



## Annual Report 2017

NOTICE OF AGM

THURSDAY 14TH DECEMBER 2017, 7.30PM

WESLEY COLLEGE, BALLINTEER ROAD, DUBLIN 16

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# Notice of Annual General Meeting

Notice is hereby given that the 51st Annual General Meeting of Capital Credit Union Limited will take place on Thursday 14th December 2017, at 7.30pm in Wesley College, Ballinteer, Dublin 16.

**Special Draw for a prize of €100 for members arriving before 7.30pm. This draw will take place at 7.30pm.**

**AGM Draw: 6 Giant Christmas Hampers, 10 prizes of €100 and 10 prizes of €50 for members attending the AGM.**

Refreshments and raffles will take place after the conclusion of the meeting.

MEMBERS ARE REQUESTED TO BRING THEIR PASSBOOKS TO THE ANNUAL GENERAL MEETING AS A MEANS OF IDENTIFICATION.

## AGM AGENDA

1. Credit Union Invocation
2. Acceptance of proxies (if any)
3. Ascertainment that a quorum is present
4. Adoption of Standing Orders
5. Minutes of AGM 2016
6. Report of the Board of Directors
7. Consideration of Accounts
8. Report of the Auditor
9. Declaration of Dividend and Rebate of Interest
10. Appointment of Tellers
11. Election of Directors, Board Oversight Committee and Auditor
12. Report of the Board Oversight Committee
13. Report of the Credit Committee
14. Report of the Credit Control Committee
15. Report of the Strategic Planning Committee
16. Report of the Marketing & Membership Committee
17. Report of the Governance & Nominations Committee
18. Report of the Risk & Compliance Committee
19. Report of the Audit Committee
20. Rule Amendments & Motions
21. Announcement of election results
22. Any other business
23. AGM Prize Draws
24. Close of meeting

**Simon Thornton,**  
Secretary

If you would like to raise a question at the AGM, it may require supporting documentation and/or research by way of reply, so in order to allow sufficient time, we would ask you to please send your question(s) in writing, to arrive no later than close of business on Saturday 9th December 2017, to: Secretary, Capital Credit Union, Main Street, Dublin 14

# Chairperson's Report

On behalf of your Board of Directors I present to you our Annual Report and Accounts for the year ended 30th September 2017.

We reported to you at the 2016 AGM on the successful merger with Sandymount Credit Union and I am very happy to say that we can again report that the full transfer of engagements of Drimnagh Credit Union has now been completed. We will continue to engage with other Credit Unions who expressed their wish to join with us in the future. As I said to you in my address last year, this will give our Credit Union the scale to offer our members a much wider range of best value financial products and services. The board and management are currently working with the ILCU and the CUDA led Solution Centre to help deliver this. It is the belief of your Board that we can become your first choice for personal financial products and services in the future.

We are very pleased to report a surplus of €1,887,584 at year end. This has been achieved by the hard work and commitment of your Board and your management and staff.

Our loan portfolio has increased by over 14% and at the end of year, our loan balance stands at €47,130,037. This represents a growth of €5,933,067 on the 2016 Accounts.

Our investment portfolio also continued to grow and the Board, with the management team, agreed that it was necessary to introduce a cap of €30,000 on savings in order to better manage the portfolio. This affected a very small number of our members and, in a time when it was becoming almost impossible to get any return on investments, we considered it a necessary action to protect the Credit Union. Despite all of that, at year end the Investment Portfolio stands at €87,344,166.

At 30th September, 35.5 % of the total value of our shares is out on loan. As members, you will know that the primary business of the Credit Union is lending and, as we expand the number of loan products to our members, we remind you that your Credit Union has no fees or charges, and represents better value loans than other institutions.

On behalf of the Board, I would like to express our thanks to the staff and management for the hard work and total continued commitment to meet the many regulatory requirements and oversight by the Central Bank. It gives the Board great assurance that your Credit Union has the strength to continue to grow into the future.

Hopefully by now, all our members will have seen or heard our advertising and marketing campaigns highlighting our personal and friendly services and the availability of funds for lending. Our loan book continues to grow and, with your help in making Capital Credit Union your first choice for your borrowing needs, we will continue on that path.

Over the past 12 months, we have worked hard on our commitment to explore potential options for Death Benefit Insurance for our members. I am happy to say that we have sourced a good value, opt-in package, from CUNA Mutual, which was launched in our branches in mid-October and is due to become effective from January 2018. Our CEO will outline the terms, benefits and costs of the DBI package at the AGM. However, it must be stressed that this benefit is provided on the basis that members opt in, so if there is insufficient support, it will not be possible to maintain it as a service for members into the future.

As we go forward, the complexity of our Credit Union continues to change. I, as your Chairman, want to express our thanks to our CEO Mr Gerry McConville and his Management Team which include our Operations Manager, Mr Pat Byrne; our Finance Manager, Ms Pauline Hayden; our Risk & Compliance

Officer, Ms Maria Kane; our Chief Loans Officer, Anne Bell; our Credit controller, Mary Callan, and I welcome our new Marketing Officer, Mr Declan Connolly.

I would also like to welcome Mr William O'Donovan, our Projects and Implementation Officer, who joined us in the last year to provide support to the team in developing and implementing our Strategic Plan. Lastly, but certainly not least, the rest of the staff team that you as members meet every day and all the staff in the background that make the operation run so smoothly.

We believe that Capital Credit Union will continue to play a major role in the restructuring of the credit union movement. As your elected Board, we will ensure that any future mergers will be subject to the highest level of due diligence and integration plans and will be financially beneficial to Capital Credit Union.

We thank you for your support in changing the name of the credit union to Capital Credit Union at last year's AGM. Your credit union will be more relevant, more identifiable and more inclusive for all the members with a name that reflects more accurately who our credit union represents today. We salute and respect the founders of our credit union and we are proud to carry their legacy into the future with the same loyalty and determination, and armed with the tools to make this credit union even stronger for our current and future members.

I would like to thank my fellow Directors, Board Oversight Members and our Volunteers. Board meetings took place every month and, in addition, a number of extra meetings were held to deal with the heavy workload of the directors. The Board review all policies and procedures and amend them where necessary throughout the year in accordance with the Governance and Compliance calendar. As all Board Members also sit on committees, they have a very busy schedule throughout the year. In addition, many Directors and staff continue to take on additional studies to improve their knowledge and skills for the benefit of all. This represents a great deal of unpaid personal time invested in member's interest.

