

2016

# ANNUAL REPORT



**MALAHIDE**  
CREDIT UNION

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**Together We're Stronger**

**Notice of AGM:  
Monday 30th January 2017 @ 7:30pm  
The Grand Hotel, Malahide**

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## Home Renovation Loan



**MALAHIDE CREDIT UNION**

**A loan for home extension or renovation costs from €10,000 to €75,000**

# NOTICE OF ANNUAL GENERAL MEETING

Dear Member

Notice is hereby given that the Annual General Meeting of Malahide & District Credit Union Limited will take place on 30<sup>th</sup> January 2017 at 7.30pm in the Grand Hotel, Malahide.

Elections will be held to fill four vacancies on the Board of Directors, one position on the Board Oversight Committee and the position of auditor.

In keeping with tradition as part of the night, we will be holding our annual raffle. We will have a free prize draw for all members who attend the AGM.

**Ciaran Lynam**  
**Secretary**

## Order of Business

1. Ascertainment that a Quorum is present
2. Adoption of Standing Orders
3. Reading and approval (or correction) of minutes of last Annual General Meeting
4. Report of the Board of Directors
5. Presentation of Financial Statements
6. Report of the Auditor
7. Declaration of Dividend
8. Motions
9. Report of the Board Oversight Committee
10. Committee Reports
11. Report of the Nomination Committee
12. Appointment of Tellers
13. Balloting
14. Presentations & Prize Draw
15. Any Other Business
16. Announcement of Election Results
17. Adjournment or Close of Meeting

## Directors and Other Information

### Directors

Donal Murphy (Chairperson)	Dara McMahon (Resigned September 2016)
John O' Halloran (Vice-chairperson)	Stephen MacDonagh
Ciaran Lynam (Secretary)	Mary Gleeson
Bryan O' Flaherty	Geraldine Fay
Martin Sisk	Sheilagh McGirl
Michael Dowling	Claire Dowdall (Co-opted October 2016)

### Board Oversight Committee

Eileen Mooney (Chairperson)  
Catherine Leahy  
Liz O' Connor

### Manager

Vivienne Keavey

### Internal Auditor

Moore Stephens

### Registered Number

268CU

### Registered Office

4 Main Street,  
Malahide,  
Co. Dublin.

### Independent Auditor

FMB  
4 Ormond Quay Upper,  
Dublin 7

### Bankers

Bank of Ireland  
The Mall,  
Malahide,  
Co. Dublin.

### Solicitors

Devaney & Partners  
Main Street,  
Malahide,  
Co. Dublin

## Notice of Motions

It is proposed that:

1. The affiliation fee to the Irish League of Credit Unions (ILCU) for year ended September 30th 2015 will be €1.50 per adult member, to be deducted from members' shares.
2. The contribution to the ILCU International Development Trust Fund for the year ended September 30th 2015 will be €2.00 per adult member, to be deducted from members' shares.
3. This annual general meeting agrees to amend to amend Rule 13(2) of The Standard Rules of Credit Unions (ROI) to read as follows:  
(2) A person shall be treated as having the qualification required for admission to membership of the credit union if he is a member of the same household as, and is a member of the family of, another person who is a member of the credit union and who has a direct common bond with those other members. However, a child or step-child of a member, where such child or step-child is under the age of 18 years and living outside the common bond but resident in the Republic of Ireland or the United Kingdom, shall not be precluded from membership of the credit union".

# Standing Orders

## Reference: Recommendation 41 (b) of the Planning Committee;

### 1. **VOTING.**

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

### 2 - 3 **ELECTION PROCEDURE**

2. Elections to the board of directors, to the board oversight committee and the position of auditor shall be by majority vote and by secret ballot.

3. When nominations are announced tellers shall be appointed by the chair and ballot papers shall be distributed. Nominations shall be in the following order: (a) nominations for auditor; (b) nominations for members of the board oversight committee; (c) nominations for directors. When voting is completed, the votes shall be taken and tallied by the tellers. Any ballot paper which contains votes for more than the number required to be elected shall be void. All elections shall be by secret ballot and by majority vote. When the votes have been counted by the tellers, the results shall be announced by the chair. In the event that all vacancies are not filled by the first ballot further ballots shall be taken as required. In the event of an equality of votes between candidates for the remaining vacancies not filled in accordance with the above procedure one further ballot shall be taken and should that ballot fail to determine the issue, the vacancies shall be filled by lot from among such candidates having an equality of votes.

### 4 - 9 **MOTIONS.**

4. All motions from the floor of the AGM must be proposed and seconded by members present at the AGM and moved by the proposer. If the proposer is absent when the motion is called, the motion shall be deemed to have failed.

5. A proposer of a motion may speak for such period as shall be at the discretion of the chair of the meeting and shall have the right of reply before the motion is put to the meeting for a vote.

6. In exercising his/her right of reply, a proposer may not introduce new material.

7. The seconder of a motion shall have such time as shall be allowed by the chair to second the motion.

8. Members are entitled to speak on any such motion and must do so through the chair. All speakers to any motion shall have such time as shall be at the discretion of the chair.

9. The chair shall have the absolute right to decide at any time when a motion has been sufficiently discussed and may put the motion to the meeting giving the proposer the right of reply before doing so.

### 10 - 15 **MISCELLANEOUS.**

10. The chair of the board of directors shall be the chair of any general meeting, except where he/she is not available, in which case it shall be the vice-chair, except where he/she is not available, in which case the board shall decide amongst themselves who shall act as chair of any general meeting.

11. The chair may at his/her discretion, extend the privilege of the floor to any person who is not a member.

12. Matters not covered by the Agenda may be introduced under "Other Business" at the discretion of the chair.

13. The chairman's decision on any matter relating to these Standing Orders or interpretation of same shall be final.

14. No member shall have more than one vote on each question at any general meeting of the credit union or any adjournment thereof irrespective of his/her shareholding or the number of accounts in his/her name in the credit union provided, however, that except in voting at elections, the presiding member shall have a second or casting vote in the event of equality of voting. Voting by proxy shall be allowed only when a member other than a natural person votes through a representative, who is a member of the group, duly authorised in writing for that purpose and accepted as such by the board of directors.

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

### 16. **SUSPENSION OF STANDING ORDERS.**

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

### 17. **ALTERATION OF STANDING ORDERS.**

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

### 18. **ADJOURNMENTS.**

Adjournments of the AGM shall take place only in accordance with section 81(1) of the Credit Union Act, 1997 (as amended).

## Notice of Elections

### NOMINATION COMMITTEE REPORT/NOTICE OF ELECTIONS

Elections will be held to fill one vacancy on the Board Oversight Committee, three vacancies on the Board of Directors and the position of Auditor.

During the course of the year, the Nomination Committee identified candidates to stand for the above positions and they have been assessed under the fitness and probity regime, as required by the Central Bank, with satisfactory results. The names of such candidates appear on the ballot paper for this AGM.

During the year board member Dara McMahon informed the board that, due to pressure of work she could no longer give the board her full commitment and thus tendered her resignation. The Board thanks Dara for her contribution and wishes her well in her new employment. Ms. Claire Dowdall was co-opted to the Board in her place.

