



**Buncrana
Credit Union**

C E L E B R A T I N G



Tuesday 25th February 2020 at 7.30pm
The Lake of Shadows Hotel, Buncrana

ANNUAL REPORT

2019

YOUR CREDIT UNION, SUPPORTING YOUR COMMUNITY

Buncrana Credit Union Limited

Notice of Annual General Meeting

Notice is hereby given that the
Annual General Meeting of Buncrana Credit Union
will be held on
Tuesday 25th February 2020 at 7.30pm in
The Lake of Shadows Hotel, Buncrana

Signed: **Ciaran MacLochlainn**

Date: **28th January 2020**

Annual General Meeting - Order of Business

1. The acceptance by the Board of Directors of the authorised representatives of members that are not natural persons;
2. Ascertainment that there is a quorum present;
3. Adoption of Standing Orders;
4. Reading and approval of the 48th Annual General Meeting minutes;
5. Minute's Silence for Deceased Members;
6. Report of the Chairperson;
7. Report of the Board of Directors;
8. Consideration of Accounts - Finance Report;
9. Independent Auditor's Report;
10. Report of the Board Oversight Committee;
11. Declaration of Dividend and Loan Interest Rebate;
12. Report of the Credit Committee;
13. Report of the Credit Control Committee;
14. Report of the Membership Committee;
15. Report of the Marketing Committee;
16. Report of Nomination Committee;
17. Report of the Risk and Compliance Committee;
18. Report of the Strategy Committee;
19. Insurance Report;
20. Appointment of Tellers;
21. Election of Auditor;
22. Election to fill vacancies on Board Oversight Committee;
23. Election to fill vacancies on the Board of Directors;
24. Annual Draw;
25. Any Other Business;
26. Announcement of Election Results;
27. Adjournment or Close of Meeting.

Notice to Members about Taxation of Credit Union Dividends

As we advised in previous years, the Budget 2014 amended the way members' dividends are treated by the Revenue Commissioners for tax purposes. All dividends paid to members are now subject to Deposit Interest Retention Tax (DIRT) at 33%. This means that we are required to deduct DIRT from all dividends, unless the member is exempt from DIRT. Children are not exempt from DIRT.

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Rule Amendments

Rule 1

That this Annual General Meeting agrees to amend Rule 1(a) of the rules of Buncrana Credit Union Ltd by the insertion of "*membership officer*", to read as follows:

Rule 1. Interpretation

'officer' includes:

- (a) the chair, the secretary or any other member of the board of directors, a member of a principal committee, a member of the board oversight committee, risk management officer, compliance officer, credit officer, *membership officer* or credit control officer of the credit union,
- (b) an employee of the credit union to whom paragraph (a) does not apply, and
- (c) a voluntary assistant of the credit union, but does not include an auditor appointed by the credit union in accordance with the requirements of the Act;

Rule 13

That this Annual General Meeting agrees to amend Rule 13(1)(ii) of the rules of Buncrana Credit Union Ltd by the insertion of "*or by a duly appointed and authorised Membership Officer*", to read as follows:

Rule 13. Qualifications for membership

- (1) An applicant shall be admitted to membership only when:
 - (i) it shall have been determined that he is eligible for membership in accordance with rule 11; and
 - (ii) his application for membership shall have been approved by the affirmative vote of a majority of the board of directors or by a duly appointed and authorised membership committee present at a meeting at which the application is considered, *or by a duly appointed and authorised Membership Officer*; and

Rule 40(2)

That this Annual General Meeting agrees to amend Rule 40(2) of the rules of Buncrana Credit Union Ltd to replace the number of directors to eleven members, instead of nine members.

Rule 53(1)

That this Annual General Meeting agrees to amend Rule 53(1) of the rules of Buncrana Credit Union Ltd to replace the number of board oversight committee members to five members, instead of three members.

Rule 83

That this Annual General Meeting agrees to amend Rule 83 of the rules of Buncrana Credit Union Ltd by the insertion of "*and/or membership officer*", to read as follows:

Rule 83. Duties of membership committee and/or membership officer

Subject to these rules and the Act, the membership committee *and/or membership officer* shall:

Rule 84A

That this Annual General Meeting agrees to insert a new 84A into the rules of Buncrana Credit Union Ltd, to read as follows:

Rule 84A. Membership Officer

- (1) *The board of directors may approve the appointment of a person by the manager as a membership officer to assist the membership committee and work under its supervision and control.*
- (2) *A record of each application for membership which has or has not been approved shall be furnished by the membership officer to the membership committee no later than seven days of receipt of the application.*

Officers and Committees

Chair: Kevin Helferty.

Vice Chair: Paul Brogan.

Secretary: Ciaran MacLochlainn.

Directors:

Fionan Bradley, Paul Brogan, Paul Doherty, Kevin Helferty, Ciaran MacLochlainn, John Mc Gonagle, Sarah McLaughlin, Siobhan Mc Laughlin, Sean Murphy.

Board Oversight Committee:

Patrick Grant, John Keyes and Kieran Mc Callion.

Credit Committee:

Paul Brogan, Kevin Helferty, Denis Kelly and Sean Murphy.

Credit Control Committee:

Michael Bradley, Ursula Cutliffe (retired), Paul Doherty, John Mc Gonagle, Sandra Mc Grory (retired), Denis O Donnell and Martina Whorskey.

Marketing Committee:

Fionan Bradley, Michael Bradley, Mario Comiskey, Grainne Gillen, Mary Margaret Grant (retired), John Mc Gonagle, Breda Mc Gonigle, Aster Mullins (retired), Mike Mullins (retired), Denis O Donnell and Emma Porter (retired).