I know, from personal experience, the amount of time this requires and it shows the commitment of all involved. There is great satisfaction in the work that our volunteers undertake and I am confident, as we move towards the end of our 51st year, volunteers continue to come on board in the spirit and tradition of this credit union and I welcome those who have allowed their names to go forward for election to the Board and Oversight Committee. At this time, I want to extend my congratulations to Mr Jack Grehan, Board Oversight Committee, Capital Credit Union, on his election as Vice Chair of the National Supervisors Forum. We wish him well in his role. We welcome our members feedback, so I would encourage any member who may have a question or concern to contact the Credit Union.

On a personal note, it was an honour to be elected for a second term by my fellow Directors as your Chairman following the 2016 AGM and it is a pleasure to serve and to try to walk in the shoes of those who have been the founders and leaders of this great Credit Union. I hope to continue to serve in the best interests of the members.

I am confident that as we go forward, our directors, volunteers and staff will continue to work hard in making this Credit Union the first choice for all our members.

**Frank Nolan**  
Chairperson



## Capital Credit Union Limited

# Directors and Other Information

### DIRECTORS

Frank Nolan (Chairperson)  
Karen Cashman (Vice Chairperson)  
Simon Thornton (Secretary)  
Ann Walsh  
Brid Darcy  
Arthur O'Leary  
Gretta Fletcher  
Jim Kelly  
Lorraine Doyle  
Michele Brady  
Peter Morrissey

### BOARD OVERSIGHT COMMITTEE MEMBERS

Sean Smyth  
Jack Grehan  
Tommy Owens

### CREDIT UNION NUMBER

255CU

### REGISTERED OFFICE AND BUSINESS ADDRESS

Capital Credit Union Limited  
Main Street  
Dundrum  
Dublin 14

### AUDITORS

Whelan Dowling & Associates  
Chartered Accountants and Statutory Auditor Firm  
Block 1 Unit 1 & 4  
Northwood Court  
Santry  
Dublin 9

### BANKERS

Ulster Bank  
Dundrum  
Dublin 14

### SOLICITORS

O'Keeffe & Moore  
Lincoln House, Lincoln Place  
Dublin 2



Capital  
Credit Union

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*Home improvement loan?*  
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## Capital Credit Union Limited

# Directors Report

### for the year ended 30 September 2017

The Directors present their report and the audited Financial Statements for the year ended 30 September 2017.

#### OBJECTS

The principal activity of Capital Credit Union Limited is the provision of savings and loans to members in its common bond. The Credit Union manages its members' shares, capital and loans to members so that it earns income from the margin between interest receivable and interest payable. Both the level of business and the year-end financial position were satisfactory. The directors expect to develop and expand the Credit Union's current activities and they are confident of its ability to operate successfully in the future.

#### PRINCIPAL RISKS AND UNCERTAINTIES

The purpose of the Credit Union is to allow members save together and lend to each other at a fair and reasonable rate of interest.

The principal risks and challenges facing this Credit Union are loan default; not lending a sufficient proportion of funds so that too much of the Credit Union's resources are tied up in investment products and the risk that we will not have sufficient cash resources to meet day to day running costs and repay members savings when demanded (liquidity risk). These risks are managed by the Credit Union board so as to achieve an acceptable balance of growth and security for members' resources. The Board reviews and agrees policies for managing each of these risks which are summarised at Note 23.

#### BUSINESS REVIEW

Both the level of business and the year-end financial position were satisfactory and were in line with financial projections. The Directors expect to develop and expand the credit union's current activities and they are confident of its ability to continue to operate successfully in the future.

#### DIVIDENDS AND INTEREST REBATE

The directors propose a dividend of €164,506 at the rate of 0.125% (2016: €303,804 at 0.25%). The directors propose an interest rebate of €394,570 at the rate of 10.00% (2016: €433,870 at 12.50%).



## **DIRECTORS AND BOARD OVERSIGHT COMMITTEE MEMBERS**

The current directors and board oversight committee members are as set out on page 4.

## **AUTHORISATION**

The Credit Union is authorised to conduct investment business and undertake foreign exchange transactions. It is regulated by the Central Bank of Ireland for these activities.

## **ACCOUNTING RECORDS**

The Directors believe that they comply with the requirements of Section 108 of the Credit Union Act 1997 (as amended) with regard to books of account by employing 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 Capital Credit Union, Main Street, Dundrum, Dublin 14.

## **POST BALANCE SHEET EVENTS**

At September 30th 2017 Capital Credit Union has committed to accept a transfer of engagements from Drimnagh Credit Union. The proposed transfer date is October 24th 2017. The Total assets expected to be transferred are €25.4 million. This transfer was approved by Board Resolution. This is a non-adjusting event in the financial statements for the year ended 30th September 2017.

## **AUDITORS**

The auditors, Whelan Dowling & Associates, have indicated their willingness to continue in office in accordance with Section 115 of the Credit Union Act 1997 (as amended).

## **Approved on behalf of the Credit Union Board**

**Frank Nolan**

Chairperson of the Board of Directors

**Michele Brady**

Member of the Board of Directors

Date: **24 October 2017**

## Capital Credit Union Limited

# Statement of Directors' Responsibilities

### for the year ended 30 September 2017

The Credit Union Acts, 1997 to 2012 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 year. In preparing these Financial Statements the Directors are required to:

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

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

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

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

**Approved on behalf of the Credit Union Board: 24 October 2017**

**Frank Nolan**

Chairperson of the Board of Directors

**Michele Brady**

Member of the Board of Directors

## Capital Credit Union Limited

# Statement of Board Oversight Committee's Responsibilities

### for the year ended 30 September 2017

The Credit Union Acts, 1997 to 2012 require the appointment of a Board Oversight Committee to assess whether the board of directors has operated in accordance with Part IV, Part IV (a) and any regulations made for the purposes of Part IV or Part IV(a) of the Credit Union Act, 1997 (as amended) and any other matter prescribed by the Central Bank in respect of which they are to have regard to, in relation to the board.

**Approved on behalf of the Board Oversight Committee: 24 October 2017**

**Tommy Owens**

Member of the Board Oversight Committee

**Jack Grehan**

Member of the Board Oversight Committee



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

## Report on the audit of the Financial Statements

### OPINION

We have audited the financial statements of Capital Credit Union Limited for the year ended 30 September 2017 which comprise the Income & Expenditure Account, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Reserves, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is Irish law, including the Credit Union Act, 1997 (as amended) and accounting standards issued by the Financial Reporting Council, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (Generally Accepted Accounting Practice in Ireland).

