



**St. Paul's**  
*Garda Credit  
Union Limited*

**2020**

**ANNUAL  
REPORT**  
AND ACCOUNTS



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### St. Paul's Garda Credit Union Limited

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## ST. PAUL'S GARDA CREDIT UNION LIMITED ANNUAL GENERAL MEETING (AGM)

Having regard to the COVID-19 restrictions in place and the health and safety of our members, our AGM will not go ahead as planned in December 2020 and will be deferred until early 2021.

The Finance (Miscellaneous Provisions) Bill 2020 has been listed as priority legislation and is expected to be enacted before the year-end. This Bill will allow credit unions to hold wholly or partly virtual general meetings and to avail of electronic voting. The Bill also provides for a temporary "interim period" for credit unions to delay hosting AGMs related to financial year-end September 2020 until end-April 2021. We will notify our members when we have a definite date.

While the Board of Directors is very satisfied with the financial performance of the credit union over the past year, the Board is not proposing any loan interest rebate or member share dividend. Instead we will use the surplus to increase our reserves cognisant of the significant risks posed by the COVID-19 pandemic as well as a potentially disruptive Brexit. Robust reserves offer further protection against the potential macroeconomic impacts of these disruptive events, and this prudent distribution policy is in line with regulatory expectations.

### NOTICES TO MEMBERS

#### Online Accounts:

St. Paul's free Online Account access has proved to be invaluable for our members during this pandemic and we recommend, if you have not already registered, that you do so today via our website [www.stpaulscu.ie](http://www.stpaulscu.ie). Click "**Register For Online Account**" on the top right of the screen.

Features include:

- Apply for a Loan or Top-up and existing loan
- Upload documents
- Update your ID
- Sign forms with e-Signature
- Apply for a Current Account, Debit Card, Overdraft
- View your account balances
- Generate and Print PDF Statements
- Transfer funds between your accounts in St. Paul's or to external accounts
- Pay Bills by EFT

#### NEW - St. Paul's Garda Credit Union APP:

Download the new St. Paul's Garda Credit Union App for Android and Apple devices and get all the services listed above with Fingerprint Access on your mobile device. You can apply for a Loan or Update your ID with ease by using the camera on your device to Upload the relevant documents.

## Online Loan Applications:

St. Paul's loans have very competitive interest rates starting as low as 3.9% (4.0% APR) and the easiest and fastest way to apply is

- Online via your online account, or
- via the NEW St. Paul's Garda Credit Union APP

This is a paperless application. You upload supporting documentation online and sign your Credit Agreement and ECCU Health Insurance Form online with e-signature. Ensure you upload all supporting documentation at the time of application to avoid delays.

## How to Generate, Print and Save your Online Statements:

1. Log into your St. Paul's Online Account
2. Click the (Accounts) or (Loans) Tab on the left
3. On the MY BALANCES or MY LOANS section, Click the (VIEW) Button to select the Account/ Loan required.
4. On the right of the screen, go to My Transaction History For Account xxxxx Section
5. Click the (DATES) Button on the top right and select the Date Range required
6. Click the (APPLY) Button on the lower right of the calendar
7. Click the (DOWNLOAD) Button on the top right
8. The downloaded PDF Statement will appear on the lower left of the screen
9. Click on the PDF Statement to open and you can then Print and/or Save the PDF

## Keeping your ID up to date & Source of Funds documentation:

St. Paul's must comply with all regulatory requirements applicable to credit unions which includes Anti Money Laundering Legislation. For our Credit Union this involves

- The continual update of identification and verification of member accounts as we must hold up to date photo and address verification documents for all our members.
- Ensuring we receive Source of Funds documentation from our members for the identification of all applicable lodgements / transfers into the Credit Union.

We very much appreciate our members continual assistance in these areas which allows us to meet our compliance obligations under the legislation.

## Does your family know about St. Paul's?

We rely on you to be our ambassadors and spread the word about St. Paul's to your family. If you have been satisfied with us then tell your family, they can also benefit from all our loan rates and services. Just point them at our website [www.stpaulscu.ie](http://www.stpaulscu.ie), it might be the best Christmas gift they receive!

### Deposit Interest Retention Tax (DIRT)

Your shares/savings in St Paul's are treated as being a Special Share Account which means DIRT is applied and deducted at the prevailing rate (currently 33% since 1st Jan 2020). This satisfies your liability to Revenue in respect of any Dividend paid to your account in St Paul's.

### Who can claim an exemption from the deduction of DIRT?

You can claim an exemption from the deduction of DIRT if you, your Spouse or Civil Partner are aged 65 or over during the year, and your total income (gross income from all sources, e.g. old age pension, deposit interest, etc.) for the year does not exceed:

- Single Person, Widowed Person or Surviving Civil Partner €18,000
- Married Couple or Civil Partners (combined income) €36,000

These exemption limits are increased by €575 for each of the first two dependent children and by €830 for each subsequent dependent child. These amounts are liable to change and changes will be posted on the revenue website [www.revenue.ie](http://www.revenue.ie).

Joint accounts only qualify for the exemption where the two account holders are a Married Couple or Civil Partners. To avail of this exemption, you must sign a self-declaration form DE1. For further information and to obtain the application form DE1 go to [www.revenue.ie](http://www.revenue.ie)

Members who are permanently incapacitated should contact either their local Revenue Commissioners office directly or a service body such as the Irish Wheelchair Association. St. Paul's Garda Credit Union has no role in approving the exemption in these cases.

If you do not complete the self-declaration form, St Paul's Garda Credit Union will be obliged to deduct DIRT from your dividend or interest. You will then have to apply directly to the Revenue Commissioners for a refund of this DIRT (if you are eligible).

### Nominations of Property in Credit Unions

A completed nomination form ensures that the funds in your account on your death are paid to the nominated person(s) up to a threshold of €23,000 irrespective of any existing will or probate. You may update the nomination at any stage by completing a new nomination form.

