

Lucan District CREDIT UNION



ANNUAL REPORT 2020



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DIRECTORS AND OTHER INFORMATION

Directors

Martin Nolan (Chair)
Chris Gallagher (Vice-Chair)
Louise Maher (Secretary)
Una Ruddock
Paul Fahy
Jane Barlow
Junior Chapwanya
Darmah Chirombo
Thomas Bradley (co-opted Jun 20)

Board Oversight Committee

Claire Dollard (Chair)
Sophie Awani-Gold (Secretary, co-opted Aug 20)
Mary Needham (co-opted Aug20)
Noel Rogers (co-opted Jan20) (resigned Mar20)

CEO

Paula Maguire

Operations Manager

Tracey Thunder

Registered Office

3 The Mall, Main Street, Lucan, Co Dublin

Independent Auditors

Grant Thornton
Mill House, Henry Street, Limerick

Investment Advisors

FTI Treasury, 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 NOTICE OF ANNUAL GENERAL MEETING 2020

Notice is hereby given that the Annual General Meeting of Lucan District Credit Union Ltd will take place on the 23rd March at 7.30pm.

Because of Covid-19, the Government has amended the Credit Union Act to allow annual general meetings (AGMs) to be held on a virtual rather than in-person basis. To deliver the AGM remotely, Lucan District Credit Union will use Zoom. You will need an internet connection to access the meeting on your PC, laptop or mobile phone.

While the AGM will follow the usual format, the focus this year will be on the essential business of the credit union, namely the presentation of the financial statements, the auditor's report and the election of Board members, Board Oversight Committee members and the auditor. All other reports will be taken as read for expediency.

Members must register in advance to attend the AGM. To register for the AGM and electronic voting:

1. Send an email to info@lucancu.ie with the subject 'AGM registration'. You will be sent a registration link. You must use this link to register by 6pm on Monday 22nd March.
2. Once registered you will receive an email with a unique link to the AGM, do not share this with others as we must be able to identify you to establish a quorum. Every individual should register for their own link.
3. You will also be sent details about how to vote electronically before the AGM. We would ask members attending the AGM to vote by 12pm on the day of the AGM. Only members who attend the AGM will have their votes counted.

Questions may be raised on the night through the Q&A function of Zoom and the Chair will make every effort to facilitate a response. We also invite members to submit questions in advance of the AGM. Questions can be submitted to info@lucancu.ie with the subject 'AGM question' by Friday 19th March at the latest.

Zoom has become familiar software to many during the lockdown, however we do understand that not everyone has used it. We would suggest that you familiarise yourself with Zoom well before the AGM to avoid difficulty joining the meeting. You can learn about Zoom through this link <https://support.zoom.us/hc/en-us/articles/206618765-Zoom-video-tutorials>. We will not be able to assist anyone experiencing technical difficulties on the night.

Elections will be held to fill 3 vacancies on the Board, 2 vacancies on the Board Oversight Committee and the position of Auditor. Votes will be cast electronically by members in advance of the AGM. Members wishing to put themselves forward for consideration for election should submit a Nominations form by Friday 12th March. The form is available from both offices or you may download from www.lucancu.ie/application-forms.

We do hope you can join us on the 23rd March.

Louise Maher
Secretary

ANNUAL GENERAL MEETING 2020

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 on 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

BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2020

The Directors' of Lucan District Credit Union are pleased to present the annual report and audited accounts for year ended 30th September 2020.

The year that was

The pandemic and subsequent lockdown brought many challenges for the credit union during 2020. Deemed an essential service, the credit union continued to offer a curtailed service to our members throughout the lockdown with priority being given to the health and safety of our staff and members visiting each office. There was a noted move by members to our online and phone services with less people attending each office.

The main impact on our members was on their ability to repay loans due to temporary lay off or reduced hours or income. The credit union responded by providing payment breaks to members who requested it and working closely with members to get them quickly back on track as they returned to work. This has not been the case for a small number of members who have yet to return to work. We will continue to work closely with these members over the coming months.

Due to the increased risk of loan default, we set aside more funds in the bad debt provision to protect the credit union in the event of some of the payment break loans not being repaid. The increase in this provision significantly reduced the available surplus this year.

As has been covered extensively in the media, the level of savings coming into the credit union since the lockdown was unprecedented. In August, the Board had to make the difficult decision to place caps on shares and deposits and to refund members who have savings above these caps. There were two reasons for this; (1)

the banks are charging negative rates on deposits, keeping these funds on deposit was costing the credit union money and, (2) the credit union must set aside 10% of any additional assets into the reserves, this can only come from the surplus earned.

The decision to set the caps and to refund shares was taken to protect the credit union and to maintain the reserves level.

Results for the year

Despite the challenges, the credit union produced a surplus of €391k in the year. This was down 40% on last year, primarily due to the increase in the bad debt provision.

At year-end, total assets were up €3.7m to €80.7m an increase of 4.8% on the figure last year of €77m. This was after the refund of €5m shares to members above the cap. Even at that shares increased by €2.3m (up 3.6%) to €67.5m from €65.2m last year. The loan book decreased this year due to the lockdown. Members paid loans down quickly or cleared loans with shares. The level of loans being issued dropped completely during the lockdown months. Altogether, the loan book decreased by €217k (down 0.95%) on last year finishing the year at €22.6m.

Despite the challenges, we were delighted to have been joined by 897 new members this year. This bodes very well for the future growth of the credit union.