All members are entitled to put themselves forward for nomination to the Board/Board Oversight Committee for future years. Expressions of interest can be submitted in writing to 'The Nomination Committee, Malahide Credit Union, 4 Main Street, Malahide, Co. Dublin'. As Board positions are controlled functions under the Central Bank's Fitness and Probity regulations, the Nomination Committee must undertake due diligence on all applicants.

There is one candidate proposed by the Board of Directors for the position of Auditor.

- FMB, Chartered Accountants

**Stephen MacDonagh**  
Chairman

## Message from our Chairman



I am delighted to report that our Credit Union continues to perform extremely well in these still very trying circumstances. Malahide focus has been and continues to be focused on sustainable growth for the benefit of you, our members, our staff and our community. Following the success of our "Express Loan" product in 2015 we have developed a "**new home improvement**" loan product in 2016 which we believe is competitively priced with appropriate terms and conditions in order to ensure the safe and secure environment for the members. Members should note that we have also recently launched a new updated and competitive **car loan** which members were enquiring about.

Let me again assure you all that we are open for business with friendly, professional and helpful staff that are only too willing to help you and your families meet all your financial needs. As I stated last year LENDING is the life blood of our Credit Union and Malahide has developed favourable terms and conditions for a range of loan products. We insist on terms that protect our members' savings with prudent processes that ensure the borrowers are willing and able to repay these loans. Our Credit Controls have been recognised as "best in class" both in meetings members to resolve issues and pursuing people who do not repay Malahide Credit Union.

Our Financial Year to September 2016, while busy, was a huge success. The Board had to make many decisions on efforts to increase leading with new products and services while at the same time counteract the almost zero return on investments with share caps and dividend policies in order to remain relevant for members. In light of the current financial market Malahide is maintaining a very low dividend this year in order to arrest the slide in our reserves position. These decisions are beginning to improve our returns with loans up again for the second year in a row. However our strategic plan is targeting further increases in 2017 and beyond to offset our falling investment income. My annual appeal is that you and your family and friends think of your Credit Union for all your borrowing needs, cars, holidays, home improvements, college fees etc please. I wish to take this opportunity to thank all our volunteers, Board of Directors, members of the Board Oversight Committee and other Committees, without whom our Credit Union could not survive and whose time, dedication and expertise has enabled Malahide to remain successful and relevant. We would welcome hearing from members that would be willing to assist us in this very worthwhile and rewarding journey.

Finally, I on behalf of our Credit Union wish to thank Vivienne and her wonderful professional staff for ensuring we remain safe, focussed, compliant and relevant for us all. Vivienne, Lucia, Aileen, Helen, Danielle, Sheena, Isobel and Kathleen continue to serve you in a friendly and professional way while managing the credit union in an efficient and effective manner.

**Donal Murphy**  
Chairman

## THE YEAR IN REVIEW – Vivienne Keavey, Manager



2016 was a year steeped in historic memories for our country but it was also an eventful year in the life of your credit union. I am delighted to report that we had another excellent year, both from a financial perspective and in terms of service delivery to you, our members. I will set out some of the financial highlights shortly but just like last year I would like to start my review by reminding us all of the “**credit union difference**”, what it is that makes our credit union movement different and better than the alternatives. In a nutshell, credit unions are about

community and community spirit, providing financial services on a not-for-profit basis for all of our members, whatever their circumstances. This is a “unique selling proposition” in the financial services sector and we in Malahide Credit Union strongly believe that it should give us a significant competitive advantage – if we could just get the message out there. We really need your help to do just that.

We pride ourselves on our quality of service relative to other financial institutions. Nobody has to talk to a machine in Malahide Credit Union! We operate to the highest standards with a **comprehensive and transparent set of internal controls** that safeguard your interests and are subject to constant review. We plan to improve our range of products and services in 2017 and are always open to ideas and suggestions to help us to do so - it is your credit union after all. But we need you, your families and friends to do more of your business with us. We especially want to help our younger members to make a start in their “financial” lives, to establish a savings habit and borrowing record that will stand to them when they need to make their big financial decisions, such as a mortgage or business loan.

As you know our most important service, both for members and for the credit union, is lending. With the fall in investment returns internationally, loan interest income is what keeps us going and enables us to provide the services that you need. Our loan products offer some of the best value in the market, especially when you factor in the Loan Protection insurance that we provide at no additional cost to all borrowers. During the year we granted over €3.6 million in new loans, much of which was spent within the local community. In May we introduced our new **Home Renovation Loan** and this has been a spectacular success. We continue to offer our innovative “Express” loan, designed to make it easier for first-time borrowers to get a loan. Our big initiative for 2017 will be our new **low rate Car Loan**, aimed at new and used car buyers and those who want to escape from a Personal Contract Plan (PCP). If you or someone you know needs a loan, please talk to us first.

Our **savings** have continued to grow strongly, something that has both positive and negative connotations. On the one hand it is a sign of confidence by our members in their credit union. Proof of this is that Xxx new members joined us this year and we now have a total membership

of 6,xxx. Unfortunately there is also a negative implication in that we are obliged to set aside 10% capital against new savings so for every €1m increase we must in effect allocate €100,000 from our surplus as capital against these savings. While we are more than adequately capitalised, the board felt that we needed to do something to slow this savings growth and in May 2016 we reduced our maximum savings amount to €20,000 for new savings. This decision was not taken lightly and we will keep it under constant review.

In financial terms we had a very successful year. You may have noticed that our financial accounts are laid out differently this year. This is due to the introduction of a new international accounting standard called FRS 102, which has meant that we have had to re-state last year’s accounts and have had to make significant adjustments to some accounting items, particularly our Bad Debt Provision. This year we have been able to write back over €88,000 from this provision to our Income & Expenditure Account, thereby increasing our **Surplus to €242,600** for the year (compared to a re-stated €134,703 last year). While very welcome, it must be remembered that this write-back is a once-off adjustment that won’t be repeated. Our Interest on Loans has stabilised following several years of decreasing loan balances, while our Investment Income has held up despite a very challenging interest rate environment. Our operating expenses increased by 5% due to some new cost items but we believed that most of these are now in place in our cost base. Bad debt write offs were just €20,118, a sign of our improved economy. Against that we recovered €57,499 from loans that were previously written off.

All of the above has left us in a financially strong position, with Reserves of almost €2.9 million which equates to 14% of our assets, well in excess of the 10% required by the Central Bank. The economic outlook appears to be improving and we believe that we have built a strong base that will enable us to grow and thrive over the foreseeable future. You will have heard a lot of talk about credit union mergers and while we would never rule out such a move if it was in the best interests of our members, we are confident that we can continue to survive and prosper as an independent credit union – but we need your continued support. **Together we’re stronger!**

In conclusion, I would like to thank my colleagues, both our volunteers and staff (our most valuable asset) for their ongoing commitment and dedication to the achievement of our strategic objectives. I want to compliment our staff on their willingness to embrace change and assume significant additional levels of responsibility. I wish you all a happy and prosperous 2017.

