



DRUMSHANBO Credit Union

THE SQUARE | DRUMSHANBO | CO. LEITRIM

managed by the people
for the people

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH SEPTEMBER 2020**

DRUMSHANBO CREDIT UNION

DRUMSHANBO DISTRICT CREDIT UNION



Directors And Other Information

Directors:

Deirdre Ferry
(Chairperson)
Eugene O'Connell
(Vice Chairperson)
Joseph McManus
(Secretary)
(Appointed 21 January 2020)
Geraldine Moran
(Assistant Secretary)
Sean Kielty
Bart Gibbons
Teresa Mahon
John McKeon
Alan O'Ceallaigh
(Appointed 21 January 2020)

Manager:

Fergal McPartland

Secretary:

Joseph McManus

Board Oversight Committee:

Declan McGovern
John Deane
Alan Wynne

Registered Office:

The Square
Drumshanbo
County Leitrim

Solicitors:

Cathal L. Flynn & Co.
St. George's Terrace
Carrick-on-Shannon
Co. Leitrim

Bank:

Bank of Ireland
Main Street
Drumshanbo
County Leitrim

Danske Bank
3 Harbourmaster Place
IFSC
Dublin 1

Auditor:

O'Boyle & Co.
Chartered Accountants and
Statutory Audit Firm
Church Street
Longford

CHAIRPERSON'S REPORT

On behalf of the Board of Directors, I am very pleased to present our Annual Report for the year ending 30th September 2020 in what was, as everyone knows, an incredibly challenging year for us all. The credit union has continued to grow in a very tough environment, with many of our members suffering personal and financial difficulties due to the stress caused by the COVID 19 Pandemic. However, the Board is delighted with the results which show growth in membership, lending and total assets. Most importantly, we remained open throughout and provided essential services to our members.

We had 155 new accounts opened this year and continue to see growth especially among younger members. We experienced loan growth of 9% during the year which is a huge vote of confidence in the future of the credit union. Indeed in 2020, we issued over €2.3m in loans to our members and this is critical as it provides the majority of the credit union's income. Overall, our total assets now stand at €14.657 million, an increase from €13.472 in 2019.

Under normal circumstances, the Board of Directors would now be proposing a share dividend and a loan interest rebate but in this exceptional year, and in complying with advice from the Central Bank, we are taking the prudent option to put the surplus for the year into loan provisions and reserves. This explains the difference between the 2019 surplus and that of 2020. The Board has continued to invest in new resources to provide the best possible services to our members.

The Credit Union's main source of income comes from lending and we are very pleased to report growth in loans of 9% during the year. While loan demand dropped in the second quarter of 2020 as members responded to the effects of the Pandemic, we saw a very strong rebound during the summer especially in home improvement loans while car, holiday and wedding loans remained flat throughout this period for obvious reasons. We would ask members to remember that the credit union has no hidden fees or charges, free life & loan insurance, interest charged on the reducing loan balance and a flexible repayment model that allows unlimited lump sums to be paid without penalty which means that the quicker the loan is repaid the less interest is paid.

One area that is a cause of concern for all small credit unions, is a very strong influx of savings from members and while this is perfectly understandable it is a huge cost to us. The reason is twofold – firstly, we must put aside 10% of all deposits into reserves and secondly, in the current climate many banks are charging negative rates on savings. This has led to the credit union introducing a reduced savings limit of €20,000 as of March 2020. Unfortunately, the low interest rate environment is likely to last for the

foreseeable future and we would ask members for their understanding in the coming year.

The Credit Union will continue to invest in new services and we are committed to further expanding the range of online services to members which have never been more important. We are also committed to continued friendly, personal service when other organisations are reducing or withdrawing their level of service in rural Ireland.

I must pay tribute to retiring directors, Geraldine Moran and Teresa Mahon and to sincerely thank them for all the voluntary time given over the years at board and committee level. We hope that both will remain involved with the credit union and continue to contribute to the community. Also, our deepest appreciation to Declan McGovern for his commitment as he steps down from the Board Oversight Committee. The volunteer ethos in this Credit Union remains strong and your board of directors is doing an exceptional job in a challenging environment, with ever increasing demands on their time. I would like to take this opportunity to thank my fellow directors for their commitment to the credit union. I would also like to commend the work done by our Board Oversight Committee and all other Committees that are all volunteer based.

I would like to once again thank our manager, Fergal McPartland, and staff Stella Kehoe, Mary Aherne, Geraldine Kennedy and Nollaig Carroll, for the efficient manner in which they conduct the day to day running of the Credit Union throughout the year and for contributing to our continued success. We are delighted to acknowledge the contribution of Sharon Sweeney and Karen Gallogly who joined the team in this most challenging of years. Indeed, as they begin their time with us, both Stella and Mary have recently celebrated more than 30 years' service each, for which we are deeply thankful. Stella has decided to retire and on behalf of the Board and our members, I want to acknowledge the contribution Stella has made to the success of the credit union throughout that time. She has carried out her duties to the highest standard and in her own quiet and unassuming way and has been an exemplary colleague to all the board members and staff with whom she served. She has served as director, treasurer and finance officer and her dedication is greatly appreciated. We wish Stella well in her retirement.

