

Credit Union Number: 472CU

Manorhamilton & District Credit Union Limited
Report and Financial Statements
for the financial year ended 30 September 2020

Manorhamilton & District Credit Union Limited

DIRECTORS AND OTHER INFORMATION

Directors	Eugene Kelly (Chairperson) Elaine McBride (Vice Chairperson) Clare McGauran (Secretary) Philip Maguire Geraldine Meehan Anne O'Brien Sharon O'Hagan Mary McLoughlin Seamus McGourty
Board Oversight Committee Members	Naomh O'Dell (Chairperson) (Resigned 18/08/2020) Majella Barry (Chairperson) John McMorow (Secretary) Bernie McMorow (Appointed 25/08/2020)
Membership Committee	Helen McManus Susan McDermott Carla Nealon
Credit Committee	Clare McGauran (Chairperson) Elaine McBride (Secretary) Anne Gilligan
Credit Control Committee	Philip Maguire (Chairperson) Seamus McGourty (Secretary) John O'Flynn
Credit Union Number	472CU
Registered Office and Business Address	Main Street Manorhamilton Co Leitrim
Auditors	O'Boyle & Co. Chartered Accountants and Statutory Audit Firm Church Street Longford
Bankers	Bank of Ireland Castle Street Manorhamilton Leitrim Danske Bank 3 Harbourmaster Place IFSC Dublin 1

Manorhamilton & District Credit Union Limited

DIRECTORS' REPORT

for the financial year ended 30 September 2020

Business Review

In the current financial year ended 30 September 2020, the Credit Union experienced an increase in both new shares issued and new loans granted to members. Members' savings increased by €1,049,290 to €13,436,606. Loans to members increased by €135,242 to €4,527,069. The loan to savings ratio was 34% at the year end (2019: 35%).

Future Developments

The Directors expect that surpluses will decline over the next few years, arising from the declines in investment returns and the current global Covid-19 pandemic. However, the Directors are confident that the solvent financial position of Manorhamilton & District Credit Union Limited will be maintained. The Directors expect in the coming years to develop and expand the Credit Union's current activities and they are confident of its ability to operate successfully in the future.

Board of Directors

The Directors of the Credit Union at 30 September 2020 and during the year were as follows:

Eugene Kelly, Elaine McBride, Clare McGuaran, Philip Maguire, Geraldine Meehan, Anne O'Brien, Sharon O'Hagan, Mary McLoughlin and Seamus McGourty.

In accordance with the Credit Union's governance policy and the Credit Union Act 1997, as amended, the term of office of a member of the board of directors shall not extend beyond three subsequent AGMs after being so elected. Having served this term a director must retire at the next AGM of the Credit Union. A retiring member of the board is eligible for re-election once (s)/he has not served for more than twelve years in aggregate on the previous fifteen years.

Board Oversight Committee

The members of the Board Oversight Committee of the Credit Union at 30 September 2020 and during the year were as follows:

Naomh O'Dell (resigned 18/08/2020), John McMorrow, Majella Barry and Bernie McMorrow (appointed 25/08/2020).

In accordance with the Credit Union's governance policy and the Credit Union Act 1997, as amended, the term of office of a member of the board of oversight committee shall not extend beyond three subsequent AGMs after being so elected. Having served this term a committee member must retire at the next AGM of the Credit Union. A retiring committee member is eligible for re-election, once s(he) has not served more than twelve years in aggregate in the previous fifteen years on either the board of directors or the board oversight committee.

In accordance with section 76(P) of the Credit Union Act 1997, as amended, Naomh O'Dell retired as a member of the Board Oversight Committee during the year. Bernie McMorrow was appointed a member of the Board Oversight Committee in accordance with section 76(N) of the Credit Union Act 1997, as amended.

Regulatory Reserve

At the 30 September 2020, reserves held in the regulatory reserve represented 10.21% of the total assets of the Credit Union.

Authorisation

The Credit Union is authorised to conduct payment services. It is regulated by the Central Bank of Ireland for these activities.

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 accounts by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Credit Union are maintained at the Credit Union's premises at Main Street, Manorhamilton, Co Leitrim.