In our opinion the financial statements:

- give a true and fair view of the state of the assets, liabilities, and financial position of the Credit Union as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council; and
- have been properly prepared so as to conform with the requirements of the Credit Union Acts, 1997 to 2012 and the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs) (Ireland) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Credit Union in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### OTHER INFORMATION

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

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## OPINIONS ON OTHER MATTERS PRESCRIBED BY THE CREDIT UNION ACTS, 1997 TO 2012

- in our opinion, the information given in the Directors' Report is consistent with the financial statements and has been prepared in accordance with the requirements of the Credit Union Acts, 1997 to 2012 and the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016.
- 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.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Based on the knowledge and understanding of the Credit Union and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

## RESPECTIVE RESPONSIBILITIES

### RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Directors' Responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors' are responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless management intends to cease operations, or has no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: [www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description of auditors responsibilities for audit.pdf](http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf). The description forms part of our Auditor's Report.

### THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

Our report is made solely to the Credit Union's members, as a body, in accordance with the Credit Union Acts, 1997 to 2012 and the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016. 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 any 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.

**Sean Whelan FCA - Statutory Auditor**  
for and on behalf of

**WHELAN DOWLING & ASSOCIATES**

Chartered Accountants and Statutory Auditor Firm  
Block 1 Unit 1 & 4, Northwood Court, Santry, Dublin 9  
24 October 2017

## Capital Credit Union Limited

# Income & Expenditure Account

### for the year ended 30 September 2017

	Schedule	2017 €	2016 €
<b>Income</b>			
Interest on members' loans	1	3,945,706	3,470,961
Investment income	2	1,515,995	1,914,105
<b>Net interest income</b>		<b>5,461,701</b>	<b>5,385,066</b>
Other income	3	91,733	154,408
<b>Total income</b>		<b>5,553,434</b>	<b>5,539,474</b>
<b>Expenditure</b>			
Salaries and other wage costs		1,507,192	1,748,486
Other management expenses	4	2,366,242	1,850,121
Depreciation charge on fixed assets		206,424	188,905
Provision for bad debts		(100,198)	(377,888)
Loans written off		247,581	537,981
Bad debts recovered		(561,391)	(547,862)
<b>Total expenditure</b>		<b>3,665,850</b>	<b>3,399,743</b>
<b>Surplus of income over expenditure</b>		<b>1,887,584</b>	<b>2,139,731</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>1,887,584</b>	<b>2,139,731</b>

The financial statements were approved, and authorised for issue, by the Board on 24 October 2017 and signed on its behalf by;

#### Frank Nolan

Chairperson of the Board of Directors

#### Tommy Owens

Member of the Board Oversight Committee

#### Gerry McConville

Chief Executive Officer

Date: **24 October 2017**

**Capital Credit Union Limited**
**Statement of Other Comprehensive Income  
for the year ended 30 September 2017**

	2017	2016
	€	€
<b>Surplus for the financial year</b>	<b>1,887,584</b>	<b>2,139,731</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income since last annual report</b>	<b>1,887,584</b>	<b>2,139,731</b>

**Note of historical cost gains and losses**

The difference between the results as disclosed in the Revenue Account and the result on an unmodified historical cost basis is not material.

**Approved on behalf of the Credit Union Board**
**Frank Nolan**

Chairperson of the Board of  
Directors

**Tommy Owens**

Member of the Board  
Oversight Committee

**Gerry McConville**

Chief Executive Officer

Date: **24 October 2017**

## Capital Credit Union Limited

# Balance Sheet

as at 30 September 2017

	Notes	€	2017 €	€	2016 €
<b>Assets</b>					
Cash and cash equivalents	9		22,147,582		32,535,379
Deposits and investments	10		87,344,166		78,124,882
Loans to members	11		45,055,218		39,021,953
			<b>154,546,966</b>		<b>149,682,214</b>
<b>Other Assets</b>					
Property, plant and equipment	13		3,923,780		3,813,103
Prepayments and other debtors	14		744,610		869,872
<b>Total Assets</b>			<b>159,215,356</b>		<b>154,365,189</b>
<b>Liabilities</b>					
Members' deposits			950,380		1,781,174
Members' shares	12		132,801,143		127,733,445
Members' current accounts			1,831,827		2,055,966
Trade creditors and accruals	15		414,368		652,543
			<b>135,997,718</b>		<b>132,223,128</b>
<b>Members' Resources</b>					
Regulatory reserve		20,000,000		19,000,000	
Operational risk reserve		468,120		280,000	
Other reserves		2,749,518		2,862,061	
			<b>23,217,638</b>		<b>22,142,061</b>
<b>Total Liabilities</b>			<b>159,215,356</b>		<b>154,365,189</b>

Approved on behalf of the Credit Union Board

**Frank Nolan**

Chairperson of the Board of Directors

**Tommy Owens**

Member of the Board Oversight Committee

**Gerry McConville**

Chief Executive Officer

Date: **24 October 2017**

**Capital Credit Union Limited**

# Statement of Changes in Reserves

for the year ended 30 September 2017

	Regulatory reserve	Distribution reserve	Operational risk reserve	Other reserves	Unrealised income reserve	Revaluation reserve	Developmt Reserve	Total
	€	€	€	€	€	€	€	€
At 1 October 2015	15,234,218	-	-	5,096,087	-	-	-	20,330,305
Distribution in year	-	(878,259)	-	-	-	-	-	(878,259)
Surplus allocation in year	-	881,324	280,000	-	678,543	553,349	500,000	2,893,216
Other movement in reserves	3,765,782	(3,065)	-	(3,965,918)	-	-	-	(203,201)
<b>At 30 September 2016</b>	<b>19,000,000</b>	<b>-</b>	<b>280,000</b>	<b>1,130,169</b>	<b>678,543</b>	<b>553,349</b>	<b>500,000</b>	<b>22,142,061</b>
At 1 October 2016	19,000,000	-	280,000	1,130,169	678,543	553,349	500,000	22,142,061
Distribution in year	-	(731,031)	-	-	-	-	-	(731,031)
Surplus allocation in year	1,000,000	731,031	188,120	-	-	-	-	1,919,151
Other movement in reserves	-	-	-	370,085	(401,652)	(80,976)	-	(112,543)
<b>At 30 September 2017</b>	<b>20,000,000</b>	<b>-</b>	<b>468,120</b>	<b>1,500,254</b>	<b>276,891</b>	<b>472,373</b>	<b>500,000</b>	<b>23,217,638</b>

The Regulatory Reserve of the Credit Union as a % of the total assets as at 30th September 2017 was 12.56% which is in excess the Credit Union's Regulatory Reserve requirement of 10%.

In accordance with section 45 of the Credit Union Act 1997 (as amended) Capital Credit Union Limited put in place an Operational Risk Reserve.

Following the commencement of Section 13 of the 2012 Act, the requirement for Credit Unions to transfer 10% of their annual surplus to their Statutory Reserve (now known as the Regulatory Reserve) each year has been removed. Notwithstanding this the Board of Capital Credit Union Limited has transferred €1,000,000 of its current year surplus to its regulatory reserve.