Transfers to provisions and reserves

Due to the increase in assets and the reduced surplus this year, the surplus in its entirety was transferred to the reserves. This maintains our regulatory reserve at 10.75% of total assets (10.63%) last year. The reserves are held to strengthen the balance sheet and protect members assets.

Unfortunately, this means that there can be no dividend or loan interest rebate this year.

Volunteering with your credit union

We would ask members to consider putting yourselves forward for a couple of years to serve on the Board or the Board Oversight Committee. It is a challenge to fill vacancies, so we would like to have a panel of volunteers available to us as vacancies arise during the year.

These are vital roles within the credit union. Although these roles are voluntary, volunteers may participate in our education programme to earn a fully transferable qualification while you serve. Members also gain valuable experience of corporate governance. Both the education and experience will enhance a CV for those interested in progressing a career in financial services or a not-for-profit. We are open to volunteers of all ages and backgrounds, whether starting out in your career, a student, an established professional or looking for a career change.

If you are interested in putting your name forward, complete a nomination form and hand into either office. For more information visit our website www.lucancu.ie/volunteering.

Acknowledgements

The Board would like to thank the staff and management of the credit union for the continued provision of services to members throughout a very difficult year.

We thank you all for your continued support and wish you a happy and healthy 2021.

On behalf of the Board

Martin Nolan
CHAIRMAN

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2020

The directors present their annual report and the audited financial statements for the financial year ended 30 September 2020.

PRINCIPAL ACTIVITY

The principal activity of the business continues to be the operation of a credit union.

AUTHORISATION

The credit union is authorised as follows:

- Insurance, reinsurance or ancillary insurance intermediary under the European Union (Insurance Distribution) Regulations, 2018
- Investment Intermediaries (Restricted Activity Investment Product Intermediary) pursuant to Section 26 of the Investment Intermediaries Act, 1995 (as amended).
- Entitled under the European Union (Payment Services) Regulations 2018 to provide payment services.

BUSINESS REVIEW

The directors acknowledge 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 AND LOAN INTEREST REBATE

The surplus for the financial year is set out in the income and expenditure account on page 14. The directors are not proposing a dividend or loan interest rebate in respect of the year ended 30 September 2020 (2019: proposed dividend €31,009 (0.05%) and proposed loan interest rebate €nil (0.00%)).

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 finance function. The books of account of the credit union are maintained at the credit union's premises at 3 The Mall, Main Street, Lucan, Co. Dublin.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

Since the year end the COVID-19 pandemic has continued to have a direct effect on the credit union, the economy and the general population. The directors and management are closely monitoring the evolution of the pandemic, and while there is no clear indication as to when the impact will be curtailed or eliminated, they will continue to take appropriate actions to mitigate any possible adverse effects on the credit union, on its officers and on its members.

AUDITORS

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 16/11/2020 and signed on its behalf by:

Martin Nolan
MEMBER OF THE BOARD OF DIRECTORS

Chris Gallagher
MEMBER OF THE BOARD OF DIRECTORS

Date: 16/11/2020

DIRECTORS' RESPONSIBILITIES STATEMENT

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 16/11/2020 and signed on its behalf by:

Martin Nolan
MEMBER OF THE BOARD OF DIRECTORS

Chris Gallagher
MEMBER OF THE BOARD OF DIRECTORS

Date: 16/11/2020

BOARD OVERSIGHT COMMITTEE'S RESPONSIBILITIES STATEMENT

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 16/11/2020 and signed on its behalf by:

Claire Dollard
THE BOARD OVERSIGHT COMMITTEE

Date: 16/11/2020

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.

Due to Covid-19 lockdown one member of the committee resigned in March and the one remaining committee member was unable to attend the Board meetings for a few months. Further, we were unable to recruit to fill the two vacancies on the committee. Thankfully, we co-opted two new members to the committee in August, both of whom are on the ballot paper at this AGM. The BOC attended all Board meetings from August.

The committee are working to be fully compliant and have presented our second quarterly report to the Board since fully completing the committee.

Overall, the committee is satisfied that the Board is compliant with the provisions of the Act. Despite the challenges of the last year, the Board has managed to hold virtual meetings every month and has continued to govern the credit union on behalf of the members.

We would like to thank the Board and management for their support and assistance in getting the committee up and running after a period of inactivity. We would still love to hear from any member who may be interested in volunteering for the committee as vacancies arise in the future. Please request a nomination form at the counter, complete and hand in.

The Board Oversight Committee

INDEPENDENT AUDITOR'S 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 other comprehensive income, the balance sheet, the statement of changes in reserves and the statement of cash flows for the financial year ended 30 September 2020, 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 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 2020 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; and
- 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

Date: 16/11/2020

INCOME & EXPENDITURE ACCOUNT FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2020

	Schedule	2020 €	2019 €
INCOME			
Interest on members' loans		1,949,127	1,903,923
Other interest income and similar income	1	626,469	460,958
Interest payable on members' deposits (note 22)		-	(1,857)
Net interest income		2,575,596	2,363,024
Other income	2	7,489	16,224
Total income		2,583,085	2,379,248
EXPENDITURE			
Employment costs		733,369	747,703
Other management expenses	3	903,576	910,179
Depreciation		121,956	114,896
Net impairment losses/(gains) on loans to members (note 5)		433,395	(43,554)
Total expenditure		2,192,296	1,729,224
Surplus for the financial year		390,789	650,024

