivable and interest payable. The main financial risks arising from South Dublin 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 South Dublin Credit Union, resulting in financial loss to the Credit Union. In order to manage this risk the Board approves South Dublin Credit Union's lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed. FRS 102 Credit Union also monitors its banking arrangements closely in light of the current banking situation.

### **Liquidity risk**

South Dublin 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 objective of the Credit Union's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

### **Market risk**

Market risk is generally comprised of interest rate risk, currency risk and other price risk. South Dublin Credit Union conducts all its transactions in Euro and does not deal in derivatives or commodity markets. Therefore South Dublin Credit Union is not exposed to any form of currency risk or other price risk.

### **Interest rate risk**

South Dublin 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 when deciding on the dividend rate payable on members' shares. South Dublin Credit Union does not use interest rate options to hedge its own positions.



## 19. KEY MANAGEMENT REMUNERATION

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

	2017 €	2016 €
Short term employee benefits	133,626	133,626
Payments to defined contribution pension schemes	15,191	15,191
	<u>148,817</u>	<u>148,817</u>

## 20. COMPARATIVE INFORMATION

The financial statements were approved and authorised for issue by the board of directors on 27/11/2017.

## 21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on

## SCHEDULE 1 - OTHER INCOME ANALYSIS

for the year ended 30 September 2017

	2017	2016
	€	€
<b>Other Income</b>		
Entrance fees	439	397
Cash over	136	190
Rebo refund	67,519	-
E.C.C.U. claims experience refund fees	20,997	22,247
	<u>89,091</u>	<u>22,834</u>

## SCHEDULE 2 - ANALYSIS OF OTHER MANAGEMENT EXPENSES


for the year ended 30 September 2017


	2017	2016
	€	€
<b>Expenditure</b>		
Training and seminars	5,521	3,005
Rent and rates payable	9,838	7,920
General insurance	13,261	11,182
Share and loan insurance	116,995	91,160
Light and heat	5,107	3,977
Repairs and renewals	18,764	8,960
Risk and compliance	10,515	5,600
Merger costs	27,776	15,520
Computer and equipment maintenance	30,192	29,905
Printing and stationery	12,435	7,113
Promotion and education	42,626	33,010
Telephone and postage	13,199	8,322
AGM expenses	26,857	11,152
Chapter expenses	-	120
Convention expenses	192	1,706
Travelling and subsistence	974	2,019
Annual dinner	3,000	2,218
Professional fees	49,184	14,790
Audit fees	13,097	8,500
Bank interest and charges	22,510	16,896
BNP clearing system access	23,159	15,335
Miscellaneous expenses	20,976	9,519
Cash short	450	220
Affiliation fees	17,180	17,140
Regulation levy	80,528	29,111
	<u>564,336</u>	<u>354,400</u>

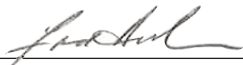
## GOVERNMENT SAVINGS GUARANTEE

All Credit Unions including South Dublin Credit Union Limited member's savings are currently guaranteed by the Irish Government Savings Guaranteed Scheme to a maximum of €100,000 per member

On behalf of the Credit Union:-

 Date 27/11/2017  
Manager

 Date 27/11/2017  
Member of Oversight Committee

 Date 27/11/2017  
Member of the Board of Directors



### CUsafe INSURANCE

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## Photo Identification and Address Verification compliance report

There has been a huge response to our recent request for members to provide up to date photo and address verification. We would like to thank all members for submitting current photo identification and address verification and we encourage everyone to keep their details up to date.

## NOMINATIONS

We remind all members of the importance of keeping their Nominations up to date. Please contact the office if you have any queries.

# **SOUTH DUBLIN CREDIT UNION LOANS**

*“Making more Possible...”*

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63/65 Lower Kilmacud Road  
Stillorgan, Co Dublin

**Donnybrook Branch**  
59 Morehampton Road  
Donnybrook, Dublin 4



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