## Capital Credit Union Limited

# Statement of Cash Flows

for the year ended 30 September 2017

		2017	2016
		€	€
<b>Opening cash and cash equivalents</b>	<b>Notes</b>	<b>32,535,379</b>	<b>34,051,271</b>
<b>Cash flows from operating activities</b>			
Loans repaid		23,665,706	23,120,182
Loans granted		(29,846,354)	(27,156,796)
Loan interest received		3,945,706	3,470,961
Investment income		1,103,815	1,747,903
Other income received		503,913	320,610
Bad debts recovered		561,391	547,862
Dividends paid		(301,509)	(546,295)
Loan interest rebate		(429,522)	(331,964)
Operating expenses		(3,873,434)	(3,598,607)
Movement in other assets		125,262	84,932
Movement in other liabilities		(238,175)	136,366
<b>Net cash used in operating activities</b>		<b>(4,783,201)</b>	<b>(2,204,846)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(398,077)	(329,116)
<b>Net cash flow from other investing activities</b>		<b>(9,219,284)</b>	<b>(10,698,539)</b>
<b>Net cash used in investing activities</b>		<b>(9,617,361)</b>	<b>(11,027,655)</b>
<b>Cash flows from financing activities</b>			
Members' shares received		57,085,052	58,718,715
Members' deposits received		-	520,515
Members' shares withdrawn		(52,017,354)	(46,630,301)
Members' deposits withdrawn		(1,054,933)	(892,320)
<b>Net cash generated from financing activities</b>		<b>4,012,765</b>	<b>11,716,609</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(10,387,797)</b>	<b>(1,515,892)</b>
<b>Cash and cash equivalents at end of financial year</b>	<b>9</b>	<b>22,147,582</b>	<b>32,535,379</b>

## Capital Credit Union Limited

# Notes to the Financial Statements for the year ended 30 September 2017

### 1. LEGAL AND REGULATORY FRAMEWORK

Capital Credit Union Limited is registered with the Registry of Credit Unions and is regulated by the Central Bank of Ireland. The registered office of the Credit Union is located at Capital Credit Union Limited, Main Street, Dundrum, Dublin 14.

### 2. ACCOUNTING POLICIES

#### **Basis of preparation**

The Financial Statements have been prepared in accordance with applicable Irish accounting standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and Irish statute comprising of the Credit Union Act, 1997 (as amended). The Financial Statements have been prepared on the historical cost basis. The financial statements are presented in Euro (€) which is also the functional currency of the Credit Union.

The following principle accounting policies have been applied;

#### **Statement of compliance**

The Financial Statements of the Credit Union for the year ended 30 September 2017 have been prepared on the going concern basis and in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102).

#### **Going concern**

After reviewing the Credit Union's projections, the Directors have reasonable expectation that the Credit Union has adequate resources to continue in operational existence for the foreseeable future. The Credit Union therefore continues to adopt the going concern basis in preparing its Financial Statements.

#### **Income recognition**

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

(i) **Interest on members' loans**

Interest on loans is recognised on an accruals basis. An adjustment is made to the year-end amount receivable for any irrecoverable amounts.

(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.

(iii) **Other income**

Other Income such as commission's receivable arise in connection to specific transactions. Income relating to individual transactions is recognised when the transaction is complete.

## Capital Credit Union Limited

# Notes to the Financial Statements

### for the year ended 30 September 2017

#### **Investments**

##### **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.

Investments with return of capital guarantee at maturity are valued at the capital guaranteed amount plus accrued income. The minimum guaranteed investment income is recognised in the Income and Expenditure account on an accruals basis over the life of the investment. Investment income in excess of the minimum guaranteed amount is ignored until the investment is sold or the income is received.

##### **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 impairment 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.

##### **Held at amortised cost**

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

##### **Central Bank deposits**

Credit Unions are obliged to maintain certain deposits with the Central Bank. These deposits are technically assets of the credit union but to which the Credit Union has restricted access. The funds on deposit with the Central Bank attract nominal interest and will not ordinarily be returned to the credit union while it is a going concern. The amounts are stated at the amount deposited plus accrued income and are not subject to impairment reviews.

**Capital Credit Union Limited**

# Notes to the Financial Statements

for the year ended 30 September 2017

**Investments at fair value**

Investments held for trading and investment in stock market shares (i.e. non-convertible preference shares and non-puttable ordinary shares or preference shares) are included in this category. Financial assets at fair value are classified as held for trading if they are acquired for sale in the short term. They are valued at fair value (market value) at the yearend date and all gains and losses are taken to the Income and Expenditure account. The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market these assets will be carried at cost less impairment.

**Property, plant and equipment 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%/5% Straight line
Short leasehold property	Straight line over the remaining life of the lease
Long leasehold property	Straight line over the remaining life of the lease
Fixtures, fittings and equipment	20% per annum straight line
Computer equipment	25% per annum straight line

Tangible fixed assets are reviewed for impairment whenever events of changes in circumstances indicate that carrying values may not be recoverable. If any such indication exists and where the carrying value exceeds the net recoverable amount, the assets are written down to their recoverable amount.

**Cash and cash equivalents**

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

**Bad debt provision**

Allowances for impaired loans represent reserves and or provisions made during the year less amounts utilised or realised and charged against the surplus for the year. A risk based approach has been adopted by Capital Credit Union.

Amounts are created upon objective evidence of impairment through either individual detailed loan review of significant loans or collective assessment for less significant loans with similar characteristics.

Bad Debts are recognised when there is reasonable doubt that the full loan principal will be collected. Where it is impractical to estimate the recoverable amount the carrying amount is reduced to nil.

## Capital Credit Union Limited

# Notes to the Financial Statements

### for the year ended 30 September 2017

#### **Pensions**

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

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

Consequently, it accounts for the scheme as a defined contribution plan. There is an agreed funding plan in respect of the Pension Scheme as a result of a minimum funding standard deficit certified by the scheme's actuary in 2009. Consequently, Capital Credit Union Limited recognises a liability at each balance sheet date for its outstanding contributions payable under the agreed funding plan to the extent that they relate to committed funding in respect of the deficit to which the funding plan relates.

#### **New Ireland Pension Scheme**

This is a defined contribution pension scheme. The assets of the scheme are held separately from those of the Credit Union, in an independently administered fund. Contributions are charged to the income and expenditure account in the year in which they fall due.

#### **Distribution**

Capital Credit Union Limited's policy is to pay a reasonable rate of dividend and loan interest rebate subject to covering operating expenses and meeting reserve requirements as set out in the Credit Union's Reserve Management Policy.