Finally, I want to take this opportunity to sympathise with all who have lost loved ones in the year just passed. I would also like to especially thank you, our members, for your continued support and on behalf of Drumshanbo Credit Union may I wish you all the very best for 2021.

Deirdre Ferry
Chairperson

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable Irish Law and Generally Accepted Accounting Practice in Ireland including the Accounting Standards issued by the Financial Reporting Council.

The Credit Union Acts 1997 to 2018 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Credit Union and of the income and expenditure of the Credit Union for that financial year.

In preparing these financial statements the directors are required to

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

The directors confirm that they have complied with the above requirements in preparing the financial statements.

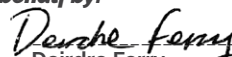
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Credit Union and enable them to ensure that the financial statements are prepared in accordance with applicable Irish law and Generally Accepted Accounting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

In so far as the directors are aware:

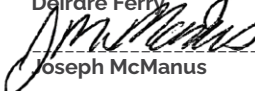
- there is no relevant audit information (information needed by the Credit Union's auditor in connection with preparing the auditor's report) of which the Credit Union's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Credit Union's auditor is aware of that information.

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

Chairperson of the Board of Directors


Dairde Ferry

Secretary of the Board of Directors


Joseph McManus

Date


24 November 2020

Statement of Board Oversight Committee's Responsibilities *for the year ended 30th September 2019*

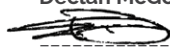
The Credit Union Acts 1997 to 2018 requires the appointment of a Board Oversight Committee to assess whether the board of directors has operated in accordance with Part IV, Part IV (a) and any regulations made for the purposes of Part IV or Part IV(a) of the Credit Union Acts 1997 to 2018 and any other matter prescribed by the Central Bank in respect of which they are to have regard in relation to the board.

Approved on behalf of the Board Oversight Committee

Chairperson of the Board Oversight Committee


Declan McGovern

Secretary of the Board Oversight Committee


John Deane

Date

24 November 2020

Independent Auditor's Report to the Members of Drumshanbo Credit Union Limited

Opinion

We have audited the financial statements of Drumshanbo Credit Union Limited for the financial year ended 30 September 2020 which comprise the Income & Expenditure Account, the Balance Sheet, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Irish law including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Credit Union Acts 1997 to 2018.

In our opinion the financial statements:

- give a true and fair view of the state of the assets, liabilities, and financial position of the Credit Union as at 30 September 2020 and of its results for the financial year then ended;
- have been properly prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been properly prepared in accordance with the requirements of the Credit Union Acts 1997 to 2018.

Basis of 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Credit Union in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical

Standard for Auditors (Ireland) issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and the Provisions Available for Audit of Small Entities, in circumstances set out in note 24 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Responsibilities of directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities as set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our report is made solely to the Credit Union's members, as a body, in accordance with section 120 of the Credit Union Acts 1997 to 2018. 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.



Eoin O'Boyle

for and on behalf of
O'BOYLE & CO. Chartered Accountants
and Statutory Audit Firm
Church Street, Longford
24 November 2020

Appendix to the Independent Auditor's Report

Further information regarding the scope of our responsibilities as auditor

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

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

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

Drumshanbo Credit Union Limited

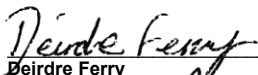
INCOME & EXPENDITURE ACCOUNT

for the financial year ended 30 September 2020

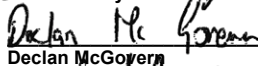
	Notes	2020 €	2019 €
Income			
Interest on members' loans	4	466,635	451,778
Other interest income and similar income	5	56,283	51,980
Net interest income		522,918	503,758
Other income	7	152	4,080
Total income		523,070	507,838
Expenditure			
Employment costs	8	169,836	149,758
Other management expenses (Schedule 1)		229,528	234,043
Depreciation		30,223	34,475
Impairment of tangible fixed assets		17,677	-
Bad and doubtful debt provision	12.4	62,236	(13,394)
Bad and doubtful debt written off	12.4	7,025	-
Bad debt recovered	12.4	(11,532)	(12,345)
Total expenditure		504,993	392,537
Surplus of income over expenditure		18,077	115,301
Other comprehensive income		-	-
Total comprehensive income		18,077	115,301

The financial statements were approved and authorised for issue by the Board of Directors on 24 November 2020 and signed on its behalf by;

Chairperson of the Board of Directors


Deirdre Ferry

Member of the Board Oversight Committee


Declan McGovern

Manager of the Credit Union


Fergal McPartland

Date

24 November 2020

Drumshanbo Credit Union Limited

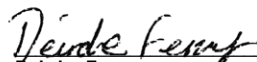
BALANCE SHEET

as at 30 September 2020

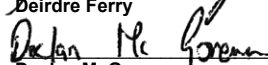
	Notes	2020 €	2019 €
Assets			
Cash and cash equivalents	10	1,848,654	2,399,497
Deposits and investments - cash equivalents	14	2,853,875	2,968,282
Deposits and investments - other	14	5,000,000	3,500,000
Central bank minimum reserve		15,000	-
Tangible fixed assets	11	416,127	463,437
Loans to members	12	4,994,360	4,555,668
Provision for bad debts	12	(520,607)	(458,371)
Prepayments and accrued income	13	50,217	43,484
Total Assets		14,657,626	13,471,997
Liabilities			
Members' shares	15	8,794,273	7,838,915
Members' deposits	16	3,291,235	3,065,309
Creditors, accruals and other liabilities	17	60,857	37,356
Total Liabilities		12,146,365	10,941,580
Net Assets		2,511,261	2,530,417
Members' Resources			
Regulatory reserve		1,584,560	1,414,560
Operational risk reserve		69,095	68,114
Distribution reserve		154,294	191,527
Undistributed surplus reserve		703,312	856,216
Total Members' Resources		2,511,261	2,530,417

