Mallow Credit Union Limited

AGM 2020

Notice of AGM & Financial Statements

The Annual General Meeting
of the members
of Mallow Credit Union
will be held virtually
on Friday 26th March 2021
at 6pm.

Contents

Order of Business

1. Acceptance of Proxies (if any) by the Board of Directors.
2. Acceptance that a quorum is present.
3. Adoption of Standing Orders.
4. Reading and approval (or correction) of the minutes of the last Annual General Meeting and any intervening Special General Meeting.
5. Appointment of Tellers.
6. Report of the Nominating Committee.
7. Balloting.
8. Report of the Board of Directors.
9. Financial and Auditors Report, Consideration of Accounts and Declaration of Dividend (if any).
10. Report of the Credit Committee.
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13. Report of the Credit Control Committee.
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19. Adjournment or close of Meeting.

Notice of Elections

Elections will be held to fill the following vacancies:

- 4 vacancies on the Board of Directors
- 3 vacancies on the Board Oversight Committee
- The Position of Auditor

Amendments to Standard Rules

Motion 1

That this Annual General Meeting amends the Standard Rules for Credit Unions (Republic of Ireland) by the insertion of a new Rule 1A as follows:

Any reference in these rules to a member present and voting at a general meeting shall be construed as including a reference to a member in attendance and voting at a general meeting conducted wholly or partly by the use of electronic communications technology.

Motion 2

That this Annual General Meeting amends Rule 96 of the Standard Rules for Credit Unions (Republic of Ireland) in paragraph (1), by the substitution of "at a time, at a place in the State (where applicable) and in the manner (where applicable)" for "in the State at such date, time and place",

And
by the insertion of a new 96A as follows:

96A (1) The credit union need not hold a general meeting at a physical venue but may conduct the meeting wholly or partly by the use of electronic communications technology as long as all attendees have a reasonable opportunity to participate in the meeting in accordance with this Rule.

(2) (a) The credit union may provide for participation in a general meeting by providing or facilitating, for that purpose, the use of electronic communications technology, including a mechanism for casting votes by a member, whether before or during the meeting.

(b) The mechanism referred to in paragraph (a) shall not require the member to be physically present at the general meeting.

(3) The use of electronic communications technology pursuant to paragraph (2) may be made subject only to such requirements or restrictions put in place by the credit union as are necessary to ensure the identification of attendees and the security of the electronic communications technology, to the extent that such requirements or restrictions are proportionate to the achievement of those objectives.

(4) The credit union shall inform attendees, before the general meeting concerned, of any requirements or restrictions which it has put in place pursuant to paragraph (3).

(5) The credit union that provides for the use of electronic communications technology for participation in a general meeting by an attendee shall endeavour to ensure, as far as practicable, that—

(a) such technology:
(i) provides for the security of any electronic communications by the attendee,
(ii) minimises the risk of data corruption and unauthorised access, and
(iii) provides certainty as to the source of the electronic communications.

(b) in the case of any failure or disruption of such technology, that failure or disruption is remedied as soon as practicable, and

(c) such technology enables the attendee to:

(i) hear what is said by the chair of the meeting and any person introduced by the chair, and
(ii) speak and submit questions and comments during the meeting to the chair to the extent that the attendee is entitled to do so under the rules of the credit union.

(6) Any temporary failure or disruption of electronic communications technology shall not invalidate the general meeting or any proceedings relating to the meeting.

(7) Unless such failure or disruption is attributable to any wilful act of the credit union, the credit union shall not be liable in respect of any failure or disruption relating to the equipment used by an attendee to access a general meeting by electronic communications technology that occurs and which failure or disruption prevents or interferes with the attendee's participation, by the use of such technology, in the meeting.

(8) Where, in the opinion of the board of directors, it is deemed necessary, due to exceptional and unexpected circumstances, the board of directors may, by resolution, cancel a general meeting at any time prior to the holding of the meeting.