#### **Reserves**

##### **Regulatory reserve**

The Credit Union Act, 1997 (Regulatory Requirements) Regulations 2016 requires Credit Unions to establish and maintain a minimum Regulatory Reserve requirement of at least 10 per cent of the assets of the credit union. This Reserve is to be perpetual in nature, freely available to absorb losses, realised financial reserves that are unrestricted and non-distributable.

##### **Operational risk reserve**

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

The 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 the calculation of the operational risk reserve.

## Capital Credit Union Limited

# Notes to the Financial Statements

## for the year ended 30 September 2017

### Other reserves

Other Reserves are the accumulated surpluses to date and Reserves arising on the Transfer of Engagements that have not been declared as dividends returnable to members. The Other Reserves are subdivided into realised and unrealised. In accordance with the Central Bank Guidance Note for Credit Unions on Matters Relating to Accounting for Investments and Distribution Policy, investment income that has been recognised but will not be received within 12 months of the balance sheet date is classified as “unrealised” and is not distributable. A reclassification between unrealised and realised is made as investments come to within 12 months of maturity date. Interest on Loans receivable at the balance sheet date is also classified as “unrealised” and is not distributable. All other income is classified as “realised”.

### Distribution policy

In respect of each financial year, the Credit Union will allocate surplus funds to the statutory reserve and other reserves in accordance with the provisions of the Credit Union Act 1997 (as amended) and regulations issued by the Registry of Credit Unions, Central Bank of Ireland. The Board of Directors may also decide to hold reserves in excess of minimum statutory requirements, taking prudent account of the scale and complexity of the Credit Union’s business, its risk profile and prevailing market conditions. The basis of the dividend is the distributable income of the Credit Union after meeting its reserve requirements. It is the policy of the Credit Union to maintain the undistributed surplus in a general reserve that may be used in future years for the payment of dividends.

### Reserves

#### Regulatory reserve

The Credit Union is required to maintain and establish a minimum Regulatory reserve of at least 10% of the assets of the Credit Union in accordance with Credit Union Act 1997 (Regulatory Requirements) Regulations 2016.

#### Operational Risk reserve

The Credit Union has established an Operational Risk reserve which is separate, distinct and in addition to the reserves the Credit Union is required to hold in its Regulatory reserve. The amount held in the Operational Risk reserve is the predicted impact of operational risk events that may have a material impact on the Credit Union’s business.

#### Non-Distributable Investment Income reserve

Investment income that has been recognised in the financial statements but will not be received within 12 months of the Balance Sheet date is classified as “non-distributable” and is not distributable as a dividend in accordance with Section 31 of the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016. A reclassification between non-distributable and distributable is made as investments come to within 12 months of maturity date.

## Capital Credit Union Limited

# Notes to the Financial Statements

## for the year ended 30 September 2017

### Revaluation Reserve

Land and buildings held for use in the supply of services, or for administrative purposes, are stated in the Balance Sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation increase arising on the revaluation of such land and buildings is credited to the Properties Revaluation Reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the Income Statement to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued buildings is charged to the profit and loss account. On the subsequent sale or scrapping of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

### Use of Estimates and Judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying Capital Credit Union Limited'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:

### Impairment losses on loans to members

The estimation of loan losses is inherently uncertain and depends upon many factors, including loan loss trends, credit risk characteristics in loan classes, local and international economic climates, conditions in various sectors of the economy to which the Credit Union is exposed, and, other external factors such as legal and regulatory requirements. Credit risk is identified, assessed and measured through the use of rating and scoring tools with emphasis on weeks in arrears and other observable credit risk metrics. The ratings influence the management of individual loans. The credit rating triggers the impairment assessment and if relevant the raising of specific provisions on individual loans where there is doubt about their recoverability. Loan loss provisioning is monitored by the Credit Union, and the Credit Union assesses and approves its provisions and provision adequacy on a 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's allied to the Credit Union's judgement of relevant conditions in the wider technological, market, economic or legal environment in which the Credit Union operates. If a loan is 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.

## Capital Credit Union Limited

# Notes to the Financial Statements

### for the year ended 30 September 2017

#### 3. GOING CONCERN

The Directors of Capital Credit Union Limited believe that it is appropriate to prepare the Financial Statements on the going concern basis.

#### 4. INCOME FROM INVESTMENTS

	2017	2016
	€	€
Investment income received	1,103,815	1,747,903
Surplus / (deficit) on sale of perpetual bonds	412,180	-
Gains on maturity of bonds with guaranteed capital and variable interest rates	-	166,202
	<b>1,515,995</b>	<b>1,914,105</b>

#### 5. BAD AND DOUBTFUL DEBTS

	2017	2016
	€	€
Provision for bad and doubtful Debts	<b>(100,198)</b>	(377,888)
Loans written off	<b>247,581</b>	537,981
	<b>147,383</b>	<b>160,093</b>

#### 6. RATES OF INTEREST CHARGED ON MEMBERS' LOANS

The following rates of interest were charged on members loans during the year ended 30th September 2017

	*APR	Monthly
	%	%
Access Loan	12.68	1.00
Standard Loan	11.02	0.88
Secured Savings Loan	6.70	0.54
Student Loan	6.70	0.54
Promotional Car Loan	8.19	0.64
Secured Asset loan	5.90	0.49

\*APR = Annual Percentage Rate

## Capital Credit Union Limited

# Notes to the Financial Statements

### for the year ended 30 September 2017

#### 7. KEY MANAGEMENT PERSONNEL

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

	2017	2016
	€	€
Short term employee benefits	443,463	397,332
Pension contribution	66,343	60,065
<b>Total key management personnel compensation</b>	<b>509,806</b>	<b>457,397</b>

#### 8. EMPLOYEES AND REMUNERATION

The staff costs comprise:

	2017	2016
	€	€
<b>Wages and salaries</b>	<b>1,507,192</b>	<b>1,748,486</b>

#### 9. CASH AND CASH EQUIVALENTS

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

	2017	2016
	€	€
Cash and bank balances	5,459,531	1,497,975
Cash equivalents	16,688,051	31,037,404
<b>Total</b>	<b>22,147,582</b>	<b>32,535,379</b>

#### 10. INVESTMENTS

	2017	2016
	€	€
Fixed-term deposit accounts	53,253,668	40,228,213
Investment bonds with profit	5,838,745	5,848,012
Central bank Reserve Funds	1,157,722	1,275,608
Equity fund investments	27,094,031	30,773,049
<b>Total</b>	<b>87,344,166</b>	<b>78,124,882</b>

**Capital Credit Union Limited**

# Notes to the Financial Statements

for the year ended 30 September 2017

**11. MEMBERS' LOANS**

	2017	2016
	€	€
Loans to members	47,130,037	41,196,970
Provision for bad and doubtful debts	(2,074,819)	(2,175,017)
	<u>45,055,218</u>	<u>39,021,953</u>