A handwritten signature in black ink that reads "Vivienne Keavey". The signature is written in a cursive style.

**Vivienne Keavey**  
Manager  
January 2017

## Report of the Board Oversight Committee

The members of the Board Oversight Committee in 2015 were Eileen Mooney (chairperson), Liz O'Connor and Catherine Leahy (secretary).

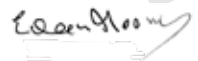
We work on behalf of members of Malahide Credit Union to ensure that your interests are looked after and we would ask you to note that we are independent and separate from the Board.

In general the functions of the Board Oversight Committee relate to the assessment, evaluation and reporting on whether the Board of Directors has operated in accordance with Part 1A and 1VA of the 1997 Act. The Board Oversight Committee is not directly involved in the operations of the Credit Union. The Board Oversight Committee has participated in further training courses to meet fitness and probity requirements as laid down by the Central bank and we thank the Board for their co-operation.

Our work plan for the coming year will again focus on the functions of the Board of Directors, Board Committees, Internal Audit, and Risk Management & Compliance. At least one Board Oversight Committee member is in attendance at the Board Meetings, and the Board Oversight Committee meets with the Board quarterly to ensure that the Board is complying with the new legislation. We will continue to attend meetings of the various committees and liaise with the Internal Auditor and Risk Management & Compliance Officer.

The audits demonstrated high standards of governance in place and we are satisfied that your Credit Union is being run in a very satisfactory manner and that the Board of Directors has operated in accordance with Part IV and IVA of the 1997 Act.

Finally, we would like to thank the members of the Board and the Manager and Staff for all their co-operation and help throughout the year.



**Eileen Mooney**  
*Chairperson of the Board Oversight Committee*

## Report of the Credit Control Committee

The main function of the Credit Control Committee is the monitoring of all loans and the recovery of all debts, for which provisions have to be made under Resolution 49 of the Credit Union Act.

In the current financial climate, the work of the Committee has assumed even greater importance and we wish to acknowledge the continuous and diligent work of the Manager and staff in their day-to-day dealings with members on behalf of the Committee and Board.

Contact is maintained with members who are experiencing difficulties and every effort is made to help them. Our simple message is "Please help us to help you". Should a problem arise which affects your loan repayments, please contact us as early as possible and let us know. We assure you that all such problems will be dealt with in a sympathetic manner and in total confidence. We again urge members not to ignore communication from the Credit Union.

<b>Bad debts recovered 2016</b>	<b>€57,499</b>	<b>(€42,236 in 2015)</b>
<b>Loans charged off 2016</b>	<b>€ 20,118</b>	<b>(€67,740 in 2015)</b>

The Committee, management and staff will continue to pursue charged off loans to recover outstanding amounts. It is important to note that all legal fees incurred in the recovery of a debt are the sole responsibility of the member concerned (or the guarantor where this applies).

It is important to remember, too, that the Credit Control Committee and the Board of Directors are responsible for members' savings and it is incumbent on us to pursue all debts owing to the Credit Union by all legal means.

The Committee wishes to acknowledge the outstanding work performed by the Manager and Credit Control Office during the year which has resulted in our bad debt ratio being significantly below the national average, and, in fact, the best in our asset group by some distance.

In conclusion, we thank you for your continued support and, hopefully with your assistance, we will see an even better year for Credit Control and your Credit Union in 2017.

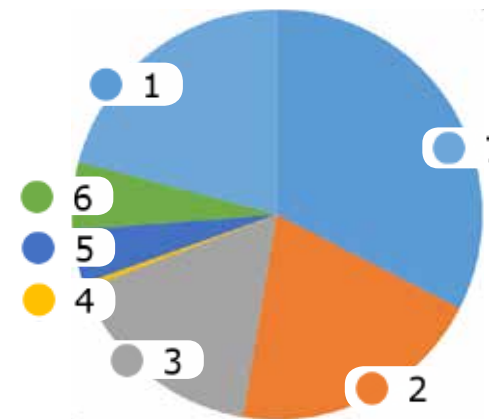
**Stephen MacDonagh**  
*On behalf of the Credit Control Committee*

## Report of the Credit Committee

Malahide Credit Union expanded its range of loan products with the introduction our **Home Renovation Loan**, a loan for home extension or renovation costs up to €75,000, repayable over terms of up to ten years with a low interest rate of 7.5% (7.78% APR). Ideal for that extension, conservatory or new kitchen that you have been promising yourself! Why move when you can improve? Equally, we launched our **Flexi Education Loan** - A loan that covers all your education expenses for as long as your course lasts. You have the comfort of knowing that if you keep your repayments up to date, you will be approved for the following year's loan - past performance **is** a guarantee of success! Our brand new **Car Loan product** provides finance for new or used cars for up to €50,000, repayable over terms of up to five years with a low interest rate of 6.9% (7.12% APR). If you are currently in a Personal Contract Plan (PCP) with a motor dealer, you can also borrow from us at this low rate to finance your PCP "balloon" payment. With a loan from your credit union you will own your car from day one and you won't have to make a large payment at the end of the repayment term. Best of all, you can pick whatever make, model and provider you like.

We will continue to monitor our product range, interest rates and loan assessment process to fully provide for all our members requirements.

We lent €3,626,210 offering 915 loans with an average value of €4,000 in the 12 months to the end of September 2016



- 1 HOME IMPROVEMENTS 13%
- 2 CAR LOANS 10%
- 3 COVERED LOANS 43%
- 4 CHRISTMAS LOANS 3%
- 5 EDUCATION LOANS 3%
- 6 HOLIDAY LOANS 10%
- 7 ALL OTHER PURPOSES 18%

I would like to thank the members of the Credit Committee, Ciaran Lynam and Mary Gleeson for their time, energy and experience given so willingly. I would like to thank Mary Lynch for her involvement over a number of years, we will miss her local knowledge and common sense approach to assessing loan applications. I would like to thank my fellow Board members and staff for all their guidance over the year.



# REPORT AND FINANCIAL STATEMENTS

For the Year Ended 30 September 2015  
Registration Number 268CU

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# Directors' Report

For the year ended 30 September 2016

The directors present their report and audited financial statements for the year ended 30 September 2016.

## Principal Activity and Review of Business

On review of the credit union's financial results the following key performance indicators were identified:

	2016	2015
Members Savings movement %	+8.77%	8.78%
Gross Loan movement %	+2.27%	+2.82%
Regulatory Reserve % of total assets	11.00%	10.97%

The credit union continued to attract additional members' savings during the financial year with member shares having increased from the prior year. Lending activity is continuing to increase strongly with growth of 2.27% in the gross loan book in the financial year indicative of strong loan demand. The credit union continues to maintain regulatory reserves in excess of the regulatory minimum of 10%.

## Results for the year and State of Affairs at 30 September 2016

The income and expenditure account and the balance sheet for the year ended 30 September 2016 are set out on pages 13 and 14.

## Principal Risks and Uncertainties

The credit union, as with many other financial institutions, continues to face uncertainties arising from the general economic conditions. The board are actively monitoring the effects of these conditions on the daily operations of the credit union.

