

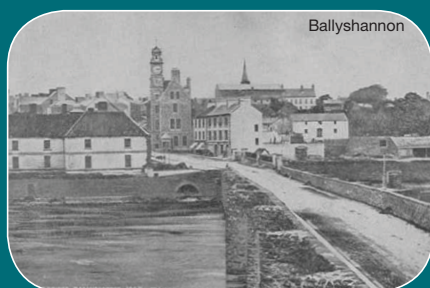
ANNUAL ACCOUNTS 2016

For Year Ended 30th September 2016

You are invited to Annual General Meeting
of Ballyshannon & Killybegs Credit Union Ltd. which will take place in
The Bayview Hotel, Killybegs
on Tuesday 20th December 2016 at 8.00 p.m.

Refreshments and Prizes on the night.

IT'S ALL ABOUT THE MEMBER AND IT ALWAYS WILL BE



AGENDA

1. Ascertainment of Quorum
2. Adoption of Standing Orders
3. Minutes of A.G.M
4. Report of Board of Directors
5. Financial Report
6. Report of the Auditor
7. Report of Board Oversight Committee.
8. Report of Dividend
9. Report of Credit Committee
10. Report of Credit Control
11. Report of the Membership Committee
12. Report Nominations Committee
13. Appointment of Tellers
14. Election of Auditor
15. Election of Board Oversight Committee
16. Election of Directors
17. Amendment of Rules
18. Other Business
19. Election Results
20. Close of Meeting

VACANCIES

This year we have vacancies for 6 Directors and 2 Board Oversight Committee. The Nominations Committee has identified candidates for each vacancy.

Third Level Student Loan 4% variable 4.07% Apr

Credit Union
STUDENT LOANS



THE
"NOW TO TAKE
ON THE WORLD"
LOAN



WE LOOK AT THINGS DIFFERENTLY



Credit Union

MOTIONS FOR AGM

MOTION1: That the Rules of Ballyshannon & Killybegs Credit Union Limited are hereby amended in Rule 11 by the deletion of the current text and the insertion of the following:

“Membership shall be limited to and consist of the signatories to the application to register the credit union and such other persons having the following common bond:

Residence or employment in the following areas:

the map defined in the rules of what was formerly Killybegs Credit Union which broadly speaking is the area west of a line between Gweebarra Bridge and Inver Bridge,

the parishes of Kilbarron, Magh Eine and served by St Joseph’s Church the Rock, the electoral divisions of Templecarn, Grousehall and Templecarn-Pettigo”

as have been duly admitted members of the credit union in accordance with these rules and comply with such of the rules as relate to membership and including, if otherwise qualified, such other persons as were members of the unincorporated body known Killybegs Credit Union Immediately before the date on which such body secured registration as Ballyshannon & Killybegs Credit Union Limited”.

MOTION2: That the Rules of Ballyshannon & Killybegs Credit Union Limited are hereby amended in Rule 13(2) by the deletion of the current text and the insertion of the following:

“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”.

MOTION3: That the Rules of Ballyshannon & Killybegs Credit Union Limited are hereby amended in Rule 40(2) by the deletion of the current text and with the insertion of the following:

“At the time of the adoption of these rules, the board of directors shall consist of 9 members, all of whom shall be members of the credit union”.

PROPOSAL: Ballyshannon & Killybegs Credit Union Limited Board of Directors intend to make a proposal at AGM that each member makes a contribution of €1.55 towards an Affiliation fee, and a contribution of .65c towards aiding the work of the ILCU foundation.

Directors' Report

for the year ended 30th September 2016

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

Principal Risks and Uncertainties

The directors continue to address the key risks and uncertainties that may arise. In light of the current economic climate, we assess the level of risks and manage those risks so as to ensure the continued future of the credit union. Key risks identified are the financial risk of losses on investments and potential bad debts.

Credit Risk

The risk of financial loss arising from a borrower, issuer, guarantor or counter party, which may fail to meet its obligations in accordance with agreed terms.

All loans applications are assessed with reference to the approved credit policy of the credit union at the time. Subsequently, loans are regularly reviewed for any factors that may indicate the likelihood of default.

Liquidity Risk

The risk that a credit union will not be able to fund its current and future expected and unexpected cash outflows as they fall due, without incurring significant losses.

The credit union retains at all times liquid assets amounting to a minimum of 20% of unattached savings.