**You should update your nomination if you get married, divorced, separated or re-married, or if the person(s) you have nominated pre-decease you. Forms available from our website and office.**

### Shares Insurance

Life Savings insurance pays a benefit, to a maximum of €12,700, on your Shares at the time of your death. There is 100% cover on Shares lodged before age 55 for amounts up to €12,700. The cover is on a reducing scale on Shares lodged between ages 55 and 69. Terms and Conditions apply.

**The maximum insurance benefit of €12,700 can only be gained by having at least €12,700 in Shares before age 55 and maintaining a balance of at least €12,700 in Shares until death.**

**If you are 55 years of age or over, withdrawal of your Shares below €12,700 could have a negative impact on this cover.**

## OFFICERS OF THE BOARD

Chair:	<b>Mr Conor Kirwan</b> , Ballincollig
Vice Chair:	<b>Mr Alan Cronin</b> , Bridewell
Secretary:	<b>Mr John O'Connor</b> , Retired
Board Members:	<b>Ms Gillian Cotter</b> , Cork <b>Mr Ger Dillane</b> , Retired <b>Mr Pat Harrington</b> , Ballincollig <b>Mr Noel Maxwell</b> , Bridewell <b>Mr Tom Melia</b> , Cork <b>Mr Pat Murphy</b> , Anglesea Street <b>Mr Ciaran O'Keeffe</b> , Cork <b>Ms Patricia O'Riordan</b> , Bridewell
Board Oversight Committee:	<b>Mr Brian Hegarty</b> , Coachford <b>Mr Paul Kelly</b> , Bandon <b>Mr Martin O'Sullivan</b> , Anglesea Street
Chief Executive Officer:	<b>Mr Brendan O' Leary</b>
Deputy Chief Executive Officer:	<b>Mr Denis O' Shea</b>
Auditors:	<b>Grant Thornton</b> , Mill House, Henry Street, Limerick.
Solicitors:	<b>Carey Muphy &amp; Partners</b> 23 Marlboro Street, Cork.



## DIRECTORS' REPORT

For the financial year ended 30 September 2020

The directors present their annual report and the audited financial statements for the financial year ended 30 September 2020.

### Principal activity

The principal activity of the business continues to be the operation of a credit union.

### Authorisation

The credit union is authorised as follows:

- Insurance/reinsurance or ancillary insurance intermediary under the European Union (Insurance Distribution) Regulations, 2018.
- Investment Intermediaries (Restricted Activity Investment Product Intermediary) pursuant to Section 26 of the Investment Intermediaries Act, 1995 (as amended).
- Entitled under the European Community (Payment Services) Regulations 2018 to provide payment services.

### Business review

The directors acknowledge the results for the year and the year-end financial position of the credit union. 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 loan interest rebates

The directors are not proposing a dividend or loan interest rebate in respect of the year ended 30 September 2020 (2019: proposed dividend of €284,475 (0.10%) and a proposed loan interest rebate of €330,532 (5.00%)).

### Principal risks and uncertainties

The principal risks and uncertainties faced by the credit union are:

#### Credit risk

Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to the credit union, resulting in financial loss.

#### Lack of loan demand

Lending is the principal activity of the credit union and the credit union is reliant on it for generating income to cover costs and generate a surplus.

#### 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.

#### 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.

#### Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes or systems of the credit union, any failure by persons connected with the credit union or from external events.

## **DIRECTORS' REPORT (continued)**

### **For the financial year ended 30 September 2020**

These risks are managed by the board of directors as follows:

#### **Credit risk**

In order to manage this risk, the board of directors regularly reviews and approves the credit union's credit policies. All loan applications are assessed with reference to the credit policies in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed.

#### **Lack of loan demand**

The credit union provide lending products to its members and promote these products through various marketing initiatives.

#### **Market risk**

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**

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.

#### **Operational risk**

The operational risk of the credit union is managed through the employment of suitably qualified staff to ensure appropriate processes, procedures and systems are implemented and are further supported with a robust reporting structure.

#### **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 finance function. The books of account of the credit union are maintained at the credit union's premises at Boreenmanna Road, Cork.

#### **Events after the end of the financial year**

Since the year end the COVID-19 pandemic has continued to have a direct effect on the credit union, the economy and the general population. The directors and management are closely monitoring the evolution of the pandemic, and while there is no clear indication as to when the impact will be curtailed or eliminated, they will continue to take appropriate actions to mitigate any possible adverse effects on the credit union, on its officers and on its members.

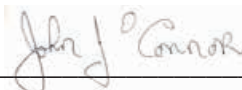
#### **Auditors**

In accordance with Section 115 of the Credit Union Act, 1997 (as amended), the auditors Grant Thornton offer themselves for re-election.

This report was approved by the board on 6th November 2020 and signed on its behalf by:



Chairperson of the board of directors



Member of the board of directors

Date: 6th November 2020



## DIRECTORS' RESPONSIBILITIES STATEMENT

For the financial year ended 30 September 2020

The directors are responsible for preparing the financial statements in accordance with applicable Irish law and regulations. The directors are also responsible for preparing the other information included in the annual report. The Credit Union Act, 1997 (as amended) requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the credit union and of the income and expenditure of the credit union for that period.

In preparing those financial statements the directors are required to:

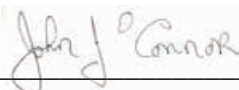
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and reason for any material departure from those standards; and
- 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 ensuring that the credit union keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the credit union, enable at any time the assets, liabilities, financial position and income and expenditure of the credit union to be determined with reasonable accuracy, enable them to ensure that the financial statements comply with the Credit Union Act, 1997 (as amended) and enable the financial statements to be audited. 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.