### The principal areas currently requiring risk management include:

**Credit risk:** The risk of financial loss arising from a borrower, issuer, guarantor or counterparty that may fail to meet its obligations in accordance with agreed terms. In order to manage this risk the Board approves the Credit Unions 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 impairment. The Board approves the Credit Union's Credit Control policy which monitors the procedures for the collection of loans in arrears and also the basis for impairment on loans.

**Liquidity risk:** The risk that a credit union will not be able to fund its current and future expected and unexpected cash outflows as they fall due without incurring significant losses. This may occur even where the credit union is solvent. The credit union's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its obligations as they fall due. The objective of the liquidity policy is to smooth the timing between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

**Capital risk:** Capital is required to act as a cushion to absorb losses arising from business operations and to allow a credit union to remain solvent under challenging conditions. Capital risk arises mainly as a result of the quality or quantity of capital available, the sensitivity of the credit union exposures to external shocks, the level of capital planning and the capital management process. Capital risk could potentially impair a credit union's ability to meet its obligations in an adverse situation. The board manage this risk by ensuring that sufficient reserves are set aside each year to absorb any potential losses.

**Operational risk:** The risk of loss (financial or otherwise) resulting from inadequate or failed internal processes or systems of the credit union; any failure by persons connected with the credit union; legal risk (including exposure to fines, penalties or damages as well as associated legal costs); or external events; but does not include reputational risk. Examples of operational risks include hardware or software failures, cyber risk, inadequate business continuity plans, misuse of confidential information, data entry errors and natural disasters.

**Interest rate risk:** The interest rate risk arises from differences between the interest rate exposures on loans and investments receivable, as offset by the cost of capital, which is typically that of distributions to members' payable in the form of dividends and interest rebates. The credit union considers rates of interest receivable when deciding on the appropriation of income and its returns to members. The Board monitors such policy in line with the Credit Union Act, 1997 (as amended) and guidance notes issued by the Central Bank of Ireland.

**Strategy/business model risk:** This refers to the risk which credit unions face if they cannot compete effectively or operate a viable business model. Strategy/business model risk also includes the inherent risk in the credit union's strategy. The board have developed and approved a detailed strategic plan to formulate the short term direction of the credit union operations.

## Dividends

The directors recommend payment of a dividend of €16,270.00 (0.10%) for the year, (2015 - 0.20%) and an interest rebate of €- (0.00%) for the year. (2015 - 5.00%)

## Post Balance Sheet Events

The directors have not identified any post balance sheet events which impact on the figures or disclosures in the financial statements to 30 September 2016.


## Internal Audit Function

In accordance with Section 76K of the Credit Union Act, 1997 (as amended) the board have appointed an internal audit function to provide for independent internal oversight and to evaluate and improve the effectiveness of the credit union's risk management, internal controls and governance process.

## Accounting Records

The Directors believe that they comply with the requirements of Section 108 of the Credit Union Act, 1997 (as amended) with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the credit union are maintained at the credit union's premises at 4 Main Street, Malahide, Co. Dublin.

Approved by the Board on: \_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

  
\_\_\_\_\_  
**Donal Murphy**  
Member of the Board  
of Directors

  
\_\_\_\_\_  
**John O' Halloran**  
Member of the Board  
of Directors

## Statement of Directors' Responsibilities

For the year ended 30 September 2016

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 the affairs of the credit union and of the income and expenditure of the credit union for that year. In preparing those 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 are responsible for keeping proper accounting records which disclose with reasonable accuracy 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.

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.

On behalf of the Credit Union: \_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_



**Donal Murphy**  
Member of the Board  
of Directors

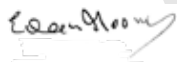


**John O' Halloran**  
Member of the Board  
of Directors

## Statement of Board Oversight Committee's Responsibilities

For the year ended 30 September 2016

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 IVA and any regulations made for the purposes of Part IV or Part IVA of the Credit Union Act, 1997 (as amended) and any other matter prescribed by the Bank in respect of which they are to have regard to in relation to the board.



**Eileen Mooney**  
Member of the Board Oversight Committee

## Independent Auditor's Report

to the members of Malahide and District Credit Union Limited

We have audited the financial statements of Malahide and District Credit Union Limited for the year ended 30 September 2016 which comprise of the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and 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 the Institute of Chartered Accountants in 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 the Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements, giving 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 Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the Audit of 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our audit report.

### Opinion on Financial Statements In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland;
- have been properly prepared in accordance 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 considered were necessary for the purposes of our audit.
- In our opinion, proper accounting records have been kept by the credit union.
- The financial statements are in agreement with the accounting records.

**Patrick Loughnane for and on behalf of FMB, Chartered Accountants, Registered Auditor,**

**4 Ormond Quay Upper, Dublin 7. DATE : \_\_\_\_\_**

# Accounting Policies

For the year ended 30 September 2016

## Statement of Compliance

The financial statements of the credit union for the year ended 30 September 2016 have been prepared on the going concern basis and in accordance with generally accepted accounting principles in Ireland and Irish statute comprising the Credit Union Act 1997 (as amended) and in accordance with the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102) issued by the Financial Reporting Council, as promulgated by Chartered Accountants Ireland.

## Basis of Preparation

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets. 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.

### 1. First-time Adoption of FRS 102

These are Malahide and District's first financial statements to comply with FRS 102. The date of transition to FRS 102 is 1 October 2014.

The transition to FRS 102 has resulted in a number of accounting policy changes compared to those applied previously. Note 25 to the financial statements describe the differences between the reserves and surplus presented previously and the amounts as restated to comply with the accounting policies adopted in accordance with FRS 102 for the reporting period ended 30 September 2015 (ie comparative information) as well as the retained reserves presented in the opening Balance Sheet (ie at 1st October 2014). It also describes all the required changes in accounting policies made on first-time adoption of FRS 102.

### 2. Going Concern

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

- is consistently generating annual surpluses;
- is maintaining appropriate levels of liquidity in excess of minimum legislative requirements; and
- has reserve levels which are significantly above the minimum requirements of the Central Bank.

### 3. Income Recognition

Income 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. Income is measured at the fair value of the consideration received. The following criteria must also be met before revenue is recognised:

#### 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. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument, or when appropriate, a shorter period to the carrying amount of the financial asset or liability.

#### Investment Income

The Credit Union uses the effective interest method to recognise investment income.

#### Other Income

Other income such as commissions receivable on insurance products and foreign exchange services arises in connection to specific transactions. Income relating to individual transactions is recognised when the transaction is completed.

### 4. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and loans and advances to banks (i.e. cash deposited with banks) with maturity of less than or equal to three months.

### 5. Basic Financial Assets

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

#### 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.

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

#### Investments held at Amortised Cost

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

#### Held to Maturity Investments

Investments designated on initial recognition as held-to-maturity are investments that the credit union intends, and is able to, hold to maturity. These are carried at amortised cost using the effective interest method. The fair value of some investment products will change during their life, but they will have a fixed maturity value at some future date. When designated as held-to-maturity, any change in the fair value during the term of the investment is ignored, with the credit union only accounting for interest received. Gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process. Investments intended to be held for an undefined period are not included in this classification.