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2020

	2020 €	2019 €
Surplus for the financial year	390,789	650,024
Other comprehensive income	-	-
Total comprehensive income for the financial year	390,789	650,024

The financial statements were approved and authorised for issue by the board on 16/11/2020 and signed on behalf of the credit union by:

Martin Nolan
MEMBER OF THE BOARD
OF DIRECTORS

Claire Dollard
THE BOARD
OVERSIGHT COMMITTEE

Paula Maguire
CEO

The notes on pages 18- 33 form part of these financial statements

BALANCE SHEET FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2020

	Notes	2020 €	2019 €
ASSETS			
Cash and balances at bank		1,514,894	1,406,883
Deposits and investments – cash equivalents	7	3,271,254	8,531,224
Deposits and investments – other	7	54,011,996	44,636,015
Loans to members	8	22,641,297	22,857,890
Provision for bad debts	9	(1,444,301)	(1,151,058)
Tangible fixed assets	10	503,836	571,650
Prepayments and accrued income	11	200,568	138,143
Total Assets		80,699,544	76,990,747
LIABILITIES			
Members' shares	12	67,539,278	65,198,350
Members' deposits	13	3,230,692	2,182,735
Other liabilities, creditors, accruals and charges	14	176,111	219,402
Other provisions	15	6,876	3,622
Total liabilities		70,952,957	67,604,109
RESERVES			
Regulatory reserve	17	8,678,224	8,181,840
Operational risk reserve	17	300,000	384,954
Other reserves			
- Realised reserves	17	678,454	741,537
- Unrealised reserves	17	89,909	78,307
Total reserves		9,746,587	9,386,638
Total liabilities and reserves		80,699,544	76,990,747

The financial statements were approved and authorised for issue by the board on 16/11/2020 and signed on behalf of the credit union by:

Martin Nolan
MEMBER OF THE BOARD
OF DIRECTORS

Claire Dollard
THE BOARD
OVERSIGHT COMMITTEE

Paula Maguire
CEO

The notes on pages 18- 33 form part of these financial statements

STATEMENT OF CHANGES IN RESERVES FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2020

Movements on Reserves

	Regulatory Reserve	Operational Risk Reserve	Realised reserves	Unrealised reserves	Total
	€	€	€	€	€
As at 1 October 2018	7,465,975	352,169	938,244	87,798	8,844,186
Surplus for the financial year	550,000	32,785	62,457	4,782	650,024
Dividend and loan interest rebate paid	-	-	(107,572)	-	(107,572)
Transfer between reserves	165,865	-	(151,592)	(14,273)	-
As at 1 October 2019	8,181,840	384,954	741,537	78,307	9,386,638
Surplus for the financial year	-	-	382,028	8,761	390,789
Dividend and loan interest rebate paid	-	-	(30,840)	-	(30,840)
Transfer between reserves	496,384	(84,954)	(414,271)	2,841	-
As at 30 September 2020	8,678,224	300,000	678,454	89,909	9,746,587

- The regulatory reserve of the credit union as a percentage of total assets as at 30 September 2020 was 10.75% (2019: 10.63%).
- The operational risk reserve of the credit union as a percentage of total assets as at 30 September 2020 was 0.37% (2019: 0.50%).

The notes on pages 18- 33 form part of these financial statements

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2020

	Notes	2020 €	2019 €
Opening cash and cash equivalents		9,938,107	16,534,456
Cash flows from operating activities			
Loans repaid by members	8	10,799,839	11,400,610
Loans granted to members	8	(10,949,166)	(12,515,900)
Interest on members' loans		1,949,127	1,903,923
Interest payable on members' deposits		-	(1,857)
Other interest income and similar income		626,469	460,958
Other income		7,489	16,224
Bad debts recovered and recoveries		225,768	263,811
Dividends paid		(30,840)	(56,282)
Loan interest rebate paid		-	(51,290)
Operating expenses		(1,636,945)	(1,657,882)
Movement in other assets and liabilities		(102,462)	60,513
Net cash flows from operating activities		889,279	(177,172)
Cash flows from investing activities			
Fixed asset (purchases)/disposals		(54,142)	(68,456)
Net cash flow from other investing activities		(9,375,981)	(12,349,816)
Net cash flows from investing activities		(9,430,123)	(12,418,272)
Cash flows from financing activities			
Members' shares received	12	23,925,494	27,478,886
Members' deposits received	13	3,830,465	3,271,653
Members' shares withdrawn	12	(21,584,566)	(21,997,413)
Members' deposits withdrawn	13	(2,782,508)	(2,754,031)
Net cash flow from financing activities		3,388,885	5,999,095
Net (decrease)/increase in cash and cash equivalents		(5,151,959)	(6,596,349)
Closing cash and cash equivalents	6	4,786,148	9,938,107

The notes on pages 18- 33 form part of these financial statements

NOTES TO THE ACCOUNTS FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2020

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, Main Street, 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

Deposit and 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 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.

2.6 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.

Investments at fair value - Investments held for trading and investment in stock market shares (i.e. non-convertible preference shares and non-puttable ordinary shares or preference shares) are included in this category. Financial assets at fair value are classified as held for trading if they are acquired for sale in the short term. They are valued at fair value (market value) at the year-end date and all gains and losses are taken to the income and expenditure account.

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market these assets will be carried at cost plus accrued income less impairment.

2.7 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.

2.8 Provision for bad debts

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.

2.9 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% straight line per annum

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.

2.10 Impairment of assets

At each reporting date 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 carrying 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 account.

2.11 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.