Nomination Committee:

Fionan Bradley, Paul Brogan, Kevin Helferty, Sarah Mc Laughlin and Sean Murphy.

Risk and Compliance Committee:

Sarah Mc Laughlin, Ciaran MacLochlainn and Sean Murphy.

Finance and Audit Committee:

Paul Brogan, Kevin Helferty and Siobhan Mc Laughlin.

Strategy Committee:

Paul Brogan, Maeve Douglas, Kevin Helferty, Breda Mc Gonigle and Siobhan Mc Laughlin.

Complaints Committee:

Paul Doherty, Maeve Douglas and Siobhan Mc Laughlin.

Chapter Delegates:

Paul Brogan and Sean Murphy

Insurance Officers:

Josephine Doherty, Maeve Douglas, Claire Grant and Katherine McBride.

Management:

Maeve Douglas, Katherine McBride, Breda Mc Gonigle, Breda Mc Nulty and Ashley Young.

Staff:

Joe Bonner, Charlotte Crawford, Orla Devlin, Josephine Doherty, Pamela Doherty, Niamh Gallagher, Donna Gill, Anne Graham, Claire Grant, Nona Kelly, Rose Kelly (ceased employment), Michelle Kemmy, Edel Lafferty, Stella Lynch, Joe McCauley, Alison McDaid, Marlene McLaughlin, Tracey Mc Laughlin, Sean Mc Menamin, Bernie Skinnader and Maura Toner

Volunteers:

Claire Bradley, Michael Bradley, Mario Comiskey, Ursula Cutliffe (retired), Grainne Gillen, Mary Margaret Grant (retired), Paddy Grant, Claire Irwin, Denis Kelly, John Keyes, Kieran McCallion, Sandra Mc Grory (retired), Aster Mullins (retired), Mike Mullins (retired), Anita O'Donnell, Denis O Donnell, Emma Porter (retired) and Martina Whoriskey.

Credit Union Number

274 CU

Main Office

Cockhill Road, Buncrana, Co. Donegal

Branch

Station Road, Carndonagh, Co. Donegal

Auditors

Stewart and MacLochlainn
Chartered Accountants & Statutory Auditors
Portland House
Port Road
Letterkenny
Co Donegal

Bankers

Allied Irish Bank (AIB)
Lower Main Street
Buncrana
Co. Donegal

Chairperson's Report 2019

Having been elected as Chairman by the Board of Directors, it is my duty and honour to report to the Members on our performance during the past year which has seen ever increasing, costly and relentless regulation by the Central Bank.

In spite of this, Buncrana Credit Union has continued to grow, both in membership and in financial strength, during 2019. In fact, over the past year we have issued over €13.3million in loans to our members. In addition, over €10.7 million has been repaid and €30 million saved. Those funds are available for lending to meet our members needs.

Buncrana, like all credit unions in Ireland, plays a vital role in providing "access to credit with dignity" for all our members, including those who may need it most. The most vulnerable in our community are especially susceptible to the temptation of (what may appear to be) "easy money" by borrowing from high cost, payday loan sharks and money lenders. But, in reality they are paying an exorbitant price for such loans, through excessive interest rates plus crippling fees and charges! Please help us to reach out to those (perhaps your own neighbours, friends or family?) who may need help to break out of the clutches of moneylenders. Why not invite and encourage them to talk to us first? We stand ready and willing to help....in complete confidence.

The credit union motto in Ireland throughout the past 50 years has been: "Not for profit - not for charity - but for service". That service remains available, to all our members, their families and the wider community, right up to the present day.

Indeed, it would be remiss of me in this our Golden Anniversary year, not to pay a special tribute to the founder members who set up our credit union just over 50 years ago. In particular, we owe a debt of gratitude to the original Board of Directors, who took a courageous "leap of faith" in December 1969. Inspired by John Hume (and encouraged by the Buncrana ICA amongst others) they formed a financial cooperative which became registered as Buncrana Credit Union Ltd. We hope that their descendants and their successors are pleased to see what a safe and strong Credit Union has now been built on those firm foundations and the same, solid, values they set out for us in 1969.

Your Credit Union remains a "strong Credit Union in safe hands"; and service to our members remains the sole reason for our existence. For the past 50 years successive Boards of Directors, volunteers, management and staff have endeavoured to do this. We remain

focused on that key goal; and with your ongoing loyalty and support, we will continue to do so for the benefit of future generations of members long into the 21st Century.

There is an old saying: "Whether you think you really can, or think that you really can't either way you are likely to be right!". Therefore, we try to stay positive and focus on what we have (not on what we don't have) and build on that approach. So, as a team, we are focussed on our vision to grow and maintain a safe and sound credit union that all members can be justifiably proud of, as our lasting legacy to future generations of members in the 21st century.

In conclusion, may I also pay tribute to one of our colleagues, (Sean Murphy), who is retiring as a volunteer Director after 7 years of loyal service to Buncrana Credit Union. I wish to record my own and the Board's sincere thanks for his valued and unstinting commitment on behalf of our members. His contribution is greatly appreciated.

Finally, may I thank my fellow Directors, Board Oversight Committee, Volunteers, CEO, Management and Staff for their support to myself during the past year. Especially, I thank you our loyal members, for your borrowing and repayments, your savings and suggestions, plus your volunteering (which is vital to our success). Without your belief in financial co-operation, our credit union simply would not exist. However, with that support, we can continue to make a significant, positive, impact within our Buncrana/ Inishowen community.

