

Lucan District
CREDIT UNION



stronger together

ANNUAL REPORT 2017



CONTENTS

Directors and Other Information	2
Notice of the AGM	3
Board of Directors' Report	5 - 6
Directors' Report	6 - 7
Statement of Directors' Responsibilities	8
Statement of the Board Oversight Committee Responsibilities	9
Report of the Board Oversight Committee	9
Independent Auditors' Report	10 - 13
Income and Expenditure account	14
Statement of comprehensive income	14
Balance Sheet	15
Statement of changes in reserves	16
Cash Flow Statement	17
Notes to the Accounts	18 - 31
Supplementary schedules to the accounts	31 - 32
Report of the Credit Committee	33
Report of the Credit Control Committee	34
Report of the Membership Committee	35
Report of the Nominations Committee	36
Standing Orders	37 - 38
Car Draw Winners	38
Proposed Rule Amendments 2017	39

DIRECTORS AND OTHER INFORMATION

Directors

Enda Lee (Chairman)
 Mary O'Neill (Vice-Chairperson)
 Bernadette Cullen (Secretary)
 Susan Tarpey
 Mary Whelan
 Finbarr Cotter
 Michael Cummins
 Stephanie Boylan (Resigned Apr17)
 Jamie Conway (Co-opted May17)
 Magdalena Rogers (co-opted Jul17)

Board Oversight Committee

Ayobami Olaoya (Resigned Mar17)
 Christine Broderick (Resigned Aug17)
 Keith Ryan (Co-opted Feb17, Resigned Aug17)
 Helen Walsh (Co-opted Jul17)

CEO

Paula Maguire

Operations Manager

Pat Derwin

Registered Office

3 The Mall, Main Street, Lucan, Co Dublin

Independent Auditors

Grant Thornton
 Mill House, Henry Street, Limerick

Treasury & investment advisors

FTI, International House, 3 Harbourmaster Place
 IFSC, Dublin 1

Solicitors

Dermot P Coyne
 Liffey Bridge House, Main Street,
 Lucan, Co Dublin

LUCAN DISTRICT CREDIT UNION LIMITED ANNUAL GENERAL MEETING 2017

Notice is hereby given that the Annual General Meeting of Lucan District Credit Union Ltd. will be held on Monday 18th December 2017 in the Spa Hotel, Lucan at 7.30pm.

Bernadette Cullen

Secretary

ORDER OF BUSINESS

1. Acceptance of any Proxies
2. Ascertainment that a quorum is present
3. Adoption of Standing Orders
4. Minutes of previous AGM
5. Report of the Board of Directors
6. Report of the accounts by the board
7. Report of the Auditor
8. Declaration of Dividend
9. Report of the Board Oversight Committee
10. Report of the Credit Committee
11. Report of the Credit Control Committee
12. Report of the Membership Committee
13. Report of the Nominations Committee
14. Rule amendments
15. Appointment of Tellers
16. Election of Auditor
17. Election to Board Oversight Committee
18. Election to Board of Directors
19. Any other business
20. Announcement of Election Results
21. Close of business

Election to the Board and Board Oversight Committee

Vacancies on the Board and Board Oversight Committee will be filled on the night of the AGM by member vote.

Members who wish to put themselves forward for election to either the Board or Board Oversight Committee should complete a nomination form available from either office. Alternatively, a nomination form can be downloaded from our website www.lucancu.ie/Application-forms. The form should be signed by the nominee and a proposer and seconder and submitted for the attention of the Nominations committee by Friday 8th December. Nominations can no longer be accepted from the floor on the night of the AGM.

BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2017

The Directors' of Lucan District Credit Union are pleased to present the annual report and audited accounts for year ended 30th September 2017.

Our credit union had another good year overall with continued growth seen in all aspects of the business. Our loan book and membership grew steadily throughout the year and this is reflected in the year-end financial results.

Board focus continued to be on improving our governance, managing our risks and ensuring that our credit union is compliant with all aspects of regulation. All of these areas are critical to ensure the long-term survival and continued growth of our credit union. Risk & Compliance and Internal Audit all provide an assurance framework which is designed to assure the Board and The Central Bank that our credit union is well managed and governed.

We would encourage any members who feel they can give some time each month to volunteer for a Board or Board Oversight Committee role. These roles are challenging but provide excellent insights into the governance of a large member-based organisation and would provide excellent experience for anyone who wishes to drive their business or management career forward. Relevant courses will be paid for by the credit union. Nominations forms are available at the counter in each office if you wish to put your name forward.

Results for the year

The credit union saw good growth again this year. We succeeded in producing a surplus for the year before transfers to reserves of €838k. This is an increase of just under 12% on the surplus last year of €748k.

At year-end, total assets were up €4m to €64.3m an increase of 6.7% on the figure last year of €60.3m. Shares increased by €3.3m (up 6.4%) to €54.8m from €51.5m last year and the loan book increased by €1.1m (up 5.2%) on last year finishing the year at €21.6m.

Loan arrears continued to improve on a monthly basis resulting in an overall reduction in the bad debt provision. The bad debt provision now accounts for 7.6% of the gross loan book (11.0% last year).

Expenditure increased in 2017 by €92.4k (up 7.28%) on last year. The key area of expenditure growth was regulatory expenses due to the implementation by the Central Bank of an EU directive on the deposit guarantee fund. This will no longer be an asset for the credit union but will be a direct annual cost.

Transfers to provisions and reserves

To support the continued growth in our assets more funds are required to be held in reserve. The minimum regulatory reserve should be 10% of total assets however, the Central Bank expect credit

unions to operate with a reserve in excess of this minimum. An amount of €449,870 was transferred at year end. This leaves our Regulatory reserve at 10.6% of total assets.

We were required last year to set up an Operational Risk Reserve which the Board determined should be 0.5% of total assets. A small transfer of €20,062 was made to return this reserve to the 0.5% required.

Total realised reserves (retained earnings) stands at 12.42% of total assets.

Key Challenges for the coming years

Credit unions in general will continue to face a number of key challenges and pressures over the coming years. It has been well documented in the media about issues with a number of credit unions around the country and continued mergers within the credit union industry. It is expected that consolidation will continue for the next few years in order to improve the overall strength and sustainability of credit unions.

Constantly changing regulation and increasing regulatory costs will continue to push up operating costs. It is expected that regulatory costs will continue to grow over the coming years as the Central Bank moves towards the industry funding 50% of regulatory costs (currently 8%). This will place further pressure on credit unions to absorb these costs.

Credit unions have a very limited business model centred around savings and loans. Our income is mainly generated from loan interest and investment interest. The former will increase gradually as confidence builds and members return to borrowing. The latter is a declining income stream due to the continued low interest rate environment. As investments mature it is difficult to find another with a positive return. In addition, we are very limited by regulation as to the type of investments we can make. We expect income from investments to continue to decline for the foreseeable future.