Operational Risk

The risk of loss (financial or otherwise) resulting from inadequate or failed internal processes or systems of the credit union, any failure by persons connected with the credit union, legal risk or external events.

The Credit Union has employed a Risk Manager to carry out regular reviews and identify any potential risks facing the credit union.

Dividends and Interest Rebate

The directors propose a dividend of €371,382 at the rate of 1.00% (2015: €179,822 at 1.00%).

The directors propose an interest rebate of €135,313 at the rate of 10.00% (2015: €60,055 at 10.00%).

Business Review

The Transfer of Engagement which saw the formation of Ballyshannon & Killybegs Credit Union on the 10th June 2016 has been very successful. There has been a notable increase in lending and member satisfaction, with the introduction of reduced lending rates and tailored loan products.

We look forward to launching our new website shortly. This will allow more on-line services which will have a positive effect on our business activities.

The Credit Unions Objective, Policies and Strategies

The purpose of our credit unions is to allow members save together and lend to each other at a fair and reasonable rate of interest. At the year end the credit union had 37% (2015: 32%) of all deposits and savings loaned to members.

Members' savings and deposits at the year end	€ 38,850,497	
Loaned to Members	€ 14,516,113	37%
Invested in various investments	€ 27,342,930	70%

Post Balance Sheet Events

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

Auditors

In accordance with Section 115 of the Credit Union Act 1997, the auditors McDevitt & McGlynn offer themselves for re-election.

On behalf of the Credit Union board

Chairperson: Thomas Mc Guinness

Date: 18 November 2016

Statement of Directors Responsibilities

The Credit Union Acts, 1997 to 2012 (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 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;

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 enable them to ensure that the financial statements comply with the Credit Union Acts, 1997 to 2012 (as amended). They are also responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information (information needed by the Credit Union's auditor in connection with preparing the auditor's report) of which the Credit Union's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Credit Union's auditor is aware of that information.

On behalf of the Credit Union board

Chairperson: Thomas Mc Guinness

Date: 18 November 2016

Statement of Board Oversight Committee's Responsibilities

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

On behalf of the Credit Union board

Oversight Committee: Alan Darnell

Date: 18 November 2016

Independent Auditors' Report to The Members of Ballyshannon & Killybegs Credit Union Ltd.

We have audited the financial statements of Ballyshannon & Killybegs Credit Union Limited for the year ended 30 September 2016 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council (Generally Accepted Accounting Practice in Ireland). These financial statements have been prepared in accordance with FRS102.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Credit Union at 30 September 2016 and of its Income and Expenditure Account for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland; and
- have been properly prepared so as to conform with the requirements of the Credit Union Acts, 1997 to 2012 (as amended).

Other matters prescribed by the Credit Union Acts, 1997 to 2012 (as amended)

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper accounting records have been kept by the Credit Union.
- The financial statements are in agreement with the accounting records.

McDEVITT & McGLYNN

Chartered Certified Accountants and Registered Auditors

Ardmore House

Main Street

Ballyshannon

Co. Donegal

Ireland

18 November 2016



€9 million lent to members in the past 12 months and still lending. A vote of confidence from our members.



Statement of Changes in Equity

for the year ended 30th September 2016

	Regulatory Reserve €	Operational Risk €	Distribution Reserve €	Surplus Reserve €	Total €
At 1 October 2014	2,483,000	-	-	491,805	2,974,805
Distribution in year	-	-	(230,712)	-	(230,712)
Surplus allocation in year	-	-	230,712	-	230,712
Other movement in reserves	35,000	-	-	901,469	936,469
At 30 September 2015	2,518,000	-	-	1,393,274	3,911,274
At 1 October 2015	2,518,000	-	-	1,393,74	3,911,274
Distribution in year	-	-	(239,829)	-	(239,829)
Surplus allocation in year	-	100,000	239,829	-	339,829
Transfer of Engagement	2,025,564	-	-	233,523	2,259,087
Other movement in reserves	540,247	-	-	379,014	919,261
At 30 September 2016	5,083,811	100,000	-	2,005,811	7,189,622

The Regulatory Reserve equates to 11% of total assets.

The Operational Risk Reserve equates to 0.2% of total assets.

**Transfer of Engagement:

The figures stated above are made up of the following:

Ballyshannon Credit Union Ltd at 30/09/2015:

Statutory Reserve €1,855,564

Add'n Regulatory Reserve €170,000

Total €2,025,564

Reserves @ 30/09/15 €176,260

Surplus @ 09/06/2016 €57,263

Total €233,523

Total Reserves transferred: €2,259,087

Further analysis of assets transferred is available at note 20.