The financial statements were approved and authorised for issue by the Board of Directors on 24 November 2020 and signed on its behalf by;

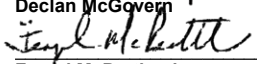
Chairperson of the Board of Directors


Deirdre Ferry

Member of the Board Oversight Committee


Declan McGovern

Manager of the Credit Union


Fergal McPartland

Date

24 November 2020

Drumshanbo Credit Union Limited

STATEMENT OF CHANGES IN RESERVES

for the financial year ended 30 September 2020

	Regulatory reserve €	Operational risk reserve €	Distribution reserve €	Undistributed surplus reserve €	Total €
At 1 October 2018	1,357,356	62,047	199,789	841,042	2,460,234
Dividends paid during the year	-	-	(3,547)	-	(3,547)
Loan interest rebate paid during the year	-	-	(41,571)	-	(41,571)
Total comprehensive income for the year	-	-	-	115,301	115,301
Surplus allocation in the year	57,204	6,067	36,856	(100,127)	-
Net transfers to/(from) reserves	-	-	-	-	-
At 30 September 2019	1,414,560	68,114	191,527	856,216	2,530,417
At 1 October 2019	1,414,560	68,114	191,527	856,216	2,530,417
Dividends paid during the year	-	-	(3,738)	-	(3,738)
Loan interest rebate paid during the year	-	-	(33,495)	-	(33,495)
Total comprehensive income for the year	-	-	-	18,077	18,077
Surplus allocation in the year	18,077	-	-	(18,077)	-
Net transfers to/(from) reserves	151,923	981	-	(152,904)	-
At 30 September 2020	1,584,560	69,095	154,294	703,312	2,511,261

Regulatory Reserve

Under the provisions of the Credit Union Acts 1997 to 2018 the Credit Union is required to establish and maintain a minimum reserve requirement of at least 10% of the total assets of the Credit Union.

At 30 September 2020, the Credit Union held 10.8% of total assets in the regulatory reserve (2019: 10.5%).

In addition, total realised reserves represented 17% of total assets (2019: 18.8%).

Operational Risk Reserve

In accordance with section 45 of the Credit Union Acts 1997 to 2018 Drumshanbo Credit Union Limited is required to maintain a reserve that is assessed as required for operational risk, having regard to the nature, scale and complexity of the Credit Union. Having regard to its own business model, the Credit Union directors have put in place an Operational Risk reserve in prior years. Following the completion of the annual internal process of assessing the level of reserves required to cover the operational risk within the Credit Union, the board assessed the minimum Operational Risk reserve to be €69,095 at 30 September 2020 (2019: €68,114). The Operational Risk reserve represents 0.47% of the total assets of the Credit Union as at 30 September 2020 (2019: 0.5%).

Drumshanbo Credit Union Limited

STATEMENT OF CASH FLOWS

for the financial year ended 30 September 2020

	2020 €	2019 €
Opening cash and cash equivalents	5,367,779	3,885,944
Cash flows from operating activities		
Loans repaid	1,865,071	1,808,981
Loans granted	(2,310,788)	(2,138,151)
Loan interest income	466,635	451,778
Investment income	56,283	51,980
Other income received	152	4,080
Bad debts recovered	11,532	12,345
Dividends paid	(3,738)	(3,547)
Loan interest rebate	(33,495)	(41,571)
Operating expenses	(399,364)	(383,801)
Movement in prepayments and accrued income	(6,733)	(1,728)
Movement in creditors, accruals and other liabilities	23,501	8,615
Net cash used in operating activities	(330,944)	(231,019)
Cash flows from investing activities		
Purchase of tangible fixed assets	(590)	(7,008)
Net cash flow from other investing activities	(1,515,000)	1,253,862
Net cash (used in)/generated from investing activities	(1,515,590)	1,246,854
Cash flows from financing activities		
Members' shares received	3,225,220	2,907,763
Members' deposits received	1,252,424	1,259,676
Members' shares withdrawn	(2,269,862)	(2,459,632)
Members' deposits withdrawn	(1,026,498)	(1,241,807)
Net cash generated from financing activities	1,181,284	466,000
Net (decrease)/increase in cash and cash equivalents	(665,250)	1,481,835
Cash and cash equivalents at end of financial year	10 4,702,529	5,367,779

Drumshanbo Credit Union Limited

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2020

1. LEGAL AND REGULATORY FRAMEWORK

Drumshanbo Credit Union Limited is established under the Credit Union Acts 1997 to 2018. The Credit Union is registered with the Registrar of Credit Unions and is regulated by the Central Bank of Ireland. The principal place of business is The Square, Drumshanbo, Co Leitrim. The nature of the Credit Union's operations and its principal activities are set out in the Directors' Report on pages 4 to 6.

2. ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently in dealing with items, which are considered material in relation to the Credit Union's financial statements:

2.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with applicable Irish accounting standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) and Irish statute comprising of the Credit Union Acts 1997 to 2018. The financial statements have been prepared on the historical cost basis.

2.2 Currency

The financial statements are prepared in Euro (€), which is the functional currency of the Credit Union. Monetary amounts in these financial statements are rounded to the nearest Euro.

2.3 Going concern

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

- continues to generate annual surpluses;
- is maintaining an appropriate level of liquidity and in compliance with Central Bank of Ireland limits; and
- has reserves that are currently above the minimum legal requirements of the Central Bank.

However, the directors recognise that in the current regulatory and business environment, the current business model for the Credit Union may become unsuitable in the long term. Interest on loans combined with interest on investments may become insufficient to cover both the cost of running the Credit Union and to pay a reasonable dividend and/or interest rebate to its members. The directors are actively addressing a long term strategy for the Credit Union, including contracting the level of service and expanding its product range.

2.4 Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Credit Union and the income can be reliably measured. Income is measured at the fair value of the consideration received. The following criteria must also be met before income is recognised:

(i) Interest on members' loans

Interest on Members' Loans is recognised using the effective interest method and is calculated and accrued on a daily basis.

(ii) Investment income

Investment income is accounting for differently depending on how the different investments are designated at the outset and based on meeting certain criteria (see 2.8 Investments below).

(iii) Other income

Other income such as rental income and entrance fees arises in connection to specific transactions. Income relating to individual transactions is recognised when the transaction is completed.

Drumshanbo Credit Union Limited

NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

2.5 Dividend and loan interest rebate

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

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

- the risk profile for the Credit Union, particularly in its loan and investment portfolios;
- the board's desire to maintain a stable rather than a volatile rate of dividend and interest rebate each year; and
- members' legitimate dividend and loan interest rebate expectations;

all dominated by prudence and the need to sustain the long-term welfare of the Credit Union.

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

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

2.6 Taxation

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

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash deposits with bank and investments with the original maturity of less than or equal to three months or are capable of being accessed within three months

2.8 Investments

Investment income is recognised depending on the investment type.

(i) Cash and short-term deposits

Cash, short-term deposits and term deposits are recognised at the deposit interest amount. Interest receivable is recognised in the income and expenditure account on an accruals basis and in the balance sheet as accrued income.

(ii) Fixed-term deposit accounts

Term deposits and fixed interest investment bonds with fixed maturity dates are valued at the lower of cost or encashment value and interest is recognised in the income and expenditure account when it is received or irrevocably receivable.

(iii) Bonds with guaranteed capital and variable interest rates

Interest income is recognised as received. Some bonds pay high rates of interest in early financial years and lower rates in later financial years. Paying higher amounts in early financial years reduces (impairs) the capital value of the bond. The capital value of the bond is tested annually for impairment and impairments losses are taken to the income statement. Impairment gains which reverse a previous impairment loss are taken to the income statement with any gains in excess of the cost of the product ignored until the bond matures.

(iv) Held at amortised cost

Investments designated on initial recognition as held at amortised cost are measured at amortised cost using the effective interest method less impairment. This means that the investment is measured at the amount paid for the investment, minus any repayments of the principal; plus or minus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount, minus, in the case of a financial asset, any reduction for impairment or un-collectability. This effectively spreads out the return on such investments over time, but does take account immediately of any impairment in the value of the investment.

(v) 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.

(vi) 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 financial year end date and all gains and losses are taken to the income and expenditure account. The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market these assets will be carried at cost less impairment.

2.9 Investment properties

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

2.10 Tangible fixed assets and depreciation

Tangible fixed assets comprises items of property, fixtures and fittings, computers and equipment, which are stated at cost, less accumulated depreciation and any accumulated impairment losses. Costs includes expenditure that is directly attributable to the acquisition of the asset and can include the costs of site preparation, initial delivery and handling, installation and assembly, and testing of functionality.

Depreciation

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

- | | |
|---------------------------|-----------------------|
| - Freehold buildings | - 4% Straight line |
| - Fixtures and fittings | - 12.5% Straight line |
| - Computers and equipment | - 20% Straight line |

The gain or loss arising on the disposal of an asset is determined as the differences between the sale proceeds and the carrying value of the asset, and is recognised in the Income and Expenditure account.

2.11 Impairment of tangible fixed assets

At each reporting end date, the Credit Union reviews the carrying value of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income and Expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Income and Expenditure account.

Drumshanbo Credit Union Limited

NOTES TO THE FINANCIAL STATEMENTS

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for the financial year ended 30 September 2020

2.12 Financial instruments

The Credit Union has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised when the Credit Union becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liability simultaneously.

Financial assets and liabilities are classified according to the substance of the contractual arrangement entered into.

2.13 Basic financial assets

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

(i) Loans to members

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

(ii) Investments held at amortised cost

Investment designed 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 case of a financial asset, any reduction for impairment or un-collectability. This effectively spreads out the return on such investments over time, but does take account immediately of any impairment in the value of the investment.

2.14 Impairment of financial assets

Financial assets, other than those held at fair value, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the expected cash flows discounted at the assets original effective interest rate.