#### 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. In accordance with the direction of the Central Bank the amounts are shown as current assets and are not subject to impairment reviews.

## 6. Other Receivables

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

## 7. Tangible Fixed Assets

Tangible fixed assets comprises items of property, plant and equipment, which are stated at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value, on a straight line basis over its estimated useful life. The categories of property, plant and equipment are depreciated as follows:

Premises -	2.5% Straight Line
Computer equipment -	25% Straight Line
Office equipment -	10% Straight Line

Gains or losses arising on the disposal of an asset are determined as the difference between the sale proceeds and the carrying value of the asset, and are recognised in the Income and Expenditure account.

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.

## 8. Employee Benefits

### *Pension Costs*

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. The pension charge represents contributions payable by the credit union to the scheme.

### *Other Employee Benefits*

The costs 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.

## 9. Impairment of Members Loans

The credit union assesses, at each balance sheet date, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics. Individually significant loans are assessed on a loan by loan basis. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised. Bad debts/impairment losses are recognised in the Income and Expenditure Account, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

## 10. Financial liabilities - members' shares and deposits

Members' shareholdings and deposits are redeemable and therefore are classified as financial liabilities. They are initially recognised at the amount of cash deposited and subsequently measured at the nominal amount.

## 11. Dividends and Other Returns to Members

Dividends are made from current year's surplus or a dividend reserve set aside for that purpose. The Board's 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 of 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 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.

Final dividends and other returns to members are accounted for as a liability after they are approved by the members in general meeting.

## 12. Taxation

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

## 13. Reserves

Retained earnings are the accumulated surpluses to date that have not been declared as dividends returnable to members. The retained earnings 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.

### *Regulatory Reserve*

The Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 requires Credit unions to establish and maintain a minimum regulatory reserve requirement of at least 10% 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. This reserve is similar in nature and replaces the Statutory Reserve which was a requirement of previous legislation.

# Income and Expenditure Account

for the year ended 30 September 2016

## Operational Risk Reserve


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

The definition of operational risk is the risk of losses stemming from inadequate or failed internal processes, people and systems or from external events. The directors have considered the requirements of the Act and have considered an approach to calculation of the operational risk reserve based on indicative guidance issued by the Central Bank.

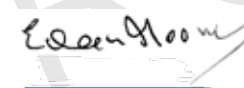
	Schedule	2016 €	2015 €
<b>INCOME</b>			
Interest on loans	1	510,775	509,724
Other interest income and similar income	2	196,001	190,439
<b>NET INTEREST INCOME</b>		<b>706,776</b>	<b>700,163</b>
Other income	3	40,964	21,963
Other gains	4	-	-
<b>TOTAL INCOME</b>		<b>747,740</b>	<b>722,126</b>
<b>EXPENDITURE</b>			
Salaries		230,573	217,444
Other management expenses	5	349,014	332,964
Depreciation		47,428	45,636
Other losses	6	3,537	234
Bad debts provision		(88,031)	(34,359)
Bad debts recovered		(57,499)	(42,236)
Bad debts written off		20,118	67,740
<b>TOTAL EXPENDITURE</b>		<b>505,140</b>	<b>587,423</b>
<b>EXCESS OF INCOME OVER EXPENDITURE FOR THE YEAR</b>		<b>242,600</b>	<b>134,703</b>

On behalf of the Credit Union:

\_\_\_\_\_



**Donal Murphy**  
Member of the Board  
of Directors



**Eileen Mooney**  
Member of the Board  
Oversight Committee



**Vivienne Keavey**  
Manager

The accompanying notes form part of these financial statements

STRONG  
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SECURE  
PROOF

## Balance Sheet

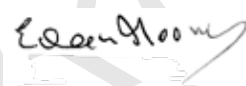
for the year ended 30 September 2016

	Note	2016 €	2015 €
<b>ASSETS</b>			
Cash and cash equivalents	6	4,683,134	4,612,956
Investments	7	9,684,271	8,334,258
Loans	8	4,953,408	4,843,498
Less provision for bad debts	10	(288,485)	(376,516)
Tangible fixed assets	11	1,372,607	1,409,106
Debtors, prepayments and accrued income	12	82,436	72,179
<b>TOTAL ASSETS</b>		<b>20,487,371</b>	<b>18,895,481</b>
<b>LIABILITIES</b>			
Members' shares	13	17,429,609	16,023,755
Q Cash accounts	14	121,325	132,557
Other liabilities, creditors, accruals and charges	15	59,908	50,158
<b>TOTAL LIABILITIES</b>		<b>17,610,842</b>	<b>16,206,470</b>
<b>RESERVES</b>			
Regulatory reserve	17	2,253,611	2,072,916
Operational risk reserve	17	103,265	-
Other reserves		-	-
- Realised reserves	17	519,653	616,095
<b>TOTAL RESERVES</b>		<b>2,876,529</b>	<b>2,689,011</b>
		<b>20,487,371</b>	<b>18,895,481</b>

On behalf of the Credit Union:



**Donal Murphy**  
Member of the Board  
of Directors



**Eileen Mooney**  
Member of the Board  
Oversight Committee



**Vivienne Keavey**  
Manager

The accompanying notes form part of these financial statements

## Statement of Changes in Retained Earnings

for the year ended 30 September 2016

	Note	2016 €	2015 €
Opening Balance at 1 October		222,393	297,853
<b>EXCESS OF INCOME OVER EXPENDITURE</b>		<b>242,600</b>	<b>134,703</b>
		<b>464,993</b>	<b>432,556</b>
<b>LESS</b>			
Transfer to regulatory reserve	17	(180,695)	(155,091)
Dividend paid	18	(29,577)	(55,072)
Interest rebate paid	18	(25,505)	-
<b>TOTAL</b>		<b>(235,777)</b>	<b>(210,163)</b>
<b>Closing Balance at 30 September 2016</b>		<b>229,216</b>	<b>222,393</b>

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# Cash Flow Statement

for the year ended 30 September 2016

	Note	2016 €	2015 €
Opening cash and cash equivalents		4,612,956	6,067,479
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loans repaid		3,496,182	3,138,904
Loans granted		(3,626,210)	(3,339,396)
Loan interest received		511,757	510,093
Investments interest received		183,864	186,682
Bad debts recovered		57,499	42,236
Dividends paid		(29,577)	(55,072)
Interest rebate paid		(25,505)	-
Operating expenses		(583,124)	(550,642)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>(15,114)</b>	<b>(67,195)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed assets purchased		(10,929)	(15,762)
Net cash flow from investments		(1,350,013)	(2,758,925)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(1,360,942)</b>	<b>(2,774,687)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Members' shares received		9,453,641	9,087,487
Members' Quick Cash paid in		365,961	342,560
Members' shares withdrawn		(8,047,787)	(7,794,560)
Members' Quick Cash withdrawn		(377,193)	(259,912)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>1,394,622</b>	<b>1,375,575</b>
<b>OTHER</b>			
Other receipts		40,964	21,963
Decrease/(Increase) in prepayments		898	(1,088)
(Increase)/Decrease in other liabilities		9,750	(9,091)
		51,612	11,784
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>6</b>	<b>4,683,134</b>	<b>4,612,956</b>

# Notes to the Financial Statements

for the year ended 30 September 2016

## 1. General Information

Malahide and District Credit Union Limited is a credit union incorporated under the Credit Union Act 1997 (as amended) in the Republic of Ireland. Malahide and District Credit Union Limited is registered with the Registrar of Credit Unions and is regulated by the Central Bank of Ireland. The financial statements have been presented in Euro (€) which is also the functional currency of the credit union.