These challenges will have a bearing on surpluses and dividend payments for the next two to three years at least. The Board are mindful of building resilience to these ongoing pressures and have adopted a very prudent approach to dividend payments, as reflected in the proposed dividend this year.

Acknowledgements

The Board would like to thank the staff and management of the credit union for their contribution to the performance of our credit union over the past year.

On behalf of the Board

Bernadette Cullen
SECRETARY

Enda Lee
CHAIRMAN

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2017

The directors present their annual report and the audited financial statements for the financial year ended 30 September 2017.

PRINCIPAL ACTIVITIES

The principal activities of the credit union involve the acceptance of member' shares and lending to members in accordance with legislation and the credit union itself.

AUTHORISATION

The credit union is authorised as follows:

- Insurance/reinsurance intermediary under the European Communities (Insurance Mediation) Regulations, 2005 (as amended).
- Investment Intermediaries (Restricted Activity Investment Product Intermediary) pursuant to Section 26 of the Investment Intermediaries Act, 1995 (as amended).
- Service Providers holding appointments from IIA product producers, including intermediaries that may issue appointments, appearing in the register maintained under Section 31 of the Investment Intermediaries Act, 1995 (as amended).
- Entitled under Regulation 9(1)(b) of the European Community (Payment Services) Regulations 2009 to provide payment services.

BUSINESS REVIEW

The directors are satisfied with the results for the year and the year-end financial position of the credit union. The directors expect to develop and expand the credit union's current activities and they are confident of its ability to continue to operate successfully in the future.

DIVIDENDS

The surplus for the financial year is set out in the income and expenditure account on page 16. The Directors are proposing a dividend in respect of the year ended 30 September 2017 of €52,490 (0.10%) (2016: €247,605 (0.50%)).

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the credit union are:

Credit risk - Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to the credit union, resulting in financial loss.

Lack of loan demand - Lending is the principal activity of the credit union and the credit union is reliant on it for generating income to cover costs and generate a surplus.

Market risk - Market risk is the risk that the value of an investment will decrease. This risk can arise from fluctuations in values of, or income from, assets or changes in interest rates.

Liquidity risk - Liquidity risk is the risk that the credit union will not have sufficient cash resources to meet day to day running costs and repay members' savings when demanded.

Operational risk - Operational risk is the risk of loss resulting from inadequate or failed processes or systems of the credit union, any failure by persons connected with the credit union or from external events.

These risks are managed by the board of directors as follows:

Credit risk - In order to manage this risk, the board of directors regularly reviews and approves the credit union's credit policy. 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.

Lack of Loan Demand - The credit union provide lending products to its members and promote these products through various marketing initiatives.

Market Risk - The board of directors regularly reviews and approves the credit union's investment policy and funds are invested in compliance with this policy and regulatory guidance.

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.

Operational Risk - The operational risk of the credit union is managed through the employment of suitably qualified staff to ensure appropriate processes, procedures and systems are implemented and are further supported with a robust reporting structure.

ACCOUNTING RECORDS

The directors believe that they comply with the requirements of Section 108 of the Credit Union Act, 1997 (as amended) with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the credit union are maintained at the credit union's premises at 3 The Mall, Lucan, Co. Dublin.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

There have been no significant events affecting the credit union since the year end.

AUDITORS

Grant Thornton were appointed as auditors during the year and in accordance with Section 115 of the Credit Union Act, 1997 (as amended), the auditors Grant Thornton offer themselves for re-election.

This report was approved by the board on 25/10/2017 and signed on its behalf by:

Enda Lee

CHAIRPERSON OF THE BOARD OF DIRECTORS

Bernadette Cullen

SECRETARY OF THE BOARD OF DIRECTORS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable Irish law and regulations. The directors are also responsible for preparing the other information included in the annual report. 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 of the income and expenditure 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;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and reason for any material departure from those standards; and
- 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 ensuring that the credit union keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the credit union, enable at any time the assets, liabilities, financial position and income and expenditure of the credit union to be determined with reasonable accuracy, enable them to ensure that the financial statements comply with the Credit Union Act 1997 (as amended) and enable the financial statements to be audited. 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.

This statement was approved by the board on 25/10/2017 and signed on its behalf by:

Enda Lee

CHAIRPERSON OF THE BOARD OF DIRECTORS

Bernadette Cullen

SECRETARY OF THE BOARD OF DIRECTORS

STATEMENT OF THE 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 Credit Union Act, 1997 (as amended) and any other matter prescribed by the Central Bank of Ireland in respect of which they are to have regard to in relation to the board of directors.

This statement was approved by the board oversight committee on 25/10/2017 and signed on its behalf by:

Helen Walsh

CHAIRPERSON OF THE BOARD OVERSIGHT COMMITTEE

REPORT OF THE BOARD OVERSIGHT COMMITTEE

The Board Oversight Committee has a statutory role on behalf of the members of Lucan District Credit Union Ltd. to ensure that the governance of the Credit Union is carried out in accordance with the provisions of the Credit Union Act 1997-2012.

The Board Oversight Committee met on a regular basis throughout the year and a member of the Committee has been in attendance at all Board meetings.

The Board Oversight Committee met with the Board of Directors four times during the past year, to report on its findings regarding the Board's compliance with the relevant section of the legislation. We have found that Lucan District Credit Union Ltd. has complied with the requirements of the Credit Union Act 1997-2012 and the regulations as laid down by the Central Bank and overall, resulting from our work and observations, we would like to state that we believe that the Board is maintaining good control and is ensuring policies and procedures are appropriate for the successful running of the Credit Union.

We have had a number of changes to the personnel making up this committee during the year, and we are hoping to recruit two new members to bring our number back to full strength in the near future.

We would like to thank and acknowledge the support of the Board, members of the various sub-committees, the Manager and staff of the Credit Union for all their cooperation, help and assistance throughout the year in carrying out our duties during 2016/17.

The Board Oversight Committee

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUCAN DISTRICT CREDIT UNION LIMITED

OPINION

We have audited the financial statements of Lucan District Credit Union Limited, which comprise the income and expenditure account, the statement of comprehensive income, the balance sheet, the statement of changes in reserves and the statement of cash flows for the financial year ended 30 September 2017, and the related notes to the financial statements, including the summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law including the Credit Union Act, 1997 (as amended) and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (Generally Accepted Accounting Practice in Ireland).

In our opinion, Lucan District Credit Union Limited's financial statements:

- give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the state of the credit union's affairs as at 30 September 2017 and of its income and expenditure and cash flows for the year then ended; and
- have been properly prepared so as to conform 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 further described in the 'responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the credit union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, namely the Irish Auditing and Accounting Supervisory Authority (IAASA) Ethical Standard concerning the integrity, objectivity and independence of the auditor, and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the entity. 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 the 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

Other information comprises information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 on the other information, 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT 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, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- in our opinion proper accounting records have been kept by the credit union;
- the financial statements are in agreement with the accounting records of the credit union;
- the financial statements contain all primary statements, notes and significant accounting policies required to be included in accordance with section 111(1)(c) of the Act

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland, including FRS 102, and for such internal control as they determine 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 the directors either intends to liquidate the credit union or to cease operations, or has no realistic alternative but to do so.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS

The auditor's 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 their 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.