In the case of impairment of loans to members, the loans are assessed collectively in groups that share similar credit risk characteristics except for individually significant loans which are assessed on a loan by loan basis for impairment.

Any impairment losses are recognised in the Income and Expenditure account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the Income and Expenditure account.

2.15 De-recognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled or when the Credit Union transfers to another party substantially all the risks and rewards of ownership of the financial assets or if some significant risks and rewards of ownership are retained but control of the assets has transferred to another party that is able to sell the asset in its entirety to the unrelated third party.

In the case of loans to members, loans are derecognised, when the right to receive cash flows from the loans have expired, usually when all amounts outstanding have been repaid by the member. Drumshanbo Credit Union Limited does not transfer loans to third parties.

2.16 Other receivables

Other receivables such as prepayments are initially measured at transaction price including transaction costs and are subsequently measured at amortised costs using the effective interest method.

Drumshanbo Credit Union Limited

NOTES TO THE FINANCIAL STATEMENTS

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for the financial year ended 30 September 2020

2.17 Basic financial liabilities

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

(i) Members' shares and deposits

Members' shares and deposits in Drumshanbo 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.

(ii) Other payables

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

2.18 De-recognition of financial liability

Financial liabilities are de-recognised when the obligations of the Credit Union specified in the contract are discharged, cancelled or expire.

2.19 Employee Benefits

(i) Pension Scheme

The Credit Union has no active pension scheme for employees.

(ii) Other employee benefits

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

2.20 Reserves

(i) Regulatory reserve

The Credit Union Act, (Regulatory Requirements) (Amendment) Regulations 2018 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.

(ii) Operational risk reserve

Section 45(5)(a) of the Credit Union Act, 1997 to 2018 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. The reserve should be separate, distinct and in addition to the reserves the Credit Union is required to hold in its Regulatory reserve.

The definition of operational risk is the risk of losses stemming from inadequate or failed internal processes, people and systems or from external events. The Credit Union has established an Operational Risk reserve under Section 45(5)(a) of the Act, which is separate, distinct and in addition to the reserves that the Credit Union holds in its Regulatory reserve. The Credit Union has adopted the 'Basic Indicator Approach' as proposed under Basel II capital adequacy rules in calculating the minimum amounts to be held in this reserve.

(iii) Other reserves

Other reserves are the accumulated surpluses to date that have not been declared as dividends or loan interest rebates 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. All other income is classified as "realised".

(iv) Distribution reserve

Distribution reserves are the accumulated surpluses to date that have not been declared as dividends or loan interest rebate returnable to members or set aside to the Regulatory or Operational Risk reserves.

Drumshanbo Credit Union Limited

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2020

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(v) Non-Distributable investment income reserve

Investment income that has been recognised in the financial statements but will not be received within 12 months of the Balance Sheet date is classified as "non-distributable" and is not distributable as a dividend or loan interest rebate in accordance with the Credit Union Act, (Regulatory Requirements) (Amendment) Regulations 2018. A reclassification between non-distributable and distributable is made as investments come to within 12 months of maturity date.

2.21 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions, during the financial year, which are denominated in foreign currencies are translated at the rates of exchange ruling at the date of the transaction. The resulting exchange differences are dealt with in the Income and Expenditure Account.

3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgment in applying the Credit Union's accounting policies. The areas requiring a higher degree of judgement or complexity, and the areas where assumptions or estimates are most significant to the financial statements are disclosed below:

Going concern

The current global Covid-19 virus continues to severely impact economics locally and worldwide. The financial impact of the pandemic on the financial position and results of the Credit Union for future periods cannot be reliably estimated. In addition, other potential negative economic impacts arising from Brexit is unknown. The Directors have prepared cash flow projections for a period that exceeds twelve months from the date of the approval of the financial statements. These projections indicate that there are no material uncertainty regarding the Credit Union's ability to meet its liabilities as they fall due, and to continue as a going concern in this period. 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.

Impairment losses on loans to members

The Credit Union's accounting policy for impairment of financial assets is set out in Note 2.14. The estimation of loan losses is inherently uncertain and depends upon many factors, including loan loss trends, credit risk characteristics in loan classes, local and international economic climates, conditions in various sectors of the economy to which the Credit Union is exposed, and, other external factors such as legal and regulatory requirements. Credit risk is identified, assessed and measured through the use of rating and scoring tools with emphasis on weeks in arrears and other observable credit risk metrics. The ratings influence the management of individual loans. The credit rating triggers the impairment assessment and if relevant the raising of specific provisions on individual loans where there is doubt about the recoverability. Loan loss provisioning is monitored by the Credit Union, and the Credit Union assesses and approves its provisions and provision adequacy on a quarterly basis. Key assumptions underpinning the Credit Union's estimates of collective provisions for loans with similar credit risk characteristics, and, Incurred But Not Reported provisions ("IBNR") are based on the historical experiences of the Credit Union allied to the Credit Union's judgement of relevant conditions in the wider technological, market, economic or legal environment in which the Credit Union operates. If a loan is deemed to be impaired, a specific provision is made against the loan, taking account of pledged shares and other security as appropriate. After a period of time, when it is concluded that there is no real prospect of recovery of loans/part of loans, which have been subjected to a specific provision, the Credit Union writes off that amount of the loan deemed irrecoverable.