Manorhamilton & District Credit Union Limited

for the financial year ended 30 September 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Credit Union Act 1997, as amended, requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Credit Union and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the directors are aware:

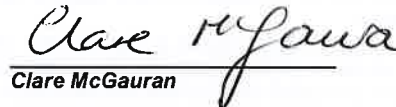
- there is no relevant audit information (information needed by the Credit Union's auditor in connection with preparing the auditor's report) of which the Credit Union's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant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


Eugene Kelly

Secretary of the Board of Directors


Clare McGauran

Date

23 November 2020

STATEMENT OF BOARD OVERSIGHT COMMITTEE'S RESPONSIBILITIES

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

Approved on behalf of the Board Oversight Committee

Member of the Board Oversight Committee


John McMorrow

Date

23 November 2020

INDEPENDENT AUDITOR'S REPORT to the Members of Manorhamilton & District Credit Union Limited

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.

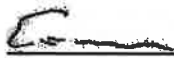
Auditor's responsibilities for the audit of the financial statements

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.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: <www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf> The description forms part of our Auditor's Report.

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

Our report is made solely to the Credit Union's members, as a body, in accordance with section 120 of the Credit Union Act 1997, as amended. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Eoin O'Boyle
for and on behalf of
O'BOYLE & CO.
Chartered Accountants and Statutory Audit Firm
Church Street
Longford

23 November 2020

Manorhamilton & District Credit Union Limited
INCOME & EXPENDITURE ACCOUNT
for the financial year ended 30 September 2020

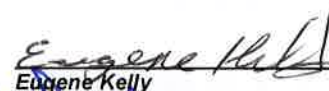
	Notes	2020 €	2019 €
Income			
Interest on members' loans	4	494,855	474,169
Other interest income and similar income	5	45,249	54,469
Net interest income		540,104	528,638
Other income	7	164	11,607
Total income		540,268	540,245
Expenditure			
Employment costs	8	173,990	154,682
Other management expenses (Schedule 1)		221,735	199,067
Depreciation		37,453	11,356
Impairment of fixed assets/investments		21,760	-
Net (recoveries) or losses on loans to members	12.4	57,759	13,212
Total expenditure		512,697	378,317
Surplus of income over expenditure		27,571	161,928
Other comprehensive income		-	-
Total comprehensive income		27,571	161,928

The financial statements were approved and authorised for issue by the Board of Directors on 23 November 2020 and signed on its behalf by:

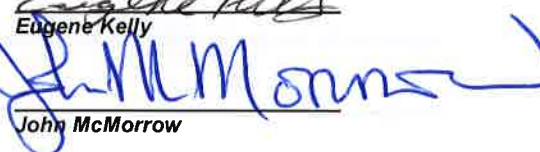
Manager


Pauline Murray

Member of the Board of Directors


Eugene Kelly

Member of the Board Oversight Committee


John McMorow

Date

23 November 2020

Manorhamilton & District Credit Union Limited

STATEMENT OF CHANGES IN RESERVES

for the financial year ended 30 September 2020

	Regulatory reserve	Distribution reserve	Operational risk reserve	General reserve	Total
	€	€	€	€	€
At 1 October 2018	1,459,455	207,448	73,000	480,026	2,219,929
Total comprehensive income for the year	-	-	-	161,928	161,928
Dividends paid during the financial year	-	(5,350)	-	-	(5,350)
Interest rebate paid during the financial year	-	(65,309)	-	-	(65,309)
Surplus allocation in financial year	86,665	44,641	-	(131,306)	-
At 30 September 2019	1,546,120	181,430	73,000	510,648	2,311,198
At 1 October 2019	1,546,120	181,430	73,000	510,648	2,311,198
Total comprehensive income for the year	-	-	-	27,571	27,571
Dividends paid during the financial year	-	(1,107)	-	-	(1,107)
Interest rebate paid during the financial year	-	(46,777)	-	-	(46,777)
Transfer to Regulatory Reserve	65,000	-	-	(65,000)	-
Transfer to Operational Risk Reserve	-	-	7,000	(7,000)	-
At 30 September 2020	1,611,120	133,546	80,000	466,219	2,290,885

Regulatory Reserve

Following commencement of S13 of the 2012 Act, the requirement for Credit Unions to transfer 10% of their annual surplus to their statutory reserve (now known as Regulatory reserve) each year has been removed. Notwithstanding this, the Board of Manorhamilton & District Credit Union Limited has transferred €65,000 from its General Reserve to its Regulatory Reserve (2019: €86,665) so that the Regulatory Reserve would stand at 10.21% at the current year end (2019: 10.5%), in excess of the required limit of 10%.