We may not be able to change the world - but we can improve OUR part of the world! Your Credit Union is a clear symbol of hope and unity in the community. **It is different!** Quite simply, "Co-operation works.... you help me; I help you; we help each other". Working in that co-operative spirit, we can make a real difference within our community. Let's celebrate the Credit Union difference and enjoy the journey together!

Kevin Helferty,
Chairperson.

Directors' Report

The directors' present their annual report and the audited financial statements for the financial year ended 30th September 2019.

Principal Activities

The principal activities of the credit union are the provision of savings and loans to members in its common bond. The credit union manages its members' shares, capital and loans to members so that it earns income from the margin between interest payable and interest receivable.

Business Review

The directors are satisfied with the current year results and the year-end financial position of the credit union. The directors are aware of the challenges faced by the decline in investment income as a result of prolonged unprecedented low interest rates, combined with increased costs. Lending activity has increased and the directors are of the opinion that the credit union is well positioned to meet these challenges and are confident of its ability to continue to operate successfully in the future.

Results and Dividends

The excess of income over expenditure for the year is set out in the Income and Expenditure Account on page 11. The directors recommend payment of a dividend of 0.10% and interest rebate of 25% on standard rate loans and 15% on discounted rate loans for the year ended 30th September 2019. Details are shown in Note 6 to the accounts.

Principal Risks and Uncertainties

The principal risks and challenges facing the credit union are summarised as follows:

- Members defaulting on loans
- Not lending a sufficient proportion of funds so that too much of the credit unions' resources are tied up in investment products
- Poor performance of investments
- The risk of not having sufficient cash resources to meet day to day running costs and repay members' savings when demanded.
- Impact of BREXIT

The credit union board are fully aware of the principal risks, monitors these constantly and strives to minimise all risks and handle prudently those residual risks over which it has little control.

Auditors

The auditors, Stewart and MacLochlainn, have indicated their willingness to continue in office in accordance with the provisions of Section 115 of the Credit Union Act 1997, as amended.

This report was approved by the board on 27th January 2020 and signed on its behalf by

Kevin Helferty
Chairperson

Ciaran MacLochlainn
Secretary

Statement of Directors' and Board Oversight Committee's Responsibilities

for the year ended 30th September 2019

Statement of Directors' Responsibilities

The Credit Union Act 1997, 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 the Income and Expenditure Account of the Credit Union for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Credit Union and to enable them to ensure that the financial statements are prepared in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland, including the standards issued by the Financial Reporting Council, and in particular FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". They are 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.

On behalf of the Board of Directors

Kevin Helferty

Chairperson

Ciaran MacLochlainn

Secretary

Date: 27th January 2020

Statement of Board Oversight Committee's Responsibilities

The Credit Union Act 1997, as amended 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 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 in relation to the Board.

Kieran Mc Callion

Chairperson

John Keyes

Secretary

Date: 27th January 2020



Members of Board of Directors & Board Oversight Committee 2019: Fionan Bradley, Paul Brogan, Paddy Grant, Kevin Helferty, Ciaran MacLochlainn, Paul Doherty, Sean Murphy, John Mc Gonagle, Maura Toner (Board Administrator), Maeve Douglas (CEO), Claire Bradley, Siobhan Mc Laughlin

Independent Auditors' Report to the Members of Buncrana Credit Union Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Buncrana Credit Union Limited for the year ended 30th September 2019, which comprise the Income and Expenditure Account, Balance Sheet, Statement of Changes in Reserves and Cash flow Statement and notes to the financial statements, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Irish Law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In our opinion the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as at 30th September 2019 and its income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been properly prepared in accordance with the requirements of the Credit Union Act 1997, as amended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Credit Union in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Credit Union's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Credit Union Act 1997, as amended

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper accounting records have been kept by the Credit Union, and
- The financial statements are in agreement with the accounting records.

Respective responsibilities**Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Stewart and MacLochlainn
Chartered Accountants & Statutory Audit Firm
Portland House
Port Road
Letterkenny
Co Donegal

Date: 27th January 2020

Appendix to the Independent Auditors' Report

Further information regarding the scope of our responsibilities as auditor

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Buncrana Community Hospital receiving a donation of €1,000 from Buncrana Credit Union Community Fund



Mrs Anna Grant, wife of James Grant (deceased), the first President of Buncrana Credit Union, presenting the Student Bursary Awards 2019

Income and Expenditure Account

for the year ended 30th September 2019

	Note	2019 €	2018 €
Interest on members' loans	4	1,721,226	1,689,290
Other interest income and similar income	5	737,908	842,359
Net interest income		2,459,134	2,531,649
Other income	7	81,561	91,781
Employment costs	9b	(765,347)	(696,351)
Depreciation	11	(158,269)	(115,720)
Other management expenses (Schedule 1)		(869,359)	(981,337)
Net recoveries or losses on loans to members	12d	(179,578)	386,107
Surplus for the financial year		568,142	1,216,129
Other comprehensive income		-	-
Total comprehensive income		568,142	1,216,129

The financial statements were approved, and authorised for issue, by the Board on 27th January 2020 and signed on its behalf by:

Maeve Douglas
Manager

Kevin Helferty
**Member of the
Board of Directors**

Kieran McCallion
**Member of the
Board Oversight Committee**



Staff and volunteers pictured at the launch of Buncrana Credit Union's 50th Anniversary year



St Columbcille Village receiving a donation of €1,000 from Buncrana Credit Union Community Fund



Inishowen Rugby Club receiving a donation of €1,000 from Buncrana Credit Union Community Fund



