

Income and Expenditure Account



FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

	Schedule	2018 €	2017 €
INCOME			
Interest on Members' Loans		2,745,634	2,307,795
Other Interest & Similar Income	1	1,794,384	2,039,732
Net Interest Income		4,540,018	4,347,527
Other Income	2	33,389	23,719
TOTAL INCOME		4,573,407	4,371,246
EXPENDITURE			
Employment Costs		2,123,069	1,985,702
Other Management Expenses	3	2,439,177	2,444,024
Depreciation		222,252	284,203
Net Impairment Losses/(Gains) on Loans to Members (Note 5)		(901,903)	(2,704,706)
Impairment of Premises		284,963	—
TOTAL EXPENDITURE		4,167,558	2,009,223
Surplus for the Financial Year		405,849	2,362,023

The financial statements were approved and authorised for issue by the board on 1 November 2018 and signed on behalf of the Credit Union by:

Finbarr O'Sullivan: 
Member of the Board of Directors

Eamonn Collins: 
Member of the Board Oversight Committee

George Cantwell: 
CEO

Date: 1 November, 2018.



The notes on pages 35 to 49 form part of these financial statements.



Balance Sheet



AS AT 30 SEPTEMBER 2018

	Notes	2018 €	2017 €
ASSETS			
Cash and Balances at Bank		2,505,572	2,916,936
Deposits and Investments – Cash Equivalents	7	34,322,091	29,493,821
Deposits and Investments – Other	7	96,713,441	96,503,968
Loans To Members	8	37,473,359	33,500,197
Provision for Bad Debts	9	(2,059,165)	(2,062,791)
Tangible Fixed Assets	10	2,547,645	2,843,729
Debtors, Prepayments & Accrued Income	11	466,535	267,086
Other Assets		9,669	11,505
TOTAL ASSETS		171,979,147	163,474,451
LIABILITIES			
Members' Savings	12	145,343,209	137,051,061
Other Liabilities, Creditors, Accruals and Charges	13	698,356	477,652
Other Provisions	14	37,272	116,525
TOTAL LIABILITIES		146,078,837	137,645,238
RESERVES			
Regulatory Reserve	16	18,966,500	17,966,500
Operational Risk Reserve	16	310,000	110,000
Other Reserves			
– Realised Reserves	16	6,459,403	7,561,246
– Unrealised Reserves	16	164,407	191,467
TOTAL RESERVES		25,900,310	25,829,213
TOTAL LIABILITIES & RESERVES		171,979,147	163,474,451

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FirstSouth
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Provision for bad debts

First South Credit Union Limited's accounting policy for impairment of loans is set out in the accounting policy in note 2.12. 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. The provision for bad debts in the financial statements at the year end was €2,059,165 (2017: €2,062,791) representing 5.50% (2017: 6.16%) of the total gross loan book.

Operational risk reserve

The directors have considered the requirements of the Credit Union Act, 1997 (as amended) and have developed an approach to the calculation of the operational risk reserve. The operational risk reserve of the Credit Union at the year end was €310,000 (2017: €110,000).

Adoption of going concern basis for financial statements preparation

The directors have prepared projections and cash flows for a period of at least twelve months from the date of the approval of the financial statements which demonstrate that there is no material uncertainty regarding the Credit Union's ability to meet its liabilities as they fall due, and to continue as a going concern. On this basis the directors consider it appropriate to prepare the financial statements on a going concern basis. Accordingly, these financial statements do not include any adjustments to the carrying amounts and classification of assets and liabilities that may arise if the Credit Union was unable to continue as a going concern.

4. KEY MANAGEMENT PERSONNEL COMPENSATION

The directors of First South Credit Union Limited are all unpaid volunteers. The key management personnel compensation is as follows.

	2018	2017
	€	€
Short term employee benefits paid to key management	449,659	319,688
Payments to pension schemes	70,203	94,614
Total Key Management Personnel Compensation	519,862	414,302

5. NET IMPAIRMENT LOSSES/(GAINS) ON LOANS TO MEMBERS

	2018	2017
	€	€
Bad debts recovered	(975,886)	(709,947)
Impairment of loan interest reclassified as bad debt recoveries	(104,804)	(149,111)
Movement in bad debts provision during the year	(3,626)	(2,330,511)
Loans written off	182,413	484,863
Net Impairment Losses/(Gains) on Loans To Members	(901,903)	(2,704,706)

Notes to the Financial Statements (continued)



FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

6. CASH AND CASH EQUIVALENTS

	2018 €	2017 €
Cash and balances at bank	2,505,572	2,916,936
Deposits & investments (Note 7)	131,035,532	125,997,789
Less: Deposit & investment amounts maturing after three months	(96,713,441)	(96,503,968)
Total Cash and Cash Equivalents	<u>36,827,663</u>	<u>32,410,757</u>