As part of an audit in accordance with ISAs (Ireland), the auditor will exercise professional judgement and maintain professional scepticism throughout the audit. The auditor will 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 their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the credit union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the credit union's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the credit union to cease to continue as a going concern.
- 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 a true and fair view.

The auditor communicates 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 may be identified during the audit.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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.

Denise O'Connell FCA
for and on behalf of
Grant Thornton
Chartered Accountants
& Statutory Audit Firm
Mill House
Henry Street
Limerick

INCOME & EXPENDITURE ACCOUNT FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2017

	Schedule	2017 €	2016 €
INCOME			
Interest on members' loans		1,658,809	1,447,036
Other interest and similar income	1	524,737	559,484
Interest payable on members' deposits (note 22)		(2,981)	(2,784)
Net interest income		2,180,565	2,003,736
Other income	2	18,733	13,466
Total income		2,199,298	2,017,202
EXPENDITURE			
Employment costs		633,707	634,568
Other management expenses	3	988,067	862,619
Depreciation		106,785	100,354
Net impairment losses/(gains) on loans to members (note 5)		(367,249)	(328,602)
Total expenditure		1,361,310	1,268,939
Surplus for the financial year		837,988	748,263

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2017

	2017 €	2016 €
Surplus for the financial year	837,988	748,263
Other comprehensive income	-	-
Total comprehensive income for the financial year	837,988	748,263

The financial statements were approved and authorised for issue by the board on 25/10/2017 and signed on behalf of the credit union by:

Enda Lee
CHAIRPERSON OF THE BOARD
OF DIRECTORS

Helen Walsh
CHAIRPERSON OF THE BOARD
OVERSIGHT COMMITTEE

Paula Maguire
CEO

BALANCE SHEET FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2017

	Notes	2017 €	2016 €
ASSETS			
Cash and balances at bank	6	1,286,995	932,507
Deposits and investments – cash equivalents	7	11,048,192	12,392,833
Deposits and investments – other	7	31,149,098	27,844,133
Loans to members	8	21,566,570	20,494,399
Provision for bad debts	9	(1,636,453)	(2,267,648)
Tangible fixed assets	10	730,360	759,998
Prepayments and accrued income	11	180,627	139,920
Total Assets		64,325,389	60,296,142
LIABILITIES			
Members' shares	12	54,808,437	51,499,015
Members' deposits	13	1,257,478	1,171,101
Other liabilities, creditors, accruals and charges	14	178,278	153,413
Other provisions	15	2,417	2,459
Total liabilities		56,246,610	52,825,988
RESERVES			
Regulatory reserve	17	6,816,711	6,366,841
Operational risk reserve	17	321,543	301,481
Other reserves			
- Realised reserves	17	852,810	801,832
- Unrealised reserves	17	87,715	-
Total reserves		8,078,779	7,470,154
Total liabilities and reserves		64,325,389	60,296,142

The financial statements were approved and authorised for issue by the board on 25/10/2017 and signed on behalf of the credit union by:

Enda Lee
CHAIRPERSON OF THE BOARD
OF DIRECTORS

Helen Walsh
CHAIRPERSON OF THE BOARD
OVERSIGHT COMMITTEE

Paula Maguire
CEO

STATEMENT OF CHANGES IN RESERVES FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2017

Movements on Reserves

	Regulatory Reserve	Operational Risk Reserve	Realised reserves	Unrealised reserves	Total
	€	€	€	€	€
As at 1 October 2015	5,916,841	-	1,034,270	-	6,951,111
Surplus for the financial year	-	-	748,263	-	748,263
Dividend paid	-	-	(229,220)	-	(229,220)
Transfer to the regulatory reserve	450,000	-	(450,000)	-	-
Transfer to the operational risk reserve	-	301,481	(301,481)	-	-
As at 1 October 2016	6,366,841	301,481	801,832	-	7,470,154
Surplus for the financial year	-	-	750,273	87,715	837,988
Dividend paid	-	-	(243,800)	-	(243,800)
Transfer to unpaid dividend and closed accounts reserve	-	-	14,437	-	14,437
Transfer to the regulatory reserve	449,870	-	(449,870)	-	-
Transfer to the operational risk reserve	-	20,062	(20,062)	-	-
As at 30 September 2017	6,816,711	321,543	852,810	87,715	8,078,779

- The regulatory reserve of the credit union as a percentage of total assets as at 30 September 2017 was 10.60% (2016: 10.56%).
- The operational risk reserve of the credit union as a percentage of total assets as at 30 September 2017 was 0.50% (2016: 0.50%).

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2017

	Notes	2017 €	2016 €
Opening cash and cash equivalents		13,325,340	13,077,488
Cash flows from operating activities			
Loans repaid by members	8	10,429,364	9,676,697
Loans granted to members	8	(12,062,175)	(11,616,535)
Loan interest		1,658,809	1,447,036
Deposit interest paid		(2,981)	(2,784)
Investment interest		524,737	559,484
Other receipts		18,733	13,466
Bad debts recovered		296,694	276,552
Dividends paid		(243,800)	(229,220)
Operating expenses		(1,617,120)	(1,472,362)
Movement in other assets		(40,707)	87,811
Movement in other liabilities		24,823	36,960
Net cash flows from operating activities		(1,013,623)	(1,222,895)
Cash flows from investing activities			
Fixed asset purchases/disposals		(81,801)	(66,544)
Net cash flow from other investing activities		(3,304,965)	(2,863,980)
Net cash flows from investing activities		(3,386,766)	(2,930,524)
Cash flows from financing activities			
Members' shares received		22,611,298	21,989,768
Members' deposits received		2,346,473	2,176,460
Members' shares withdrawn		(19,287,439)	(17,747,729)
Members' deposits withdrawn		(2,260,096)	(2,017,228)
Net cash flow from financing activities		3,410,236	4,401,271
Net (decrease)/increase in cash and cash equivalents		(990,153)	247,852
Closing cash and cash equivalents		12,335,187	13,325,340

NOTES TO THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2017

1. LEGAL AND REGULATORY FRAMEWORK

Lucan District Credit Union Limited is registered with the Registry of Credit Unions and is regulated by the Central Bank of Ireland. The registered office of the credit union is located at 3 The Mall, Lucan, Co. Dublin

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable Irish accounting standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and Irish statute comprising of the Credit Union Act, 1997 (as amended). The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Euro (€) which is also the functional currency of the credit union.

The following principal accounting policies have been applied:

2.2 Statement of compliance

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

2.3 Going concern

After reviewing the credit union's projections, the directors have reasonable expectation that the credit union has adequate resources to continue in operational existence for the foreseeable future. The credit union therefore continues to adopt the going concern basis in preparing its financial statements.