Amendments to Standard Rules (continued)

Motion 3

That this Annual General Meeting amends Rule 98 of the Standard Rules for Credit Unions (Republic of Ireland)

(a) In paragraph (2):
- (i) by the substitution of the following paragraph for paragraph (a): "(a) shall state the date, time, place (where applicable) and manner of holding (where applicable) of the general meeting;",
- (ii) in paragraph (c), by the substitution of ";" for "; and",
- (iii) in paragraph (e), by the insertion of "and",
- (iv) by the insertion of the following paragraph after paragraph (e):
  "(f) shall, in the case of a general meeting proposed to be held wholly or partly by the use of electronic communications technology, state
  - (i) the electronic platform to be used for the meeting,
  - (ii) details for access to the electronic platform,
  - (iii) where required by a credit union, the time and manner by which an attendee must confirm his or her intention to attend the meeting,
  - (iv) any requirements or restrictions which the credit union has put in place in order to identify attendees who intend to attend the meeting,
  - (v) the procedure for attendees to communicate questions and comments during the meeting, and
  - (vi) the procedure to be adopted for voting on resolutions proposed to be passed at the meeting."

(b) In paragraph (4), by the insertion of "and containing such information" after "in such form".

And
by the insertion of a new Rule 98A as follows:

98 A (1) Notwithstanding Rule 98 but subject to paragraph (2), notice for the purposes of Rule 96A(8) shall be given in the same manner as the notice for the general meeting referred to in Rule 98 but where, in the opinion of the board of directors, giving such notice in that manner is not reasonably practicable, notice shall be given

- (a) where the credit union has a website, on that website,
- (b) by email to every member for whom the credit union has an email address, and
- (c) in at least one national newspaper published in the State and circulating in the area in which the registered office of the credit union is situated, in a local paper and on local radio.

(2) Paragraph (1) shall not apply where all members agree in writing to the cancellation, change of venue or change of means of holding the general meeting concerned, or to dispensing with notice for the general meeting.

Motion 4

That this Annual General Meeting amends Rule 99(3)(a) of the Standard Rules for Credit Unions (Republic of Ireland) by the substitution of "paragraphs (a), (b), (d) (e) of paragraph (2)" for "paragraphs (a), (b), (d), (e), (f) of paragraph (2)".

Motion 5

That this Annual General Meeting agrees to amend Rule 13(1)(iii) of the Standard Rules of Mallow Credit Union Limited to read as follows:

13(1)(iii) An applicant shall be admitted to membership only when she/he has paid for a minimum of €10 share(s) in the credit union.

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 Union (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 €40,012 (0.025%) and a proposed loan interest rebate of €74,404 (2.50%)).

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 principle 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 loans policy. All loan applications are assessed with reference to the loans policy 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 135 Bank Place, Mallow, Co. 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 20 November 2020 and signed on its behalf by:

Chairperson of the Board of Directors: Anne van der Molen
Date: 20 November 2020

Member of the Board of Directors: Tom Cronin
Date: 20 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 20 November 2020 and signed on its behalf by:

Chairperson of the Board of Directors: Anne van der Molen
Date: 20 November 2020

Member of the Board of Directors: Tom Cronin
Date: 20 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 20 November 2020 and signed on its behalf by:

Chairperson of the Board Oversight Committee: Ciaran Treacy
Date: 20 November 2020

Independent Auditor's Report
to the members of Mallow Credit Union Limited

Opinion
We have audited the financial statements of Mallow 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, Mallow 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 auditor's 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.

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.

Independent Auditor's Report (continued)

to the members of Mallow Credit Union Limited

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 auditor's objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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.

As part of an audit in accordance with ISAs (Ireland), the auditor will exercise professional judgment 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 auditor's 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 auditor's 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.

Independent Auditor's Report (continued)

to the members of Mallow Credit Union Limited

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 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.

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

Date: 20 November 2020

Income and expenditure account

For the financial year ended 30 September 2020

	Schedule	2020 €	2019 €
Income			
Interest on loans		2,876,946	2,818,468
Interest payable on members' deposits (note 23)		–	(44)
Other interest income and similar income	1	1,325,750	1,230,342
Net interest income		**4,202,696**	**4,048,766**
Other income	2	105,018	197,945
Total income		**4,307,714**	**4,246,711**
Expenditure			
Employment costs		1,809,773	1,907,430
Other management expenses	3	2,171,128	2,110,000
Depreciation		169,579	147,600
Net impairment losses/(gains) on loans (note 5)		31,014	(368,314)
Total expenditure		**4,181,494**	**3,796,716**
Surplus for the financial year		**126,220**	**449,995**

The financial statements were approved and authorised for issue by the board on 20 November 2020 and signed on behalf of the credit union by:

CEO: Tomás O'Neill
Date: 20 November 2020

Member of the Board Oversight Committee: Ciaran Treacy
Date: 20 November 2020

Member of the Board of Directors: Anne van der Molen
Date: 20 November 2020

The notes on pages 17 to 31 form part of these financial statements.