Buncrana Go Active receiving a donation from Vice Chairperson Paul Brogan

Balance Sheet

as at 30th September 2019

	Note	2019 €	2018 €
ASSETS			
Cash and cash equivalents	10	13,646,566	11,446,540
Tangible fixed assets	11	1,197,171	1,320,930
Loans to members	12	20,771,322	18,591,213
Prepayments and accrued income	13	489,221	622,622
Deposits and investments	14	47,449,505	50,729,450
Total assets		83,553,785	82,710,755
LIABILITIES			
Members' shares	15	68,825,305	68,014,407
Other payables	16	181,801	166,809
Total liabilities		69,007,106	68,181,216
ASSETS LESS LIABILITIES		14,546,679	14,529,539
RESERVES			
Operational risk reserve		412,755	412,755
Regulatory reserve		8,406,949	8,271,076
Other reserves			
- Realised reserves		5,726,975	5,845,708
Total reserves		14,546,679	14,529,539

The financial statements were approved, and authorised for issue, by the Board on 27th January 2020 and signed on its behalf by:

Maeve Douglas
Manager

Kevin Helferty
**Member of the
Board of Directors**

Kieran McCallion
**Member of the
Board Oversight Committee**

WANT TO OWN ALL OF IT?

Unlike some forms of finance, with a flexible credit union car loan, you own the car from day one. All of it.

Buncrana Credit Union

Statement of Changes in Reserves

for the year ended 30th September 2019

	Regulatory reserve	Operational risk reserve	Realised reserves	Unrealised reserves	Arising on transfer of engagement	Total reserves
	€	€	€	€	€	€
Opening balance at 1st October 2017	8,042,637	412,755	5,052,796	-	431,257	13,939,445
Excess of income over expenditure for the year	-	-	1,216,129	-	-	1,216,129
Dividends and interest rebate paid during the year (Note 6)	-	-	(626,035)	-	-	(626,035)
Transfer between reserves	228,439	-	(228,439)	-	-	-
Closing balance at 30th September 2018	8,271,076	412,755	5,414,451	-	431,257	14,529,539
Opening balance at 1st October 2018	8,271,076	412,755	5,414,451	-	431,257	14,529,539
Excess of income over expenditure for the year	-	-	568,142	-	-	568,142
Dividends and interest rebate paid during the year (Note 6)	-	-	(551,002)	-	-	(551,002)
Transfer between reserves	135,873	-	(135,873)	-	-	-
Closing balance at 30th September 2019	8,406,949	412,755	5,295,718	-	431,257	14,546,679

- (1) The Regulatory reserve of the Credit Union as % of total assets as at 30th September 2019 was 10.06% (2018: 10%).
- (2) In accordance with S45 of the Credit Union Act 1997 (as amended) Buncrana Credit Union Limited put in place an Operational Risk reserve during the year ended 30th September 2016. The adequacy of the reserve is reviewed bi-annually by the Board with the last review being completed at 30th September 2019, which was deemed adequate. The operational risk reserve as a % of total assets as at 30 September 2019 was 0.49% (2018: 0.50%).
- (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 Buncrana Credit Union Limited has transferred €135,873 (2018: €228,439) of its current year surplus to its Regulatory reserve so that the reserve would stand at 10.06% at current year end.

GETTING HITCHED?

We've got the flexible wedding loan for you





Loans are subject to approval. Terms and conditions apply.
Buncrana Credit Union Limited is regulated by the Central Bank of Ireland.

Buncrana Credit Union

Cash Flow Statement

for the year ended 30th September 2019

	Note	2019 €	2018 €
Cash flows from operating activities			
Loans repaid by members	12a	10,757,287	10,334,418
Loans granted to members	12a	(13,316,309)	(11,595,147)
Loan interest received	4	1,717,711	1,682,386
Investment income received		918,052	887,371
Bad debts recovered	12d	199,335	202,807
Dividends paid	6	(132,149)	(225,204)
Interest rebate paid	6	(418,853)	(400,831)
Operating expenses paid to include employment costs		(1,673,540)	(1,655,237)
Net cash flows from operating activities		(1,948,466)	(769,437)
Cash flows from investing activities			
Net cash flow from investments		3,279,945	(8,337,688)
Purchase of fixed assets	11	(23,912)	(81,318)
Net cash flows from investing activities		3,256,033	(8,419,006)
Cash flow from financing activities			
Members' shares received	15	30,002,188	29,468,501
Members' shares withdrawn	15	(29,191,290)	(27,825,287)
Net cash flows from financing activities		810,898	1,643,214
Other Receipts		81,561	91,781
Net (decrease)/increase in cash and cash equivalents		2,200,026	(7,453,448)
Cash & cash equivalents at beginning of year		11,446,540	18,899,988
Cash & cash equivalents at end of year	10	13,646,566	11,446,540

NEED A BREAK?

We've got the flexible holiday loan for you

Loans are subject to approval. Terms and conditions apply.
Buncrana Credit Union Limited is regulated by the Central Bank of Ireland.




Notes to the Financial Statements

for the year ended 30th September 2019

1. Legal and regulatory framework

Buncrana Credit Union Limited is established under the Credit Union Act 1997, as amended. 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 Buncrana, Co Donegal with a branch in Carndonagh, Co Donegal.

2. Accounting policies

2.1 Statement of compliance and basis of preparation

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

The financial statements have been prepared on the historical cost basis.

2.2 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.

2.3 Going concern

The financial statements are prepared on the going concern basis. The directors of Buncrana Credit Union Limited believe this is appropriate as the Credit Union:

- Is generating annual surpluses;
- Maintains an appropriate level of liquidity; and
- Have reserves that currently meet the minimum requirements of the Central Bank.