7. DEPOSITS AND INVESTMENTS

DEPOSITS AND INVESTMENTS – CASH EQUIVALENTS

	2018 €	2017 €
Accounts in authorised credit institutions (Irish and non-Irish based)	34,322,091	29,493,821
Total deposits and investments – cash equivalents	<u>34,322,091</u>	<u>29,493,821</u>

DEPOSITS AND INVESTMENTS – OTHER

Accounts in authorised credit institutions (Irish and non-Irish based)	73,911,099	74,241,217
Bank bonds	2,450,052	2,632,017
Irish and EEA state securities	18,833,904	18,026,180
Central Bank deposits	1,518,386	1,604,554
Total Deposits and Investments – Other	<u>96,713,441</u>	<u>96,503,968</u>

Total Deposits and Investments

<u>131,035,532</u>	<u>125,997,789</u>
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8. FINANCIAL ASSETS – LOANS TO MEMBERS

	2018 €	2017 €
As at 1 October	33,500,197	27,366,876
Loans arising on transfer of engagements	—	3,028,061
Loans granted during the year	19,988,790	18,055,595
Loans repaid during the year	(15,833,215)	(14,465,472)
Gross loans and advances	<u>37,655,772</u>	<u>33,985,060</u>
Bad debts		
Loans written off during the year	(182,413)	(484,863)
As at 30 September	<u>37,473,359</u>	<u>33,500,197</u>



Notes to the Financial Statements (continued)



FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

Market risk: Market risk is the risk that the value of an investment will decrease. This risk can arise from fluctuations in values of, or income from, assets or changes in interest rates. The board of directors regularly reviews and approves the Credit Union's investment policy and funds are invested in compliance with this policy and regulatory guidance.

Liquidity risk: Liquidity risk is the risk that the Credit Union will not have sufficient cash resources to meet day to day running costs and repay members' savings when demanded. 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.

Interest rate risk: First South Credit Union Limited's main interest rate risk arises from adverse movements in interest rates receivable which would affect investment income. First South Credit Union Limited reviews any potential new investment product carefully to ensure that minimum funds are locked in low yielding long term investments yet at the same time maximising investment income receivable.

19B. Liquidity risk disclosures

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 regulatory requirements.

19C. Interest rate risk disclosures

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

	2018		2017	
	€	Average Interest Rate %	€	Average Interest Rate %
Gross loans to members	37,473,359	7.92%	33,500,197	8.21%

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.

20. DIVIDENDS AND LOAN INTEREST REBATE

The following distributions were paid during the year:

	2018		2017	
	%	€	%	€
Dividend on shares	0.25%	334,752	0.25%	396,141
Loan interest rebate (on standard rate loans)	0.00%	Nil	5.00%	253,502

The directors propose the following distributions in respect of the year:

	2018		2017	
	%	€	%	€
Dividend on shares	0.10%	140,284	0.25%	341,650

Schedules to the Income & Expenditure Account



FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

The following schedules do not form part of the statutory financial statements which are the subject of the Independent Auditors' Report on pages 12 to 15.

SCHEDULE 1 – OTHER INTEREST INCOME AND SIMILAR INCOME

	2018 €	2017 €
Investment income and gains received/receivable within 1 year	1,520,108	1,769,682
Gain on Investments	255,000	255,000
Investment income receivable outside of 1 year	19,276	15,050
Total Per Income & Expenditure Account	<u>1,794,384</u>	<u>2,039,732</u>

SCHEDULE 2 – OTHER INCOME

	2018 €	2017 €
Commissions	33,389	23,719
Total Per Income & Expenditure Account	<u>33,389</u>	<u>23,719</u>

SCHEDULE 3 – OTHER MANAGEMENT EXPENSES

	2018 €	2017 €
Share and loan insurance	554,947	400,030
Death benefit insurance	281,422	434,325
Miscellaneous expenses	64,887	64,643
Printing and stationery	32,282	46,506
Repairs and renewals	43,652	67,194
I.T. software and computer maintenance	158,530	313,635
Promotion, advertising and training	108,352	86,929
General insurance	59,731	44,087
Postage and telephone	37,064	32,351
Bank charges	94,924	85,957
Rent and rates	62,344	72,659
Lighting, heating and cleaning	50,653	57,947
Convention expenses	22,328	21,224
Donations and sponsorship	20,486	36,563
Chapter expenses	3,501	3,209
Audit fees	30,689	34,700
Legal and professional fees	294,121	155,681
Regulatory levies	134,081	128,292
Security	47,632	43,175
Debt collection	13,447	27,425
AGM expenses	34,871	34,025
SPS contribution	3,733	34,702
Affiliation fees	52,512	72,778
Deposit Protection Account charges	243,088	117,899
(Profit)/Loss on disposal of fixed assets	(10,100)	28,088
Total Per Income & Expenditure Account	<u>2,439,177</u>	<u>2,444,024</u>