2.4 Income

Interest on members' loans

Interest on members' loans is recognised on an accruals basis using the effective interest method.

Deposit and investment income

Investment income is recognised on an accruals basis using the effective interest method.

Other income

Other income is recognised on an accruals basis.

2.5 Investments

The specific investment products held by the credit union are accounted for as follows:

Held at amortised cost - Investments designated on initial recognition as held at amortised cost are measured at amortised cost using the effective interest method less impairment. This means that the investment is measured at the amount paid for the investment, minus any repayments of the principal; plus or minus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount, minus, in the case of a financial asset, any reduction for impairment or uncollectability.

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

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The credit union adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the credit union. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the income and expenditure account during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Freehold buildings	2% straight line per annum
Freehold improvements	6.67% straight line per annum
Leasehold buildings	Over remaining term of lease
Leasehold improvements	Over remaining term of lease
Computer equipment	20% straight line per annum
Furniture & Office Equipment	12.50% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains' or 'other losses' in the income and expenditure account.

2.7 Impairment of tangible fixed assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the income and expenditure account. If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Income and Expenditure Accounts.

2.8 Operating leases

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

2.9 Taxation

The credit union is not subject to income tax or corporation tax on its activities.

2.10 Cash and cash equivalents

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

2.11 Financial assets – loans to members

Loans 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.

Loans are derecognised when the right to receive cash flows from the asset has expired, usually when all amounts outstanding have been repaid by the member.

2.12 Bad debts provision

The credit union assesses if there is objective evidence that any of its loans are impaired with due consideration of environmental factors. The loans are assessed collectively in groups that share similar credit risk characteristics. Individually significant loans are assessed on a loan by loan basis. In addition, if there is objective evidence that any individual loan is impaired, a specific loss will be recognised. Bad debt provisioning is monitored by the credit union, and the credit union assesses and approves its provisions and the adequacy of same on a regular basis.

Any bad debts/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.

2.13 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.

2.14 Members' deposits

Interest on members' deposits is recognised on an accruals basis using the effective interest method.

2.15 Financial liabilities – members' shares and members' deposits

Members' shares and members' deposits in Lucan District Credit Union Limited are redeemable and therefore are classified as financial liabilities. They are recognised at the amount of cash deposited.

2.16 Holiday pay

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

2.17 Pension costs

The Credit Union operates a defined contribution pension scheme. The assets of these schemes are held separately from those of the Credit Union in independently administered funds. Employer contributions to the Irish Life and Pensions scheme are charged to the income and expenditure account in the period to which they relate.

2.18 Other payables

Short term other liabilities, creditors, accruals and charges are measured at the transaction price.

2.19 Derecognition of financial liabilities

Financial liabilities are derecognised when the obligations of the credit union specified in the contract are discharged, cancelled or expired.

2.20 Distribution policy

Dividends are made from the current year's surplus or reserves set aside for that purpose. The board's proposed dividend to members each year is based on the distribution policy of the credit union.

The rate of dividend recommended by the board will reflect:

- the risk profile of the credit union, particularly in its loan and investments portfolios;
- the board's desire to maintain a stable rather than a volatile rate of dividend each year; and
- members' legitimate dividend expectations;

all dominated by prudence and the need to sustain the long-term welfare of the credit union.

For this reason the board will seek to build up its reserves to absorb unexpected shocks and still remain above minimum regulatory requirements.

The credit union accounts for dividends when members ratify such payments at the Annual General Meeting.

2.21 Regulatory Reserve

The Credit Union Act, 1997 (Regulatory Requirements) Regulations 2017 requires credit unions to establish and maintain a minimum regulatory reserve requirement of at least 10 per cent of the assets of the credit union. This Reserve is to be perpetual in nature, freely available to absorb losses, realised financial reserves that are unrestricted and non-distributable.

2.22 Operational Risk Reserve

Section 45(5)(a) of the Credit Union Act, 1997 (as amended) requires each credit union to maintain an additional reserve that it has assessed is required for operational risk having regard to the nature, scale and complexity of the credit union. Credit Unions are required to maintain a minimum operational risk reserve having due regard for the sophistication of the business model.

The Directors have considered the requirements of the Act and have calculated the operational risk reserve requirement by reference to the predicted impact of operational risk events that may have a material impact on the credit unions' business.

2.23 Other Reserves

Other reserves are the accumulated surpluses to date that have not been declared as dividends returnable to members. The other reserves are subdivided into realised and unrealised. In accordance with the Central Bank guidance note for credit unions on matters relating to accounting for investments and distribution policy, investment income that has been recognised but will not be received within 12 months of the balance sheet date is classified as "unrealised" and is not distributable. A reclassification between unrealised and realised is made as investments come to within 12 months of maturity date. The directors have deemed it appropriate that interest on loans receivable at the balance sheet date is also classified as "unrealised" and is not distributable. All other income is classified as "realised".

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCE OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires the directors to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Determination of depreciation, useful economic life and residual value of tangible assets

The annual depreciation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of residual values. The directors regularly review these useful lives and change them if necessary to reflect current conditions. In determining these useful lives management consider technological change, patterns of consumption, physical condition and expected economic utilisation of the assets. Changes in the useful lives can have a significant impact on the depreciation charge for the financial year. The net book value of tangible fixed assets subject to depreciation at the financial year end was €730,360 (2016: €759,998).

Bad debts provision

Lucan District Credit Union Limited's accounting policy for impairment of loans is set out in the accounting policy in note 2.12. 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. The provision for bad debts in the financial statements was €1,636,453 (2016: €2,267,648) representing 7.59% (2016: 11.06%) of the total gross loan book.

Operational risk reserve

The directors have considered the requirements of the Credit Union Act, 1997 (as amended) and have developed an approach to the calculation of the operational risk reserve. The operational risk reserve of the credit union at 30 September 2017 was €321,543 (2016: €301,481).

Adoption of going concern basis for financial statements preparation

The directors have prepared projections and cash flows for a period of at least twelve months from the date of the approval of the financial statements which demonstrate that there is no material uncertainty regarding the credit union's ability to meet its liabilities as they fall due, and to continue as a going concern. On this basis the directors consider it appropriate to prepare the financial statements on a going concern basis. Accordingly, these financial statements do not include any adjustments to the carrying amounts and classification of assets and liabilities that may arise if the credit union was unable to continue as a going concern.

4. KEY MANAGEMENT PERSONNEL COMPENSATION

The directors of Lucan District Credit Union Limited are all unpaid volunteers. The key management personnel compensation is as follows.