2.12 Interest on members' deposits

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

2.13 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 initially recognised at the amount of cash deposited and subsequently measured at amortised cost.

2.14 Other payables

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

2.15 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 scheme are charged to the income and expenditure account in the period to which they relate.

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 Operating leases

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

2.18 Finance leases and hire purchase

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the credit union. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income and expenditure account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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 Regulatory reserve

The Credit Union Act, 1997 (Regulatory Requirements) Regulations 2016 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.

2.21 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.

2.22 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".

2.23 Distribution policy

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

The rate of dividends and loan interest rebates 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 and loan interest rebate expectations;

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

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

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

2.24 Taxation

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

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 year end was €503,836 (2019: €571,650).

Provision for bad debts

The credit union's accounting policy for impairment of loans is set out in the accounting policy in note 2.8. 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 at the year end was €1,444,301 (2019: €1,151,058) representing 6.38% (2019: 5.04%) 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 the year end was €300,000 (2019: €384,954).

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.

	2020	2019
	€	€
Short term employee benefits paid to key management	293,247	300,343
Payments to pension schemes	31,858	31,279
Total key management personnel compensation	325,105	331,622

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

	2020	2019
	€	€
Bad debts recovered	(174,876)	(193,699)
Impairment of loan interest reclassified as bad debt recoveries	(50,892)	(70,112)
Movement in bad debts provision during the year	293,243	(83,217)
Loans written off during the year	365,920	303,474
Net impairment losses/(gains) on loans to members	433,395	(43,554)

6. CASH AND CASH EQUIVALENTS

	2020	2019
	€	€
Cash and balances at bank	1,514,894	1,406,883
Deposits & investments (note 7)	57,283,250	53,167,239
Less: Deposit & investment amounts maturing after three months	(54,011,996)	(44,636,015)
Total cash and cash equivalents	4,786,148	9,938,107

7. DEPOSITS AND INVESTMENTS

	2020	2019
	€	€
Deposits and investments – cash equivalents		
Accounts in authorised credit institutions (Irish and non-Irish based)	3,271,254	8,531,224
Total deposits and investments – cash equivalents	3,271,254	8,531,224
Deposits and investments – other		
Accounts in authorised credit institutions (Irish and non-Irish based)	32,993,399	29,307,637
Bank bonds	18,380,636	11,264,103
Irish and EEA state securities	2,054,355	3,560,444
Central Bank deposits	583,606	503,831
Total deposits and investments – other	54,011,996	44,636,015
Total deposits and investments	57,283,250	53,167,239

8. FINANCIAL ASSETS – LOANS TO MEMBERS

	2020	2019
	€	€
As at 1 October	22,857,890	22,046,074
Loans granted during the year	10,949,166	12,515,900
Loans repaid during the year	(10,799,839)	(11,400,610)
Gross loans and advances	23,007,217	23,161,364
Bad debts		
Loans written off during the year	(365,920)	(303,474)
As at 30 September	22,641,297	22,857,890

9. PROVISION FOR BAD DEBTS

	2020	2019
	€	€
As at 1 October	1,151,058	1,234,275
Movement in bad debts provision during the year	293,243	(83,217)
As at 30 September	1,444,301	1,151,058

The provision for bad debts is analysed as follows:

	2020	2019
	€	€
Grouped assessed loans	1,444,301	1,151,058
Provision for bad debts	1,444,301	1,151,058

10. TANGIBLE FIXED ASSETS

	Freehold Buildings	Freehold Improv.	Leasehold Buildings	Leasehold Improv.	Computer Equipment	Furniture & Office Equipment	Total
	€	€	€	€	€	€	€
Cost							
1 October 2019	362,791	234,355	232,647	70,847	225,998	160,357	1,286,995
Additions	-	10,498	-	-	41,762	1,882	54,142
Disposals	-	-	-	-	(43,045)	(45,463)	(88,508)
At 30 September 2020	362,791	244,853	232,647	70,847	224,715	116,776	1,252,629
Depreciation							
1 October 2019	179,694	84,300	178,138	39,364	119,673	114,176	715,345
Charge for year	7,256	16,681	18,170	7,871	51,649	20,329	121,956
Disposals	-	-	-	-	(43,045)	(45,463)	(88,508)
At 30 September 2020	186,950	100,981	196,308	47,235	128,277	89,042	748,793
Net book value							
At 30th September 2020	175,841	143,872	36,339	23,612	96,438	27,734	503,836
At 30th September 2019	183,097	150,055	54,509	31,483	106,325	46,181	571,650

Computer equipment with a net book value of €3,918 (2019: €5,123) is held under a finance lease.

11. DEBTORS, PREPAYMENTS AND ACCRUED INCOME

	2020	2019
	€	€
Loan interest receivable	59,693	63,821
Prepayments	112,321	74,322
Other debtors	28,554	-
As at 30 September	200,568	138,143

12. MEMBERS' SHARES

	2020	2019
	€	€
As at 1 October	65,198,350	59,716,877
Received during the year	23,925,494	27,478,886
Withdrawn during the year	(21,584,566)	(21,997,413)
As at 30 September	67,539,278	65,198,350

13. MEMBERS' DEPOSITS

	2020	2019
	€	€
As at 1 October	2,182,735	1,665,113
Received during the year	3,830,465	3,271,653
Withdrawn during the year	(2,782,508)	(2,754,031)
As at 30 September	3,230,692	2,182,735