This statement was approved by the board on 6th November 2020 and signed on its behalf by:



Chairperson of the board of directors



Member of the board of directors

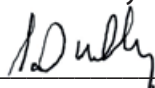
Date: 6th November 2020

## BOARD OVERSIGHT COMMITTEE'S RESPONSIBILITIES STATEMENT

For the financial year ended 30 September 2020

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

This statement was approved by the board oversight committee on 6th November 2020 and signed on its behalf by:



Chairperson of the board oversight committee

Date: 6th November 2020

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. PAUL'S GARDA CREDIT UNION LIMITED

## Opinion

We have audited the financial statements of St. Paul's Garda Credit Union Limited, which comprise the income and expenditure account, the statement of other comprehensive income, the balance sheet, the statement of changes in reserves and the statement of cash flows for the financial year ended 30 September 2020, and the related notes to the financial statements, including the summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements 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, St. Paul's Garda Credit Union Limited's financial statements:

- give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the state of the credit union's affairs as at 30 September 2020 and of its income and expenditure and cash flows for the year then ended; and
- have been properly prepared so as to conform with the requirements of the Credit Union Act, 1997 (as amended).

## 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 'responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the credit union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, namely the Irish Auditing and Accounting Supervisory Authority (IAASA) Ethical Standard concerning the integrity, objectivity and independence of the auditor, and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the entity. 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.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the credit union's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

Other information comprises information included in the annual report, other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. PAUL'S GARDA CREDIT UNION LIMITED (continued)**

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 on the other information, 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.

### **Matters on which we are required to report by the Credit Union Act, 1997 (as amended)**

Based solely on the work undertaken in the course of the audit, we report that:

- we have obtained all the information and explanations which, to the best of our knowledge and belief, 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 of the credit union; and
- the financial statements contain all primary statements, notes and significant accounting policies required to be included in accordance with section 111(1)(c) of the Act.

### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland, including FRS 102, and for such internal control as they determine 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 going concern and using the going concern basis of accounting unless the directors either intends to liquidate the credit union or to cease operations, or has no realistic alternative but to do so.

### **Responsibilities of the auditor for the audit of the financial statements**

The auditors' 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 auditors' report that includes their 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. PAUL'S GARDA CREDIT UNION LIMITED (continued)

As part of an audit in accordance with ISAs (Ireland), the auditor will exercise professional judgement and maintain professional scepticism throughout the audit. The auditor will also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the credit union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the credit union's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause the credit union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may be identified during the audit.

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

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 auditors' 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.



Denise O'Connell FCA  
for and on behalf of  
**Grant Thornton**  
Chartered Accountants  
& Statutory Audit Firm  
Mill House, Henry Street, Limerick

Date: 6th November 2020

## INCOME AND EXPENDITURE ACCOUNT

For the financial year ended 30 September 2020

		2020	2019
Income	Schedule	€	€
Interest on members' loans		6,687,288	6,473,699
Interest payable on members' deposits		(1,359)	(1,152)
Other interest income and similar income	1	1,968,976	1,986,397
<b>Net interest income</b>		<b>8,654,905</b>	<b>8,458,944</b>
Other income	2	91,354	31,396
<b>Total income</b>		<b>8,746,259</b>	<b>8,490,340</b>
<b>Expenditure</b>			
Employment costs		2,017,564	1,879,571
Other management expenses	3	3,883,455	3,560,362
Depreciation		179,202	173,901
Impairment of assets		1,382,764	-
Net impairment losses/(gains) on loans to members (note 5)		476,474	(405,431)
<b>Total expenditure</b>		<b>7,939,459</b>	<b>5,208,403</b>
<b>Surplus for the financial year</b>		<b>806,800</b>	<b>3,281,937</b>

The financial statements were approved and authorised for issue by the board on 6th November 2020 and signed on behalf of the credit union by:

		
Member of the board of directors	Member of the board oversight committee	CEO

Date: 6th November 2020

## STATEMENT OF OTHER COMPREHENSIVE INCOME

For the financial year ended 30 September 2020

	2020	2019
	€	€
Surplus for the financial year	806,800	3,281,937
Other comprehensive income	-	-
<b>Total comprehensive income for the financial year</b>	<b>806,800</b>	<b>3,281,937</b>

The financial statements were approved and authorised for issue by the board on 6th November 2020 and signed on behalf of the credit union by:

		
Member of the board of directors	Member of the board oversight committee	CEO

Date: 6th November 2020

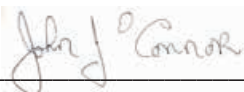
The notes on pages 15 to 31 form part of these financial statements.

## BALANCE SHEET

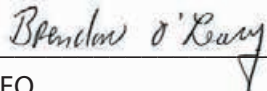
As at 30 September 2020

	Notes	2020 €	2019 €
<b>Assets</b>			
Cash and balances at bank		1,533,231	94,954
Deposits and investments – cash equivalents	7	46,394,807	49,862,804
Deposits and investments – other	7	212,557,514	182,906,245
Loans to members	8	137,185,017	133,843,292
Provision for bad debts	9	(7,754,274)	(7,074,789)
Members' current accounts overdrawn	14	24,876	7,009
Tangible fixed assets	10	4,058,644	4,756,490
Investments in associates	11	265,000	265,000
Prepayments and accrued income	12	248,805	442,648
<b>Total assets</b>		<b>394,513,620</b>	<b>365,103,653</b>
<b>Liabilities</b>			
Members' shares	13	316,984,438	290,687,594
Members' deposits	13	656,270	501,607
Members' budget accounts	13	11,079,161	8,504,989
Members' payment accounts	13	3,484,774	3,229,354
Members' current accounts	14	1,735,365	1,024,249
Bank overdraft		272,584	611,968
Other liabilities, creditors, accruals and charges	15	2,520,732	2,964,729
Other provisions	16	32,914	27,100
<b>Total liabilities</b>		<b>336,766,238</b>	<b>307,551,590</b>
<b>Reserves</b>			
Regulatory reserve	18	49,050,000	49,050,000
Operational risk reserve	18	1,605,528	1,605,528
Other reserves			
- Realised reserves	18	6,752,978	6,411,115
- Unrealised reserves	18	338,876	485,420
<b>Total reserves</b>		<b>57,747,382</b>	<b>57,552,063</b>
<b>Total liabilities and reserves</b>		<b>394,513,620</b>	<b>365,103,653</b>

The financial statements were approved and authorised for issue by the board on 6th November 2020 and signed on behalf of the credit union by:

  
Member of the board of directors

  
Member of the board oversight committee

  
CEO

Date: 6th November 2020

The notes on pages 15 to 31 form part of these financial statements.