Statement of other comprehensive income

For the financial year ended 30 September 2020

	2020 €	2019 €
Surplus for the financial year	126,220	449,995
Other comprehensive income	–	–
Total comprehensive income for the financial year	**126,220**	**449,995**

The financial statements were approved and authorised for issue by the board on 20 November 2020 and signed on behalf of the credit union by:

CEO: Tomás O'Neill
Date: 20 November 2020

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Date: 20 November 2020

Member of the Board of Directors: Anne van der Molen
Date: 20 November 2020

The notes on pages 17 to 31 form part of these financial statements.

Balance sheet

As at 30 September 2020

	Notes	2020	2019
Assets		€	€
Cash and balances at bank		1,368,309	2,916,137
Deposits and investments – cash equivalents	7	40,014,844	26,399,607
Deposits and investments – other	7	123,056,117	127,686,620
Loans	8	35,630,832	39,297,816
Provision for bad debts	9	(4,376,893)	(4,242,253)
Tangible fixed assets	10	3,559,865	3,507,710
Investments in associates	11	265,000	265,000
Debtors, prepayments and accrued income	12	130,816	467,629
Total assets		**199,648,890**	**196,298,266**
Liabilities			
Members' shares	13	172,559,302	169,396,219
Other liabilities, creditors, accruals and charges	15	1,094,246	907,903
Other provisions	16	28,461	42,363
Total liabilities		**173,682,009**	**170,346,485**
Reserves			
Regulatory reserve	18	21,736,737	20,612,175
Operational risk reserve	18	1,051,072	1,051,072
Other reserves			
– Realised reserves	18	3,096,875	4,213,632
– Unrealised reserves	18	82,197	74,902
Total reserves		**25,966,881**	**25,951,781**
Total liabilities and reserves		**199,648,890**	**196,298,266**

The financial statements were approved and authorised for issue by the board on 20 November 2020 and signed on behalf of the credit union by:

CEO: Tomás O'Neill
Date: 20 November 2020

Member of the Board Oversight Committee: Ciaran Treacy
Date: 20 November 2020

Member of the Board of Directors: Anne van der Molen
Date: 20 November 2020

The notes on pages 17 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 €
As at 1 October 2018	**20,204,725**	**1,051,072**	**4,356,670**	**98,996**	**25,711,463**
Surplus for the year	–	–	449,995	–	449,995
Dividends and loan interest rebates paid	–	–	(209,677)	–	(209,677)
Transfers between reserves	407,450	–	(383,356)	(24,094)	–
As at 1 October 2019	**20,612,175**	**1,051,072**	**4,213,632**	**74,902**	**25,951,781**
Surplus for the year	–	–	118,925	7,295	126,220
Dividends and loan interest rebates paid	–	–	(111,120)	–	(111,120)
Transfers between reserves	1,124,562	–	(1,124,562)	–	–
As at 30 September 2020	**21,736,737**	**1,051,072**	**3,096,875**	**82,197**	**25,966,881**

- The regulatory reserve of the credit union as a percentage of total assets as at 30 September 2020 was 10.89% (2019: 10.50%).

- The operational risk reserve of the credit union as a percentage of total assets as at 30 September 2020 was 0.53% (2019: 0.54%).

The notes on pages 17 to 31 form part of these financial statements.

Statement of cash flows

For the financial year ended 30 September 2020

	Notes	2020 €	2019 €
Opening cash and cash equivalents		29,315,744	24,672,884
Cash flows from operating activities			
Loans repaid	8	18,528,142	19,230,187
Loans granted	8	(15,548,070)	(21,109,376)
Interest on loans		2,876,946	2,818,468
Interest payable on members' deposits		–	(44)
Other interest income and similar income		1,325,750	1,230,342
Bad debts recovered and recoveries		790,538	807,337
Other income		105,018	197,945
Dividends paid		(39,612)	(145,414)
Loan interest rebates paid		(71,508)	(64,263)
Operating expenses		(3,980,901)	(4,017,430)
Movement in other assets and liabilities		509,254	1,343,001
Net cash flows from operating activities		**4,495,557**	**290,753**
Cash flows from investing activities			
Fixed asset (purchases)/disposals		(221,734)	(37,261)
Investments in associates		–	(265,000)
Net cash flow from other investing activities		4,630,503	(6,788,922)
Net cash flows from investing activities		**4,408,769**	**(7,091,183)**
Cash flows from financing activities			
Members' shares received	13	107,324,627	102,805,008
Members' shares withdrawn	13	(104,161,544)	(91,277,718)
Members' deposits withdrawn	14	–	(84,000)
Net cash flow from financing activities		3,163,083	11,443,290
Net (decrease)/increase in cash and cash equivalents		**12,067,409**	**4,642,860**
Closing cash and cash equivalents	6	**41,383,153**	**29,315,744**