14. OTHER LIABILITIES, CREDITORS, ACCRUALS AND CHARGES

	2020	2019
	€	€
Prize draw	43,704	72,494
Finance Lease	1,578	4,591
PAYE/PRSI	15,673	14,127
Accruals and other creditors	115,156	128,190
As at 30 September	176,111	219,402

15. OTHER PROVISIONS

	2020	2019
	€	€
Holiday pay accrual		
At 1 October	3,622	3,986
Charged to the income and expenditure account	3,254	(364)
At 30 September	6,876	3,622

16. FINANCIAL INSTRUMENTS

16a. Financial instruments – measured at amortised cost

	2020	2019
	€	€
Financial assets		
Financial assets measured at amortised cost	76,451,181	77,432,012
Financial liabilities		
	2020	2019
	€	€
Financial liabilities measured at amortised cost	70,952,957	67,604,109

Financial assets measured at amortised cost comprise of cash and balances at bank, deposits and investments, loans and other debtors. Financial liabilities measured at amortised cost comprise of members' savings, other liabilities, creditors, accruals and charges and other provisions.

16b. Financial instruments – fair value measurements

FRS 102 requires fair value measurements to be disclosed by the source of inputs, using a three level hierarchy:

- Quoted prices for identical instruments in active market (level 1);
- Prices of recent transactions for identical instruments and valuation techniques using observable market data (level 2), and
- Valuation techniques using unobservable market data (level 3).

The table below sets out fair value measurements using the fair value hierarchy:

As at 30 September 2020	Total	Level 1	Level 2	Level 3
	€	€	€	€
Accounts in authorised credit institutions	5,016,814	-	5,016,814	-
Total	5,016,814	-	5,016,814	-

As at 30 September 2019	Total	Level 1	Level 2	Level 3
	€	€	€	€
Accounts in authorised credit institutions	-	-	-	-
Total	-	-	-	-

There were no fair value adjustments recognised in the income and expenditure account for the year ended 30 September 2020 (2019: €nil).

17. RESERVES

	Balance 01/10/19	Payment of dividends	Appropriation of current year surplus	Transfers between reserves	Balance 30/09/20
	€	€	€	€	€
Regulatory reserve	8,181,840	-	-	496,384	8,678,224
Operational risk reserve	384,954	-	-	(84,954)	300,000
Other reserves					
Realised					
Undistributed surplus	711,537	(30,840)	382,028	(384,271)	678,454
Future dividend reserve	30,000	-	-	(30,000)	-
Total realised reserves	741,537	(30,840)	382,028	(414,271)	678,454
Unrealised					
Interest on loans reserve	63,821	-	-	(4,128)	59,693
Investment income reserve	14,486	-	8,761	6,969	30,216
Total unrealised reserves	78,307	-	8,761	2,841	89,909
Total reserves	9,386,638	(30,840)	390,789	-	9,746,587

18. CREDIT RISK DISCLOSURES

In line with regulatory requirements, the credit union:

- 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 business 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.

		2020		2019
	€	%	€	%
LOANS NOT IMPAIRED				
Total loans not impaired, not past due	17,888,998	79.01%	19,328,765	84.56%
IMPAIRED LOANS:				
Not past due	789,648	3.49%	802,405	3.51%
Up to 9 weeks past due	2,025,048	8.94%	1,729,830	7.57%
Between 10 and 18 weeks past due	522,221	2.31%	152,271	0.67%
Between 19 and 26 weeks past due	727,900	3.21%	147,114	0.64%
Between 27 and 39 weeks past due	414,236	1.83%	104,422	0.46%
Between 40 and 52 weeks past due	81,545	0.36%	76,063	0.33%
53 or more weeks past due	191,701	0.85%	517,020	2.26%
Total impaired loans	4,752,299	20.99%	3,529,125	15.44%
TOTAL LOANS	22,641,297	100.00%	22,857,890	100.00%

19. RELATED PARTY TRANSACTIONS

19a. Loans

	No. of loans	2020 €	No. of loans	2019 €
Loans advanced to related parties during the year	15	60,000	16	57,600
Total loans outstanding to related parties at the year end	20	149,956	20	178,783
Total Provisions for Loans Outstanding to Related Parties		2,381		2,295

The related party loans stated above comprise of loans outstanding to directors and the management team (to include their family members or any business in which the directors or management team had a significant shareholding).

Total loans outstanding to related parties represents 0.66% of the total loans outstanding at 30 September 2020 (2019: 0.78%).

19b. Savings

The total amount of savings held by related parties at the year end was €313,990 (2019: €296,436).

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

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 regulatory requirements.

20c. Interest rate risk disclosures

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

	2020		2019	
	Amount €	Av. Interest Rate %	Amount €	Av. Interest Rate %
Gross loans to members	22,641,297	8.94%	22,857,890	9.10%

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.

21. DIVIDENDS AND LOAN INTEREST REBATE

The following distributions were paid during the year:

	2020		2019	
	%	€	%	€
Dividend on shares	0.05%	30,840	0.10%	56,282
Loan interest rebate (on standard rate loans)	-	-	3.00%	51,290

The Directors propose the following distributions in respect of the year:

	2020		2019	
	%	€	%	€
Dividend on shares	0.00%	-	0.05%	31,009
Loan interest rebate (on standard rate loans)	0.00%	-	0.00%	-

22. RATE OF INTEREST PAID ON MEMBERS' DEPOSIT ACCOUNTS

	2020		2019	
Interest payable for the year	%	€	%	€
Interest on deposits	0.00%	-	0.10%	1,857

23. EVENTS AFTER THE END OF THE FINANCIAL YEAR

Since the year end the COVID-19 pandemic has continued to have a direct effect on the credit union, the economy and the general population. The directors and management are closely monitoring the evolution of the pandemic, and while there is no clear indication as to when the impact will be curtailed or eliminated, they will continue to take appropriate actions to mitigate any possible adverse effects on the credit union, on its officers and on its members.