## STATEMENT OF CHANGES IN RESERVES

For the financial year ended 30 September 2020

	Regulatory reserve €	Operational risk reserve €	Realised reserves €	Unrealised reserves €	Total €
<b>As at 1 October 2018</b>	49,050,000	319,800	6,175,549	-	55,545,349
Surplus for the year	-	200,000	3,063,043	18,894	3,281,937
Dividends and loan interest rebates paid	-	-	(1,275,223)	-	(1,275,223)
Transfers between reserves	-	1,085,728	(1,552,254)	466,526	-
<b>As at 1 October 2019</b>	<u>49,050,000</u>	<u>1,605,528</u>	<u>6,411,115</u>	<u>485,420</u>	<u>57,552,063</u>
Surplus for the year	-	-	759,662	47,138	806,800
Dividends and loan interest rebates paid	-	-	(611,481)	-	(611,481)
Transfers between reserves	-	-	193,682	(193,682)	-
<b>As at 30 September 2020</b>	<u>49,050,000</u>	<u>1,605,528</u>	<u>6,752,978</u>	<u>338,876</u>	<u>57,747,382</u>

- The regulatory reserve of the credit union as a percentage of total assets as at 30 September 2020 was 12.43% (2019: 13.43%).
- The operational risk reserve of the credit union as a percentage of total assets as at 30 September 2020 was 0.41% (2019: 0.44%).

The notes on pages 15 to 31 form part of these financial statements.

## STATEMENT OF CASH FLOWS

For the financial year ended 30 September 2020

	Notes	2020 €	2019 €
<b>Opening cash and cash equivalents</b>		<b>49,345,790</b>	<b>51,255,450</b>
<b>Cash flows from operating activities</b>			
Loans repaid by members	8	50,270,391	47,657,725
Loans granted to members	8	(54,084,689)	(61,014,387)
Interest on members' loans		6,687,288	6,473,699
Interest payable on members' deposits		(1,359)	(1,152)
Other interest income and similar income		1,968,976	1,986,397
Bad debts recovered and recoveries		675,584	740,750
Other income		91,354	31,396
Dividends paid		(282,241)	(672,352)
Loan interest rebates paid		(329,240)	(602,871)
Members' budget accounts lodgements	13c	37,908,301	37,063,852
Members' budget accounts withdrawals	13c	(35,334,129)	(36,502,405)
Members' payment accounts lodgements	13d	55,748,598	88,264,469
Members' payment accounts withdrawals	13d	(55,493,178)	(89,621,383)
Members' current accounts lodgements	14	42,324,338	3,042,856
Members' current accounts withdrawals	14	(41,631,089)	(2,025,616)
Operating expenses		(5,901,019)	(5,439,933)
Movement in other assets and liabilities		(738,623)	629,728
<b>Net cash flows from operating activities</b>		<b>1,879,263</b>	<b>(9,989,227)</b>
<b>Cash flows from investing activities</b>			
Fixed assets (purchases)/disposals		(369,837)	(101,743)
Investments in associates		-	(265,000)
Net cash flow from other investing activities		(29,651,269)	(3,946,519)
<b>Net cash flows from investing activities</b>		<b>(30,021,106)</b>	<b>(4,313,262)</b>
<b>Cash flows from financing activities</b>			
Members' shares received	13a	96,409,129	90,681,818
Members' shares withdrawn	13a	(70,112,285)	(78,303,385)
Members' deposits received	13b	647,332	707,498
Members' deposits withdrawn	13b	(492,669)	(693,102)
Net cash flow from financing activities		<b>26,451,507</b>	<b>12,392,829</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,690,336)</b>	<b>(1,909,660)</b>
<b>Closing cash and cash equivalents</b>	6	<b>47,655,454</b>	<b>49,345,790</b>

The notes on pages 15 to 31 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2020

## 1. Legal and regulatory framework

St. Paul's Garda 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 Boreenmanna Road, Cork.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

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 principal accounting policies have been applied:

### 2.2 Statement of compliance

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102).

### 2.3 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.

### 2.4 Income

#### Interest on members' loans

Interest on members' loans is recognised on an accruals basis using the effective interest method.

#### Deposit and investment income

Deposit and investment income is recognised on an accruals basis using the effective interest method.

#### Other income

Other income is recognised on an accruals basis.

### 2.5 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 30 September 2020

### 2. Accounting policies (continued)

#### 2.6 Investments

The specific investment products held by the credit union are accounted for as follows:

##### **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.

##### **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.

##### **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 year-end 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 plus accrued income less impairment.

#### 2.7 Financial assets – loans to members

Loans 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 has expired, usually when all amounts outstanding have been repaid by the member.

#### 2.8 Provision for bad debts

The credit union assesses if there is objective evidence that any of its loans are impaired with due consideration of environmental factors. 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 there is objective evidence that any individual loan is impaired, a specific loss will be recognised. Bad debt provisioning is monitored by the credit union, and the credit union assesses and approves its provisions and the adequacy of same on a regular basis.

Any bad debts/impairment losses are recognised in the income and expenditure account. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the income and expenditure account.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 30 September 2020

### 2. Accounting policies (continued)

#### 2.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The credit union adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the credit union. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the income and expenditure account during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Freehold premises	2% straight line per annum
Construction in progress	0% as asset is not in use
Fixtures & fittings	20% reducing balance per annum
Computer equipment	20% reducing balance per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income and expenditure account.

#### 2.10 Impairment of assets

At each reporting date assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the income and expenditure account. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the 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.

#### 2.11 Investments in associates

Investments in associates are accounted for at cost less impairment.

#### 2.12 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.

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the financial year ended 30 September 2020**

### **2. Accounting policies (continued)**

#### **2.13 Financial liabilities – members' savings**

Members' savings are redeemable and therefore are classified as financial liabilities. They are initially recognised at the amount of cash deposited and subsequently measured at amortised cost.

#### **2.14 Interest on members' deposits**

Interest on members' deposits is recognised on an accruals basis using the effective interest method.