Cash Flow Statement

for the year ended 30th September 2016

	Notes	2016 €	2016 €	2015 €	2015 € as restated
Reconciliation of operating surplus to net cash inflow from operating activities					
Operating surplus		-	1,259,091	-	38,409
Depreciation	7	-	85,225	-	29,465
Provision for bad and doubtful debts	3	-	(421,854)	-	-
Loans written off		-	19,042	-	1,870
Impairment loss on government bonds		-	27,999	-	-
Net cash inflow from trading activities		-	969,503	-	416,744
New loans to members		(9,907,508)	-	(3,332,915)	-
Replacement of members' loans		4,543,421	-	3,045,220	-
Net movement in members' loans	5	-	(5,364,087)	-	(287,695)
New shares by members		26,570,11	-	5,307,678	-
Repayment of shares		(6,349,703)	-	(4,000,189)	-
Net movement in members' shares and deposits		-	20,220,448	-	1,307,489
Net movement in other assets		-	(235,652)	-	53,547
Net movement in other creditor		-	20,457	-	(19,453)
Net cash generated from operating activities		-	15,610,669	-	1,470,632
Cash flows from investing activities					
Capital expenditure	7	-	(623,398)	-	(8,906)
Net movement in investments	4	-	(12,874,037)	-	337,699
Net cash generated from investing activities		-	13,497,435	(339,829)	328,793
Cash flows from financing activities					
Dividends and interest rebate paid		-	(239,829)	-	(230,712)
Net increase/(decrease) in cash and cash equivalents		-	1,873,405	-	1,568,713
Cash and cash equivalents at 1st October 2015		-	2,230,447	-	661,764
Cash and cash equivalents at 30th September 2016		-	4,103,882	-	2,230,477

Schedules to The Financial Statements for the year ended 30th September 2016

Schedule 1 - Other Income Analysis

Other Income

Insurance commission	
Cash over	
Foreign exchange commission	
E.C.C.U. claims experience refund fees	

2016 €	2015 €
469	1,176
539	-
-	231
42,296	-
43,304	1,407

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in 2017 don't forget to check out
your local Credit Union deals.*



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Loan Amount	Term of Loan	Repayment Weekly	Total Interest	Total Repayable
€5000	3 years (156 weeks)	€37.39	€831.06	€5831.06
€10000	3 years (156 weeks)	€74.76	€1661.09	€11661.09
€15000	5 years (260 weeks)	€74.16	€4278.31	€19278.31

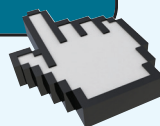
Ballyshannon & Killybegs Credit Union Ltd. is regulated by the Central Bank of Ireland.

Schedules to The Financial Statements for the year ended 30th September 2016

Schedule 2 - Analysis of Other Management Expenses

Expenditure	2016	2015
	€	€
Training and seminars	5,327	4,874
Rent and rates payable	17,730	14,339
General insurance	122,181	74,221
Security	638	-
Light and heat	2,790	4,916
Cleaning and hygiene	240	-
Repairs and renewals	(2,144)	2,473
Computer and equipment maintenance	35,766	30,729
Printing, Postage and stationery	2,537	7,491
Promotion and education	3,156	2,681
Telephone and postage	3,008	8,466
AGM expenses	4,451	4,635
Chapter expenses	51	-
Merger Expenses	(140,340)	-
Travelling and subsistence	435	1,607
Legal and debt recovery fees	4,117	5,580
Professional and internal audit fees	(22,214)	5,615
Audit fees	(3,228)	11,070
Central Bank fees	20,267	19,918
Credit Agency Fees	1,155	-
Bank interest and charges	15,705	11,191
Investment Commission	3,046	-
Miscellaneous expenses	6,582	7,754
Cash Short	325	-
Subscriptions and donations	6,250	3,244
Affiliation fees	18,826	8,644
	106,658	229,448