The notes on pages 17 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

Mallow 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 135 Bank Place, Mallow, Co. 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 loans
Interest on 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.

2.6 Investments

<u>The specific investment products held by the credit union are accounted for as follows:</u>

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.

Notes to the financial statements (continued)

For the financial year ended 30 September 2020

2. Accounting policies (continued)

2.6 Investments

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

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:

Premises	2% straight line
Fixtures & fittings	20% straight line
Computer & office equipment	25% straight line
Security equipment	12.5% straight line

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.

2.13 Financial liabilities – members' shares and members' deposits

Members' shares and members' deposits 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.

Notes to the financial statements (continued)

For the financial year ended 30 September 2020

2. Accounting policies (continued)

2.14 Other payables

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

2.15 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. Employer contributions to the pension scheme are charged to the income and expenditure account in the period to which they relate.

2.16 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.

2.17 Derecognition of financial liabilities

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

2.18 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.

2.19 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 considered an approach to the calculation of the operational risk reserve. The credit union uses the Basic Indicator Approach as set out in the operational risk measurements techniques proposed under Basel II capital adequacy rules for banking institutions in calculating the Operational Risk Reserve. Therefore the credit union will hold an operational risk reserve which will at a minimum equal 15% of the average positive gross income for the previous three years. For any year in which there was a deficit, this will be excluded from the calculation.

2.20 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".

Notes to the financial statements (continued)
For the financial year ended 30 September 2020

2. Accounting policies (continued)

2.21 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.

2.22 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 judgments 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 €3,559,865 (2019: €3,507,710).

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 €4,376,893 (2019: €4,242,253) representing 12.28% (2019: 10.80%) of the total gross loan book.

Investment in associates
The investment in associates represents Mallow 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, Mallow 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.

Operational risk reserve
The directors have considered the requirements of the Credit Union Act, 1997 (as amended) and have developed an approach to the calculation of the operational risk reserve. The credit union uses the Basic Indicator Approach as set out in the operational risk measurements techniques proposed under Basel II capital adequacy rules for banking institutions in calculating the operational risk reserve. The operational risk reserve of the credit union at the year end was €1,051,072 (2019: €1,051,072).

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 Mallow Credit Union Limited are all unpaid volunteers. The key management personnel compensation is as follows.

	2020 €	2019 €
Short term employee benefits paid to key management	356,366	338,072
Payments to pension schemes	22,151	20,630
Total key management personnel compensation	**378,517**	**358,702**

5. Net impairment losses/gains on loans to members

	2020 €	2019 €
Bad debts recovered	(663,289)	(658,006)
Impairment of loan interest reclassed as bad debt recoveries	(127,249)	(149,331)
Movement in bad debts provision during the year	134,640	(173,572)
Loans written off during the year	686,912	612,595
Net impairment losses/(gains) on loans	**31,014**	**(368,314)**

6. Cash and cash equivalents

	2020 €	2019 €
Cash and balances at bank	1,368,309	2,916,137
Deposits and investments (note 7)	163,070,961	154,086,227
Less: Deposit and investment amounts maturing after three months	(123,056,117)	(127,686,620)
Total cash and cash equivalents	41,383,153	29,315,744

7. Deposits and investments

	2020 €	2019 €
Deposits and investments – cash equivalents		
Accounts in authorised credit institutions (Irish and non-Irish based)	40,014,844	26,399,607
Total deposits and investments – cash equivalents	**40,014,844**	**26,399,607**
Deposits and investments – other		
Accounts in authorised credit institutions (Irish and non-Irish based)	93,523,232	98,363,505
Irish and EEA state securities	1,809,569	1,837,579
Bank bonds	24,143,316	21,994,368
Central bank deposits	3,580,000	1,474,685
Other investments	–	4,016,483
Total deposits and investments – other	**123,056,117**	**127,686,620**
Total deposits and investments	**163,070,961**	**154,086,227**

