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# BOARD OF DIRECTORS REPORTS

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

*For the members' financial statements for the year ended 30th September 2013*

The Credit Union Act 1997 (as amended) requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Credit Union and of the income and expenditure of the Credit Union for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Credit Union and which enables them to ensure that the financial statements comply with the Credit Union Act 1997 (as amended). They are also responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Credit Union Board

*Eugene Cronin*

**Eugene Cronin**

*Chairman*

22nd October 2013

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## STATEMENT OF SUPERVISORY/BOARD OVERSIGHT COMMITTEE

*For the members' financial statements for the year ended 30th September 2013*

The Credit Union Act 1997 (as amended) requires the appointment of a Supervisory/ Board Oversight Committee which will oversee Directors in the performance of their functions, examine books and documents of the Credit Union, and verify a sample of members balances.

On behalf of the Supervisory/Board Oversight Committee

*David Mullins*

**David Mullins**

*Chairman*

22nd October 2013

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF  
OUR LADY CROWNED CREDIT UNION LIMITED  
FOR YEAR ENDED 30TH SEPTEMBER 2013

We have audited the financial statements of Our Lady Crowned Credit Union Limited for the year ended 30 September 2013 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by Chartered Accountants Ireland (Generally Accepted Accounting Practice in Ireland).

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

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's Ethical Standards for Auditors.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Credit Union's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- ▶ give a true and fair view of the state of affairs of the Credit Union at the 30th September 2013 and of its income and expenditure account for the year then ended.
- ▶ have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland; and
- ▶ have been properly prepared so as to conform with the requirements of the Credit Union Act 1997 (as amended).

## OTHER MATTERS PRESCRIBED BY THE CREDIT UNION ACT, 1997 (AS AMENDED)

- ▶ 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.

**William Cuddy** for and on behalf of **CUDDY, O'LEARY & BARRETT**  
Chartered Accountants & Registered Auditors, 94 South Mall, Cork. Date: 22nd October 2013

# FINANCIAL ACCOUNTS

## INCOME AND EXPENDITURE ACCOUNT

For the year ended 30th September 2013

### INCOME

Interest on Members' Loans  
Investment Income

Note 1

Net Interest Income

Other Income

### TOTAL INCOME

### EXPENDITURE

Salaries  
Other Management Expenses  
Depreciation  
Provision for Bad & Doubtful Debts  
Bad Debts Recovered

Note 5

Note 2

### TOTAL EXPENDITURE

### EXCESS OF INCOME OVER EXPENDITURE FOR THE YEAR

Opening undistributed surplus reserve

Note 6

### TOTAL

### TRANSFER (TO) / FROM RESERVES

Statutory Reserve  
Additional regulatory reserve  
Distribution Reserve

Note 6

Note 6

### TOTAL TRANSFERS

**CLOSING UNDISTRIBUTED SURPLUS RESERVE** Note 6

	<b>2013</b>	<b>2012</b>
	€	€
Interest on Members' Loans	1,384,448	1,433,851
Investment Income	576,731	674,004
<b>Net Interest Income</b>	<b>1,961,179</b>	<b>2,107,855</b>
Other Income	9,892	9,110
<b>TOTAL INCOME</b>	<b>1,971,071</b>	<b>2,116,965</b>
<b>EXPENDITURE</b>		
Salaries	410,502	438,866
Other Management Expenses	737,182	809,036
Depreciation	50,881	54,102
Provision for Bad & Doubtful Debts	144,809	71,214
Bad Debts Recovered	(47,236)	(40,238)
<b>TOTAL EXPENDITURE</b>	<b>1,296,138</b>	<b>1,332,980</b>
<b>EXCESS OF INCOME OVER EXPENDITURE FOR THE YEAR</b>	<b>674,933</b>	<b>783,986</b>
Opening undistributed surplus reserve	1,087,978	671,042
<b>TOTAL</b>	<b>1,762,911</b>	<b>1,455,027</b>
<b>TRANSFER (TO) / FROM RESERVES</b>		
Statutory Reserve	(67,493)	(78,399)
Additional regulatory reserve	(144,087)	-
Distribution Reserve	(350,049)	(288,650)
<b>TOTAL TRANSFERS</b>	<b>(561,629)</b>	<b>(367,049)</b>
<b>CLOSING UNDISTRIBUTED SURPLUS RESERVE</b>	<b>1,201,282</b>	<b>1,087,978</b>

There were no recognised gains or losses other than the income and expenditure for the above two financial years.