	2017	2016
	€	€
Short term employee benefits paid to key management	277,320	259,434
Payments to pension schemes	26,148	29,317
Total key management personnel compensation	303,468	288,751

5. NET IMPAIRMENT LOSSES/(GAINS) ON LOANS TO MEMBERS

	2017	2016
	€	€
Bad debts recovered	(141,656)	(82,591)
Impairment of loan interest reclassified as bad debt recoveries	(155,038)	(193,961)
Reduction in loan provisions for the year	(631,195)	(419,857)
Loans written off	560,640	367,807
Net impairment losses/(gains) on loans to members	(367,249)	(328,602)

6. CASH AND CASH EQUIVALENTS

	2017	2016
	€	€
Cash and balances at bank	1,286,995	932,507
Deposits & investments (note 7)	42,197,290	40,236,966
Less: Deposit & investment amounts maturing after three months	(31,149,098)	(27,844,133)
Total cash and cash equivalents	12,335,187	13,325,340

7. DEPOSITS AND INVESTMENTS

	2017	2016
	€	€
Deposits and investments – cash equivalents		
Accounts in authorised credit institutions (Irish and non-Irish based)	11,048,192	11,365,605
Bank bonds	-	1,027,228
Total deposits and investments – cash equivalents	11,048,192	12,392,833
Deposits and investments – other		
Accounts in authorised credit institutions (Irish and non-Irish based)	12,925,327	10,476,520
Bank bonds	8,878,815	8,395,661
Irish and EEA state securities	8,934,103	8,514,027
Central Bank deposits	410,853	457,925
Total deposits and investments – other	31,149,098	27,844,133
Total deposits and investments	42,197,290	40,236,966

8. FINANCIAL ASSETS – LOANS TO MEMBERS

	2017	2016
	€	€
As at 1 October	20,494,399	18,922,368
Loans granted during the year	12,062,175	11,616,535
Loans repaid during the year	(10,429,364)	(9,676,697)
Gross loans and advances	22,127,210	20,862,206
Bad debts		
Loans written off during the year	(560,640)	(367,807)
As at 30 September	21,566,570	20,494,399

9. PROVISION FOR BAD DEBTS

	2017	2016
	€	€
As at 1 October	2,267,648	2,687,505
Net movement in bad debts provision during the year	(631,195)	(419,857)
As at 30 September	1,636,453	2,267,648

The provision for bad debts is analysed as follows:

	2017	2016
	€	€
Individually significant loans	627,017	985,086
Grouped assessed loans	1,009,436	1,282,562
Provision for bad debts	1,636,453	2,267,648

10. TANGIBLE FIXED ASSETS

	Freehold Buildings	Premises Improv.	Leasehold Buildings	Leasehold Improv.	Computer Equipment	Furniture & Office Equipment	Total
	€	€	€	€	€	€	€
Cost							
1 October 2016	362,791	234,355	232,647	70,847	125,761	372,778	1,399,179
Additions	-	-	-	-	81,556	245	81,801
Disposals	-	-	-	-	(4,067)	(9,306)	(13,373)
At 30 September 2017	362,791	234,355	232,647	70,847	203,250	363,717	1,467,607
Depreciation							
1 October 2016	157,925	37,407	123,628	14,176	51,565	254,480	639,181
Disposals	-	-	-	-	(2,264)	(6,455)	(8,719)
Charge for year	7,257	15,631	18,170	9,446	41,463	14,818	106,785
At 30 September 2017	165,182	53,038	141,798	23,622	90,764	262,843	737,247
Net book values							
At 30th September 2017	197,609	181,317	90,849	47,225	112,486	100,874	730,360
At 30th September 2016	204,866	196,948	109,019	56,671	74,196	118,298	759,998

11. PREPAYMENTS AND ACCRUED INCOME

	2017	2016
	€	€
Loan interest receivable	78,684	45,434
Prepayments	101,943	94,486
	180,627	139,920

12. MEMBERS' SHARES

	2017	2016
	€	€
As at 1 October	51,499,015	47,256,976
Received during the year	22,611,298	21,989,768
Withdrawn during the year	(19,301,876)	(17,747,729)
As at 30 September	54,808,437	51,499,015

13. MEMBERS' DEPOSITS

	2017	2016
	€	€
As at 1 October	1,171,101	1,011,869
Received during the year	2,346,473	2,176,460
Withdrawn during the year	(2,260,096)	(2,017,228)
As at 30 September	1,257,478	1,171,101

14. OTHER LIABILITIES, CREDITORS, ACCRUALS AND CHARGES

	2017	2016
	€	€
Prize draw	70,862	67,594
PAYE/PRSI	13,138	14,010
Accruals and other creditors	94,278	71,809
	178,278	153,413

15. OTHER PROVISIONS

	2017	2016
	€	€
Holiday pay accrual		
At 1 October	2,459	-
Charged to the income and expenditure account	(42)	2,459
At 30 September	2,417	2,459

16. FINANCIAL INSTRUMENTS**Financial instruments – amortised cost**

	2017	2016
	€	€
Financial assets		
Financial assets measured at amortised cost	65,050,855	61,663,872
Financial liabilities		
	€	€
Financial liabilities measured at amortised cost	56,246,610	52,825,988

Financial assets measured at amortised cost comprise of cash and balances at bank, deposits and investments and loans. Financial liabilities measured at amortised cost comprise member savings, creditors and accruals and provisions.

17. RESERVES

	Balance 01/10/16	Payment of dividend	Appropriation of current year surplus	Dividend on closed accounts and dormant accounts	Transfers between reserves	Balance 30/09/17
	€	€	€	€	€	€
Regulatory reserve	6,366,841	-	-	-	449,870	6,816,711
Operational risk reserve	301,481	-	-	-	20,062	321,543
Other reserves						
Realised						
Undistributed surplus	801,832	(243,800)	750,273	-	(469,932)	838,373
Dividend on closed and dormant accounts	-	-	-	14,437	-	14,437
Total realised reserves	801,832	(243,800)	750,273	14,437	(469,932)	852,810
Unrealised						
Interest on loans reserve	-	-	78,684	-	-	78,684
Investment income reserve	-	-	9,031	-	-	9,031
Total unrealised reserves	-	-	87,715	-	-	87,715
Total reserves	7,470,154	(243,800)	837,988	14,437	-	8,078,779

18. CREDIT RISK DISCLOSURES

The credit union complies with Section 12 of the Credit Union Act, 1997 (Regulatory Requirements) Regulations 2017. This regulation:

- restricts the concentration of lending by the credit union within certain sectors or to connected persons or groups (concentration limits);
- restricts the absolute amount of lending to certain sectors to a set percentages of the regulatory reserve (large exposure limit);
- restricts the loan duration of certain loans to specified limits (maturity limits); and
- requires specified lending practices to be in place where loans are made to certain sectors such as commercial loans, community loans or loans to another credit union.

The carrying amount of the loans to members represents Lucan District Credit Union Limited's maximum exposure to credit risk. The following 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.