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	39,297,816	38,031,222
Loans granted during the year	15,548,070	21,109,376
Loans repaid during the year	(18,528,142)	(19,230,187)
Gross loans and advances	**36,317,744**	**39,910,411**
Bad debts		
Loans written off during the year	(686,912)	(612,595)
As at 30 September	**35,630,832**	**39,297,816**

Loans are analysed as follows:

	2020	2019
Loans to members	35,296,653	38,636,071
Other loans	334,179	661,745
As at 30 September	**35,630,832**	**39,297,816**

9. Provision for bad debts

	2020	2019
	€	€
As at 1 October	4,242,253	4,415,825
Movement in bad debts provision during the year	134,640	(173,572)
As at 30 September	**4,376,893**	**4,242,253**

The provision for bad debts is analysed as follows:

	2020	2019
	€	€
Grouped assessed loans	4,376,893	4,242,253
Provision for bad debts	**4,376,893**	**4,242,253**

Notes to the financial statements (continued)

For the financial year ended 30 September 2020

10. Tangible fixed assets

	Premises €	Fixtures & Fittings €	Computer & Office Equipment €	Security Equipment €	Total €
Cost					
1 October 2019	5,338,033	50,828	190,813	–	5,579,674
Additions	–	9,141	53,081	159,512	221,734
Disposals	–	(2,887)	(76,704)	–	(79,591)
At 30 September 2020	**5,338,033**	**57,082**	**167,190**	**159,512**	**5,721,817**
Depreciation					
1 October 2019	1,934,277	19,671	118,016	–	2,071,964
Charge for year	91,612	11,101	51,675	15,191	169,579
Disposals	–	(2,887)	(76,704)	–	(79,591)
At 30 September 2020	**2,025,889**	**27,885**	**92,987**	**15,191**	**2,161,952**
Net book value					
30 September 2020	**3,312,144**	**29,197**	**74,203**	**144,321**	**3,559,865**
30 September 2019	3,403,756	31,157	72,797	–	3,507,710

11. Investments in associates

	€
Cost	
At 1 October 2019 and 30 September 2020	**265,000**
Accumulated impairment	
At 1 October 2019 and 30 September 2020	–
Net book value	
At 30 September 2020	**265,000**
At 30 September 2019	265,000

Interests in associates

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)

Notes to the financial statements (continued)

For the financial year ended 30 September 2020

11. Investments in associates (continued)

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
	€
At 1 October 2019	265,000
Share of other comprehensive income/(loss)	(6,940)
At 30 September 2020	**258,060**

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. Debtors, prepayments and accrued income

	2020	2019
	€	€
Prepayments	48,932	142,727
Other debtors	–	250,000
Loan interest receivable	81,884	74,902
As at 30 September	**130,816**	**467,629**

13. Members' shares

	2020	2019
	€	€
As at 1 October	169,396,219	157,868,929
Received during the year	107,324,627	102,805,008
Withdrawn during the year	(104,161,544)	(91,277,718)
As at 30 September	**172,559,302**	**169,396,219**

14. Members' deposits

	2020	2019
	€	€
As at 1 October	–	84,000
Withdrawn during the year	–	(84,000)
As at 30 September	–	–

15. Other liabilities, creditors accruals and charges

	2020	2019
	€	€
Accruals	928,886	752,757
PAYE/PRSI	44,691	36,902
Other liabilities and creditors	120,669	118,244
As at 30 September	**1,094,246**	**907,903**

Notes to the financial statements (continued)

For the financial year ended 30 September 2020

16. Other provisions

Holiday pay accrual	**2020**	**2019**
	€	**€**
At 1 October	42,363	41,415
Charged to the income and expenditure account	(13,902)	948
As at 30 September	**28,461**	**42,363**

17. Financial instruments

17a. Financial instruments – measured at amortised cost

Financial assets	**2020**	**2019**
	€	**€**
Financial assets measured at amortised cost	193,919,769	196,415,180

Financial liabilities	**2020**	**2019**
	€	**€**
Financial liabilities measured at amortised cost	173,682,009	170,346,485

Financial assets measured at amortised cost comprise of cash and balances at bank, deposits and investments, loans, other debtors and investments in associates.