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Income and Expenditure Account

for the year ended 30th September 2016

	Notes	2016 €	2015 €
Income			
Interest on members' loans		901,536	601,020
Investment income	1	434,103	272,820
Net interest income		1,335,639	873,840
Other income		43,304	1,407
Total income		1,378,943	875,247
Expenditure			
Salaries and other wage costs		327,042	241,313
Other management expenses		106,658	229,448
Depreciation charge on fixed assets	7	85,225	29,465
Impairment of fixed assets/investments		27,997	2
Provision for bad and doubtful debts	3	(421,854)	-
Loans written off	3	19,042	1,870
Bad debts recovered		(24,257)	(12,260)
Total expenditure		119,853	489,838
Excess of income over expenditure		1,259,090	385,409
Opening undistributed surplus reserve		1,393,274	491,805
		2,652,364	877,214
Transfer (to) / from reserves			
Operational Risk Reserve		(100,000)	-
Distribution reserve		(239,829)	(230,712)
Total transfers		(339,829)	(230,712)
Closing undistributed surplus reserve		2,312,535	646,502

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

On behalf of the Credit Union

Oversight Committee Member: Alan Darnell

Board of Directors Member: Thomas Mc Guinness

CEO: Mary McCarthy

Date: 18 November 2016

Balance Sheet

as at 30th September 2016

	Notes	2016		2015	
		€	€	€	€
Assets					
Cash and Cash Equivalents			4,103,882		2,230,477
Deposits and investments	4		27,342,930		14,496,892
Loans to members	5		14,516,113		5,957,551
Provision for bad and doubtful debts	5		(1,243,556)		(710,979)
			44,719,369		21,973,941
Other Assets					
Tangible Assets	7		966,003		427,830
Prepayments and other debtors			122,026		43,923
Accrued income			328,024		170,475
Total Assets			46,135,422		22,616,169
Liabilities					
Members' Shares			38,850,497		18,630,049
Trade creditors and accruals			95,303		74,846
			39,945,800		18,704,895
Members' Resources					
Regulatory Reserve		5,083,811		2,518,000	
Operational Risk Reserve		100,000		-	
		5,183,811		2,518,000	
Surplus Reserve		2,005,811		1,393,274	
			7,189,622		3,911,274
Total Liabilities			46,135,422		22,616,169

On behalf of the Credit Union
 Oversight Committee Member: Alan Darnell
 Board of Directors Member: Thomas Mc Guinness
 CEO: Mary McCarthy
 Date: 18 November 2016



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Accounting Policies

for the year ended 30th September 2016

Statement of compliance

These financial statements have been prepared in accordance with FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland). The financial statements are prepared on the historical cost basis. These are the company's first set of financial statements prepared in accordance with FRS 102. The transition to FRS 102 has resulted in a small number of accounting policy changes compared to those applied previously (see note for an explanation of these changes).

First-time adoption of FRS 102

These are Ballyshannon & Killybegs Credit Union's first financial statements to comply with FRS 102. The date of transition to FRS 102 is 1 October 2014. Note 8 to the financial statements describes the differences between the retained earnings and surplus (or deficit) presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ended at 30 September 2015 (i.e. comparative information), as well as the retained earnings presented in the opening balance sheet (i.e. at 1 October 2014). It also describes all the required changes in accounting policies made on first-time adoption of FRS 102.

Revenue recognition

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

(i) Interest on members' loans

Interest on Members' Loans is recognised on an accruals basis over time irrespective of when the interest is physically received by the credit union. An adjustment is made to the year end amount receivable for any irrecoverable amounts or amounts written off for whatever reason. This is the method required by Generally Accepted Accounting Practice (GAAP) and as prescribed by Section 110(f) of the Credit Union Act, 1997 as inserted by item 98 of Schedule 1 of the Credit Union and Co-Operation with Overseas Regulators Act 2012.

(ii) Investment income

Investment income is recognised on an accruals basis. It is accounted for differently depending on how the different investments are designated at the outset and based on meeting certain criteria.

Employee Benefits

Defined benefit plans: The amounts charged as expenditure for the defined benefit plan are the contributions payable by the Credit Union for the relevant period. Other employee benefits: Other short and long term employee benefits, including holiday pay, are recognised as an expense over the period they are earned.



Credit Union services and our attitude to our members will never change.

Reserves

Retained earnings are the accumulated surpluses to date that have not been declared as dividends returnable to members. The retained earnings are subdivided into realised and unrealised. In accordance with the Central Bank Guidance Note for Credit Unions on Matters Relating to Accounting for Investments and Distribution Policy, 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 as a dividend in accordance with the Central Bank direction. All other income is classified as “realised”. A reclassification between unrealised and realised is made as investments come to within 12 months of maturity date.