#### **2.15 Members' current accounts**

The credit union provides Member Personal Current Account Services in accordance with Section 49(3) of the Credit Union Act, 1997 (as amended).

#### **2.16 Other payables**

Short term other liabilities, creditors, accruals and charges are measured at the transaction price.

#### **2.17 Pension costs**

The credit union operates a defined contribution pension scheme. The assets of this scheme are held separately from those of the credit union in independently administered funds. As an alternative, staff may opt to have the equivalent of pension contributions accumulated as a lump sum receivable on retirement and which is taxable in accordance with revenue calculations prevailing. Employer contributions to the pension scheme are charged to the income and expenditure account in the period to which they relate.

#### **2.18 Holiday pay**

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

#### **2.19 Operating leases**

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

#### **2.20 Derecognition of financial liabilities**

Financial liabilities are derecognised when the obligations of the credit union specified in the contract are discharged, cancelled or expired.

#### **2.21 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.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 30 September 2020

### 2. Accounting policies (continued)

#### 2.22 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 directors have considered the requirements of the Act and have calculated the operational risk reserve requirement by reference to the predicted impact of operational risk events that may have a material impact on the credit unions' business.

In addition, the credit union has included in its operational risk reserve a Member Personal Current Account Service operational risk reserve, in accordance with Section 49(3) of the Credit Union Act, 1997 (as amended).

#### 2.23 Other reserves

Other reserves are the accumulated surpluses to date 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. The directors have deemed it appropriate that 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".

#### 2.24 Distribution policy

Dividends and loan interest rebates are made from the current year's surplus or reserves set aside for that purpose. The board's proposed dividends and loan interest rebates to members each year is based on the distribution policy of the credit union.

The rate of dividends and loan interest rebates recommended by the board will reflect:

- the risk profile of the credit union, particularly in its loan and investments 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.

The credit union accounts for dividends and loan interest rebates when members ratify such payments at the Annual General Meeting.

#### 2.25 Taxation

The credit union is not subject to income tax or corporation tax on its activities.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 30 September 2020

### 3. Judgements in applying accounting policies and key source of estimation uncertainty

Preparation of the financial statements requires the directors to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

#### **Determination of depreciation, useful economic life and residual value of tangible assets**

The annual depreciation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of residual values. The directors regularly review these useful lives and change them if necessary to reflect current conditions. In determining these useful lives management consider technological change, patterns of consumption, physical condition and expected economic utilisation of the assets. Changes in the useful lives can have a significant impact on the depreciation charge for the financial year. The net book value of tangible fixed assets subject to depreciation at the year end was €4,058,644 (2019: €4,756,490).

#### **Provision for bad debts**

The credit union's accounting policy for impairment of loans is set out in the accounting policy in note 2.8. 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 €7,754,274 (2019: €7,074,789) representing 5.65% (2019: 5.29%) of the total gross loan book.

#### **Investments in associates**

The investments in associates represents St. Paul's Garda Credit Union Limited's investment in Metacu Management Designated Activity Company. This investment was made for operational purposes. The credit union holds 6.25% Redeemable A Ordinary shares in the company and through the terms of the shareholders agreement agreed between each of the participating credit unions, St. Paul's Garda Credit Union Limited is deemed to have influence over the operations of this company. Therefore the investment has been accounted for as an investment in an associate.

#### **Other liabilities, creditors, accruals and charges**

Included in accruals is an amount for a retirement fund for staff who have opted to have the equivalent of pension contributions accumulated as a lump sum receivable on retirement, and which is taxable in accordance with revenue calculations prevailing, as an alternative to participating in the defined contribution pension scheme. The timing and amount of any payment for the participating staff is uncertain and is contingent on future events. Consequently, it is impracticable at this time to estimate whether or not any adjustments may need to be made to the amount currently included in accruals.

#### **Operational risk reserve**

The directors have considered the requirements of the Credit Union Act, 1997 (as amended) and have considered an approach to the calculation of the operational risk reserve. The operational risk reserve of the credit union at the year end was €1,605,528 (2019: €1,605,528).

#### **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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 30 September 2020

### 4. Key management personnel compensation

The directors of the credit union are all unpaid volunteers. The key management personnel compensation is as follows.

	2020	2019
	€	€
Short term employee benefits paid to key management	261,573	263,539
Payments to pension schemes	28,498	29,385
<b>Total key management personnel compensation</b>	<b><u>290,071</u></b>	<b><u>292,924</u></b>

### 5. Net impairment losses/(gains) on loans to members

	2020	2019
	€	€
Bad debts recovered	(606,859)	(635,375)
Impairment of loan interest reclassified as bad debt recoveries	(68,725)	(105,375)
Movement in bad debts provision during the year	679,485	(167,783)
Loans written off during the year	<u>472,573</u>	<u>503,102</u>
<b>Net impairment losses/(gains) on loans to members</b>	<b><u>476,474</u></b>	<b><u>(405,431)</u></b>

### 6. Cash and cash equivalents

	2020	2019
	€	€
Cash and balances at bank	1,533,231	94,954
Bank overdraft	(272,584)	(611,968)
Deposits and investments (note 7)	258,952,321	232,769,049
Less: Deposit and investment amounts maturing after three months	(212,557,514)	(182,906,245)
<b>Total cash and cash equivalents</b>	<b><u>47,655,454</u></b>	<b><u>49,345,790</u></b>

### 7. Deposits and investments

	2020	2019
	€	€
<b>Deposits and investments – cash equivalents</b>		
Accounts in authorised credit institutions (Irish and non-Irish based)	37,841,268	49,862,804
Bank bonds	1,000,000	-
Irish and EEA state securities	3,481,939	-
Other investments	<u>4,071,600</u>	<u>-</u>
<b>Total deposits and investments – cash equivalents</b>	<b><u>46,394,807</u></b>	<b><u>49,862,804</u></b>
<b>Deposits and investments – other</b>		
Accounts in authorised credit institutions (Irish and non-Irish based)	99,563,561	116,753,986
Irish and EEA state securities	19,771,210	23,302,504
Bank bonds	59,576,313	24,807,840
Central bank deposits	12,838,047	2,663,047
Other investments	<u>20,808,383</u>	<u>15,378,868</u>
<b>Total deposits and investments – other</b>	<b><u>212,557,514</u></b>	<b><u>182,906,245</u></b>
<b>Total deposits and investments</b>	<b><u>258,952,321</u></b>	<b><u>232,769,049</u></b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 30 September 2020