## 2. Use of Estimates and Judgements

Members' shareholdings and deposits are redeemable and therefore are classified as The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying the credit union's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below:

### *Bad debts/Impairment losses on loans to members*

The Credit Union's accounting policy for impairment of financial assets is set out in accounting policies on pages 8 - 12 of the financial statements. 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 as identified by the credit union. 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 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 currently operates which impact on current lending activity and loan underwriting. If a loan is impaired, the impairment loss is the difference between the carrying amount of the loan and the present value of the expected cash flows discounted at the asset's original effective interest rate taking account of pledged shares and other security as appropriate. 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.



### 3. Employees

#### Number of employees

The average monthly numbers of employees during the year were:

	2016	2015
	Number	Number
Tellers/Admin reserve	8	8
	8	8
	2016	2015
Employment costs	€	€
Wages and salaries	209,466	197,425
Social welfare costs	21,107	20,019
Pension costs	3,510	3,223
<b>Closing Balance at 30 September 2016</b>	<b>234,083</b>	<b>220,667</b>

#### 3.1. Key Management Personnel Compensation

The Directors of Malahide and District Credit Union Limited are all unpaid volunteers. The key management team for Malahide and District Credit Union Limited would include the directors, the credit union manager and other senior staff. The number of key management for the financial year to 30 September 2016 amount to 14 (2015-14).

	2016 €	2015 €
Short term employee benefits paid to key management	151,780	147,108
Payments to defined contribution pension schemes	3,510	3,223
	<b>155,290</b>	<b>150,331</b>

### 4. Pension Costs

Pension costs amounted to €3,510 (2015 - €3,223).

### 5. Analysis of Investment Income

	2016 €	2015 €
Received during the year	146,646	160,000
Receivable within 12 months	49,355	30,439
Other investment income	-	-
	<b>196,001</b>	<b>190,439</b>

### 6. Cash & Cash Equivalents

	2016 €	2015 €
Cash and bank balances	491,667	592,496
Short term deposits	4,191,467	4,020,460
	<b>4,683,134</b>	<b>4,612,956</b>

Short term deposits are deposits with maturity of less than or equal to three months. All other deposits are included in Investments in the Balance sheet and disclosed in note 7.

### 7. Investments

Investments are classified as follows:	2016 €	2015 €
Fixed term deposits maturing after 3 months	2,692,449	3,913,977
Deposit Protection Account	108,343	90,556
Accounts in authorised credit institutions	5,585,183	3,222,459
Investment bonds	1,298,296	1,107,266
	<b>9,684,271</b>	<b>8,334,258</b>

The market valuation of the bank bonds as at 30 September 2016 amounts to €1,356,964. The directors have confirmed that they are satisfied that all fixed term investments will be held to maturity.

Under the heading "Accounts in authorised credit institutions", the credit union holds investments in credit linked note type products amounting to €1.5 million at 30 September 2016 (€1.0 million at 30 September 2015). The credit union's investment advisors have confirmed that these investment products are not listed or traded on an active market and therefore they are recognised at original cost less impairment in accordance with the credit union's accounting policy. No credit events or defaults have been identified on these products in the current or previous financial period which required the recognition of an impairment. Additional information with respect to these investment products is included in Note 21 to the financial statements.

## 8. Loans to Members

	2016 €	2015 €
Opening Balance at 1 October	4,843,498	4,710,746
Loans granted	3,626,210	3,339,396
Loans repaid	(3,496,182)	(3,138,904)
Loans written off	(20,118)	(67,740)
<b>Gross Loan Balance at 30 September</b>	<b>4,953,408</b>	<b>4,843,498</b>
<b>Impairment allowances</b>		
Individual loans	(263,736)	(333,378)
Groups of loans	(24,749)	(43,138)
<b>Loan provision</b>	<b>(288,485)</b>	<b>(376,516)</b>
<b>Net loans as at 30 September</b>	<b>4,664,923</b>	<b>4,466,982</b>

## 9. Credit Risk Disclosures

Malahide and District Credit Union Limited did not have mortgage loans in issue at the financial year end 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. There are maximum amounts set down by the Central Bank in terms of what amount a member can borrow from the Credit Union.

The carrying amount of the loans to members represents the Credit Union's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full.

	2016		2015	
	€	%	€	%
<b>Gross Loans Not Impaired</b>	<b>4,687,672</b>	<b>94.64%</b>	<b>4,415,943</b>	<b>91.17%</b>
<b>Gross Loans Impaired</b>				
Up to 9 weeks past due	83,427	1.68%	129,256	2.67%
Between 10 and 18 weeks past due	45,218	0.91%	94,546	1.95%
Between 19 and 26 weeks past due	38,434	0.78%	28,594	0.59%
Between 27 and 39 weeks past due	10,941	0.22%	59,851	1.24%
Between 40 and 52 weeks past due	29,023	0.59%	40,942	0.85%
53 or more weeks past due	58,693	1.18%	74,366	1.54%
	<b>265,736</b>	<b>5.36%</b>	<b>427,555</b>	<b>8.83%</b>
<b>Total Gross Loans</b>	<b>4,953,408</b>	<b>100%</b>	<b>4,843,498</b>	<b>100%</b>

<b>Impairment Allowance</b>				
Individual loans	(263,736)	-	(333,378)	-
Groups of loans	(24,749)	-	(43,138)	-
<b>Loan provision</b>	<b>(288,485)</b>	<b>-</b>	<b>(376,516)</b>	<b>-</b>
<b>Net loans as at 30 September</b>	<b>4,664,923</b>	<b>-</b>	<b>4,466,982</b>	<b>-</b>

## 10. Loan Provision Account for Impairment Losses

	2016 €	2015 €
Opening balance 1 October	376,516	410,875
Net movement during the year	(67,913)	33,381
Decrease as a result of loan write offs previously provided for	(20,118)	(67,740)
<b>Closing provision balance 30 September</b>	<b>288,485</b>	<b>376,516</b>

## 11. Tangible Fixed Assets

	Premises	Computer Equipment	Office Equipment	Total
	€	€	€	€
<b>Cost</b>				
At 1 October 2015	1,521,347	214,783	28,188	1,764,318
Additions	-	8,778	2,151	10,929
<b>At 30 September 2016</b>	<b>1,521,347</b>	<b>223,561</b>	<b>30,339</b>	<b>1,775,247</b>
<b>Depreciation</b>				
At 1 October 2015	142,356	202,572	10,284	355,212
Charge for the year	38,034	6,360	3,034	47,428
<b>At 30 September 2016</b>	<b>180,390</b>	<b>208,932</b>	<b>13,318</b>	<b>402,640</b>
<b>Net book values</b>				
At 30 September 2016	1,340,957	14,629	17,021	1,372,607
<b>At 30 September 2015</b>	<b>1,378,991</b>	<b>12,211</b>	<b>17,904</b>	<b>1,409,106</b>

An independent valuation of the credit union's premises at 4 Main Street, Malahide, Co. Dublin was carried out by Kevin Flanagan & Associates, on 3 October 2016, which stated that the premises had an open market valuation of €1.45 million. The directors have confirmed that they are satisfied that no indication of impairment exists at 30 September 2015.