<b>Movement in members' loans</b>	2017	2016
	€	€
Opening balance	41,196,970	37,698,337
Cash movement in year	6,180,648	4,036,614
Loans written off	(247,581)	(537,981)
Closing balance	<u>47,130,037</u>	<u>41,196,970</u>

<b>Movement in provision for doubtful debts</b>	2017	2016
	€	€
Opening provision	2,175,017	2,552,905
Movement in year	147,383	160,093
Loans written off against provision	(247,581)	(537,981)
Closing provision	<u>2,074,819</u>	<u>2,175,017</u>

<b>Interest on member's loans</b>	2017	2016
	€	€
Loan interest received	<u>3,945,706</u>	<u>3,470,961</u>

**12. MEMBERS' SHARES**

	2017	2016
	€	€
Regular share accounts	<u>132,801,143</u>	<u>127,733,445</u>

## Capital Credit Union Limited

# Notes to the Financial Statements

### for the year ended 30 September 2017

#### 13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings freehold	Short leasehold property	Long leasehold property	Fixtures, fittings and equipment	Computer equipment	Total
Cost or Valuation	€	€	€	€	€	€
At 1 October 2016	5,961,647	194,325	342,994	206,981	313,121	7,019,068
Additions	256,714	-	20,523	79,698	41,142	398,077
Revaluation	(80,976)	-	-	-	-	(80,976)
At 30 September 2017	6,137,385	194,325	363,517	286,679	354,263	7,336,169
<b>Depreciation</b>						
At 1 October 2016	2,542,505	194,325	116,929	128,487	223,719	3,205,965
Charge for the year	119,880	-	15,391	31,379	39,774	206,424
At 30 September 2017	2,662,385	194,325	132,320	159,866	263,493	3,412,389
<b>Net book value</b>						
At 30 September 2017	<b>3,475,000</b>	-	<b>231,197</b>	<b>126,813</b>	<b>90,770</b>	<b>3,923,780</b>
At 30 September 2016	3,419,142	-	226,065	78,494	89,402	3,813,103

At the year end the directors engaged the services of an independent valuer to carry out a valuation on the credit union's land and buildings freehold in accordance with the relevant technical statements issued by the Society of Chartered Surveyors in the Republic of Ireland. It is the opinion of the Directors that the valuation in the accounts reflects the valuation of the land and buildings freehold.

#### 14. DEBTORS, PREPAYMENTS AND ACCRUED INCOME

	2017	2016
	€	€
Prepayments and other debtors	<b>744,610</b>	869,872

#### 15. OTHER CREDITORS AND ACCRUALS

	2017	2016
	€	€
Accruals	<b>414,368</b>	652,543

The Credit Union Holiday Pay Accrual was calculated for the year ended 30 September 2017. The accrual was deemed immaterial to the financial statements.

## Capital Credit Union Limited

# Notes to the Financial Statements for the year ended 30 September 2017

### 16. FINANCIAL INSTRUMENTS

Capital Credit Union Limited manages its members' shares and loans so that it earns income from the margin between interest receivable and interest payable. The main financial risks arising from Capital Credit Union Limited's activities are credit risk, market risk, liquidity risk and interest rate risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

#### **Credit Risk:**

Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to Capital Credit Union Limited, resulting in financial loss to the Credit Union. In order to manage this risk the Board of Directors approves Capital Credit Union Limited's lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed.

#### **Liquidity Risk:**

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

#### **Market Risk:**

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

### 17. CREDIT RISK DISCLOSURE

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

- restricts the concentration of lending by the Credit Union within certain sectors or to connected persons or groups (concentration limits);
- restricts the absolute amount of lending to certain sectors to a set percentage of the regulatory reserve (large exposure limit);
- restricts the loan duration of certain loans to specified limits (maturity limits); and
- requires specified lending practices to be in place where loans are made to certain sectors such as commercial loans, community loans or loans to another Credit Union.

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

## Capital Credit Union Limited

# Notes to the Financial Statements

### for the year ended 30 September 2017

	2017	2017	2016	2016
	€	%	€	%
<b>Loans not impaired</b>				
Not past due	<b>37,669,014</b>	<b>79.92</b>	32,505,851	78.90
<b>Impaired loans</b>				
Not past due	<b>641,960</b>	<b>1.36</b>	694,869	1.69
Up to 9 weeks past due	<b>6,955,920</b>	<b>14.76</b>	5,820,574	14.13
Between 10 and 18 weeks past due	<b>615,771</b>	<b>1.31</b>	582,510	1.41
Between 19 and 26 weeks past due	<b>328,839</b>	<b>0.70</b>	252,594	0.61
Between 27 and 39 weeks past due	<b>106,144</b>	<b>0.23</b>	159,542	0.39
Between 40 and 52 weeks past due	<b>74,848</b>	<b>0.16</b>	144,244	0.35
53 or more weeks past due	<b>737,542</b>	<b>1.56</b>	1,036,789	2.52
Total impaired loans	<b>9,461,024</b>	<b>20.08</b>	8,691,122	21.10
Total loans	<b>47,130,038</b>	<b>100.00</b>	41,196,973	100.00

#### 18. DIVIDENDS AND LOAN INTEREST REBATE

The following distributions were made during the year:

	2017	2017	2016	2016
	%	€	%	€
Dividends on shares	<b>0.25</b>	<b>301,509</b>	0.50	546,295
Loan interest rebate	<b>12.50</b>	<b>429,522</b>	10.00	331,964
		<b>731,031</b>		878,259

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

#### 19. PROPOSED DIVIDENDS AND LOAN INTEREST REBATE

At the year-end the directors have allocated the amount of €559,076 to the Distribution Reserve which may be returned to the members by way of dividend and a loan interest rebate by way of resolution by a majority of the members at the annual general meeting. The proposed distribution is as follows:

	2017	2017	2016	2016
	%	€	%	€
Dividends on shares	<b>0.125</b>	<b>164,506</b>	0.25	303,804
Loan interest rebate	<b>10.00</b>	<b>394,570</b>	12.50	433,870
		<b>559,076</b>		737,674

## Capital Credit Union Limited

# Notes to the Financial Statements for the year ended 30 September 2017

### 20. RELATED PARTY TRANSACTIONS

Directors, supervisors and staff (i.e. officers) of the Credit Union during the financial year ended 30 September 2017 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 2017:

	No. of loans	2017 €
Loans advanced to Related Parties during the year	20	192,950
Total loans outstanding to Related Parties at the year end	19	<u>222,033</u>

There are no other related party transactions identified in the period under review.