Operational Risk Reserve

Section 45(5)(a) of the 1997 Act requires each credit union to maintain an additional reserve that it has assessed is required for operational risk having regard to the nature, scale and complexity of the credit union. Credit Unions are required to maintain a minimum operational risk reserve having due regard for the sophistication of the business model. The definition of operational risk is the risk of losses stemming from inadequate or failed internal processes, people and systems or from external events.

Cash and Cash Equivalents

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

Financial assets - loans and advances to members

Loans to members are financial assets with fixed or determinable payments. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method. Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

Financial liabilities - members' shares and deposits

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

Tangible fixed assets and depreciation

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

Land and buildings freehold	2% Straight line
Fixtures, fittings and equipment	20% Straight line
Computer equipment	33% Straight line

We have changed the depreciation rate from reducing balance to straight line to reflect more closely the useful life of the asset.

Investments

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

Fixed-term deposit accounts

Term deposits and fixed interest investment bonds with fixed maturity dates are valued at the lower of cost or encashment value and interest is recognised in the income statement when it is received or irrevocably receivable.

Central Bank Deposits

Credit Unions are obliged to maintain certain deposits with the Central Bank. These deposits are technically assets of the credit union but to which the credit union has restricted access. The funds on deposit with the Central Bank attract nominal interest and will not ordinarily be returned to the credit union while it is a going concern. In accordance with the direction of the Central Bank the amounts are shown as current assets and are not subject to impairment reviews.

Government bonds

Held at amortised cost

Investments designated on initial recognition as held at amortised cost are measured at amortised cost using the effective interest method less impairment. This means that the investment is measured at the amount paid for the investment, minus any repayments of the principal; plus or minus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount; minus, in the case of a financial asset, any reduction for impairment or uncollectability. This effectively spreads out the return on such investments over time, but does take account immediately of any impairment in the value of the investment.

Commodities and other bonds

Income is recognised once it is “locked in” and irrevocably receivable. 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.

Pensions

Ballyshannon & Killybegs 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 the Ballyshannon & Killybegs 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, Ballyshannon & Killybegs 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.

Bad and Doubtful Debts

Allowances for impaired loans represent reserves and/or provisions made during the year less amounts utilised or realised charged against the deficit for the year. Amounts are created after a detailed review of individual loans and groups of loans. Allowances are established by reviewing the credit worthiness of individual borrowers and the value of collateral underlying the loan. General allowances are measured based on Resolution 49 of the Irish League of Credit Unions. Bad debts in the Credit Union are recognised when there is a reasonable doubt that the full amount of principal will not be collected, or the financial capacity of the borrower has deteriorated such that the recovery of the whole or part of an outstanding loan advanced is in doubt. In all cases where it is impractical to estimate the recoverable amount the carrying amount is reduced to zero.

The Key assumptions underpinning the Credit Unions estimates of collective provisions for loans with similar credit risk characteristics and Incurred But Not Report (IBNR) provisions are based on historical experience of the credit union allied to the Credit Unions judgement of relevant conditions in the wider technological market, economic or legal environment in which the Credit Union currently operates, which impact on the current lending activity and loan underwriting.

Notes to the Financial Statements for the year ended 30th September 2016

1. GOING CONCERN

The directors of Ballyshannon & Killybegs Credit Union believe that it is appropriate to prepare the financial statements on the going concern basis.

2. INCOME FROM INVESTMENTS

	2016 €	2015 €
Investment income received	141,663	117,827
Investment income receivable within 12 months	292,440	154,993
	434,103	272,820

3. BAD AND DOUBTFUL DEBTS

	2016 €	2015 €
Reduction in provision for bad and doubtful debts	(421,854)	-
Loans written off	19,042	1,870
	(402,812)	1,870

4. INVESTMENTS

	2016 €	2015 €
Central Bank Minimum Reserve & Deposit Protection	273,264	68,804
Fixed-term deposit accounts	17,163,635	11,639,722
Government bonds	9,906,031	2,788,366
	27,342,930	117,827

The closing value on Government bonds stated above takes into consideration, the write down of €27,997 which relates to two bonds that are now carried at market value.