## 12. Prepayments and Accrued Income

	2016 €	2015 €
Prepayments	16,785	17,683
Accrued income	50,223	38,086
Member Loan interest receivable	15,428	16,410
	<b>82,436</b>	<b>72,179</b>

## 13. Members' Shares

	2016 €	2015 €
Opening Balance at 1 October	16,023,755	14,730,828
Shares paid in	9,453,641	9,087,487
Shares withdrawn	(8,047,787)	(7,794,560)
<b>Closing Balance at 30 September</b>	<b>17,429,609</b>	<b>16,023,755</b>

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

	€	€
Unattached Shares	14,748,019	13,387,585
Attached Shares	2,681,590	2,636,170
	<b>17,429,609</b>	<b>16,023,755</b>

Member shares classified as attached are those which are considered pledged as security against outstanding loan balances.

## 14. Members' Quick Cash Accounts

	2016 €	2015 €
Opening Balance at 1 October	132,557	49,909
Received during the year	365,961	342,560
Paid out during the year	(377,193)	(259,912)
<b>Closing Balance at 30 September</b>	<b>121,325</b>	<b>132,557</b>

Quick Cash accounts are repayable on demand.

## 15. Other Liabilities and Charges

	2016 €	2015 €
PAYE/PRSI control account	5,073	5,215
Accruals	54,835	44,943
	<b>59,908</b>	<b>50,158</b>

## 16. Additional Financial Instruments Disclosures

### 1. Financial risk management

Malahide and District Credit Union Limited manages its members' shares and loans to members so that it earns income from the margin between interest receivable and interest payable. The main financial risks arising from the Credit Union's activities are credit risk, liquidity risk and interest rate risk. The Board 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 Malahide and District Credit Union Limited, resulting in financial loss to the Credit Union. In order to manage this risk the Board approves the Credit Union'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.

**Liquidity risk:** The Credit Union's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due. The Credit Union adheres on an ongoing basis to the minimum liquidity ratio and minimum short term liquidity ratio as set out in the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016.

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

**Interest rate risk:** The Credit Union's main interest rate risk arises from differences between the interest rate exposures on the receivables and payables that form an integral part of a Credit Union's operations. The Credit Union considers rates of interest receivable on investments and members' loans when deciding on the dividend rate payable on shares and on any loan interest rebate.

### 2. Interest rate risk disclosures

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

	2016		2015	
	Amount €	Average Interest Rate	Amount €	Average Interest Rate
Loans to members	4,953,408	10.75%	4,843,498	10.95%

The dividend payable is at the discretion of the Directors and is therefore not a financial liability of the Credit Union until declared and approved at the AGM.

### 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.

### 4. Fair value of financial instruments

Malahide and District Credit Union Limited does not hold any financial instruments at fair value.

## 17. Total Reserves

	Balance 01/10/15	Dividend and loan interest rebate paid	Appropriation of current year surplus	Transfers between reserves	Balance 30/09/16
	€	€	€		€
Total Regulatory Reserve	2,072,916	-	-	180,695	2,253,611
Operational Risk Reserve	-	-	-	103,265	103,265
<b>Other Realised Reserves</b>					
Undistributed Surplus	222,393	(55,082)	242,600	(180,695)	229,216
General reserve	143,702	-	-	146,735	290,437
Dividend reserve	250,000	-	-	(250,000)	-
<b>Total reserves</b>	<b>2,689,011</b>	<b>(55,082)</b>	<b>242,600</b>	<b>-</b>	<b>2,876,529</b>

The Credit Union is required to maintain a Regulatory Reserve that support the credit union's operations, provide a base for future growth and protect against the risk of unforeseen losses. The credit union needs to maintain sufficient reserves to ensure continuity and to protect members' savings. The Central Bank expects that credit unions whose total regulatory reserves are currently in excess of 10 per cent of total assets will continue to maintain reserves at existing levels on the basis that these continue to reflect the board of directors' assessment of the appropriate level of reserves for the credit union.

The balance on the regulatory reserve represents 11.00% of total assets as at 30 September 2016 (10.97% as at 30 September 2015).

The board of directors and the management team have undertaken a review of the credit union's risk register and risk management procedures in order to determine the adequacy of the operational risk reserve. This review consisted of a consideration of each operational risk area, the various control procedures, outsourcing agreements and insurances in place to mitigate risk and the resultant remaining residual risk. An estimated costing to the credit union has been attached to each identified area of residual risk in computing the required operational risk reserve.

The balance on the operational risk reserve represents 0.50% of total assets as at 30 September 2016.

## 18. Dividends, Loan Interest Rebate and Other Returns to Members

The directors recommend the following distributions:

	2016		2015	
	Rate %	€	Rate %	€
Dividend on shares	0.10%	16,270	0.20%	29,577
Loan interest rebate	-%	-	5.00%	25,505

In accordance with FRS102 "Events after the End of the Reporting Period", dividends and returns to members are accounted for in the financial statements after they are approved by the members in general meeting.

The returns to members paid in the current and prior year periods were as follows:

	2016 €	2015 €
Dividend paid during the year	29,577	55,072
Dividend rate	0.20%	0.40%
<b>Loan interest rebate paid during the year</b>	<b>25,505</b>	<b>-</b>
<b>Loan interest rebate rate</b>	<b>5.00%</b>	<b>0.00%</b>

## 19. Rate of Interest Charged on Members' Loans

The credit union currently charges interest at the following rates:

Covered Loan	6.00%
Promotional Car Loan	6.90%
Home Renovation Loan	7.50%
Flexi Education Loan	7.50%
One Year Christmas Loan	7.75%
One Year Holiday Loan	9.50%
Standard Loan	11.90%

## 20. Post Balance Sheet Events

The directors have not identified any post balance sheet events which impact on the figures or disclosures in the financial statements to 30 September 2016.

## 21. Contingent Liabilities

All capital invested in fixed term investment products is guaranteed only if held to maturity. In the unlikely event of early encashment there may exist an early settlement penalty or capital loss. The board of directors have confirmed that they intend that all such investments are to be held until their maturity dates.

## 22. Capital Commitments

There were no capital commitments either contracted for or approved by the Board at the year end.

### 23. Insurance Against Fraud

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

### 24. Related Party Transactions

The Credit Union has identified the following transactions which are required to be disclosed under the terms of FRS102 'Related Party Disclosures'.

The following details relate to officers and related party accounts with the credit union. Related parties include the board of directors and the management team of the Credit Union, their family members or any business in which the director or management team had a significant shareholding.