*Eugene Cronin*

**Eugene cronin**  
Chairman

22nd October 2013

*Thomas Beale*

**Thomas Beale**  
Director

22nd October 2013

*David Mullins*

**David Mullins**  
Oversight Committee Member

22nd October 2013

*Loretto Denny McCarthy*

**Loretto Dennehy McCarthy**  
Manager

22nd October 2013

# FINANCIAL ACCOUNTS

## BALANCE SHEET

For the year ended 30th September 2013

### ASSETS

Cash at Bank		2013	2012
Investments	<i>Note 3</i>	€	€
Loans to members	<i>Note 4</i>	743,046	444,901
Provision for bad and doubtful debts	<i>Note 4</i>	19,566,990	17,972,396
		14,757,074	14,950,390
		(1,392,631)	(1,247,822)

**33,674,479**

**32,119,865**

### OTHER ASSETS

Tangible Assets	<i>Note 5</i>	1,088,421	1,132,955
Prepayments and other debtors		31,846	29,504
Accrued income		184,259	212,719

**34,979,005**

**33,495,043**

### TOTAL ASSETS

### LIABILITIES

Members' shares		30,063,956	28,904,219
Bank overdraft		-	15,125
Trade creditors and accruals		40,971	26,505

**30,104,927**

**28,945,849**

### TOTAL LIABILITIES

### NET ASSETS

**4,874,078**

**4,549,194**

### MEMBER RESOURCES

Statutory Reserve	<i>Note 6</i>	3,265,510	3,198,017
Additional Regulatory Reserve	<i>Note 6</i>	407,286	263,199

**3,672,796**

**3,461,216**

Undistributed Surplus	<i>Note 6</i>	1,201,282	1,087,978
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### TOTAL MEMBERS RESOURCES

**4,874,078**

**4,549,194**

*Eugene Cronin*

Eugene cronin  
Chairman

22nd October 2013

*Thomas Beale*

Thomas Beale  
Director

22nd October 2013

*David Mullins*

David Mullins  
Oversight Committee Member

22nd October 2013

*Loretto Dennehy McCarthy*

Loretto Dennehy McCarthy  
Manager

22nd October 2013

# FINANCIAL ACCOUNTS

## CASH FLOW STATEMENT

For the year ended 30th September 2013

<b>RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	Notes	2013 €	2013 €	2012 €	2012 €
Operating surplus			674,933		783,985
Depreciation	5		50,881		54,102
Provision for bad and doubtful debts	2		144,809		71,214
Loans written off			119,238		209,387
<b>Net cash inflow from trading activities</b>			<b>989,861</b>		<b>1,118,688</b>
New loans to members		(5,769,633)		(5,391,009)	
Repayment of members' loans		5,843,711		6,153,346	
Net movement in members' loans	4		74,078		762,337
New shares by members		11,288,817		10,114,712	
Repayment of shares		(10,129,080)		(10,422,948)	
Net movement in members' shares and deposits			1,159,737		(308,236)
Net movement in other assets			26,118		(22,145)
Net movement in other creditors			14,466		2,530
<b>Net cash inflow from operating activities</b>			<b>2,264,260</b>		<b>1,553,174</b>
Capital expenditure	5		(6,347)		(9,862)
Net movement in investments	3		(1,594,594)		(1,257,826)
Dividends and interest rebate paid			(350,049)		(288,650)
<b>Increase in cash in the year</b>			<b>313,270</b>		<b>(3,164)</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>					
<b>Increase in cash in the year</b>			313,270		(3,164)
<b>Net funds at 1 October 2012</b>			<b>429,776</b>		<b>432,940</b>
<b>Net funds at 30 September 2013</b>			<b>743,046</b>		<b>429,776</b>

## ACCOUNTING POLICIES

### BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with financial reporting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Credit Union's financial statements.

### REVENUE 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 Members' Loans is recognised when payment is received as specified in Section 110(1)(c)(i) of the Credit Union Act, 1997 (as amended) (i.e. on a cash basis).

#### (ii) Investment income

Investment income is recognised when received or irrevocably receivable. Investments are recognised at cost less any permanent diminution in capital value but ignoring any increase in capital value or encashment value until realised in the form of cash or cash equivalents.

### TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost or at valuation, less accumulated depreciation. The charge to depreciation is calculated to write off the original cost or valuation of tangible fixed assets, less their estimated residual value, over their expected useful lives as follows:

Land and buildings freehold - 2% Straight line	Office furniture - 20% Straight line
Fixtures, fittings and equipment - 20% Straight line	Computer equipment - 25% Straight line
Land - No charge	

# ACCOUNTING POLICIES

## INVESTMENTS

The specific investment products held by the Credit Union are accounted for as follows:

### 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 statement when it is received or irrevocably receivable.

### Investment bonds with profit

With profit bonds with capital guaranteed are valued at cost. Declared bonuses are recognised in the income statement when irrevocably receivable or earlier if the bond becomes realisable in the form of cash or cash equivalents in a secondary market. Terminal bonuses are recognised in the income statement when the Credit Union becomes irrevocably entitled to receive them.

### Bonds with guaranteed capital and variable interest rates

Interest income is recognised as received. Some bonds pay high rates of interest in early years and lower rates in later years. Paying higher amounts in early 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.

## BAD AND DOUBTFUL DEBTS

Allowances for impaired loans represent reserves and/or provisions made during the year less amounts utilised or realised charged against the surplus for the 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. An additional provision of €740,338 is considered prudent by the board of directors. 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th September 2013

## 1. INCOME FROM INVESTMENTS

Investment income received

2013	2012
€	€
576,731	674,004

## 2. BAD AND DOUBTFUL DEBTS

Provision for bad and doubtful debts

2013	2012
€	€
144,809	71,214

## 3. INVESTMENTS

Fixed-term deposit accounts  
Investment bonds with profit  
Equity fund investments

2013	2012
€	€
15,160,990	14,662,396
3,406,000	2,310,000
1,000,000	1,000,000
<b>19,566,990</b>	<b>17,972,396</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th September 2013

## 4. MEMBERS' LOANS

	2013 €	2012 €
Loans to members	14,757,074	14,950,390
Provision for bad and doubtful debts	(1,392,631)	(1,247,822)
	<b>13,364,443</b>	<b>13,702,568</b>
Movement in members' loans	€	€
Opening balance	14,950,390	15,922,114
Cash movement in year	(74,078)	(762,337)
Loans written off	(119,238)	(209,387)
<b>Closing balance</b>	<b>14,757,074</b>	<b>14,950,390</b>
Movement in provision for doubtful debts	€	€
Opening provision	1,247,822	1,247,822
Movement in year	144,809	-
<b>Closing provision</b>	<b>1,392,631</b>	<b>1,247,822</b>

## 5. TANGIBLE FIXED ASSETS

	Land and Business Freehold €	Office Furniture €	Fixtures, Fittings & Equipment €	Computer Equipment €	Land €	Total €
<b>COST</b>						
At 1 October 2012	1,353,699	77,694	324,924	218,207	23,812	1,998,336
Additions	-	486	-	5,861	-	6,347
At 30 September 2013	1,353,699	78,180	324,924	224,068	23,812	2,004,683
<b>DEPRECIATION</b>						
At 1 October 2012	284,607	73,194	320,146	187,434	-	865,381
Charge for the year	27,074	1,472	2,433	19,902	-	50,881
At 30 September 2013	311,681	74,666	322,579	207,336	-	916,262
<b>NET BOOK VALUE</b>						
Net Book Value at 30 September 2013	1,042,018	3,514	2,345	16,732	23,812	1,088,421
Net Book Value at 30 September 2012	1,069,092	4,500	4,778	30,773	23,812	1,132,955

The Credit Union's premises are valued at cost less accumulated depreciation in the financial statements. Independent property valuations completed by Don Murphy & Associates on 22 October 2012 place a market valuation on the Credit Union's premises of €1,050,000. An impairment provision between carrying value and market value is not considered necessary.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th September 2013

## 6. CREDIT UNION RESERVES

	Statutory Reserve €	Additional Regulatory Reserve €	Undistributed Surplus €	Total €
<b>COST</b>				
At 1 October 2012	3,198,017	263,199	1,087,978	4,549,194
Surplus allocation in year	67,493	-	-	67,493
Transfer in year	-	144,087	(144,087)	-
Other movement in reserves	-	-	257,391	257,391
<b>At 30 September 2013</b>	<b>3,265,510</b>	<b>407,286</b>	<b>1,201,282</b>	<b>4,874,078</b>