5. MEMBERS' LOANS

	2016 €	2015 €
Loans to members	14,516,113	5,957,551
Provision for bad and doubtful debts	(1,243,556)	(710,979)
	13,272,557	5,246,572

Movement in members' loans

	2016 €	2015 €
Opening balance	5,957,551	5,671,726
Loans arising from transfer of Engagement	7,417,145	-
Loans granted during year	5,703,881	3,332,915
Loans repaid during year	(4,543,422)	(3,045,220)
Loans written off	(19,042)	(1,870)
Closing balance	14,516,113	5,957,551

Movement in provision for doubtful debts

	2016 €	2015 €
Opening provision	710,979	710,979
Reduction in provision for bad and doubtful debts	(421,854)	-
Movement in year	954,431	-
Closing provision	1,243,556	710,979

The current provision in the financial statements is €1,243,556 (2015: €710,979) representing 8.6% (2015: 11.9%) of the total loan book. This amount exceeds the Resolution 49 requirement by €748,128.

6. PRIOR YEAR ADJUSTMENT

Due to adoption of FRS102, the prior year figures have been restated.

7. TANGIBLE FIXED ASSETS

	Land and buildings freehold €	Fixtures, fittings and equipment €	Computer equipment €	Total €
Cost				
At 1 October 2015	521,284	218,815	-	740,099
Additions	563,500	-	59,898	623,398
At 30 September 2016	1,084,784	218,815	59,898	1,363,497
Depreciation				
At 1 October 2015	146,363	165,906	-	312,269
Charge for the year	21,696	43,763	19,766	85,225
At 30 September 2016	168,059	209,669	19,766	397,494
Net book value				
At 30 September 2016	916,725	9,146	40,132	966,003
At 30 September 2015	374,921	52,909	-	427,830

8. TRANSITION TO FRS 102

Ballyshannon Killybegs Credit Union Limited has adopted FRS 102 for the first time in these financial statements for the year ended 30th September 2016. The reconciliations below highlight the key impacts on both the surplus for the financial year and the retained earnings.

Reconciliation of Surplus from Previous GAAP to FRS 102

	2016 €	2015 €
Surplus/(deficit) as previously reported	344,273	5,957,551
Surplus/(deficit) under FRS 102	385,408	(710,979)

Transitional Adjustments Required

Accrued Interest on Member Loans	468	15,084
Correcting Investment Valuation	29,544	-
Short Term Employee Benefits	1,878	(7,281)
Staff Pension Accrual	9,246	9,246

Reconciliation of Retained Earnings from Previous GAAP to FRS 102

	2016 €	2015 €
Retained Earnings as previously reported	1,381,318	520,986
Retained Earnings under FRS 102	1,393,274	491,805

9. DIVIDENDS

The following distributions were made during the year:

	2016 %	2016 €	2015 %	2015 €
Dividends on shares	1.00	179,912	1.00	173,833
Loan interest rebate	10.00	59,917	10.00	56,879
		122,668		230,712

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

10. PROPOSED DIVIDENDS

The proposed distribution is as follows:

	2016 %	2016 €	2015 %	2015 €
Dividends on shares	1.00	371,382	1.00	179,912
Loan interest rebate	10.00	135,313	10.00	59,917
		506,695		239,829

The dividend is formally proposed by the Directors after the year end and is confirmed at the following AGM. As a result, it does not represent a liability at the balance sheet date.

11. PENSION SCHEME

The Irish League of Credit Unions Republic of Ireland Pension Scheme Ballyshannon & Killybegs 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 Ballyshannon & Killybegs 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, in accordance with FRS 102.

The Pension's Act requires the trustees of the Scheme to assess whether it could meet a certain prescribed standard, known as the Minimum Funding Standard. This assesses whether, if the scheme was wound up on a specified theoretical valuation date, it could satisfy the Funding Standard at that date. Following the Scheme's actuary certifying a Minimum Funding Standard deficit in the Scheme in 2009, Ballyshannon & Killybegs Credit Union Limited, the ILCU Group and the other credit unions participating in the Scheme entered into a funding agreement with the Scheme that was designed to ensure that, the Scheme could be reasonably expected to satisfy the Minimum Funding Standard by a specified future date (1 March 2019). This funding plan runs up until 2019 and was approved by the Pensions Authority.

In accordance with the requirements of FRS102, the Credit Union has recognised a liability for its outstanding contributions payable under this funding agreement to the extent that they relate to the deficit. Details of this transition adjustment under FRS102 are included in note 8.