	2017		2016	
	€	%	€	%
LOANS NOT IMPAIRED				
Total loans not impaired, not past due	16,518,272	76.59%	15,026,984	73.32%
IMPAIRED LOANS:				
Not past due	719,919	3.34%	691,192	3.37%
Up to 9 weeks past due	2,209,252	10.24%	2,047,010	9.99%
Between 10 and 18 weeks past due	375,007	1.74%	329,396	1.61%
Between 19 and 26 weeks past due	241,217	1.12%	243,153	1.19%
Between 27 and 39 weeks past due	247,217	1.14%	293,597	1.43%
Between 40 and 52 weeks past due	92,084	0.43%	385,424	1.88%
53 or more weeks past due	1,163,602	5.40%	1,477,643	7.21%
Total impaired loans	5,048,298	23.41%	5,467,415	26.68%
TOTAL LOANS	21,566,570	100.00%	20,494,399	100.00%

19. RELATED PARTY TRANSACTIONS

	No. of loans	2017 €	No. of loans	2016 €
Loans advanced to related parties during the year	23	117,390	44	218,919
Total loans outstanding to related parties at the year end	35	323,563	35	326,182

The related party loans stated above comprise of loans to members of the board of directors, the management team and members of the family of a member of the board of directors and the management team of Lucan District Credit Union Limited.

Total loans outstanding to related parties represents 1.50% of the total loans outstanding at 30 September 2017 (2016: 1.59%).

20. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES

20a. Financial risk management

Lucan District Credit Union Limited manages its members' shares and loans so that it earns income from the margin between interest receivable and interest payable. The main financial risks arising from Lucan District Credit Union Limited's activities are credit risk, market risk, liquidity risk and interest rate risk. The board of directors reviews and agrees policies for managing each of these risks, which are summarised below.

Credit risk: Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to the credit union, resulting in financial loss. In order to manage this risk the board of directors regularly reviews and approves Lucan District Credit Union Limited's credit policy. 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.

Market risk: Market risk is the risk that the value of an investment will decrease. This risk can arise from fluctuations in values of, or income from, assets or changes in interest rates. The board of directors regularly reviews and approves the credit union's investment policy and funds are invested in compliance with this policy and regulatory guidance.

Liquidity risk: Liquidity risk is the risk that the credit union will not have sufficient cash resources to meet day to day running costs and repay members' savings when demanded. 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.

Interest rate risk: Lucan District Credit Union Limited's main interest rate risk arises from adverse movements in interest rates receivable which would affect investment income. Lucan District Credit Union Limited reviews any potential new investment product carefully to ensure that minimum funds are locked in low yielding long term investments yet at the same time maximising investment income receivable.

20b. Liquidity risk disclosures

All of Lucan District Credit Union Limited's financial liabilities are repayable on demand with the exception of certain term deposits and pledged shares. The credit union retains, at all times, liquid assets amounting to a minimum of 20% of unattached savings.

20c. Interest rate risk disclosures

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

	2017		2016	
	Amount €	Av. Interest Rate %	Amount €	Av. Interest Rate %
Gross loans to members	21,566,570	8.97%	20,494,399	8.83%

21. DIVIDENDS AND LOAN INTEREST REBATE

The dividend payable is at the discretion of the directors and is therefore not a financial liability of the credit union until declared and approved at the AGM.

The following distributions were made during the year:

	2017		2016	
	%	€	%	€
Dividend on shares	0.50%	243,800	0.50%	229,220

The Directors propose a dividend in respect of the year ended 30 September 2017 of €52,490 (0.10%) (2016: €247,605 (0.50%)).

22. RATE OF INTEREST PAID ON MEMBERS' DEPOSIT ACCOUNTS

	2017		2016	
	%	€	%	€
Interest payable for the year				
Interest on deposits	0.25%	2,981	0.25%	2,784

23. EVENTS AFTER THE END OF THE FINANCIAL YEAR

There have been no significant events affecting the credit union since the year end.

24. INSURANCE AGAINST FRAUD

The credit union has Insurance against fraud in the amount of €1,500,000 in compliance with Section 47 of the Credit Union Act, 1997 (as amended).

25. CAPITAL COMMITMENTS

There were no capital commitments at 30 September 2017.

26. COMMITMENTS UNDER OPERATING LEASES

At 30 September 2017 the credit union had future minimum lease payments under a non-cancellable operating lease as follows:

	2017	2016
	€	€
Less than 1 year	32,000	32,000
1 to 5 years	128,000	128,000
Greater than 5 years	32,000	64,000
At 30 September	192,000	224,000

27. CONTINGENT LIABILITIES

There are no contingent liabilities in existence at 30 September 2017 that would impact on the financial statements.

28. COMPARATIVE INFORMATION

Comparative information has been reclassified where necessary to conform to current year presentation.

**SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT
FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2017**

The following Schedules do not form part of the statutory financial statements which are the subject of the Independent Auditor's Report.

SCHEDULE 1 - OTHER INTEREST INCOME AND SIMILAR INCOME

	2017	2016
	€	€
Investment income and gains received/receivable within 1 year	515,706	559,484
Investment income receivable outside of 1 year	9,031	-
Total per income and expenditure account	524,737	559,484

SCHEDULE 2 - OTHER INCOME

	2017	2016
	€	€
Other income	260	241
Insurance commission	9,356	11,089
FX commission	9,117	2,136
Total per income and expenditure account	18,733	13,466

SCHEDULE 3 - OTHER MANAGEMENT EXPENSES

	2017	2016
	€	€
Loans and savings insurance costs	186,208	170,260
Printing, postage and stationery	36,481	37,891
Computer costs	48,761	57,468
AGM and other meeting costs	18,122	18,466
Bank charges	47,319	57,044
Sundry expenses	25,402	28,194
Telephone and facsimile	10,629	9,974
Cash security	7,693	9,378
Advertising/marketing	30,136	30,849
Donations and sponsorship	16,030	14,230
Legal and professional fees	96,607	84,205
Debt collection	44,744	47,467
Audit fees	18,143	17,374
Regulatory levies	193,183	49,206
Rent and rates	45,488	45,681
Repairs and maintenance	16,412	20,205
General insurance	29,854	28,238
Light and heat	8,787	8,772
Retirement of fixed assets	4,653	24,825
Employer pension contributions	62,837	63,625
Employer PHI/disability contributions	17,665	16,205
Staff training	14,474	8,999
Travel and subsistence	2,865	3,711
Uniforms	5,574	10,352
Total per income and expenditure account	988,067	862,619

REPORT OF THE CREDIT COMMITTEE

The Credit Committee is appointed annually by the Board of Directors of the Credit Union.

Lending continued to perform well during the last year with modest growth seen in the loan book. It is good to see confidence returning and members borrowing again.

A total of 3,279 loans with a value €12,062,175 were issued during the year. This compares with last year's figures of 3,197 loans with a total value of €11,493,532 representing an increase of 5% in new lending.

The average loan amount issued was €3,679. We continued to see strong demand for loans for car purchase, home improvement, education, holidays and within shares loans.