### 21. 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 Acts 1997 to 2012.

### 22. TREASURY MANAGEMENT AND FINANCIAL INSTRUMENTS

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

The main financial risks arising from Capital Credit Union Limited'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 Capital Credit Union Limited, resulting in financial loss to the Credit Union. In order to manage this risk the Board approves Capital 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:

Capital 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 objective of the Credit Union's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise. The notes provides further details about the impact of the maturity mismatch on the going concern status of Capital Credit Union.

## Capital Credit Union Limited

# Notes to the Financial Statements

### for the year ended 30 September 2017

#### **Market risk:**

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

#### **Interest rate risk:**

Capital 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 when deciding on the dividend rate payable on members' shares. Capital Credit Union does not use interest rate options to hedge its own positions.

#### **Capital Risk:**

The Credit Union maintains sufficient reserves to buffer the Credit Union against any losses on its members' loans and also its investments. The current Regulatory reserves are in excess of the minimum requirement set down by the Central Bank of Ireland, and stand at 12.56% of the total assets of the Credit Union at the Balance Sheet date.

## **23. CAPITAL COMMITMENTS**

There were no known capital commitments that would require disclosure in the financial statements.

## **24. POST-BALANCE SHEET EVENTS**

At September 30th 2017, Capital Credit union has committed to accept a transfer of engagements from Drimnagh credit union. The proposed transfer date is October 24th 2017. The Total assets expected to be transferred is €25.4 million. This transfer was approved by Board resolution. This is a non-adjusting event in the Financial Statements for the year ended 30th September 2017.

## **25. CONTINGENT LIABILITIES**

There are no contingent liabilities at the year-ended 30 September 2017 that would require adjustment or disclosure in the financial statements.

## **26. FRC - ETHICAL STANDARDS - NON AUDIT SERVICES**

In common with many other Credit Unions, from time to time, our auditors provide us with advisory and consulting services.

## **27. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 24th October 2017.

## Capital Credit Union Limited

# Schedules to the Income & Expenditure Account

### for the year ended 2017

#### SCHEDULE 1 - INTEREST ON LOANS

	2017	2016
	€	€
<b>Interest on Loans</b>		
Interest on members' loans	3,945,706	3,470,961
	<b>3,945,706</b>	<b>3,470,961</b>

#### SCHEDULE 2 - INVESTMENT INCOME

	2017	2016
	€	€
<b>Investment Income</b>		
Investment Income	1,103,815	1,747,903
Surplus on sale of perpetual bonds	412,180	-
Fair Value adjustment on bonds current year	-	166,202
	<b>1,515,995</b>	<b>1,914,105</b>

#### SCHEDULE 3 - OTHER INCOME

	2017	2016
	€	€
<b>Other Income</b>		
ECCU Rebate	57,355	119,147
Other income - Commissions	34,378	35,261
	<b>91,733</b>	<b>154,408</b>

## Capital Credit Union Limited

# Schedules to the Income & Expenditure Account

### for the year ended 2017

#### SCHEDULE 4 - OTHER MANAGEMENT EXPENSES

	2017	2016
	€	€
<b>Other Management Expenses</b>		
Training expenses	37,372	40,169
Rent	110,367	105,179
Savings protection fund	40,178	43,468
Share and loan insurance	469,717	459,736
Insurance	47,045	36,126
Light, heat & cleaning	52,415	48,513
Repairs and renewals	43,247	19,851
Equipment maintenance	33,263	24,863
Printing and stationery	34,627	27,229
Promotion & sponsorship	242,328	191,667
Telephone and postage	37,261	33,061
Computer costs	367,186	165,127
Affiliation fees	47,182	44,073
Merger costs	-	(20,771)
Deposit Interest Paid	12,751	35,129
Travelling and subsistence	4,944	9,536
Social expenses	3,231	2,454
A.G.M. expenses	36,961	41,643
Convention expenses	22,797	17,443
Oversight Committee Expenses	650	3,609
Legal and professional fees	125,668	126,944
Strategy	4,180	5,310
Audit	25,215	23,028
Regulatory Levies	324,045	127,188
Bank charges	74,011	69,992
Security	70,411	67,057
Debt collection	85,554	83,581
General expenses	7,936	18,916
Directors expenses	5,700	-
	<b>2,366,242</b>	<b>1,850,121</b>

# Report of the Board Oversight Committee

Dear Member

The role of the BOC is to assess whether the Board has operated in accordance with Part IV and Part IVA of the Credit Union Act 1997, as amended (“the Act”) and any other matter prescribed by the Central Bank. We do this in our Monthly Reports to the Board, in which we also ask members of the Board to consider recommendations where we believe that governance would be enhanced. We will continue to bring matters to the attention of the Board where we believe Members’ interests can be better protected and served. During this year we asked the Board to consider several matters including:

- Quality of Board and some Committee minutes;
- Rising costs (common to all credit unions); and
- Presentation of Staff Salary & Pension costs separately in the accounts to better inform the Board and Members.

We are pleased to confirm that we have carried out our obligations during the year in accordance with the requirements of the Act. We attended all Board meetings and a number of Committee meetings. During the year we have continued mandatory and other training to enhance our knowledge and skills to better carry out our duties as members of the BOC.

In our report to Members last year we mentioned that Irish credit unions are going through challenging times with falling incomes and increasing costs. The fall in investment income continues to have a major impact on income, so the challenge for credit unions is to grow their loan books. We are pleased to note that lending in Capital Credit Union has increased during the year and we would like to compliment the Management and Staff in achieving this. However, investment income continues to fall, while costs are increasing mainly due to expenditure on IT and Regulatory Levies. Therefore, the Boards and Management of credit unions must continue to be vigilant and control costs where possible.

We would encourage Members to read the Annual Report and attend the AGM. This is your credit union and it is important that you participate in decisions that affect your credit union. All Members enjoy equal rights to vote, each Member has one vote irrespective of the amount of shares they hold in the credit union. Your vote is important and if you attend the AGM you can use it in the election of directors and board oversight committee, rule changes, approval of accounts and other matters which require member approval at the AGM.

We have asked the Board to finalise the draft Credit Union Standard Rules on the Capital Credit Union website and include the Operating Principles and to display these documents in a more prominent position on the website to facilitate Members access to them.

We would like to acknowledge the commitment of the Board and recognises the hard work done by the Board during the year. In addition to participating at Board Meetings and Committee Meetings, members of the Board attend conferences and other forums on behalf of your credit union.

Finally, we would like to thank the Board, Management and staff for all their assistance during the year.