8. Financial assets – loans to members	2020 €	2019 €
As at 1 October	133,843,292	120,989,732
Loans granted during the year	54,084,689	61,014,387
Loans repaid during the year	(50,270,391)	(47,657,725)
<b>Gross loans and advances</b>	<b>137,657,590</b>	<b>134,346,394</b>
<b>Bad debts</b>		
Loans written off during the year	(472,573)	(503,102)
<b>As at 30 September</b>	<b>137,185,017</b>	<b>133,843,292</b>

9. Provision for bad debts	2020 €	2019 €
As at 1 October	7,074,789	7,242,572
Movement in bad debts provision during the year	679,485	(167,783)
<b>As at 30 September</b>	<b>7,754,274</b>	<b>7,074,789</b>

The provision for bad debts is analysed as follows:

	2020 €	2019 €
Grouped assessed loans	7,754,274	7,074,789
<b>Provision for bad debts</b>	<b>7,754,274</b>	<b>7,074,789</b>

### 10. Tangible fixed assets

	Freehold premises €	Construction in progress €	Fixtures & fittings €	Computer equipment €	Total €
<b>Cost</b>					
1 October 2019	5,996,497	92,636	362,130	492,078	6,943,341
Additions	316,123	-	37,775	15,939	369,837
Transfer from construction in progress	92,636	(92,636)	-	-	-
<b>At 30 September 2020</b>	<b>6,405,256</b>	<b>-</b>	<b>399,905</b>	<b>508,017</b>	<b>7,313,178</b>
<b>Depreciation</b>					
1 October 2019	1,546,943	-	331,140	308,768	2,186,851
Charge for the year	129,832	-	10,903	38,467	179,202
Impairment	888,481	-	-	-	888,481
<b>At 30 September 2020</b>	<b>2,565,256</b>	<b>-</b>	<b>342,043</b>	<b>347,235</b>	<b>3,254,534</b>
<b>Net book value</b>					
<b>30 September 2020</b>	<b>3,840,000</b>	<b>-</b>	<b>57,862</b>	<b>160,782</b>	<b>4,058,644</b>
30 September 2019	4,449,554	92,636	30,990	183,310	4,756,490

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 30 September 2020

### 11. Investments in associates

	€
<b>Cost</b>	
At 1 October 2019 and 30 September 2020	<u>265,000</u>
<b>Accumulated impairment</b>	
At 1 October 2019 and 30 September 2020	<u>-</u>
<b>Net book value</b>	
<b>At 30 September 2020</b>	<u><u>265,000</u></u>
At 30 September 2019	<u><u>265,000</u></u>

#### Interests in associate

The credit union has interests in the following associate:

Associate	Type of shares held	Proportion held (%)	Net Assets €	Profit or (loss) €
Metacu Management Designated Activity Company	Redeemable A Ordinary	6.25%	4,128,964	(111,036)

The effect of including this investment as if it had been accounted for using the equity method would be as follows:

	Share of net assets €
<b>At 1 October 2019</b>	265,000
Share of other comprehensive income/(loss)	(6,940)
<b>At 30 September 2020</b>	<u><u>258,060</u></u>

The above financial information in respect of Metacu Management Designated Activity Company was extracted from the audited financial statements for the period ended 31 December 2019.

### 12. Prepayments and accrued income

	2020 €	2019 €
Prepayments	35,158	35,319
Loan interest receivable	213,647	407,329
<b>As at 30 September</b>	<u><u>248,805</u></u>	<u><u>442,648</u></u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 30 September 2020

### 13. Members' savings

Members' savings are analysed as follows:

	2020	2019
	€	€
Members' shares	316,984,438	290,687,594
Members' deposits	656,270	501,607
Members' budget accounts	11,079,161	8,504,989
Members' payment accounts	3,484,774	3,229,354
<b>Total members' savings</b>	<b><u>332,204,643</u></b>	<b><u>302,923,544</u></b>

#### 13a. Members' shares

	2020	2019
	€	€
As at 1 October	290,687,594	278,309,161
Received during the year	96,409,129	90,681,818
Withdrawn during the year	(70,112,285)	(78,303,385)
<b>As at 30 September</b>	<b><u>316,984,438</u></b>	<b><u>290,687,594</u></b>

#### 13b. Members' deposits

	2020	2019
	€	€
As at 1 October	501,607	487,211
Received during the year	647,332	707,498
Withdrawn during the year	(492,669)	(693,102)
<b>As at 30 September</b>	<b><u>656,270</u></b>	<b><u>501,607</u></b>

#### 13c. Members' budget accounts

	2020	2019
	€	€
As at 1 October	8,504,989	7,943,542
Lodgements during the year	37,908,301	37,063,852
Withdrawals during the year	(35,334,129)	(36,502,405)
<b>As at 30 September</b>	<b><u>11,079,161</u></b>	<b><u>8,504,989</u></b>

#### 13d. Members' payment accounts

	2020	2019
	€	€
As at 1 October	3,229,354	4,586,268
Lodgements during the year	55,748,598	88,264,469
Withdrawals during the year	(55,493,178)	(89,621,383)
<b>As at 30 September</b>	<b><u>3,484,774</u></b>	<b><u>3,229,354</u></b>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 30 September 2020

### 14. Members' current accounts

	2020 €	2019 €
As at 1 October	1,017,240	-
Lodgements during the year	42,324,338	3,042,856
Withdrawals during the year	(41,631,089)	(2,025,616)
<b>As at 30 September</b>	<b><u>1,710,489</u></b>	<b><u>1,017,240</u></b>