## 7. DIVIDENDS AND LOAN INTEREST REBATE

<b>The following distributions were made during the year:</b>	2013 %	2013 €	2012 %	2012 €
Dividends on shares	1.000	279,111	0.750	213,633
Loan interest rebate	5.000	70,938	5.000	75,017
		<b>350,049</b>		<b>288,650</b>

The above dividends refer to those paid out in those years from the surplus earned in previous years.

## 8. PROPOSED DIVIDENDS AND LOAN INTEREST REBATES

<b>At the year-end the directors have proposed the following distribution:</b>	2013 %	2013 €	2012 %	2012 €
Dividends on shares	1.000	292,262	1.000	287,453
Loan interest rebate	5.000	69,222	5.000	71,688
		<b>361,484</b>		<b>359,141</b>

## 9. PENSION SCHEME

The Credit Union operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Credit Union in an independently administered fund.



# NOTES TO THE FINANCIAL STATEMENTS

## 10. RELATED PARTY TRANSACTIONS

Directors, supervisors and staff (i.e. officers) of the Credit Union during the financial year ended 30 September 2013 operated share and loan accounts with the Credit Union. All loans advanced to directors, supervisors and staff are approved in accordance with Section 36(4) Credit Union Act, 1997 (as amended). The following transactions and balances existed with members who were officers during the financial year ended 30 September 2013:

	€
New loans advanced to officers	128,250
Loan balances relating to officers	210,570
Total share and deposit balances relating to officers	332,958

## 11. HONORARIUM TO TREASURER

The directors recommend that the treasurer be paid a gross honorarium for the year-ended 30 September 2013 of €5,000.

## 12. INSURANCE AGAINST FRAUD

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

## 13. RATE OF INTEREST CHARGED ON MEMBERS' LOANS

The Credit Union charges interest at one rate. The rate charged is 0.79% per month (APR - 9.9% variable).

## 14. CAPITAL COMMITMENTS

The Credit Union had no material capital commitments at the year-ended 30 September 2013.

## 15. POST-BALANCE SHEET EVENTS

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

## 16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22nd October 2013

# SCHEDULES TO THE ACCOUNTS

## SCHEDULE 1: OTHER INCOME ANALYSIS

For the year ended 30th September 2013

	2013 €	2012 €
Other Income		
Fees and Commission	9,892	9,110
	<u>9,892</u>	<u>9,110</u>

## SCHEDULE 2: ANALYSIS OF OTHER MANAGEMENT EXPENSES

For the year ended 30th September 2013

	2013 €	2012 €
<b>Expenditure</b>		
Training and seminars	4,144	10,591
Honorarium to treasurer	5,000	5,000
Pension costs	43,133	47,657
Rent and rates payable	17,298	17,326
General insurance	14,425	14,693
Share and loan insurance	192,861	199,066
Death benefit insurance	40,880	37,354
Central bank levy	16,959	-
IBRC Resolution	2,251	-
Security and cash transit	16,430	17,795
Light and heat	9,894	9,075
Repairs and renewals	13,020	13,018
Computer costs	45,645	47,497
ICT strategy	-	694
Printing and stationery	12,969	15,375
Office expenses	3,011	7,916
Promotion and education	6,479	8,973
Credit Union week	2,061	600
Donations and sponsorship	1,850	1,222
Telephone and postage	14,050	12,260
AGM expenses	11,973	10,955
Chapter expenses	1,633	1,517
Convention expenses	544	810
Travelling and subsistence	3,498	3,438
Annual dinner and functions	2,826	3,244
Legal and professional	49,014	50,965
Bad debts written off	119,238	209,387
Audit fees	16,218	13,849
Bank interest and charges	32,433	15,571
Miscellaneous expenses	2,206	2,446
Cash short	292	36
Affiliation fees	12,998	13,694
Saving protection scheme	16,796	11,932
Regulation levy	5,153	5,081
<b>TOTAL PER INCOME &amp; EXPENDITURE ACCOUNT</b>	<u><b>737,182</b></u>	<u><b>809,036</b></u>