Committee Members:

**Sean Smyth, Tommy Owens, Jack Grehan.**

# Motions and Rule Amendments

## MOTION 1

In accordance with Section 44 of the Credit Union Act, 1997 (as amended), this Annual General Meeting approves the establishment of a community fund of €60,000 to be used by the credit union for social, cultural or charitable purposes (including community development), and thereafter the Board may provide, in line with Section 44 of the Credit Union Act, 1997 (as amended), a maximum annual contribution of up to 0.5% of total assets from the surplus funds at year-end to the community fund.

## MOTION 2

That the purpose of the community fund as outlined in Motion 1 is to support projects within the common bond of Capital Credit Union for social, cultural or charitable purposes (including community development).

Such projects must be located within our common bond and should reflect the ethos and values of Capital Credit Union and the Credit Union movement.

## MOTION 3

That the Rules of Capital Credit Union Limited are hereby amended in Rule 5(1) by the insertion of the following as (vii) after (vi) and the renumbering of (vii) as (viii):

(vii) the provision of the following additional service(s) by the credit union to the members subject to the prior approval of the Registrar of Credit Unions and any other permissions or licences that may be required by law: Member Personal Current Account Services

The revised rule to read:

Rule 5. Objects

- (1) The objects for which the credit union is formed are:
  - (i) the promotion of thrift among its members by the accumulation of their savings;
  - (ii) the creation of sources of credit for the mutual benefit of its members at a fair and reasonable rate of interest;
  - (iii) the use and control of members' savings for their mutual benefit;
  - (iv) the training and education of its members in the wise use of money;
  - (v) the education of its members in their economic, social and cultural well-being as members of the community;
  - (vi) the improvement of the well-being and spirit of the members' community;
  - (vii) the provision of the following additional service(s) by the credit union to the members subject to the prior approval of the Registrar of Credit Unions and any other permissions or licences that may be required by law:  
Member Personal Current Account Services; and
  - (viii) subject to section 48 of the Act, the provision to its members of such additional services as are for their mutual benefit.

#### MOTION 4

That the Rules of Capital Credit Union Limited are hereby amended in Rule 13(1)(iv) to read Rule 13. Qualifications for membership

- (1) An applicant shall be admitted to membership only when:
- (i) it shall have been determined that he is eligible for membership in accordance with rule 11; and
  - (ii) his application for membership shall have been approved by the affirmative vote of a majority of the board of directors or by a duly appointed and authorised membership committee present at a meeting at which the application is considered; and
  - (iii) he has paid an entrance fee of NIL (not more than €1.27); and
  - (iv) he has paid for a minimum of ten share(s) (this minimum to be at least one and not more than ten or such larger number of shares as may be prescribed by the Minister) in the credit union

#### MOTION 5

That the Rules of Capital Credit Union Limited are hereby amended in Rule 13(2) 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.

# Member Information

## CENTRAL CREDIT REGISTER INFORMATION NOTICE

The Central Credit Register is a national database that will, on request, provide:

- a borrower with an individual credit report detailing their credit agreements;
- a lender with comprehensive information to help with credit assessments; and
- the Central Bank with better insights into national trends in the provision of credit.

The Credit Reporting Act 2013 requires us to process your personal and credit information for the Central Credit Register. We will submit personal information to the Central Credit Register that we may already have about you, like:

- your name;
- address;
- date of birth; and
- personal public service number (PPSN) – a very important piece of information for matching.

The Central Credit Register needs this information to make sure it accurately matches your loans, including loans that you may have with other lenders. Producing a full and accurate credit report is one of the main aims of the Central Credit Register.

We will submit credit information each month about your loans. Your loan information will be stored securely on the Central Credit Register, where it will be used to create your credit report.

The Central Credit Register will not calculate a score or grade for your credit report. Information will be kept on the Central Credit Register for five years after your loan is paid off. In early 2018, credit reports will become available from the Central Credit Register. Once available, you may request your report at any time and are entitled to one free report each calendar year.

Lenders may only access your credit report:

- when considering an application for a new loan;
- if you ask to change the terms of a loan; or
- if they are reviewing a loan in arrears.

**The Central Credit Register is owned and operated by the Central Bank of Ireland. For more information see [www.centralcreditregister.ie](http://www.centralcreditregister.ie)**

# Member Information

## YOUR NOMINATION

A Nomination on your account relates to the process for release of your funds in the event of your death. All members should consider completing an up to date Nomination.

- The statutory maximum amount that can pass under a nomination is currently €23,000.
- A nomination must be in writing – you can get a nomination form from any of our offices or on our website.
- A nomination is not revocable or variable by the terms of your will or a codicil to your will.
- A nomination is automatically revoked when your nominee dies before you.
- A nomination is automatically revoked by your subsequent marriage.
- If your marital status changes (e.g. divorce or separation) you should review your nomination.
- A person under 16 years of age cannot make a valid nomination.

You can check who your nominee is at any of our offices. If you need to change your nomination you can fill in a new form and we will update your account.

Nomination forms are available in all our offices or is downloadable from our website. Nomination Forms must be witnessed by a credit union official.

## CAP ON SHARES

The Board of Directors made a decision earlier this year to place a cap savings held in the Credit Union of €30,000 per adult member and €10,000 per minor member. Excess savings above these limits, which were held prior to this decision, may be retained but no further savings may be added.

For the last number of years, the income from bank investments has continued to drop, while some of the banks have now started to charge negative interest rates on our investments.

The Board of Directors did not think it was reasonable to pass on negative interest rates to our members so, to be fairer to everyone, the Credit Union has placed an upper limit on total savings.

Members who have balances over these limits are encouraged to seek professional independent investment advice on their savings.

# Christmas Opening Hours

Friday 22nd December	9.30am – 7.00pm
Saturday 23rd December	9.30am – 12.30pm
Monday 25th December	Closed
Tuesday 26th December	Closed
Wednesday 27th December	Closed
Thursday 28th December	9.30am – 5.30pm
Friday 29th December	9.30am – 5.30pm
Saturday 30th December	Closed
Monday 1st January	Closed
Tuesday 2nd January	9.30am – 4.30pm

## Office Locations

### HEAD OFFICE

Main Street  
Dundrum  
Dublin 14

**SANDYFORD OFFICE**  
Balally Shopping Centre  
Sandyford  
Dublin 16

t: 01 299 0400  
f: 01 296 0535  
info@capitalcu.ie  
www.capitalcu.ie

### BALLINTEER OFFICE

Ballinteer Shopping Centre  
Ballinteer  
Dublin 16

### SANDYMOUNT OFFICE

13 Bath Avenue  
Sandymount  
Dublin 4

### KNOCKLYON OFFICE

SuperValu Shopping Centre  
Knocklyon  
Dublin 16

### DRIMNAGH OFFICE

121/123 Galtymore Road  
Drimnagh  
Dublin 12



Capital  
Credit Union

[www.capitalcu.ie](http://www.capitalcu.ie)