24. INSURANCE AGAINST FRAUD

The credit union has Insurance against fraud in the amount of €1,500,000 (2019: €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 2020.

26. CONTINGENT LIABILITIES

In September 2018, the Registry of Credit Unions advised all credit unions of a potential matter in relation to accrued interest outstanding on certain top-up loans which may have led to a potential over-collection of interest. The credit union is progressing a review of this matter to ascertain whether any top-up loans made to members might be impacted by these circumstances, and if so, to determine what actions may need to be taken. It is expected that the credit union will finalise its review over the coming months. Consequently it is impracticable at this time to estimate the impact, financial or otherwise, if any, of this matter and whether any net amounts will become payable or not in the future.

27. LEASING COMMITMENTS

At 30 September 2020 the credit union had future minimum lease payments under non-cancellable operating leases as follows:

	2020	2019
	€	€
Less than 1 year	36,996	32,000
1 to 5 years	81,487	96,000
At 30 September	118,483	128,000

At 30 September 2020 the credit union had future minimum lease payments under a non-cancellable finance lease as follows:

	2020	2019
	€	€
Less than 1 year	1,815	2,895
1 to 5 years	-	1,815
At 30 September	1,815	4,710

Certain computer equipment is held under a finance lease arrangement. Finance lease liabilities are secured by the related assets held under the finance lease. The lease agreement generally includes fixed lease payments and a purchase option at the end of the lease term.

28. COMPARATIVE INFORMATION

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

29. APPROVAL OF FINANCIAL STATEMENTS

The board of directors approved these financial statements for issue on 16/11/2020.

SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2020

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

	2020	2019
	€	€
Investment income received/receivable within 1 year	455,946	456,176
Gains on investments	161,762	-
Investment income receivable outside of 1 year	8,761	4,782
Total per income and expenditure account	626,469	460,958

SCHEDULE 2 - OTHER INCOME

	2020	2019
	€	€
Insurance commission	3,867	6,784
Foreign exchange commission	3,622	9,239
Miscellaneous income	-	201
Total per income and expenditure account	7,489	16,224

SCHEDULE 3 - OTHER MANAGEMENT EXPENSES

	2020	2019
	€	€
Loans and savings insurance costs	192,733	197,713
Printing, postage and stationery	43,959	28,066
Computer costs	86,528	88,568
AGM and other meeting costs	20,545	21,035
Bank charges	26,705	38,245
Sundry expenses	28,285	27,025
Telephone	11,305	10,053
Cash security	8,521	5,483
Advertising and marketing	27,481	28,283
Donations and sponsorship	17,265	18,490
Legal and professional fees	156,739	152,460
Debt collection	16,378	34,095
Audit fees	17,848	18,142
Regulatory levies	124,116	118,743
Rent and rates	45,323	47,246
Repairs and maintenance	18,260	20,513
General insurance	34,800	29,519
Light and heat	9,008	9,373
Staff training	7,655	9,055
Travel and subsistence	2,004	3,850
Uniforms	8,118	4,222
Total per income and expenditure account	903,576	910,179



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- Check your balances
- Check your statement
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REPORT OF THE CREDIT COMMITTEE

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

The number of loans granted this year decreased compared to last year directly because of Covid-19. This was due to people being out of work, not being able to travel, not being able to spend during the lockdown and generally being afraid to commit to a loan, due to Covid lockdown uncertainty. Unlike the last recession, demand for credit has not collapsed completely. We did see a resurgence in loan applications during the lifting of the first lockdown.

We expect that Covid-19 will continue to impact us until at least the middle of 2021.

The following is a breakdown of the loans issued over the past year by amount and purpose:

By Amount	Number	Amount €	Loan Purpose	Number	Amount
€1 - €500	279	110,745	Car Purchase	255	2,205,224
€500 - €2,000	912	1,168,030	Car Repairs/Insurance/Tax	47	79,980
€2,000 - €5,000	652	2,401,245	Christmas	135	208,900
€5,000 - €10,000	323	2,521,036	Education	98	347,489
€10,000 - €15,000	118	1,539,560	Dental/Medical	66	168,820
€15,000 - €25,000	80	1,609,350	Holidays	119	328,000
€25,000 - €50,000	41	1,424,200	Home Improvements	282	1,833,763
€50,000 - €100,000	3	175,000	Home Makeover (promotional only)	304	2,405,658
€100,000 +	0	0	Bills	60	421,467
Total	2,408	10,949,166	Personal Microcredit Loan	53	38,890
			Wedding	23	126,800
			Within Shares (fully secured)	809	2,122,605
			Funeral	16	62,450
			Other purpose	141	599,120
			Total	2,408	10,949,166

In late 2020 we launched two new loan products, the Go Green loan at 7.5% which is available for those who wish to retrofit your homes or to purchase a fully electric vehicle. In addition, the Cash Back Car Loan was launched which is proving very popular. Members can get a cash back amount when the loan is drawn down towards the car insurance or tax. The cash back amount depends on the amount borrowed.