2.4 Income

Interest on members' loans

Interest on loans to members is recognised using the effective interest method, and is calculated and accrued on a daily basis.

Any interest received on loans, which are deemed to be less than 26 weeks in arrears, is accounted for as interest received from performing loans through the income and expenditure account.

Any interest received on loans, which are deemed to be greater than 26 weeks in arrears, is accounted for as interest received from non-performing loans through the income and expenditure account.

Any income received on loans where the loans have been written off will be accounted for as bad debts recovered in the income and expenditure account.

Investment income

The Credit Union currently only has investments that are valued at amortised cost, and use the effective interest method to recognise investment income.

Other income

Other income such as commissions receivable on insurance products and foreign exchange services arises in connection to specific transactions. Income relating to individual transactions is recognised when the transaction is completed.

2.5 Dividends to Members

Dividends on shares and loan interest rebates

Dividends are made from current year's surplus. The Board's proposed distribution to members each year is based on the dividend and loan interest rebate policy of the Credit Union.

Notes to the Financial Statements

for the year ended 30th September 2019

The Board in determining the level of distribution considers its ongoing operating expenses, capital requirements and financial risks. Dividends are accounted for when members ratify such payments at the Annual General Meeting. No liability to pay a distribution is recognised in the financial statements until the majority of members vote at the AGM.

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

- the amount of reserve allocation required to maintain reserves at an appropriate level;
- our risk profile particularly in our loan and investment portfolios;
- prevailing market conditions;
- members' legitimate dividend and loan interest rebate expectations and;
- the need to prudently sustain the long term welfare of the Credit Union.

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

2.6 Taxation

The Credit Union is not subject to income tax or corporation tax on its activities as a Credit Union.

2.7 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.

2.8 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.

2.9 Basic financial assets

Basic financial assets are initially measured at the transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method. Basic financial instruments include the following:

Loans to members

Loans to members are financial assets with fixed or determinable payments. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

Investments held at amortised cost

Investments 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.

Notes to the Financial Statements

for the year ended 30th September 2019

Held to Maturity investments

Investments designated on initial recognition as held-to-maturity are investments that the credit union intends, and is able to, hold to maturity. These are carried at amortised cost using the effective interest method. The fair value of some investment products will change during their life, but they will have a fixed maturity value at some future date. When designated as held-to-maturity, any change in the fair value during the term of the investment is ignored, with the credit union only accounting for interest received.

2.10 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 method.

2.11 Impairment of financial assets

Financial assets 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.

2.12 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 in the Credit Union 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 the nominal amount.

Other payables

Other payables are classified as current liabilities if payment is due within one year or less. Other payables are recognised initially at transaction price.

2.13 Tangible fixed assets

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

Notes to the Financial Statements

for the year ended 30th September 2019

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

Freehold land and buildings	4% straight line
Office equipment	25% straight line
Computer equipment	25% straight line
Fixtures and fittings	10% straight line

2.14 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).

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.

2.15 Employee benefits

Pension Scheme

Buncrana 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 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, Buncrana Credit Union Limited 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.

Other Employee Benefits

The costs of short-term employee benefits, including holiday pay, are recognised as a liability and as an expense (unless those costs are required to be recognised as part of the cost of fixed assets) over the period they are earned.

2.16 Reserves

Regulatory reserve

The Credit Union is required to maintain and establish a minimum Regulatory reserve of at least 10% of the assets of the Credit Union in accordance with Credit Union Act 1997 (Regulatory Requirements) Regulations 2016.

Operational Risk reserve

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

Notes to the Financial Statements

for the year ended 30th September 2019

Other reserves – Realised reserves

Realised reserves are the accumulated surpluses to date that have not been declared as dividends returnable to members.

3. Use of estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying Buncrana Credit Union Limited'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 policy in Note 2.11. The estimation of loan losses is inherently uncertain and depends upon many factors, including historic 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 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.

Impairment of buildings

The credit union's policy is to carry out periodic impairment reviews of the credit union's premises comparing the carrying value of each property to the market value at the balance sheet date. Impairment reviews are subject to the assumption that a market exists for the relevant property at the date of review. The estimates of impairment based on market value are recognised in the Income & Expenditure account in the period identified.

Notes to the Financial Statements

for the year ended 30th September 2019

4. Interest on members' loans

4a. Interest received & receivable

	2019	2018
	€	€
Closing accrued loan interest receivable	49,951	46,436
Loan interest received in year	1,717,711	1,682,386
Opening accrued loan interest receivable	(46,436)	(39,532)
Total interest on members' loans	1,721,226	1,689,290

4b. Interest received from performing and non-performing loans

	2019	2018
	€	€
Interest received from performing loans	1,673,527	1,635,201
Interest received from non-performing loans	44,184	47,185
Total interest received	1,717,711	1,682,386

5. Other interest income and similar income

	2019	2018
	€	€
Investment income and gains received by the Balance Sheet date	453,702	378,009
Receivable within 12 months of Balance Sheet date	284,206	464,350
Total investment income	737,908	842,359

6. Dividends payable

The dividends and loan interest rebate for the current and prior year periods were as follows:

	2019	2018
	€	€
Dividend paid during the year	132,149	225,204
Dividend rate:		
Members' shares	0.20%	0.35%
Loan interest rebate paid during the year	418,853	400,831
Loan interest rebate rate	25%	25%
Dividend and loan interest rebate proposed, but not recognised		

The directors propose payment of a dividend of 0.10% (€67,320) and loan interest rebate of 25% on standard rate loans and 15% on discounted rate loans (€342,229) for the year ended 30th September 2019, subject to agreement by the membership at the AGM.