As part of the above solvency assessment process, the Scheme actuary must carry out a separate valuation under the Minimum Funding Standard every 3 years and produce a funding certificate for submission to the Pensions Authority within 9 months of the effective date of the valuation. The purpose of the certificate is to certify whether or not the assets of the scheme at the effective date are sufficient to meet the liabilities of the scheme based on the assumption that the scheme was wound up at that date. The most recent Actuarial Funding Certificate was effective as at 1 March 2015 and it certified that the Scheme satisfied the funding standard. Further, the Actuary was reasonably satisfied that as at 28 February 2015 the scheme can be expected to satisfy the funding standard as specified in Section 44 of the Pensions Act, 1990, at 1 March 2019, being the date specified by the Pensions Authority under Section 49(2) (a) of the Act for the purpose of the existing funding proposal.

An actuarial review of the fund is normally carried out every three years by the Scheme's independent, professionally qualified actuary. The actuarial review considers the past and future liabilities of the scheme. The last completed triennial actuarial review was carried out with an effective date of 1 March 2014, using the Projected Unit valuation method. The principal actuarial assumption used in the valuation was the investment return would be 1.5% higher than the annual salary increases. The market value of the scheme's assets at 1 March 2014 was €157m. The actuarial valuation disclosed a past service deficit of €27.7m at 1 March 2014 calculated under the Ongoing Actuarial Valuation method. This valuation method assumes that the Scheme will continue in existence for the foreseeable future. The assumptions used in the actuarial review to determine the past service deficit differ from the assumptions that would be used to determine the liabilities for defined benefit obligations under FRS102. This actuarial review recommended that the rate agreed under the funding proposal, 27.7% of pensionable salary, continues to be paid. The cost of risk benefits is paid in addition to this rate giving a total contribution rate of 30% of Pensionable Salary.

12. RELATED PARTY TRANSACTIONS

Directors, supervisors and staff (i.e. officers) of the Credit Union during the financial year ended 30 September 2016 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 2016:

	€
New loans advanced to officers	90,100
Loan balances relating to officers	158,297
Total share and deposit balances relating to officers	222,788

Key Management Compensation

Key management includes members of senior management. The compensation paid or payable to key management for employee services is shown below:

Key Management Salaries: €67,961.00 (2015: €44,066.10)

Key Management Pension: €12,338.55 (2015: €12,338.55)

13. INSURANCE AGAINST FRAUD

The Credit Union has Insurance against fraud in the amount of €1.3m in compliance with Section 47 of the Credit Union Act 1997.

14. RATES OF INTEREST CHARGED ON MEMBERS' LOANS

Secured Loans 6.75%

Non Secured Loans 10.5%

Third Level Student Loans 4%

Property Loans with First Charge 6.75%

15. MEMBERS' SHARES

	€
Regular Share Accounts	32,692,405
Special Share Accounts	6,157,972
Total as per balance sheet	38,850,377

16. CAPITAL COMMITMENTS

The Credit Union had no material capital commitments at the year-ended 30 September 2016.

17. POST-BALANCE SHEET EVENTS

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

18. CASH AND CASH EQUIVALENTS

	2016	2015
	€	€
Cash and Bank Balances	2,656,169	875,790
Bank Overdrafts	(81,046)	(99,457)
Cash Equivalent	1,528,759	1,454,144
	4,103,882	2,230,477

19. CREDIT RISK DISCLOSURES

Ballyshannon & Killybegs Credit Union offer Home Loans, however the majority of all loans to members are unsecured, except that there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding.

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 percentages of the regulatory reserve (large exposure limit)
- restricts the loan duration of certain loans to specified limits (maturity limits)
- require 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 Ballyshannon & Killybegs Credit Union's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments. Where loans are not impaired/bad it is expected that the amounts repayable will be received in full.

	2016 €	2015 €
Loans Not Impaired	12,106,329	1,924,653
Up to 9 Weeks Past Due	1,604,422	3,822,646
Between 10 and 18 Weeks Past Due	166,708	40,190
Between 19 and 26 Weeks Past Due	60,242	11,285
Between 27 and 39 Weeks Past Due	59,007	12,396
Between 40 and 52 Weeks Past Due	43,863	-
53 or More Weeks Past Due	525,542	146,381
	14,516,113	5,957,551

20. TRANSFER OF ENGAGEMENT

On 09 June 2016, Killybegs Credit Union Limited accepted the Transfer of Ballyshannon Credit Union Limited. The Assets and Liabilities of Ballyshannon at 09 June 2016 were incorporated into the Balance Sheet of Killybegs Credit Union at that date.