	No. of Accounts	Balance of Accounts €
Debit	97	24,876
Credit	1,230	1,735,365
Permitted overdrafts	69	7,205

### 15. Other liabilities, creditors, accruals and charges

	2020 €	2019 €
Creditors and other accruals	1,950,510	2,410,075
PAYE/PRSI	72,305	66,186
Members' draw balance	497,917	488,468
<b>As at 30 September</b>	<b><u>2,520,732</u></b>	<b><u>2,964,729</u></b>

### 16. Other provisions

	2020 €	2019 €
<b>Holiday pay accrual</b>		
At 1 October	27,100	23,722
Charged to the income and expenditure account	5,814	3,378
<b>As at 30 September</b>	<b><u>32,914</u></b>	<b><u>27,100</u></b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 30 September 2020

### 17. Financial instruments

#### 17a. Financial instruments – measured at amortised cost

<b>Financial assets</b>	<b>2020</b>	<b>2019</b>
	€	€
Financial assets measured at amortised cost	<u>354,462,735</u>	<u>339,509,769</u>

<b>Financial liabilities</b>	<b>2020</b>	<b>2019</b>
	€	€
Financial liabilities measured at amortised cost	<u>336,766,238</u>	<u>307,551,590</u>

Financial assets measured at amortised cost comprise of cash and balances at bank, deposits and investments, loans to members, members' current accounts overdrawn and investments in associates.

Financial liabilities measured at amortised cost comprise of members' savings, members' current accounts, bank overdraft, other liabilities, creditors, accruals and charges and other provisions.

#### 17b. Financial instruments – fair value measurements

FRS 102 requires fair value measurements to be disclosed by the source of inputs, using a three level hierarchy:

- Quoted prices for identical instruments in active market (level 1);
- Prices of recent transactions for identical instruments and valuation techniques using observable market data (level 2), and
- Valuation techniques using unobservable market data (level 3).

The table below sets out fair value measurements using the fair value hierarchy:

<b>At 30 September 2020</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	€	€	€	€
Accounts in authorised credit institutions	36,409,793	-	36,409,793	-
Bank bonds	1,000,000	-	1,000,000	-
Other investments	6,087,917	-	6,087,917	-
<b>Total</b>	<b><u>43,497,710</u></b>	<b><u>-</u></b>	<b><u>43,497,710</u></b>	<b><u>-</u></b>

<b>At 30 September 2019</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	€	€	€	€
Accounts in authorised credit institutions	11,090,667	-	11,090,667	-
Bank bonds	1,000,000	-	1,000,000	-
Other investments	15,378,868	-	15,378,868	-
<b>Total</b>	<b><u>27,469,535</u></b>	<b><u>-</u></b>	<b><u>27,469,535</u></b>	<b><u>-</u></b>

There were no fair value adjustments recognised in the income and expenditure account for the year ended 30 September 2020 (2019: €nil).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 30 September 2020

<b>18. Reserves</b>	<b>Balance 01/10/19</b>	<b>Payment of dividends and loan interest rebates</b>	<b>Appropriation of current year surplus</b>	<b>Transfers between reserves</b>	<b>Balance 30/09/20</b>
	€	€	€	€	€
<b>Regulatory reserve</b>	<b>49,050,000</b>	-	-	-	<b>49,050,000</b>
<b>Operational risk reserve</b>	<b>1,605,528</b>	-	-	-	<b>1,605,528</b>
<b>Other reserves</b>					
<b>Realised</b>					
General reserve	5,196,108	-	759,662	797,208	6,752,978
Special reserve: dividend and loan interest rebate	615,007	(611,481)	-	(3,526)	-
Future dividend reserve	600,000	-	-	(600,000)	-
<b>Total realised reserves</b>	<b>6,411,115</b>	<b>(611,481)</b>	<b>759,662</b>	<b>193,682</b>	<b>6,752,978</b>
<b>Unrealised</b>					
Interest on loans reserve	407,329	-	-	(193,682)	213,647
Investment income reserve	78,091	-	47,138	-	125,229
<b>Total unrealised reserves</b>	<b>485,420</b>	-	<b>47,138</b>	<b>(193,682)</b>	<b>338,876</b>
<b>Total reserves</b>	<b>57,552,063</b>	<b>(611,481)</b>	<b>806,800</b>	-	<b>57,747,382</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 30 September 2020

### 19. Credit risk disclosures

In line with regulatory requirements, the credit union:

- 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 percentages of the regulatory reserve (large exposure limit)
- restricts the loan duration of certain loans to specified limits (maturity limits)
- requires specified lending practices to be in place where loans are made to certain sectors such as business loans, community loans or loans to another credit union.

The carrying amount of the loans to members represents the credit union's maximum exposure to credit risk. 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.

	2020		2019	
	€	%	€	%
<b>Loans not impaired</b>				
Total loans not impaired, not past due	125,985,711	91.84%	125,437,484	93.72%
<b>Impaired loans:</b>				
Up to 9 weeks past due	9,891,089	7.21%	6,564,113	4.90%
Between 10 and 18 weeks past due	174,898	0.13%	89,816	0.07%
Between 19 and 26 weeks past due	166,164	0.12%	54,377	0.04%
Between 27 and 39 weeks past due	161,282	0.12%	124,981	0.09%
Between 40 and 52 weeks past due	54,590	0.04%	63,861	0.05%
53 or more weeks past due	751,283	0.54%	1,508,660	1.13%
<b>Total impaired loans</b>	11,199,306	8.16%	8,405,808	6.28%
<b>Total loans</b>	<b>137,185,017</b>	<b>100.00%</b>	<b>133,843,292</b>	<b>100.00%</b>

### 20. Related party transactions

#### 20a. Loans

	2020		2019	
	No. of loans	€	No. of loans	€
Loans advanced to related parties during the year	4	38,500	5	64,000
Total loans outstanding to related parties at the year end	19	437,321	19	497,086
Total provision for loans outstanding to related parties		22,075		21,801

The related party loans stated above comprise of loans outstanding to directors and the management team (to include their family members or any business in which the directors or management team had a significant shareholding).