7. Other income

	2019	2018
	€	€
ECCU rebate	81,085	88,624
Entrance fees	462	460
Other income	14	2,697
Total other income	81,561	91,781

Notes to the Financial Statements

for the year ended 30th September 2019

8. Expenses

	Note	2019 €	2018 €
Employment costs	9b	765,347	696,351
Depreciation	11	158,269	115,720
Other management expenses (Schedule 1)		869,359	981,337
		<u>1,792,975</u>	<u>1,793,408</u>

9. Employees and employment costs

9a. Number of employees

The average monthly number of employees during the year was:

	2019 Number	2018 Number
Manager	1	1
Other staff	22	20
Total	<u>23</u>	<u>21</u>

9b. Employment costs

	2019 €	2018 €
Wages and salaries	690,690	615,651
Payments to pension schemes	74,657	80,700
Total employment costs	<u>765,347</u>	<u>696,351</u>

9c. Key management personnel

The remuneration of key management personnel was as follows:

	2019 €	2018 €
Short term employee benefits	283,247	245,330
Payments to defined benefit pension schemes	29,629	32,250
Total key management personnel compensation	<u>312,876</u>	<u>277,580</u>

10. Cash and cash equivalents

	2019 €	2018 €
Cash and balances at bank	893,590	871,689
Deposits and investments	12,752,976	10,574,851
Total cash and cash equivalents	<u>13,646,566</u>	<u>11,446,540</u>

Deposits and investments categorised under cash and cash equivalents above are those with maturity of less than or equal to three months.

Notes to the Financial Statements

for the year ended 30th September 2019

11. Tangible fixed assets

Tangible fixed assets comprise the following property, plant and equipment:

	Freehold land & buildings €	Fixtures & Fittings €	Office equipment €	Computer equipment €	Total €
Cost					
At 1 st October 2018	1,482,020	327,513	190,814	494,908	2,495,255
Additions	-	959	904	38,014	39,877
Disposals	-	(297)	-	(15,668)	(15,965)
At 30th September 2019	1,482,020	328,175	191,718	517,254	2,519,167
Depreciation					
At 1 st October 2018	537,020	164,390	93,736	379,179	1,174,325
Charge for the year	45,000	32,703	32,691	47,875	158,269
Eliminated on disposals	-	(54)	-	(10,544)	(10,598)
At 30th September 2019	582,020	197,039	126,427	416,510	1,321,996
Net book value					
At 30th September 2019	900,000	131,136	65,291	100,744	1,197,171
At 30 th September 2018	945,000	163,123	97,078	115,729	1,320,930

12. Loans to members – financial assets

12a. Loans to members

	Note	2019 €	2018 €
As at 1 st October		20,235,002	19,093,930
Advanced during the year		13,316,309	11,595,147
Repaid during the year		(10,757,287)	(10,334,418)
Loans written off		(110,090)	(119,657)
Gross loans to members	12b	22,683,934	20,235,002
Impairment allowances			
Individual loans		(430,332)	(474,452)
Groups of loans		(1,482,280)	(1,169,337)
Loan provision	12c	(1,912,612)	(1,643,789)
As at 30th September		20,771,322	18,591,213

Notes to the Financial Statements

for the year ended 30th September 2019

12b. Credit risk disclosures

The carrying amount of the loans to members represents Buncrana Credit Union Limited 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.

	2019		2018	
	Amount €	Proportion %	Amount €	Proportion %
Gross loans Not impaired:				
Not past due	19,878,928	87.63%	18,546,632	91.66%
Gross loans individually impaired				
Not past due	1,584,126	6.99%	513,904	2.54%
Up to 9 weeks past due	681,564	3.00%	597,888	2.95%
Between 10 and 18 weeks past due	162,775	0.72%	84,147	0.42%
Between 19 and 26 weeks past due	60,397	0.27%	89,544	0.44%
Between 27 and 39 weeks past due	81,552	0.36%	159,731	0.79%
Between 40 and 52 weeks past due	70,642	0.31%	43,421	0.21%
53 or more weeks past due	163,950	0.72%	199,735	0.99%
Gross loans individually impaired	2,805,006	12.37%	1,688,370	8.34%
Total gross loans	22,683,934	100%	20,235,002	100%

	2019 €	2018 €
Impairment allowance		
Individual loans	(430,332)	(474,452)
Groups of loans	(1,482,280)	(1,169,337)
Total carrying value	20,771,322	18,591,213

Factors that are considered in determining whether loans are impaired are discussed in Note 3, dealing with estimates.

12c. Loan provision account for impairment losses

	2019 €	2018 €
As at 1 st October	1,643,789	1,946,748
Net movement in loan provisions for loans outstanding	378,913	(183,302)
Decrease in loan provisions during the year	(110,090)	(119,657)
As at 30th September	1,912,612	1,643,789

12d. Net losses or recoveries recognised for the year

	2019 €	2018 €
Bad debts recovered	(199,335)	(202,807)
Increase / (decrease) in loan provisions during the year	268,823	(302,957)
Loans written off	110,090	119,657
Net losses or recoveries on loans to members recognised for the year	179,578	(386,107)

Notes to the Financial Statements

for the year ended 30th September 2019

12e. Analysis of Gross Loans Outstanding

	2019		2018	
	Number		Number	
	of		of	
	Loans	€	Loans	€
Less than one year	866	1,043,964	772	960,132
Greater than 1 year and less than 3 years	1767	7,561,930	1635	7,526,151
Greater than 3 and less than 5 years	897	7,968,940	901	8,509,716
Greater than 5 years and less than 10 years	196	6,077,805	152	3,203,308
Greater than 10 years and less than 25 years	1	31,295	1	35,695
Greater than 25 years	-	-	-	-
	3,727	22,683,934	3,461	20,235,002