Financial liabilities measured at amortised cost comprise of members' shares, 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:

At 30 September 2020	**Total**	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**	**€**
Bank bonds	6,415,333	–	6,415,333	–
Total	**6,415,333**	**–**	**6,415,333**	**–**

At 30 September 2019	**Total**	**Level 1**	**Level 2**	**Level 3**
	€	**€**	**€**	**€**
Bank bonds	400,000	–	400,000	–
Total	**400,000**	**–**	**400,000**	**–**

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

18. Reserves

	Balance 01/10/19 €	Payment of dividends & loan interest rebates €	Appropriation of current year surplus €	Transfers between reserves €	Balance 30/09/20 €
Regulatory reserve	**20,612,175**	**–**	**–**	**1,124,562**	**21,736,737**
Operational risk reserve	**1,051,072**	**–**	**–**	**–**	**1,051,072**
Other reserves					
Realised					
Special reserve – proposed dividends and loan interest rebates	114,416	(111,120)	–	(3,296)	–
Future dividend reserve	200,000	–	–	(200,000)	–
General reserve	3,899,216	–	118,925	(921,266)	3,096,875
Total realised reserves	**4,213,632**	**(111,120)**	**118,925**	**(1,124,562)**	**3,096,875**
Unrealised					
Interest on loans reserve	74,902	–	6,982	–	81,884
Investment income reserve	–	–	313	–	313
Total unrealised reserves	**74,902**	**–**	**7,295**	**–**	**82,197**
Total reserves	**25,951,781**	**(111,120)**	**126,220**	**–**	**25,966,881**

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 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	
	€	%	€	%
Loans not impaired				
Total loans not impaired, not past due	25,295,021	70.99%	30,373,475	77.29%
Impaired loans:				
Not past due	2,701,052	7.58%	1,223,626	3.11%
Up to 9 weeks past due	5,627,453	15.80%	4,896,358	12.46%
Between 10 and 18 weeks past due	649,069	1.82%	790,361	2.01%
Between 19 and 26 weeks past due	302,845	0.85%	392,026	1.00%
Between 27 and 39 weeks past due	265,254	0.74%	344,856	0.88%
Between 40 and 52 weeks past due	270,067	0.76%	277,221	0.71%
53 or more weeks past due	520,071	1.46%	999,893	2.54%
Total impaired loans	**10,335,811**	**29.01%**	**8,924,341**	**22.71%**
Total loans	**35,630,832**	**100.00%**	**39,297,816**	**100.00%**

20. Related party transactions

	2020		2019	
	No. of Loans	**€**	**No. of Loans**	**€**
Loans advanced to related parties during the year	11	53,500	11	127,072
Total loans outstanding to related parties at the year end	16	217,341	23	264,697
Total provisions for loans outstanding to related parties		20,780		21,542

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 0.61% of the total loans outstanding at 30 September 2020 (2019: 0.67%).

20b. Savings

The total amount of savings held by related parties at the year end was €441,091 (2019: €775,595).

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' shares 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 loans policy. All loan applications are assessed with reference to the loans policy 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 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		2019	
	€	Average Interest Rate %	€	Average Interest Rate %
Gross loans	**35,630,832**	**8.35%**	**39,297,816**	**7.74%**

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 rebate

The following distributions were made during the year:

	2020		2019	
	%	€	%	€
Dividend on shares	0.025%	39,612	0.10%	145,414
Loan interest rebate	2.50%	71,508	2.50%	64,263

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

	2020		2019	
	%	€	%	€
Dividend on shares	0.00%	–	0.025%	40,012
Loan interest rebate	0.00%	–	2.50%	74,404

23. Rate of interest paid on members' deposit accounts

	2020		2019	
	%	€	%	€
Interest on deposits	0.00%	–	0.125%	44

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

There were no capital commitments at 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. Comparative information

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

29. Approval of financial statements

The board of directors approved these financial statements for issue on 20 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 Auditor's report on pages 9 – 11.