In addition, total realised reserves represented 14.63% of total assets (2019: 15.7%).

Operational Risk Reserve

In accordance with section 45 of the Credit Union Act 199, as amended, Manorhamilton & District 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 €80,000 at 30 September 2020 (2019: €73,000). The Operational Risk reserve represents 0.51% of the total assets of the Credit Union as at 30 September 2020 (2019: 0.5%).

Manorhamilton & District Credit Union Limited

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2020

1. LEGAL AND REGULATORY FRAMEWORK

Manorhamilton & District Credit Union Limited is established under the Credit Union Act 1997, as amended. The Credit Union is registered with the Registrar of Credit Unions and is regulated by the Central Bank of Ireland. The principal place of business is Main Street, Manorhamilton, 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;

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 Act 1997, as amended.

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

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:

- is generating 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

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

(i) Interest on members' loans

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

(ii) Investment income

Investment income is accounted for in accordance with the initial classification of investments at the outset and based on meeting certain criteria (see 2.8 Investments below).

(iii) Other income

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

Manorhamilton & District Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

(vi) 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.

(vii) 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 yearend 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 which comprises of the items below, 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 is provided to write off the cost of each item of property, plant and equipment, less its residual value over its estimated useful life. The categories of property, plant and equipment are depreciated as follows:

Freehold buildings	4% Straight line
Fixtures and fittings	12.5% Straight line
Computers	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.

Manorhamilton & District Credit Union Limited

NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

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. Manorhamilton & District Credit Union Limited does not transfer loans to third parties.

2.16 Bad debt provision

Allowances for impaired loans represent reserves and/or provisions made during the financial year less amounts utilised or realised charged against the surplus for the financial year. Amounts are created after a detailed review of individual loans and groups of loans. Allowances are established by reviewing the credit worthiness of individual borrowers and the value of collateral underlying the loan. General allowances are measured based on Resolution 49 of the Irish League of Credit Unions. Bad debts in the Credit Union are recognised when there is a reasonable doubt that the full amount of principal will not be collected, or the financial capacity of the borrower has deteriorated such that the recovery of the whole or part of an outstanding loan advanced is in doubt. In all cases where it is impractical to estimate the recoverable amount the carrying amount is reduced to zero.

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

Members' shares in Manorhamilton & District Credit Union Limited are redeemable and therefore are classified as financial liabilities. They are recognised at the amount of cash deposited and subsequently measured at amortised cost.

(ii) Other creditors

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 expired.

2.19 Employee benefits

The costs of short-term employee benefits 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.

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.

Pensions

Manorhamilton & District Credit Union Limited participates in an industry-wide pension scheme for employees (The Irish League of Credit Unions Republic of Ireland Pension Scheme). This is a funded defined benefit scheme with assets managed by the Scheme's trustees.

The scheme is a multi-employer Scheme and due to the nature of the Scheme, it is not possible for Manorhamilton & District Credit Union Limited to separately identify its share of the Scheme's underlying assets and liabilities.

Consequently, it accounts for the Scheme as a defined contribution plan.

Manorhamilton & District Credit Union Limited

NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

3. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

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 their recoverability. Loan loss provisioning is monitored by the Credit Union, and the Credit Union assesses and approves its provisions and provision adequacy on a monthly basis. Key assumptions underpinning the Credit Union's estimates of collective provisions for loans with similar credit risk characteristics, and, Incurred But Not Reported provisions ("IBNR") are based on the historical experiences of the Credit Union's allied to the Credit Union's judgment of relevant conditions in the wider technological, market, economic or legal environment in which the Credit Union operates. Assumptions are back tested with the benefit of experience. After a period of time, when it is concluded that there is no real prospect of recovery of loans/part of loans which have been subjected to a specific provision, the Credit Union writes off that amount of the loan deemed irrecoverable against the specific provision held against the loan.

Useful lives of tangible fixed assets and impairment

Long-lived assets comprising primarily of buildings, fixtures and fittings, and computers represent a portion of total 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 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.

The net book value of buildings subject to depreciation and impairment charge at the financial year end date was €610,760 (2019: €345,019). An independent valuation of the Credit Union buildings carried out on 6 October 2020 indicated an open market value of €589,000 for both buildings combined.