13. Prepayments and accrued income

	2019	2018
	€	€
Prepayments	155,064	111,836
Accrued income investments	284,206	464,350
Accrued loan interest income	49,951	46,436
	489,221	622,622

14. Deposits and investments

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

Cash Equivalents (Original Maturity within 3 months)

	2019	2018
	€	€
Fixed term deposits with banks (note 10)	12,752,976	10,574,851
Total cash equivalents	12,752,976	10,574,851

Other (Original Maturity after 3 months)

	2019	2018
	€	€
Fixed term deposits with banks	46,906,866	50,202,280
Central Bank Minimum deposits	542,639	527,170
Total other	47,449,505	50,729,450

The category of counterparties with whom the deposits and investments were held was as follows:

	2019	2018
	€	€
A1	14,061,039	11,100,000
A2	10,369,851	7,738,459
A3	7,281,905	17,676,604
Aa2	-	2,978,467
Aa3	7,969,071	5,000,000
Ba2	-	2,225,000
Baa1	-	3,483,750
Baa2	5,000,000	-
Baa3	2,225,000	-
Total deposits and investments	46,906,866	50,202,280

Notes to the Financial Statements

for the year ended 30th September 2019

15. Members' Shares – financial liabilities

	2019	2018
	€	€
As at 1 st October	68,014,407	66,371,193
Received during the year	30,002,188	29,468,501
Repaid during the year	(29,191,290)	(27,825,287)
As at 30th September	<u>68,825,305</u>	<u>68,014,407</u>

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

	2019	2018
	€	€
Unattached shares	61,478,399	58,552,575
Attached shares	7,346,906	9,461,832
Total members' shares	<u>68,825,305</u>	<u>68,014,407</u>

16. Other payables

	2019	2018
	€	€
PAYE/PRSI	15,117	32,440
Other accruals	166,684	134,369
	<u>181,801</u>	<u>166,809</u>

17. Rate of interest on members loans

	Rate %	APR %
Personal loans	10%	10.51%
Secured loans	6%	6.18%
Student loans	6%	6.18%
Car loans	7.5%	7.78%
First time borrowers loans	8.5%	8.84%
Home Improvement/Switcher/Black Friday loans	5.95%	6.11%
50th Anniversary Loans	5%	5.13%

18. Additional financial instruments disclosures

18a. Financial risk management

Buncrana Credit Union Limited is a provider of personal 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 and deposits. 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 Buncrana 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 Buncrana Credit Union Limited, 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 risk on members' loans is disclosed in Note 12b.

Notes to the Financial Statements

for the year ended 30th September 2019

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.

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

18b. Interest rate risk disclosures

The interest rates applicable to loans to members are disclosed in note 17. The dividend on shares and interest on deposits 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 on shares. As a result, the surplus for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

18c. Liquidity risk disclosures

All of the financial liabilities of the Credit Union are repayable on demand except for some members' shares attached to loans and members' deposits which have a fixed maturity date.

18d. Fair value of financial instruments

Buncrana Credit Union Limited does not hold any financial instruments at fair value.

18e. Capital

The Credit Union maintains sufficient reserves to buffer the Credit Union against any losses on its members' loans and also its investments. The current Regulatory reserves meets the minimum requirement set down by the Central Bank, and stand at 10.06% of the total assets of the Credit Union at the Balance Sheet date.

19. Pension scheme – Irish League of Credit Unions

Buncrana 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 Buncrana 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, Buncrana 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 ran up until 1 March 2019 and was approved by the Pensions Authority. Buncrana Credit Union Limited has paid the contributions payable under this funding agreement.

Notes to the Financial Statements

for the year ended 30th September 2019

As part of the above 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. Further, the Actuary was reasonably satisfied that as at 28 February 2018 the scheme can be expected to satisfy the funding standard as specified in Section 44 of the Pensions Act, 1990, at 1 March 2019, being the date specified by the Pensions Authority under Section 49(2) (a) of the Act for the purpose of the existing funding proposal.

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.

Amendments to FRS 102 -The Financial Reporting Standard applicable in the UK and Republic of Ireland -Multi-employer defined benefit plans

On 24 May 2019, the Financial Reporting Council issued amendments to FRS 102 in respect of multi-employer defined benefit plans. These narrow-scope amendments respond to a current financial reporting issue regarding where to present the impact of an employer's transition from defined contribution accounting to defined benefit accounting; it shall be presented in other comprehensive income. The transition is required by FRS 102 when sufficient information about the multi-employer defined benefit plan becomes available for the employer to apply defined benefit accounting for the first time.

The FRC in their May 2019 publication "Impact Assessment and Feedback Statement Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland Multi-employer defined benefit plans" state that these amendments will only affect entities that participate in multi-employer defined benefit plans, for which sufficient information to apply defined benefit accounting has not been available, but now becomes available. These amendments do not affect the accounting for the defined benefit plan before or after sufficient information becomes available, which is already clear in FRS 102, but only specify the accounting at the date of transition to defined benefit accounting.

The effective date for these amendments is accounting periods beginning on or after 1 January 2020, with early application permitted.