Schedule 1 – Other Interest Income And Similar Income

	2020 €	2019 €
Investment income and gains received/receivable within 1 year	1,325,437	1,230,342
Investment income receivable outside of 1 year	313	–
Total per income and expenditure account	**1,325,750**	**1,230,342**

Schedule 2 – Other Income

	2020 €	2019 €
Rent receivable	60,000	60,000
Commissions and associated income	17,620	28,694
Business lodgements charges	19,204	24,336
ECCU rebate	–	75,726
Administration charges	8,194	9,189
Total per income and expenditure account	**105,018**	**197,945**

Schedule 3 – Other Management Expenses

	2020 €	2019 €
Rent and rates	38,660	60,498
Light, heating and cleaning	45,608	40,091
Print, stationery and office supplies	84,541	63,203
Postage and telephone	86,208	33,769
Promotion and development	119,294	79,788
AGM expenses	37,897	32,195
Share and loan insurance	554,246	591,808
Professional fees	154,454	215,850
General Insurance	56,401	50,863
Repairs and computer maintenance	493,498	323,729
Travel expenses	20,799	44,388
ILCU affiliation fees and SPS contribution	26,479	40,358
Audit fee	33,275	33,825
Legal fee	31,917	45,890
Miscellaneous expenses	1,316	4,005
Bank charges	64,803	75,212
Regulatory levies and charges	321,732	374,528
Total per income and expenditure account	**2,171,128**	**2,110,000**

Standing Orders for Credit Unions for Virtual - Annual General Meeting (ROI)

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

   Since this year's AGM will be a virtual meeting, voting on motions and elections will be by electronic means. Each member will be given the opportunity to exercise their vote electronically during the meeting.

2. Election Procedure – Electronic Voting
2. Following the announcement of nominations attendees will be given the opportunity to vote electronically "Yes" or "No" for each candidate. Those in attendance will be given one (1) minute to record their vote. The mechanics of the electronic virtual voting process will be explained in more detail at the AGM by the Chair. Elections shall be in the following order:

   a) nominations for auditor
   b) nominations for members of the board oversight committee
   c) nominations for directors.

   The votes will be tallied electronically and verified by our Internal Auditor. When all elections have been completed and results become available the chair will announce the results.

3 – 4 Motions
3. Due to the specific difficulties we are facing in holding an Annual General Meeting this year due to Covid-19, the purpose of this year's AGM is to deal with the essential business of the credit union.

   This includes reporting to members on the financial status of the credit union, declare a dividend/interest rebate, and elect officers. Any other non-urgent matters will be dealt with at next year's AGM.

   As such, there will be no motions from the floor due to the difficulties in managing same remotely.

   Members will be invited to submit questions to the board via "Chat" button on the toolbar in the Zoom Webinar and the board will address these during the AGM.

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

5 – 10 Miscellaneous
5. The Chairperson of the credit union shall be the Chairperson of any general meeting, except where he/she is not available, in which case it shall be the Vice-Chair, except where he/she is not available, in which case the Board shall decide amongst themselves who shall act as Chair of any general meeting.

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

7. Matters not covered by the Agenda may be introduced under "Other Business" at the discretion of the Chairperson. At a virtual AGM in the current circumstances, this may not be practical, however, the option may be invoked if required.

8. The Chairperson shall have a second or casting vote in addition to his/her own vote on matters other than voting at elections where there is an equality of votes (Standard Rule 99(1)).

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

10. Adjournments
    Adjournments of the AGM shall take place only in accordance with sections 81(1) and 80A of the Credit Union Act, 1997 (as amended).

11-16 Virtual Meeting Items
11. Members shall keep their microphones muted and video cameras off for the duration of the meeting, except for when requested to make contributions for the meeting.

12. A member shall only address the meeting when called upon by the Chair to do so, when invited to contribute.

13. All members are asked to utilise the Q&A button on the bottom of the toolbar in Zoom to ask questions.

14. All members are reminded to conduct themselves in a professional manner. Please refrain from sharing any explicit, violent or inappropriate content.

15. Provision shall be made for the protection of the Chair from vilification (personal abuse)

16. All members are asked to keep their mobile phone silent. The vibrate setting can also cause disruptions. If you must take urgent calls, please ensure that your microphone is muted.

Notes

Notes

Offices in:

Buttevant	Tel. 022 23427
Charleville	Tel. 063 50171
Dromcollogher	Tel. 063 83328
Mallow	Tel. 022 21121
Millstreet	Tel. 029 70764

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Mallow Credit Union Limited is regulated by the Central Bank of Ireland.

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