	No. of Loans	2016 €	2015 €
Total savings held by related parties	-	233,184	190,676
Total loans outstanding by related parties	15	82,025	88,233
% of gross loan book	-	1.66%	1.82%
Loans advanced to related parties during the year	7	46,950	33,850
Total provisions for loan outstanding to related parties at year end	-	-	-
Total provision charge during the year for loans outstanding to related parties	-	-	-

### 25. Reconciliation of Transition to FRS 102

These are Malahide and District Credit Union Limited's first financial statements to comply with FRS 102. The date of transition to FRS 102 is 1 October 2014.

The reconciliations below highlight the key impact on the surplus for the financial year and on the reserves of the Credit Union.

<b>INCOME AND EXPENDITURE ACCOUNT</b> <b>Reconciliation of surplus from previous Irish Accounting Standards to FRS 102</b>	<b>30 Sep '15</b> <b>€</b>
Surplus as previously reported	100,713
Adjustment with respect to a review of loan provisioning methodology under FRS 102	34,359
Interest on members' loans using effective interest method	(369)
<b>Surplus in accordance with FRS 102</b>	<b>134,703</b>

<b>BALANCE SHEET - OPENING RESERVES</b> <b>Reconciliation of Credit Union's opening reserves from previous Irish accounting standards to FRS 102</b>	<b>30 Sep '16</b> <b>€</b>	<b>30 Sep '15</b> <b>€</b>
Opening reserves as previously reported	2,639,870	2,594,229
Adjustment with respect to considered unallocated loan provisions not allowed under FRS 102	32,731	(1,628)
Interest on members' loans using effective interest method	16,410	16,779
<b>Opening reserves in accordance with FRS 102</b>	<b>2,689,011</b>	<b>2,609,380</b>

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## Additional Information

The adjustments are explained as follows:-

### Loan Provision

The credit union has undertaken a detailed review of its bad debt provisioning methodology as part of the transition to the new accounting framework FRS 102. As part of this review credit union management have considered the results of internal loan book review procedures undertaken in the financial periods to 30 September 2014, 30 September 2015 and 30 September 2016 as well as historical and current loan impairment trends in these three periods. Following this review an unallocated general provision of €32,731 was identified in the overall loan provision at 30 September 2015 which does not satisfy the criteria as set down in Section 11 of FRS 102 in relation to objective evidence of impairment. On this basis it is considered appropriate that this unallocated provision should not be recognised in the financial statements as prepared under FRS 102. Following a similar review of the credit union loan book at 30 September 2014 an additional provision of €1,628 has been recognised.

### Interest on Members' Loans

On transition to FRS 102, the credit union has reviewed and updated its accounting policy with respect to the recognition of interest income from member loans to ensure compliance with the standard. The accounting policy adopted states that interest on loans to members is recognised using the effective interest method and is calculated and accrued on a daily basis. The board of directors consider that it is appropriate to reflect a similar accounting policy in the financial statements to 30 September 2014 and 30 September 2015 respectively and this has resulted in the inclusion of accrued interest income of €16,779 and €16,410 being recognised in the respective financial years. The accrued loan interest income reflected in the FRS 102 transitional adjustments has been recognised on members loans identified as not being impaired at the respective financial year ends.

### 26. Authorisation and Approval of Financial Statements

The board of directors authorised and approved these financial statements for issue on 24 November 2016.

(not forming part of the statutory audited Financial Statements)  
for the year ended 30 September 2016

SCHEDULE 1. INTEREST ON LOANS	2016 €	2015 €
Loan interest received	511,757	510,093
Loan interest receivable	(982)	(369)
<b>Total per Income and Expenditure Account</b>	<b>510,775</b>	<b>509,724</b>

SCHEDULE 2. OTHER INTEREST INCOME AND SIMILAR INCOME	2016 €	2015 €
Investment income	196,001	190,439
<b>Total per Income and Expenditure Account</b>	<b>196,001</b>	<b>190,439</b>

SCHEDULE 3. OTHER INCOME	2016 €	2015 €
Entrance fees	499	419
E.C.C.U. rebate	31,188	16,490
Other commissions	9,277	5,054
<b>Total per Income and Expenditure Account</b>	<b>40,964</b>	<b>21,963</b>

SCHEDULE 4. OTHER GAINS	2016 €	2015 €
<b>Total per Income and Expenditure Account</b>	<b>-</b>	<b>-</b>

<b>SCHEDULE 5. OTHER MANAGEMENT EXPENSES</b>	<b>2016 €</b>	<b>2015 €</b>
Staff pension costs	3,510	3,223
Staff training	5,028	6,371
E.C.C.U. Insurance	71,374	68,602
Death benefit expense	24,323	22,215
Savings protection scheme	6,602	7,533
Rates	12,269	12,269
General insurance	7,770	7,996
Light and heat	4,149	4,139
Cleaning	2,359	2,242
Security & alarm	5,384	6,025
Printing, postage, stationery and office expenses	13,847	19,236
Advertising, promotion and marketing	8,495	7,460
Telephone	5,979	5,516
Computer costs	30,580	24,657
CUSOP expenses	15,515	12,416
Chapter dues	685	672
Convention and seminar expenses	12,357	15,021
Travelling and subsistence	3,920	3,525
Social expenses	4,140	4,276
Legal and professional	65,556	56,201
Audit	14,986	14,442
Bank charges	9,031	5,457
General expenses	1,637	1,760
Affiliation & regulation fees	17,208	15,935
Subscriptions and donations	2,310	5,775
<b>Total per Income and Expenditure Account</b>	<b>349,014</b>	<b>332,964</b>

<b>SCHEDULE 6. OTHER LOSSES</b>	<b>2016 €</b>	<b>2015 €</b>
Amortisation of bond premium	3,537	234
<b>Total per Income and Expenditure Account</b>	<b>3,537</b>	<b>234</b>

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7.12% APR



**Know your loan: Representative Sample**  
€10,000 loan repayable over 5 years  
60 monthly repayments of €197.56  
Rate of interest 6.9% per annum variable  
representative 7.12% APR  
**Total amount repayable €11,850.91**

Loans are subject to approval. Terms and conditions apply.  
Malahide & District Credit Union Ltd. is regulated  
by the Central Bank of Ireland



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**MALAHIDE**  
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**“OUR MISSION IS  
TO FULFIL THE  
FINANCIAL NEEDS  
OF OUR MEMBERS,  
THROUGH EXCELLENT  
SERVICE, BASED ON MUTUAL  
TRUST AND INTEGRITY.”**

**OFFICE OPENING HOURS**

<b>Monday</b>	<b>10:00am - 2:00pm</b>
<b>Tuesday</b>	<b>10:30am - 4:00pm</b>
<b>Wednesday</b>	<b>10:00am - 4:00pm</b>
<b>Thursday</b>	<b>10:00am - 5:00pm</b>
<b>Friday</b>	<b>10:00am - 7:00pm</b>
<b>Saturday</b>	<b>9:30am - 12:30pm</b>

*Sunday & Bank Holidays Closed*

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Co. Dublin**

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