A breakdown of the loans issued is detailed below:

By Amount	Number	Amount €	Loan Purpose	Number	Amount
€1 - €1000	1,099	766,403	Car Purchase	360	2,894,995
€1,000 - €5,000	1,583	4,166,908	Car Repairs / Insurance / Tax	109	183,450
€5,001 - €10,000	366	2,837,386	Christmas	136	176,195
€10,001 - €20,000	185	2,838,741	Education	175	467,656
€20,001 - €30,000	29	761,737	Dental/Medical	32	85,150
€30,001 - €40,000	9	323,000	Holidays	354	857,434
€40,001 - €50,000	7	308,000	Home Improvements	605	3,637,260
€50,001 - €60,000	1	60,000	Bills	72	346,805
€60,001 +	0	0	Personal Microcredit Loan	110	102,230
Total	3,279	12,062,175	Wedding	56	346,500
			Within Shares	1,104	2,413,931
			Other purpose	166	550,569
			Total	3,279	12,062,175

Lucan District Credit Union has funds to lend and we are happy to report that 98% of all loan applications during the year were approved.

Our staff are more than happy to assist you with any queries that you have about our loans. We look forward to seeing you in the New Year.

The Credit Committee

REPORT OF THE CREDIT CONTROL COMMITTEE

The Credit Control Committee is appointed annually by the Board of Directors to oversee Credit Control within Lucan District Credit Union.

We continued this year working with members who are still recovering from the effect of the recession. We are pleased to see a continued improvement in loans in arrears but there is still some time to go before we see this portion of the loan book fully clear.

We are increasingly seeing members coming back where they were in financial difficulty during the recession and incurred arrears on their loans. This has impacted on their credit rating with the Irish Credit Bureau. Even though these loans are now often cleared in full, the banks will not lend to them in any capacity. Unfortunately, there is little we can do in these circumstances as usually the credit record is an accurate reflection of the pattern of loan repayments. We do state clearly on our credit agreements that information will be shared with the Irish Credit Bureau and our credit control letters do warn our members of the impact arrears could have on their credit rating. Your loan remains on your ICB record for 5 years after it has been repaid.

The easy way to avoid issues with your personal credit rating is to repay the loan per your credit agreement. If your circumstances change, it is in your best interest to come to us and change the arrangement rather than incur arrears on your loan.

From June this year we are legally obliged to report on our loans to the new Central Credit Register. This was set up and is wholly owned by the Central Bank. This register will eventually replace the Irish Credit Bureau and will record all loans, credit cards and mortgages. For more information on the CCR please visit www.centralcreditregister.ie

The credit control team follow a process when following up on arrears. Early intervention for missed payments will trigger an SMS message to our members. In most cases, members normalise their loan accounts. Unfortunately, in some cases the team need to take more stringent action, up to and including legal action. In the unfortunate event that a loan must be written off when all paths have been exhausted the loan will be referred to Cabot Financial for collection.

The money lent out has been saved by our members so everyone has a responsibility to only borrow what they can afford to repay. We have a responsibility to try to recover as much of this money for our members as possible.

Our preference is to work with members who find themselves in difficulty to find a solution that works for both parties. We would encourage any members who have concerns to come in and talk to us in the first instance.

We wish you all a very Happy New Year.

The Credit Control Committee

REPORT OF THE MEMBERSHIP COMMITTEE

The role of the membership committee is to consider applications for membership of the credit union.

We continued to see a strong and consistent monthly increase in new members with an average of 74 new members per month. In total, 893 new members joined us this year. We would ask you to recommend the credit union to your friends and family as a not-for-profit community based bank, wholly owned by you, our members.

We are very pleased to see that 277 of our new members, or 31% are under 18 years of age. These young people are the future of our credit union as future borrowers and contributors. We would encourage all parents to sign up your children and to teach them the very valuable life lesson of putting money aside and managing their finances. Your children will be able to borrow against their savings when they turn 18 and the credit union will be with them through every life stage.

This year we commenced a project to fully review and clean our member database. This body of work has not been undertaken before and will involve the identification and closing of accounts where it is determined that no activity has taken place for a large number of years or where the member is no longer contactable. Part of this process will also involve writing to members where no current photo ID or proof of address is on their account. We would ask members who receive these letters to bring in the documents requested as soon as possible.

Accounts where there has been no activity for three years are automatically marked as dormant on the system for security reasons. If you feel that your account may have become dormant from inactivity we would ask that you contact us to discuss and/or reactivate your account by bringing in current documentation as listed above.

This coming year our credit union will be celebrating 50 years in business. The membership committee would like to thank our members who continue to support our credit union every year. Achieving this milestone would not have been possible without you.

We wish you all a very Happy New Year.

The Membership Committee

REPORT OF THE NOMINATIONS COMMITTEE

The Nomination Committee has the responsibility to ensure that the Board of Directors and committees have the necessary representation in order to carry out their duties and serve the members. A Fitness & Probity regime was introduced for Credit Unions in 2013 by the Central Bank of Ireland and in line with this the committee must ensure that each candidate for vacancies on the Board have been vetted and approved by the nominations committee, to go forward for election.

Any member who wishes to go forward for the board should complete a nomination form which is available in either office or from our website www.lucancu.ie/Application-forms. This should be signed by the nominee and by a proposer and seconder, who should also be members of Lucan District Credit Union.

Any member wishing to go on the panel for possible selection for the AGM should ensure that their nomination form is submitted by Friday 8th December at the latest. All nominations received after this date will be placed on a panel for consideration during the coming year should a vacancy on the Board or Board Oversight Committee arise.

The Nomination Committee has been busy during the year seeking volunteers to fill vacant positions. We have this year put in place an education programme for volunteers who may like to add to their qualifications and gain transferable skills while serving on the Board or the Board Oversight Committee. For more information about our education programme please email info@lucancu.ie.

We would encourage any members who are interested in gaining experience in the governance of a large member-based organisation and would like to improve their CV to volunteer for these challenging roles. The estimated time contribution is a maximum six hours per month which includes reading documents in advance of the Board meeting, attendance at monthly Board meetings, attendance at induction and mandatory annual training in the evening and attendance at the Annual General Meeting. Occasionally, there may be an ad-hoc meeting or additional training or presentations agreed by the Board. There may be an additional time commitment if you volunteer to serve on a Board committee.

The Nominations Committee

STANDING ORDERS

1. VOTING.

Each member shall be entitled to one vote irrespective of his/her shareholding, in accordance with Section 82(2).

2 - 4 ELECTION PROCEDURE.

2. Nominations for election must be in accordance with Section 56B.
3. Elections to the Board of Directors, to the Board Oversight Committee and the position of Auditor shall be by majority vote and by secret ballot.
4. A Ballot Paper for the election of the Board and Board Oversight Committee, where applicable, will be distributed to each member at the AGM.

5 - 10 MOTIONS.