Killybegs Credit Union did not pay any consideration in respect of the Transfer of Engagement. On the date of transfer, the members of the Transferor Credit Unions became members of the new Ballyshannon & Killybegs Credit Union, and thereby became entitled to member interest associated with such membership. In applying the acquisition method of accounting for this business combination, the members' interests transferred by Ballyshannon represents the consideration transferred for the net assets acquired. This consideration has been estimated as equivalent to the acquisition date fair value of the member interests in the Transferor Credit Unions (the fair value of the Transferor Credit Unions) at the date of transfer, and is reflected as an adjustment in Reserves in the statement of changes in equity on page 8.

Assets transferred are detailed below:

	2016 €
Tangible Fixed Assets	574,414
Bank & Cash	13,532,672
Member Loans	7,417,145
Debtors	17,233
Members Shares	(18,065,408)
Bad Debt Provision	(954,430)
Accruals	(262,539)
	2,259,087

21. LIABILITIES

Accruals €95,302 (2015: €74,846)

22. 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 Ballyshannon & Killybegs Credit Union's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below:

Bad debts/Impairment losses on loans to members

Ballyshannon & Killybegs Credit Union Limited's accounting policy for impairment of loans is set out in the accounting policy. 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.

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.

Impairment of buildings

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. In the event, an impairment loss is recognised as the difference between the carrying amount and the assets market value. The impairment charge, if applicable is charged to the Income and Expenditure Account in the period in which the related events or changes in circumstances occur.

23. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES - Financial Risk Management

23a. Ballyshannon & Killybegs Credit Union manages its members' shares and loans to members so that it earns income from the margin between interest receivable and interest payable. The main financial risks arising from Ballyshannon & Killybegs Credit Union's activities are credit risk, liquidity risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Credit risk: Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to Ballyshannon & Killybegs Credit Union, resulting in financial loss to the Credit Union. In order to manage this risk the Board approves Ballyshannon & Killybegs 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: Ballyshannon & Killybegs 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.

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

Interest rate risk: Ballyshannon & Killybegs 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.

23b. Interest Rate Risk Disclosure The following shows the average interest rates applicable to relevant financial assets: Loans to members €14,516,113 (2015: €5,957,551) Average Interest Rate 9.5% (2015: 10%)

23c. Liquidity Risk Disclosure All Ballyshannon & Killybegs Credit Union's financial liabilities are repayable on demand. The Credit Union retains at all times liquid assets amounting to a minimum of 20% of unattached savings.

24. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18th November 2016

“ TELLERS TO SERVE YOU! We may not have ATMs, Phone Apps, Lodgements Machines all those things which can replace human interaction, we actually like meeting our member-owners. ”



Ballyshannon & Killybegs Credit Union Ltd.

Providing Financial Services to our Members:

Main Street, Killybegs, Co. Donegal

Phone Killybegs: **074 9732158** Ballyshannon: **071 9852288**

E-mail: **info@bkcreditunion.ie** • Website: **www.bkcreditunion.ie**

OFFICE OPENING TIMES

Ballyshannon:

Monday: 10am - 1pm, 2pm - 4pm Thursday: 10am - 4pm
 Tuesday: 10am - 1pm, 2pm - 4pm Friday: 10am - 7pm
 Wednesday: 10am - 1pm Saturday: 10am - 1pm

Killybegs: Mon-Thurs: 9.30am - 5.00pm (throughout lunch)
 Friday: 9.30am - 6.00pm (throughout lunch)

Ardara: Monday & Thursday: 9.30am - 1pm, 2pm - 5pm

Glenties: Tuesday: 9.30am - 1pm & 2pm - 5pm
 Friday: 9.30am - 1pm & 2pm - 6pm

Pettigo: Wed-Sat: 10am - 12:30pm

- Standing order payment facility
- Electronic Payments Outwards - EFT/ SEPA Transfers
- Electronic Payments Inwards - Wages, Pensions, Farm Payments, Social Welfare, SUSI Grant Payments



- Secure savings
- Competitive loans
- Personal Insurance
- Home Insurance
- Motor Insurance
- Travel Insurance

We accept following debit cards:



OUR WEBSITE

Visit our interactive website at

www.bkcreditunion.ie

Members can now register for a PIN number allowing them to check their balances and make loan applications on-line.



www.bkcreditunion.ie

You have plans We help you get there

Ballyshannon & Killybegs Credit Union Ltd. is regulated by the Central Bank of Ireland.