For more information on our loans visit our website www.lucancu.ie or ask at the counter.

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.

The credit union faced several challenges this past year due to the sudden lockdown from the 16th March. Many members were laid off temporarily or on much reduced income as they moved to the Covid payment.

The company that provides the banking software had to develop and roll-out a change to the software to allow for payment breaks, within a two-week period. As soon as this was available, the credit union was able to provide breaks to our members for an initial 3-month period. We continue to work closely with members who availed of the break, some of whom require extended breaks due to the impact on their line of work.

We will continue to work closely with our members until everyone can get back to work and return to full repayments. We expect that it will be mid 2021 before we begin to return to normal.

The main impact of the payment breaks on the credit union was the requirement to significantly increase the bad debt provision during the year to provide for loans that become higher risk due to the breaks. Potentially, we could lose some of these loans over the next few months. However, credit control is working hard with each member to reduce losses as much as we can.

We would advise any member who is in financial difficulty as a direct result of the lockdown, being out of work or on reduced income, to contact us as soon as possible if you have not done so already. It would be in your best interest to have a plan in place with us to get through this difficult period. We have number of tools at our disposal to assist you, including payment breaks and rescheduling loans to make the repayments more affordable. The long-term goal is to protect and repair your credit rating so you can borrow again in the future.

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.

Despite the challenges of 2020 and the Covid lockdowns, the credit union signed up 897 new members during the year, an average of 75 per month. New members range in age from newborn to late eighties. It is great to see that young members are joining with 32% of all new members under the age of 19. Young members will be the borrowers of the future and will help to sustain the credit union for many years to come.

Most of the new members (48%) are between 25-55 which is the age category within which most members borrow. It is encouraging to see that people are joining specifically to borrow from the credit union. As we roll-out and promote our new loan products like the Go Green loan at 7.5% and the Cash Back Car Loan, we are seeing more people in the community becoming interested in the credit union and what we have to offer.

We can now offer members full on-line banking, a mobile app, on-line loan applications, secure document upload and DocuSign which means that members can conduct all business remotely without attending our offices. This made a significant difference during the lockdown with a move towards online and phone services and a noticeable reduction in footfall, particularly in the village office.

We will continue to promote the credit union within the community and encourage parents to sign up their children and get them into the habit of saving. Credit union members who have grown up with the credit union tend to retain their savings and borrow against them as they go through life. We look forward to welcoming many new members to the credit union during 2021.

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 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. In addition, the committee is responsible for ensuring that all Board/Board oversight committee members have adequate training to assist them in fulfilling their roles.

The Nominations committee worked throughout the year to ensure that we were recruiting and filling vacancies on both the Board and Nominations committee. Our work was hampered by the lockdowns which presented unique challenges. All vacancies were filled by the end of August. All Board/Board Oversight Committee members completed induction training during the year, however the rest of our Board training programme was disrupted due to the lockdowns.

We are still seeking volunteers for our panel. Volunteers will be co-opted to either the Board or Board Oversight Committee as vacancies arise during the year. Although these roles are unpaid, volunteers may avail of our education programme and gain a qualification while serving on the Board. This will benefit both the credit union and the volunteer who can add the qualification to their CV. In addition, the volunteer will gain valuable experience of corporate governance of a large member-based organisation.

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 consideration in advance of the AGM, should there be vacancies, must ensure that their nomination form is submitted by Friday 12th March at the latest. Where nominees are not put forward at the AGM, they will be placed on a panel for consideration during the coming year should a vacancy on the Board or Board Oversight Committee arise.

If you are thinking about volunteering to help govern your credit union or you would like more information, please visit our website www.lucancu.ie/volunteering

The Nominations Committee

STANDING ORDERS

1. VOTING

1. Each member shall be entitled to one vote irrespective of his / her shareholding, in accordance with section 82(2) of the Credit Union Act, 1997 (as amended).

2. ELECTION PROCEDURE

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. Due to the fact that this year's AGM will be a virtual meeting, voting on motions and elections will be by electronic means.

Instructions for voting electronically will be issued to all members who register to attend the AGM. Members must attend the virtual AGM for their votes to be counted. The results will be reviewed and verified by the tellers and announced by the chairperson.

3. MOTIONS

Due to the specific difficulties we are facing in holding an Annual General Meeting this year due to COVID-19, the purpose of this year's AGM is to deal with the essential business of the credit union. This includes reporting to members on the financial status of the credit union and to elect officers. While all items in the usual Order of Business will be referenced, there will be less interaction than in person. Any non-urgent matters will be dealt with at next year's AGM

As such there will be no motions from the floor due to the difficulties in managing same remotely. Members will be welcome to submit questions to the board in advance of the AGM and the Board will address these, in so far as possible, during the meeting. These questions will be included in the minutes of the AGM.

4-10. MISCELLANEOUS

4. The Chairperson of the credit union shall be the Chairperson of any general meeting, except where he/she is not available, in which case it shall be the Vice-Chair, except where he/she is not available, in which case the Board shall decide amongst themselves who shall act as Chair of any meeting.
5. The Chairperson may at his/her discretion, extend the privilege of the floor to any person who is not a member.
6. Matters not covered by the Agenda may be introduced under 'Other business' at the discretion of the Chairperson. At a virtual AGM in the current circumstances, this may not be practical, however, the option may be invoked if required.
7. The Chairperson's decision on any matter relating to these standing orders or interpretation of same will be final.