5. All motions from the floor of the AGM must be proposed and seconded by members present at the AGM and moved by the proposer. If the proposer is absent when the motion is called, the motion shall be deemed to have failed.
6. A proposer of a motion may speak for such period as shall be at the discretion of the Chairman of the meeting and shall have the right of reply before the motion is put to the meeting for a vote.
7. In exercising his/her right of reply, a proposer may not introduce new material.
8. The seconder of a motion shall have such time as shall be allowed by the Chairman to second the motion.
9. Members are entitled to speak on any such motion and must do so through the Chair. All speakers to any motion shall have such time as shall be at the discretion of the Chairman.
10. The Chairman shall have the absolute right to decide at any time when a motion has been sufficiently discussed and may put the motion to the meeting giving the proposer the right of reply before doing so.

11 - 16 MISCELLANEOUS.

11. The Chairman of the Board of Directors shall be the Chairman of any general meeting, except where he/she is not available, in which case it shall be the Vice-Chairman, except where he/she is not available, in which case the Board shall decide amongst themselves who shall act as Chairman of any general meeting.
12. The Chairman may at his/her discretion, extend the privilege of the floor to any person who is not a member.
13. Matters not covered by the Agenda may be introduced under "Other Business" at the discretion of the Chairman.
14. The Chairman's decision on any matter relating to these Standing Orders or interpretation of same shall be final.
15. In accordance with Section 82(2) no member shall have more than one vote on each question at any general meeting of the credit union or any adjournment thereof irrespective of his/her

shareholding or the number of accounts in his/her name in the credit union provided, however, that except in voting at elections, the presiding member shall have a second or casting vote in the event of equality of voting. Voting by proxy shall be allowed only when a member other than a natural person votes through a representative, who is a member of the group, duly authorised in writing for that purpose and accepted as such by the Board of Directors.

Acceptance of proxies is in accordance with Section 82(4).

16. Any matter to be decided upon by vote at the AGM shall, unless otherwise expressly provided for by law or the rules, be decided upon by simple majority.

17. **SUSPENSION OF STANDING ORDERS.**

Any one of these Orders or all of these Standing Orders may be suspended on a motion to this effect receiving a two-thirds majority of those present and entitled to vote.

18. **ALTERATION OF STANDING ORDERS.**

Standing Orders may be amended or altered at a general meeting and only if a motion to this effect has received a two-thirds majority of those present and voting.

19. **ADJOURNMENTS.**

Adjournments of the AGM shall take place only in accordance with Section 81.

CAR DRAW WINNERS 2017

Oct 16	Caroline Williams
Nov 16	John McDermott
Dec 16	Brendan Hickey
Jan 17	Ann McMenamy
Feb 17	Naomi Place
Mar 17	Amy McLaughlin
Apr 17	John McCormack
May 17	Helen Donnelly
Jun 17	Sharon Cleary
Jul 17	Eamon Purcell
Aug 17	Audrey Sally
Sep 17	Brendan Birchall

PROPOSED RULE AMENDMENTS 2017

Proposed changes to each rule below highlighted in bold text and underlined. Text to be replaced in orange.

A copy of the standard rules is available in hard copy from either office of the credit union or in soft copy, on request by e-mail, to info@lucancu.ie.

Rule 52 Money laundering reporting officer

'The board of directors of the credit union shall appoint an experienced member of the board of directors or a senior member of staff as money laundering reporting officer to whom all reports of suspected money laundering offences will be directed, assessed and, where appropriate, passed to the Gardaí and the Revenue Commissioners, in accordance with the Criminal Justice Acts 2010 and 2013' (Change from 'Act 1994 (as amended))

Rule 57 Conflict of Interest

'The credit union shall establish and maintain policies for identifying, managing and resolving conflicts of interest, which policies apply to all officers of the credit union and which comply with Section 69 of the Act.' (Change from 'has established')

Rule 59 (4) Shares: Denominations limits and transfers

(4) 'Subject to the approval of the board of directors and Section 29 of the Act, a member of the credit union may transfer a share in the credit union to another member so long as the number of shares held by that member does not exceed the limit referred to in paragraph (3) above' (Change from 'imposed by the Acts')

Rule 62 Restrictions on withdrawal of shares and deposits

Restrictions on the withdrawal by members of share and deposits shall be in accordance with section 32 of the Act however, the credit union may require:-

1. not less than [60] days' notice in writing of his intention to withdraw a share in the credit union and, for the avoidance of doubt, may not withdraw shares at a time when a claim due on account of deposits is unsatisfied; and
2. not less than 21 days' notice in writing of his intention to withdraw a deposit.

The provisions of Section 32 of the Act shall apply to all withdrawals (Change from 'and in particular a member must give')

Rule 65 Dormant accounts

'The credit union may deal with shares and deposit accounts as hereinafter provided when there has been no member initiated transaction on the account for a period of three years and when no reply has been received within thirty days from the member to a notice sent, by ordinary post, to him/her at his/her last known address, of intent by the credit union to close the account(s). Such share and deposit accounts may then be transferred to the reserve account, or such other account as the Board, for the time being consider appropriate. Dividends and interest may continue to be payable on such accounts' (Change from 'Such share and deposit accounts shall then be transferred to the reserve account. Dividends and interest shall continue to be payable on such accounts).

Rule 68 (2) Making, and Approval, of loans

(2) Subject to the Act (and any regulations made thereunder), any financial services legislation, any applicable Codes of Conduct issued by the Bank and these rules, the credit union may make a loan to a member for such purpose as the credit union considers appropriate upon such security (or without security) and terms as the board of directors may provide but no loan shall be made to a member who resides outside the state, or who is under the age of eighteen and neither is nor has been married nor is nor has been a civil partner unless an indemnity is provided by the member's parent or guardian or by a person approved by the board of directors. The ability of the loan applicant to repay shall be the primary consideration in the underwriting process of the credit union. (Additional wording)

Rule 70 Notification of loan approval

On approving a loan in accordance with section 36 or 37 of the Act, the credit union shall, in writing or by phone, notify the member who applied for the loan of the approval and of any time limit within which the approval will expire. Such notice may be in a form that when signed by the member accepting the loan constitutes a credit agreement for the purposes of Sections 37B and 37C of the Acts or, where applicable the European Communities (Consumer Credit Agreements) Regulations 2010 (S.I. No 281 of 2010) and other applicable financial services legislation (Additional wording)



FLEXIBLE LOANS AVAILABLE NOW FROM YOUR CREDIT UNION

Your loan – Your way

Our standard variable rate is 9.49% (APR 9.91%)

Loans available for:

- Car purchase
- Home improvements
- College fees
- Medical/dental expenses
- Wedding costs
- Holidays
- Any other family purpose

Check out our handy loan calculator on our website www.lucancu.ie for an estimate of how much a credit union loan would cost you.

Special rate available for members who wish to hold onto their savings and borrow within shares – 6% (APR 6.18%)

Lucan District Credit Union is regulated by the Central Bank of Ireland