Manorhamilton & District Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2020

continued

8. EMPLOYEES AND REMUNERATION

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

	2020 Number	2019 Number
Key management personnel	2	2
Other staff	5	5
Total average employees	7	7

The staff costs comprise:

	2020 €	2019 €
Wages and salaries	142,301	125,755
Social security costs	13,933	12,887
Employer pension contributions	17,756	16,040
Total staff costs	173,990	154,682

9. KEY MANAGEMENT PERSONNEL

The directors of Manorhamilton & District Credit Union Limited are all unpaid volunteers. The management personnel compensation is as follows:

	2020 €	2019 €
Short term employee benefits (incl ER PRSI)	87,395	76,961
Payments to pension scheme	15,834	14,625
Total key management personnel compensation	103,229	91,586

Short-term employee benefits include wages, salaries, social security contributions 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	973,397	481,031
Deposits and investments	2,596,576	3,496,537
	3,569,973	3,977,568

Manorhamilton & District Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

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 percentage 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	3,846,717	84.98	3,587,817	81.69
Gross loans individually impaired				
Up to 9 weeks past due	468,585	10.35	577,880	13.16
Between 10 and 18 weeks past due	55,291	1.22	105,128	2.39
Between 19 and 26 weeks past due	22,328	0.49	10,706	0.24
Between 27 and 39 weeks past due	61,560	1.36	5,106	0.12
Between 40 and 52 weeks past due	9,532	0.21	14,754	0.34
53 or more weeks past due	63,056	1.39	90,436	2.06
Total	680,352	15.02	804,010	18.31
Total gross loans	4,527,069	100.00	4,391,827	100.00
Impairment allowance				
Individually significant loans	(120,750)		(179,100)	
Collectively assessed loans	(172,564)		(66,489)	
Total carrying value	4,233,755		4,146,238	

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

12.3 LOAN PROVISION ACCOUNT FOR IMPAIRMENT LOSSES

	2020 €	2019 €
As at 1 October	237,922	245,589
Allowance for loan losses made during the financial year	(11,263)	(30,403)
Allowances reversed during the financial year	66,655	22,736
Increase/(Decrease) in loan provision during the financial year	55,392	(7,667)
As at 30 September	293,314	237,922

Manorhamilton & District Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

14. DEPOSITS AND INVESTMENTS (continued)

14.3 The categories of counterparties with whom the deposits and investments were held were as follows:

	2020 €	2019 €
A1	4,936,266	5,253,574
A2	499,966	463,013
A3	750,000	750,000
Aa3	500,000	-
Baa1	1,628,253	1,658,150
Baa2	1,575,586	1,566,099
Total deposits and investments	9,890,071	9,690,836

15. MEMBERS' SHARES - FINANCIAL LIABILITIES

	2020 €	2019 €
As at 1 October	11,289,539	10,871,219
Received during the financial year	3,527,084	3,150,614
Repaid during the financial year	(2,554,948)	(2,732,294)
As at 30 September	12,261,675	11,289,539

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	10,277,101	9,463,813
Attached shares	1,984,574	1,825,726
	12,261,675	11,289,539

16. MEMBERS' DEPOSITS - FINANCIAL LIABILITIES

	2020 €	2019 €
As at 1 October	889,409	649,168
Received during the financial year	707,529	815,805
Repaid during the financial year	(619,786)	(575,564)
As at 30 September	977,152	889,409

Members' deposits are repayable on demand.

17. MONEY MANAGEMENT ACCOUNTS

	2020 €	2019 €
As at 1 October	208,368	136,380
Received during the financial year	6,024,461	6,087,812
Repaid during the financial year	(6,035,050)	(6,015,824)
As at 30 September	197,779	208,368

Manorhamilton & District Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

19.2 INTEREST RATE RISK DISCLOSURES

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

	2020	Average interest rate	2019	Average interest rate
	€	%	€	%
Financial assets				
Gross loans to members	<u>4,527,069</u>	<u>11.23</u>	<u>4,391,827</u>	<u>11.53</u>
Financial liabilities				
Members' shares	12,261,675	-	11,289,539	0.01
Members' deposits	944,152	-	889,409	-
Money management accounts	197,779	-	208,368	-
	<u>13,403,606</u>	<u>-</u>	<u>12,387,316</u>	<u>0.01</u>

The interest rate applicable on loans to members are variable and range from 5.98% to 11.91%. 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 payable on deposits. As a result, the surplus for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

19.3 LIQUIDITY RISK DISCLOSURES

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

19.4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Credit Union holds the following financial instruments at fair value:

	2020	2019
	€	€
Financial assets at fair value through profit or loss		
Bank bonds	-	<u>300,000</u>

19.5 CAPITAL

The Credit Union maintains sufficient reserves to buffer the Credit Union against any losses on its members' loans and also its investments. The current Regulatory reserves are in excess of the minimum requirement set down by the Central Bank, and stand at 10.21% of the total assets of the Credit Union at the Balance Sheet date.