Tangible assets buildings useful life and impairment

The Credit Union buildings are carried in the financial statements at cost less accumulated annual depreciation (4% straight line per annum). The annual depreciation charge applied depends primarily on the estimated life and residual value of the tangible assets. The Directors' regularly reviews the useful lives by considering the expected economic utilisation of the buildings and their physical conditions.

The Credit Union carries out a review for impairment of the tangible asset if events or changes in circumstances indicate that the net book value of the tangible assets may not be recoverable. Impairment reviews comprise a comparison of the net book value of the tangible asset with the recoverable amount (the higher of net realisable value and value in use). To the extent that the net book value exceeds the recoverable amount for an asset, the tangible asset is impaired and is written down. Any impaired loss is recognised in the income and expenditure account.

Drumshanbo Credit Union Limited

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2020

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4. INTEREST ON MEMBERS' LOANS

	2020 €	2019 €
Closing accrued loan interest receivable	17,814	20,400
Loan interest received in the financial year	469,221	446,663
Opening accrued loan interest receivable	(20,400)	(15,285)
Total interest on member's loans	466,635	451,778

5. OTHER INTEREST INCOME AND SIMILAR INCOME

	2020 €	2019 €
Opening accrued investment income receivable	(15,759)	(20,389)
Investment income received in year	46,056	56,610
Received at balance sheet date	30,297	36,221
Investment income receivable within 12 months of balance sheet date	25,986	15,759
Total Investment Income	56,283	51,980

6. INTEREST PAYABLE AND DIVIDENDS

The interest expense for the Credit Union comprises of interest payable on deposits. The Credit Union deposit interest rate of zero is applicable to all deposits from 1 January 2018

Paid Dividends and loan interest rebate

The following distributions were made during the financial year:

	2020 %	2020 €	2019 %	2019 €
Dividends on shares	0.05	3,738	0.05	3,547
Loan interest rebate	7.50	33,495	10.00	41,571
		37,233		45,118

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

Proposed dividends and loan interest rebate

At the financial year-end the directors have allocated the amount of €154,294 to the Distribution Reserve which may be returned to the members by way of dividend and a loan interest rebate by way of resolution by a majority of the members at the annual general meeting. The proposed distribution is as follows:

	2020 %	2020 €	2019 %	2019 €
Dividends on shares	-	-	0.05	3,763
Loan interest rebate	-	-	7.50	33,093
		-		36,856

Drumshanbo Credit Union Limited

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2020

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7. OTHER INCOME

	2020 €	2019 €
Entrance fees	152	159
E.C.C.U. claims experience refund fees	-	3,882
Miscellaneous income	-	39
	<u>152</u>	<u>4,080</u>

8. EMPLOYEES AND REMUNERATION

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

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

The staff costs comprise:

	2020 €	2019 €
Wages and salaries	157,689	140,234
Employer PRSI contributions	12,147	9,524
Total staff costs	<u>169,836</u>	<u>149,758</u>

The Credit Union has no active pension scheme for employees.

9. KEY MANAGEMENT PERSONNEL

The directors of Drumshanbo Credit Union Limited are all unpaid volunteers. The key management personnel remuneration was follows:

	2020 €	2019 €
Short term employee benefits	68,203	140,234
Employer PRSI contributions	4,514	9,524
Total key management personnel remuneration costs	<u>72,717</u>	<u>149,758</u>

Key management personnel remuneration costs are included in the total staff costs (Note 7).

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

10. CASH AND CASH EQUIVALENTS

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

	2020 €	2019 €
Cash and bank balances	1,848,654	2,399,497
Deposits and investments	2,853,875	2,968,282
	<u>4,702,529</u>	<u>5,367,779</u>

Drumshanbo Credit Union Limited

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2020

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11. TANGIBLE FIXED ASSETS

	Freehold buildings	Fixtures and fittings	Computers and equipment	Total
	€	€	€	€
Cost				
At 1 October 2019	600,581	26,496	49,532	676,609
Additions	-	590	-	590
At 30 September 2020	600,581	27,086	49,532	677,199
Depreciation and impairments				
At 1 October 2019	153,238	20,426	39,508	213,172
Charge for the financial year	41,700	1,400	4,800	47,900
At 30 September 2020	194,938	21,826	44,308	261,072
Net book value				
At 30 September 2020	405,643	5,260	5,224	416,127
At 30 September 2019	447,343	6,070	10,024	463,437

Tangible fixed assets – freehold buildings includes both the Credit Union's current building and its old building. In accordance with standard accounting practice the Directors have brought both buildings into the financial statements at cost value. On 25 September 2020 Farrell Property Group carried out an independent valuation of the credit union building and valued the premises at open market value. In their opinion the open market value was €387,500. The Board of Directors have accepted the independent valuation of the building and have included, in addition to the annual depreciation charge, an impairment adjustment in the current year's financial statements of €17,677 to reduce the net book value of the credit union building to €387,500 as at 30 September 2020. Also, included in the net book value of freehold buildings is an amount of €18,143 in respect of the old credit union building which was not included in the above valuation.