Total loans outstanding to related parties represents 0.32% of the total loans outstanding at 30 September 2020 (2019: 0.37%).

#### 20b. Savings

The total amount of savings held by related parties at the year end was €811,628 (2019: €972,094).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 30 September 2020

### 21. Additional financial instruments disclosures

#### 21a. Financial risk management

The credit union manages its members' savings and loans 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, 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 the credit union, resulting in financial loss. In order to manage this risk the board of directors regularly reviews and approves the credit union's credit policies. All loan applications are assessed with reference to the credit policies in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed.

**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:** The credit union's main interest rate risk arises from adverse movements in interest rates receivable which would affect investment income. The credit union 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.

#### 21b. 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 the minimum short term liquidity ratio as set out in regulatory requirements.

#### 21c. Interest rate risk disclosures

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

	2020	Average interest rate	2019	Average interest rate
	€	%	€	%
Gross loans to members	<u>137,185,017</u>	5.14%	<u>133,843,292</u>	5.14%

Any 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 30 September 2020

### 22. Dividends and loan interest rebates

The following distributions were paid during the year:

	2020		2019	
	%	€	%	€
Dividend on shares	<u>0.10%</u>	<u>282,241</u>	<u>0.25%</u>	<u>672,352</u>
Loan interest rebates	<u>5.00%</u>	<u>329,240</u>	<u>10.00%</u>	<u>602,871</u>

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

	2020		2019	
	%	€	%	€
Dividend on shares	<u>0.00%</u>	<u>-</u>	<u>0.10%</u>	<u>284,475</u>
Loan interest rebates	<u>0.00%</u>	<u>-</u>	<u>5.00%</u>	<u>330,532</u>

### 23. Rate of interest paid on members' deposit accounts

	2020		2019	
	%	€	%	€
Interest on deposits	<u>0.25%</u>	<u>1,359</u>	<u>0.25%</u>	<u>1,152</u>

### 24. Events after the end of the financial year

Since the year end the COVID-19 pandemic has continued to have a direct effect on the credit union, the economy and the general population. The directors and management are closely monitoring the evolution of the pandemic, and while there is no clear indication as to when the impact will be curtailed or eliminated, they will continue to take appropriate actions to mitigate any possible adverse effects on the credit union, on its officers and on its members.

### 25. Insurance against fraud

The credit union has Insurance against fraud in the amount of €5,200,000 (2019: €5,200,000) in compliance with Section 47 of the Credit Union Act, 1997 (as amended).

### 26. Capital commitments

The credit union had capital commitments as follows:

	2020	2019
	€	€
Contracted for but not provided in these financial statements	-	<u>257,141</u>
	<u>-</u>	<u>257,141</u>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 30 September 2020

### 27. Contingent liabilities

In September 2018, the Registry of Credit Unions advised all credit unions of a potential matter in relation to accrued interest outstanding on certain top-up loans which may have led to a potential over-collection of interest. The credit union is progressing a review of this matter to ascertain whether any top-up loans made to members might be impacted by these circumstances, and if so, to determine what actions may need to be taken. It is expected that the credit union will finalise its review over the coming months. Consequently it is impracticable at this time to estimate the impact, financial or otherwise, if any, of this matter and whether any net amounts will become payable or not in the future.

### 28. Leasing commitments

The credit union had future minimum lease payments under an operating lease as follows:

	<b>2020</b>	<b>2019</b>
	€	€
Less than 1 year	18,372	18,691
1 to 5 years	66,388	53,456
<b>At 30 September</b>	<b><u>84,760</u></b>	<b><u>72,147</u></b>

### 29. Comparative information

Comparative information has been reclassified where necessary to conform to current year presentation.

### 30. Approval of financial statements

The board of directors approved these financial statements for issue on **6th November 2020**.

## SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT

For the financial year ended 30 September 2020

The following schedules do not form part of the statutory financial statements which are the subject of the Independent Auditors' report on pages 8 to 10.

### Schedule 1 – Other interest income and similar income

	2020 €	2019 €
Investment income and gains received/receivable within 1 year	1,921,838	1,967,503
Investment income receivable outside of 1 year	47,138	18,894
<b>Total per income and expenditure account</b>	<b><u>1,968,976</u></b>	<b><u>1,986,397</u></b>

### Schedule 2 – Other income

	2020 €	2019 €
Miscellaneous income	24,995	25,054
Commissions and fees	66,359	6,342
<b>Total per income and expenditure account</b>	<b><u>91,354</u></b>	<b><u>31,396</u></b>

## SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT (continued)

For the financial year ended 30 September 2020

### Schedule 3 – Other management expenses

	2020 €	2019 €
Rates	40,172	36,733
Share and loan insurance	1,273,799	1,084,758
General insurances	104,044	90,374
Light, heat and cleaning	23,639	30,545
Repairs and renewals	166,420	79,559
Printing and stationery	68,823	86,100
Postage and telephone	81,153	80,763
Training	13,484	26,833
Promotions and advertising	136,345	129,577
Travel and subsistence	27,810	70,236
Donations and sponsorship	16,729	36,224
Legal and professional	436,395	286,107
Audit fee	30,940	31,980
Bank charges	131,890	69,364
Central bank levies, SPS and affiliation fees	534,877	802,296
Computer maintenance	316,992	220,804
Miscellaneous	56,814	46,176
ILCU Development fund	6,000	6,000
Michael O'Halloran fund	8,500	20,510
Death grant	408,629	325,423
<b>Total per income and expenditure account</b>	<b><u>3,883,455</u></b>	<b><u>3,560,362</u></b>



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Loans are subject to approval. Terms and conditions apply. Figures quoted are indicative, actual repayments may vary

**WARNING: IF YOU DO NOT MEET THE REPAYMENTS ON YOUR LOAN, YOUR ACCOUNT WILL GO INTO ARREARS.  
THIS MAY AFFECT YOUR CREDIT RATING WHICH MAY LIMIT YOUR ABILITY TO ACCESS CREDIT IN THE FUTURE.**

St. Paul's Garda Credit Union Limited is regulated by the Central Bank of Ireland.