Manorhamilton & District Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS

continued

for the financial year ended 30 September 2020

20. PENSION SCHEME (continued)

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

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

- Use of common contribution rate of 27.5% results in cross subsidisation between the Employers and is not linked to individual Employer liabilities in respect of their current or former employees;
- Scheme Assets are not segregated or tracked by contributing Employers and allocation of assets to individual Employers would be arbitrary and may not represent a reliable basis of allocation.

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

21. CONTINGENT LIABILITIES

On 17 September 2018, the Registry of Credit Unions wrote to all Credit Unions in the Republic of Ireland notifying that it had become aware of a potential issue that may affect certain Credit Unions in relation to accrued interest outstanding on loans in circumstances where additional credit is extended to a member by way of a top-up-loan, which could lead to the potential over-collection of interest. The Registry of Credit Unions sought information from Credit Unions in this regard to enable the potential impact of this matter to be assessed. A process is ongoing to enable the potential impact, if any, of this matter on Manorhamilton & District Credit Union Limited to be assessed. As this process is not yet complete, the existence of any liability, while possible, remains uncertain, along with the timing of same. No reliable estimate of any liability can be guaranteed at this point in time. As such no provision has been made in the financial statements to 30 September 2020 for any amount that may become payable by Manorhamilton & District Credit Union Limited.

22. CAPITAL COMMITMENTS

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

23. POST-BALANCE SHEET EVENTS

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Credit Union, the results of those operations or the state of affairs of the Credit Union in financial years subsequent to the financial period ended 30 September 2020.

24. RELATED PARTY TRANSACTIONS

During the year, seven loans were advanced to directors and the management team of the Credit Union (to include their family members or any business in which the directors or management team had a significant shareholding) in the amount of €76,387 (2019: €25,500). These loans were approved in accordance with the Standard Credit Union rules and the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016.

The loans outstanding from these parties at 30 September 2020 were €116,304 (2019: €81,166).

These loans amounted to 2.57% of total gross loans due at 30 September 2020 (2019: 1.85%).

Provisions held against related party loans due at 30 September 2020 were €9,670 (2019: €0).

Related party savings balances held against loans stood at €46,563 at 30 September 2020 (2019: €36,821).

25. INSURANCE AGAINST FRAUD

The Credit Union has insurance against fraud in the amount of €1,300,000 (2019: €1,300,000) in compliance with Section 47 of the Credit Union Act 1997, as amended.

26. 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.

Manorhamilton & District Credit Union Limited
SCHEDULE TO THE INCOME & EXPENDITURE ACCOUNT

(not forming part of the statutory audited financial statements)
for the financial year ended 30 September 2020

Schedule 1 - Other Management Expenses

	2020	2019
	€	€
Other Management Expenses		
Training and seminars	2,473	3,355
Rates payable	1,315	3,488
General insurance	10,074	10,268
Share and loan insurance (LP/LS)	45,001	37,632
Light and heat	11,151	5,013
Repairs and renewals	1,801	3,082
Computer and equipment maintenance	26,836	26,170
Office expenses	16,440	9,746
Printing and stationery	4,006	5,446
Promotion, education and sponsorship	8,967	9,043
Telephone and postage	3,689	3,234
Broadband	5,012	4,235
AGM expenses	5,701	4,865
Travelling and subsistence	1,267	1,805
Professional and internal audit fees	14,280	19,784
Audit fees	10,285	9,000
Bank interest and charges	4,551	3,163
Affiliation fees	4,097	4,568
Saving protection scheme	1,410	1,287
Deposit guarantee scheme	20,496	11,364
Regulatory levies	15,279	12,812
CUSOP Costs	7,545	9,661
General expenses	59	46
	<u>221,735</u>	<u>199,067</u>