12. LOANS TO MEMBERS - FINANCIAL ASSETS

12.1 LOANS TO MEMBERS

	2020 €	2019 €
Gross loans to members as at 1 October	4,555,668	4,226,498
Advanced during the financial year	2,310,788	2,138,151
Repaid during the financial year	(1,865,071)	(1,808,981)
Loans written off	(7,025)	-
Gross loans to members as at 30 September	4,994,360	4,555,668
Impairment allowances		
The provision for bad debts is analysed as follows;		
Individually significant loans	(329,434)	(162,623)
Grouped loans	(191,173)	(295,748)
Loan provision for bad and doubtful debts as at 30 September	(520,607)	(458,371)
Net loans to members as at 30 September	4,473,753	4,097,297

Drumshanbo Credit Union Limited

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2020

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12.2 CREDIT RISK DISCLOSURES

The Credit Union does not offer mortgages and as a result all loans to members are unsecured, except that there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding.

The Credit Union complies with Section 12 of the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016. This Regulations:

- 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);
- require 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 the Credit Union's maximum exposure to credit risk.

	2020 €	2020 %	2019 €	2019 %
Gross loans not impaired				
Not past due	286,659	5.74	4,293,500	94.25
Gross loans individually impaired				
Not past due	3,340,450	66.88	-	-
Up to 9 weeks past due	1,070,397	21.43	98,751	2.17
Between 10 and 18 weeks past due	58,715	1.18	-	-
Between 19 and 26 weeks past due	62,325	1.25	-	-
Between 27 and 39 weeks past due	29,071	0.58	8,316	0.18
Between 40 and 52 weeks past due	12,832	0.26	7,346	0.16
53 or more weeks past due	133,911	2.68	147,755	3.24
Total	4,707,701	94.26	262,168	5.75
Total gross loans	4,994,360	100.00	4,555,668	100.00
Impairment allowance				
Individually significant loans	(329,434)		(162,623)	
Collectively assessed loans	(191,173)		(295,748)	
Total carrying value	4,473,753		4,097,297	

12.3 LOAN PROVISION ACCOUNT FOR IMPAIRMENT LOSSES

	2020 €	2019 €
As at 1 October	458,371	471,765
Decrease in bad debt provision as a result of loans write offs	(7,025)	-
Allowances increased/(reversed) during the financial year	69,261	(13,394)
Increase/(Decrease) in loan provision during the financial year	62,236	(13,394)
As at 30 September	520,607	458,371

Drumshanbo Credit Union Limited

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2020

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12.4 NET RECOVERIES OR LOSSES RECOGNISED FOR THE FINANCIAL YEAR

	2020 €	2019 €
Bad debts recovered	(11,532)	(12,345)
Net increase/(decrease) in bad and doubtful debt provision	62,236	(13,394)
	<u>50,704</u>	<u>(25,739)</u>
Loans written off	7,025	-
Net losses/(recoveries) on loans to members recognised for the year	<u>57,729</u>	<u>(25,739)</u>

12.5 ANALYSIS OF GROSS LOANS OUTSTANDING

	2020 Number of loans	2020 €	2019 Number of loans	2019 €
Less than one year	70	94,393	103	127,398
Greater than 1 year and less than 3 years	229	1,342,457	208	1,196,250
Greater than 3 years and less than 5 years	180	2,039,761	198	2,225,701
Greater than 5 years and less than 10 years	75	1,517,749	53	1,006,319
	<u>554</u>	<u>4,994,360</u>	<u>562</u>	<u>4,555,668</u>

13. PREPAYMENTS AND ACCRUED INCOME

	2020 €	2019 €
Prepayments	6,417	7,325
Accrued income on investments	25,986	15,759
Accrued income on member loans	17,814	20,400
	<u>50,217</u>	<u>43,484</u>

14. DEPOSITS AND INVESTMENTS

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

	2020 €	2019 €
Deposits and investments - cash equivalents		
Accounts in Authorised Credit Institutions	2,853,875	2,968,282
	<u>2,853,875</u>	<u>2,968,282</u>
Deposits and investments - other		
Accounts in Authorised Credit Institutions	5,000,000	3,500,000
	<u>5,000,000</u>	<u>3,500,000</u>

Drumshanbo Credit Union Limited

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for the financial year ended 30 September 2020

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15. MEMBERS' SHARES - FINANCIAL LIABILITIES

	2020 €	2019 €
As at 1 October	7,838,915	7,390,784
Received during the financial year	3,225,220	2,907,763
Repaid during the financial year	(2,269,862)	(2,459,632)
As at 30 September	8,794,273	7,838,915

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

	2020 €	2019 €
Unattached shares	7,559,857	6,718,996
Attached shares	1,234,416	1,119,919
Total members' shares	8,794,273	7,838,915

16. MEMBERS' DEPOSITS - FINANCIAL LIABILITIES

	2020 €	2019 €
As at 1 October	3,065,309	3,047,440
Received during the financial year	1,252,424	1,259,676
Repaid during the financial year	(1,026,498)	(1,241,807)
As at 30 September	3,291,235	3,065,309

Members' deposits are repayable on demand.