The Irish League of Credit Unions Republic of Ireland Pension Scheme ("Defined Benefit Scheme") does not have sufficient information to establish an accurate split of the defined benefit pension assets and liabilities due to:

- Use of common contribution rate of 27.5% results in cross subsidisation between the Employers and is not linked to individual Employer liabilities in respect of their current or former employees;

Notes to the Financial Statements

for the year ended 30th September 2019

- Scheme Assets are not segregated or tracked by contributing Employers and allocation of assets to individual Employers would be arbitrary and may not represent a reliable basis of allocation.

Consequently, the position is unchanged, there is no change to the information available to the Defined Benefit Scheme and the various employers at this time and therefore, it remains appropriate that credit unions continue to apply defined contribution accounting in respect of the Defined Benefit Scheme.

20. Post Balance Sheet events

There are no material events after the Balance Sheet date to disclose.

21. Contingent liabilities

The Registry of Credit Unions informed credit unions in the Republic of Ireland on 17 September 2018 that it had become aware of a potential matter that may impact certain credit unions in respect of accrued interest outstanding on loans where additional credit is extended to a member by way of a top-up-loan, which could potentially result in over-collection of interest. The Registry of Credit Unions has requested information from credit unions in this context to assess the potential impact of this matter. A process to establish the potential impact, if any, of this matter on Buncrana Credit Union is on-going. This process is not yet complete and therefore, the existence of any liability and any reliable estimate amount of any liability associated with this matter, while possible, remains uncertain along with the timing of same. Consequently, no provision has been made in the financial statements to 30th September 2019 for any amount that may become payable by Buncrana Credit Union.

22. Capital commitments

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

23. Insurance against fraud

The Credit Union has insurance against fraud in the amount of €5,200,000 (2018: €5,200,000) in compliance with Section 47 of the Credit Union Act 1997, as amended.

24. Related party transactions

During the year loans were advanced to directors and the management of the credit union (to include their family members or any business in which the directors or management team had a significant shareholding) in the amount of €183,990 (2018: €114,757). These loans were approved in accordance with the Standard Credit Union rules and the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016. The loans outstanding from these parties at 30th September 2019 were €231,080 (2018: €160,797). These loans amounted to 1.02% of total gross loans due at 30th September 2019 (2018: 0.79%).

There were provisions of €20,957 against the loans due from directors, the management team and their family members at 30th September 2019 (2018: €11,894).

The related party share balances stood at €326,568 at 30th September 2019 (2018: €333,593).

Notes to the Financial Statements

for the year ended 30th September 2019

25. Members Prize Draw

Buncrana Credit Union operates a members only prize draw which is non-profit making, with draws held twice a year. The transactions for the financial year ended 30th September 2019 are summarised as follows:

Opening Balance at 1st October 2018	€ 494
Income from members' ticket sales	44,240
Expenses	-
Prizes	(44,300)
Closing Balance at 30 th September 2019	434

The closing balance is included in other accruals as per note 16.

26. Approval of Financial Statements

The financial statements were approved, and authorised for issue, by the Board on 27th January 2020.



Clonmany Parent & Toddler Group receiving a donation of €1,000 from Buncrana Credit Union Community Fund



Saddlerock Cycling Club receiving a donation of €1,000 from Buncrana Credit Union Community Fund



Paul Brogan (Vice-Chairperson), Jack McElroy (past director), Sean Gleeson (past director), Jimmy Mc Bride (past director) and Maeve Douglas (CEO)



Staff members taking part in the Relay for Crumlin fundraising event

Schedule to the Financial Statements

for the year ended 30th September 2019

Schedule 1 - Other management expenses

	2019	2018
	€	€
Rent and Rates	33,028	32,923
Light, heat and cleaning	27,410	30,627
Repairs and maintenance	11,439	16,856
Printing and stationery	21,181	19,397
Postage and telephone	26,456	23,816
Promotion and advertising	55,534	39,635
Donations and sponsorship	18,643	11,288
Computer maintenance	96,866	71,617
Training costs	11,568	8,794
Chapter expenses	350	350
AGM expenses	21,118	21,311
Travel and subsistence	14,488	7,060
General insurance	29,716	27,904
Share and loan insurance	269,159	282,494
Audit fees	11,685	10,763
Internal audit fee	18,070	16,544
Consultancy and professional fees	109,008	63,350
Debt collection fees	4,579	2,962
Bank charges	17,179	11,102
CUSOP expenses	22,669	17,694
Irish credit bureau costs	10,318	10,668
Affiliation fees	28,609	27,645
Savings protection scheme contribution	7,535	6,437
Financial regulatory costs	118,633	122,331
General expenses	27,136	8,222
Loss on disposal of fixed assets	5,367	10,616
Loss (Profit) on investments	(148,378)	78,931
Total other management expenses	869,366	981,337

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Buncrana Credit Union

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Tel: (074) 936 1017 | Fax: (074) 938 8010

Email: info@buncranacu.ie

Web: www.buncranacu.ie

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FOR MORE INFORMATION:
contact any member of staff or speak to a member of our
Nomination Committee on 074 936 1017

WE LOOK AT THINGS DIFFERENTLY

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ORDERS



DIRECT
DEBITS



PAYROLL DEDUCTION
SAVINGS SCHEME



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BANKING
AND MOBILE
APP



ELECTRONIC
TRANSFERS



COMPETITIVE
LOANS



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WHY BORROW WITH US?

01

COMPETITIVE RATES



02



24 HOUR LOAN APPROVAL

03

ANNUAL INTEREST REBATE



04



FREE LOAN PROTECTION INSURANCE

05

LOAN INTEREST IS CALCULATED ON A REDUCING BALANCE



06



FOR CAR LOANS YOU OWN THE CAR STRAIGHT AWAY

07

NO HIDDEN FEES OR PENALTIES FOR EARLY REPAYMENT



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