8. 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.
9. Any matter to be decided upon by vote at the AGM shall, unless otherwise expressly provided for by law or the rules, will be decided upon by simple majority.
10. The virtual AGM will be recorded.

11. ADJOURNMENTS

Adjournments of the AGM shall take place only in accordance with section 81(1) and the provisions concerning notice, voting and quorum are also set out in section 81 and the new section 80A inserted by the Finance (Miscellaneous Provisions) Bill 2020.

MEMBERS PRIZE DRAW INCOME AND EXPENDITURE ACCOUNT FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2020

INCOME		€
Opening Balance 01/10/2019		72,493.68
Cash Draw Member Entry fees for Financial year 2020		159,744.00
Total Entry Fees and Opening Balance		232,237.68
EXPENDITURE		
Prizes paid out		188,500.00
Bank Charges related to the Prize Draw Account		33.44
Total Expenditure		188,533.44
Total Remaining Funds		43,704.24
Number of members in the draw at 30.09.2020		3,072

PRIZE DRAW WINNERS 2020

Prizes each month - 1st €10,000 – 2nd €2,500 – 3rd €1,000 – 4th €500 – 5th €500

October 2019	January 2020	April 2020	July 2020
1st Theresa Dunne	1st Aleen Smallwood	1st Sheila Garde	1st Anne Myles
2nd Tony O'Leary	2nd Pol O'Dalaigh	2nd Alan O'Neill	2nd Michael O'Sullivan Snr
3rd Fiona Brady	3rd Tony Murray	3rd William Gleeson	3rd Anna Donohue
4th Genevieve Ryan	4th Ian O'Neill	4th Mark Carolan	4th Michael Brennan
5th John Collins	5th Sinead Breen	5th Keith Cribben	5th Candida Inoma
November 2019	February 2020	May 2020	August 2020
1st Valerie McCormick	1st Bridie Nestor	1st Svetlana Cekranova	1st Patrick McMenamy
2nd Derek Sneyd	2nd Catherine Kelly	2nd Caroline Brady	2nd Paula O'Donnell
3rd Deirdre Geraghty	3rd Christina Butler	3rd Lynda Ahearne	3rd Anne McGuinness
4th Ann McCann	4th Nigel Moran	4th Melanie Blake	4th Pamela Martin
5th Imelda O'Hara	5th Kenneth Murtagh	5th Edward Hussey	5th Sandra Keogh
December 2019	March 2020	June 2020	September 2020
1st Robert Heffernan	1st Brian Kavanagh	1st Gerard Corrigan	1st Harold Buckmaster
2nd Daniela Corocaescu	2nd Anthony Jennings	2nd Joseph McGregor	2nd Valerie Howell
3rd Iqbal Mirza	3rd Jason Dowdall	3rd Damian Fraczyk	3rd Joseph Brady
4th Megan Fox	4th Carol Byrne	4th Anne Murphy	4th Anne Eakins
5th Carmel Thompson	5th Lucy Sebastine	5th Sandie Casserly	5th Robert Slacke

DONATIONS AND SPONSORSHIP

Your credit union supports local groups, charities, events and individuals through sponsorship and donations, on your behalf. Listed below are the main recipients of our support this year. There were also many smaller donations made for various events and activities through the year.

Due to Covid-19 there was less activity around sport and local events where the credit union would usually contribute. In support of the more vulnerable in our society the credit union contributed to more charities this year on your behalf.

Charities

- Irish Red Cross – Lucan Branch
- Merchant Quay Ireland
- Deaf Sport Ireland – local athletes
- Focus Ireland
- Alzheimer Society of Ireland
- Safe Ireland
- Capuchin Day Centre
- Alone
- Simon Community
- Feed the Heroes
- Fight against Suicide
- Enable Ireland
- National Council for the blind

Groups/clubs/schools

- Scoil Mhuire – sport kit for team
- Griffeen Community College – Sports equipment
- Adamstown Community College – School musical
- St Joseph's College – sports equipment
- Lucan Pitch and Putt club – Matchplay event
- Academy Twirlers – towards UK competition
- Arthur Griffith Park FC
- St Thomas Junior National School
- Lucan Sarsfields GAA – youth academy
- Esker Running Club
- Beechpark FC
- Shannon Kelly – local tri-athlete

In support of our members and the wider community of Lucan and Adamstown we have agreed to work with Aspen Counselling in Lucan village. For more information visit www.lucancu.ie/counselling.

Cash Back CAR LOAN*

THINKING OF UPGRADING YOUR CAR?

We can provide the loan and a once-off cash back payment towards your tax or insurance. Whether you are purchasing a new or used car you can avail of the cash back option on drawdown.

Loan interest rate is our standard variable rate of 9.49% (APR 9.91%)

**If you already have a credit union loan, the cashback amount will only be based on the top-up amount, not on the total loan.*

The loan must be for a term of 3 to 5 years.

Borrow*	Cashback amount on drawdown
Up to €5,000	€250
€5,001 - €10,000	€400
€10,001 - €20,000	€750
€20,001 upwards	€1,000

Benefits of a credit union car loan*

- Cash back on loan drawdown (one off payment in year 1 only)
- With loan pre-approval you can negotiate a cash price for the car
- You own the car from day one
- No lump sum or balloon repayments at the end of the loan
- No admin fees or hidden costs
- You can repay the loan early with no penalties, to save money on interest

***The usual underwriting criteria will apply*

The cash back car loan may be changed or discontinued at any time, at the discretion of the Board of Lucan District Credit Union Ltd.