17. CREDITORS, ACCRUALS AND OTHER LIABILITIES

	2020 €	2019 €
PAYE/PRSI	10,187	8,963
Creditors and accruals	50,670	28,393
	60,857	37,356

18. FINANCIAL INSTRUMENTS

Financial Risk Management

Drumshanbo Credit Union Limited is a provider of personal loans and also provides saving products to its members. The Credit Union invests excess funds with a view to ensuring that the return from members' loans and investments is adequate to meet the overheads of the Credit Union and provide a reasonable return to members on shares and deposits. The Credit Union has a risk register in place to help the directors manage the various risks arising from its activities to include the issuing of loans to members and investing the excess funds of the Credit Union.

The main financial risks arising from Drumshanbo 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 Drumshanbo Credit Union Limited, resulting in financial loss to the Credit Union. In order to manage this risk, the Board of Directors approves Drumshanbo Credit Union Limited's lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed.

Drumshanbo Credit Union Limited

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2020

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Liquidity Risk:

Drumshanbo Credit Union Limited's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due. The objective of the Credit Union's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

Market Risk:

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

18.1 INTEREST RATE RISK DISCLOSURE

The following table shows the average interest rates applicable to relevant financial assets:

	2020	Average interest rate	2019	Average interest rate
	€	%	€	%
Financial assets				
Gross loans to members	4,994,360	10.27	4,555,668	10.36
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial liabilities				
Members' shares	8,794,273	-	7,838,915	0.05
Members' deposits	3,291,235	-	3,065,309	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	12,085,508	-	10,904,224	0.05
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The interest rate applicable on loans to members are variable and range from 6.0% to 10.8%. The dividend on shares and interest on deposits is determined on the basis of income less administration expenses and, as can be seen above, a consistent margin is maintained between interest receivable and dividend on shares and interest on deposits. The surplus for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

18.2 LIQUIDITY RISK DISCLOSURE

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

18.3 CAPITAL

The Credit Union maintains sufficient reserves to buffer the Credit Union against any losses on its members' loans and also its investments. Full details of these reserves are set out in the Statement of Changes in Reserves on page 13

Drumshanbo Credit Union Limited

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2020

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19. RELATED PARTY TRANSACTIONS

A related party of Drumshanbo Credit Union Limited is defined under the Credit Union (Regulatory Requirements) Regulations 2016, as follows:

- (a) A member of the Board of Directors or the Management Team of the Credit Union;
- (b) A member of the family of the Board of Directors or the Management Team of the Credit Union (being that person's father, mother, spouse or civil partner cohabitant, son, daughter, brother or sister);
- (c) A business in which a member of the Board of Directors or a member of the Management Team of the Credit Union has a significant shareholding (10% or more of the voting shares).

During the financial year ended 30 September 2020 related parties of the Credit Union operated share and loan accounts with the Credit Union. These loans were approved in accordance with Section 36(4) Credit Union Acts 1997 to 2018. The following transactions and balances existed with members who were related parties of the Credit Union during the financial year ended 30 September 2020:

	No. of loans	2020 €
Loans advanced to Related Parties during the financial year	8	116,700
Total loans outstanding to Related Parties at the financial year end	13	173,492
Total shares held against loans of Related Parties		<u>72,449</u>

20. INSURANCE AGAINST FRAUD

The credit union has insurances against fraud in the amount of €1,300,000 in compliance with Section 47 of the Credit Union Act 1997 to 2018.

21. CAPITAL COMMITMENTS

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

22. POST-BALANCE SHEET EVENTS

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

23. CONTINGENT LIABILITIES

Drumshanbo Credit Union Limited had no contingent liabilities at the current or prior Balance Sheet date.

24. PROVISION AVAILABLE FOR SMALL ENTITIES

In common with many other businesses of our size and nature, we use our auditors to assist with the preparation of the financial statements.

25. COMPARATIVE INFORMATION

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

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved, and authorised for issue, by the Board of Directors on 24 November 2020.

Drumshanbo Credit Union Limited
SCHEDULE TO THE FINANCIAL STATEMENTS
(not forming part of the statutory audited financial statements)
for the financial year ended 2020

Schedule 1 - Other Management Expenses

	2020	2019
	€	€
Other Management Expenses		
Rent and rates payable	1,650	3,134
General insurance	7,129	6,413
Share and loan insurance	61,002	56,714
Light and heat	3,735	4,913
Repairs and renewals	9,983	7,197
Computer and equipment maintenance	26,700	21,918
Printing and stationery	6,071	4,686
Promotion, education and donations	5,225	11,029
Telephone and postage	4,177	2,841
AGM and convention expenses	2,100	3,993
Chapter and BOC expenses	217	492
Training, travel and subsistence expense	8,510	8,463
Legal and professional costs	15,381	28,474
Professional and internal audit fees	3,630	3,690
Accountancy	10,852	1,760
Audit fees	9,680	8,500
Bank interest and charges	11,208	7,010
Subscriptions	1,084	4,498
Affiliation fees	1,977	1,689
Saving protection scheme	573	1,310
Regulation levies	22,843	26,875
Other levies	930	1,394
CUSOP costs	10,609	10,543
General expenses	4,262	6,507
	229,528	234,043



The credit union's opening hours
are as follows:

Tuesday 11am -5pm

Thursday 11am - 2pm

Friday 11am - 6pm

The Square, Drumshanbo, Co. Leitrim
Tel: 071 - 9641727 E-mail: info@drumshanbocu.ie