



**Portlaoise**  
credit union

## **NOTICE TO MEMBERS**

# **DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2011**

*Annual General Meeting 2011*

Monday, 12th December 2011, 8pm

St. Marys Hall, Portlaoise

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

## STAFF MEMBERS

### LIST OF DIRECTORS

Philip Coonan  
Frank Cronin  
Seamus McGrath  
Trudy Nealon  
Margaret Carroll  
Clive Davis  
Har Fingleton  
John Forristal  
Joseph Quigley  
Emer McCarthy  
Kieran Brosnan  
Marcella Dowling  
Bill Fitzpatrick  
Tony Mahon  
John Meehan

### LIST OF SUPERVISORS

Mary Reddin  
Patsy Campion  
Phil Coughlan  
Sean Mullins  
Rita Murphy Kerry

### LIST OF STAFF

AnneMarie Keating  
AnneMarie Bennett  
Emma Sinnott  
Jerry Deegan  
Michelle Langton  
Olive Fitzpatrick  
Sharon Murtagh  
Anne Blanchfield  
Bernard O'Grady  
Colm Gleeson  
Deirdre Fingleton  
Deirdre Walsh  
Emer Conroy  
Lisa Reddin  
Nicola Carroll  
Sandra Donohue  
Sarah Delaney  
Stephanie Nealon  
Noeleen Dempsey  
Liz Flanagan  
Sean Dunne – Manager

**DRAW ON THE NIGHT**  
**CAR DRAW & €1000**  
**IN SPOT PRIZES**  
**ON THE NIGHT**

## NOTICE

The Annual General Meeting of Portlaoise Credit Union will be held in the St Marys Hall, Portlaoise on Monday 12th December 2011 at 8pm. The election of one member to the Board of Directors, two members to the Supervisory Committee and an Auditor will take place at the meeting. Nominations for the positions must be made in writing and the completed Nomination Forms must reach the Credit Union's office in Portlaoise before 5pm on Friday the 9th December 2011. Nomination Forms are available on request at the Credit Union offices. Members are requested to bring their membership books as a means of identification.

*Seamus McGrath, Secretary*

## AGM AGENDA

1. Credit Union Invocation
2. Acceptance of proxies (if any)
3. Ascertainment of quorum
4. Adoption of standing orders
5. Review of minutes – AGM 2010
6. Chairman's address/Report of Directors
7. Treasurer's report/treasurers honorarium
8. Declaration of Dividend
9. Auditor's report
10. Report of the Credit Committee
11. Report of the Membership Committee
12. Report of the Credit Control Committee
13. Report of the Development & Promotion
14. Motions
15. Report of the Supervisory Committee
16. Report of the Nominations Committee
17. Appointment of tellers
18. Elections and Balloting
19. Any other business
20. Election results
21. Raffle (Two Cars and AGM draw)
22. Adjournment or close of meeting

## AGM STANDING ORDERS

### **VOTING**

1. Each Member shall be entitled to one vote irrespective of his/her shareholding in accordance with Standard Rule 140.

### **ELECTION PROCEDURE**

2. Nominations may be accepted from the floor in accordance with Standard Rule 138.
3. Elections to the Board of Directors, to the Supervisory Committee and to the position of Auditor shall be by majority vote and by secret ballot.
4. A Ballot Paper for the election of the Board of Directors and the Supervisory Committee where applicable will be distributed to each Member at the AGM.

### **MOTIONS**

5. All motions from the floor of the AGM must be proposed and seconded by Members present at the AGM and moved by the proposer. If the proposer is absent when the motion is called, the motion shall be deemed to have failed.
6. A proposer of a motion may speak for such period as shall be at the discretion of the Chairperson of the meeting and shall have the right of reply before the motion is put to the meeting for a vote.
7. In exercising his/her right of reply, a proposer may not introduce new material.
8. The seconder of a motion shall have such time as shall be allowed by the Chairperson to second the motion.
9. Members are entitled to speak on any such motion and must do so through the Chair. All speakers to any motion shall have such time as shall be at the discretion of the Chairperson.
10. The Chairperson shall have the absolute right to decide at any time when a motion has been sufficiently discussed and may put the motion to the meeting giving the Proposer the right of reply before doing so.

### **MISCELLANEOUS**

11. The Chairperson of the Board of Directors shall be the Chairperson of any general meeting, except where he/she is not available, then it shall be the Vice-Chairperson, except where he/she is not available, in which case the Board shall decide amongst themselves who shall act as Chairperson of any general meeting.
12. The Chairperson may at his discretion, extend the privilege of the floor to any person who is not a member.
13. Matters not covered by the Agenda may be introduced under "Other Business" at the discretion of the Chairperson.
14. The Chairperson's decision on any matter relating to these Standing Orders or interpretation of same shall be final.
15. In accordance with Rule 133(1), no member shall have more than one vote on each question at any general meeting of the Credit Union, or any adjournment thereof irrespective of his shareholding, or the number of accounts in his name in the Credit Union provided, however, that except in voting at elections, the presiding member shall have a second or casting vote in the event of equality of voting. Voting by proxy shall be allowed only when a member other than a natural person votes through a representative, who is a member of the group, duly authorised in writing for that purpose and accepted as such by the Board of Directors. Refer to Rule 139 also reelection procedure.
16. Any matter to be decided upon by a vote of the AGM shall, unless otherwise expressly provided for by law or the rules, be decided upon by simple majority.

### **SUSPENSION OF STANDING ORDERS**

17. Any one of these Orders or all of these Standing Orders may be suspended on a motion to this effect receiving a two-thirds majority of those present and entitled to vote.

### **ALTERATION OF STANDING ORDERS**

18. Standing Orders may be amended or altered at a general meeting and only if a motion to this effect has received a two-thirds majority of those present and voting.

### **ADJOURNMENTS**

19. Adjournments of the AGM shall take place only in accordance with Standard Rule 133.

## FORTY-SECOND ANNUAL MEETING CHAIRMAN REPORT

On behalf of the board of directors, management and staff, I thank you for your participation in our credit union. It is because of your trust and involvement that our credit union is able to progress and provide so many important benefits not only to our members, but also to our community. It is my privilege as your chairman to provide the 42nd annual report on the activities of your Credit Union.

I am pleased to report that PCU continues to provide support for our members by helping them through one of the worst recessions our country has seen. During 2011 PCU has continued to assist our members in their personal finances. When our members faced challenges we provided caring support to help them in resolving their financial difficulties. We also have continued to improve the level and quality of services that we provide to members. In 2012 we will continue with this support and advance our quest to further improve services. It is planned to provide improved more flexible opening hours to ensure members have quick and easy access to their accounts. It is planned to commence implementation of improvements in January 2012. Notices of the changed opening hours will receive wide coverage in the local media.

A prudent approach has been taken by the Board of Directors in recommending 0.5% annual dividend. This will be the figure recommended by the Board at the AGM this year which will be held on 12th December 2011 at Saint Mary's Parish Hall. This prudent approach has significantly strengthened our provisions and reserve levels which will further strengthen the position of our Credit Union in future years. Our involvement in our local community continues to grow, from providing our members with affordable loans and products to demonstrating our commitment and leadership supporting many of the voluntary organisations and clubs in Portlaoise and its environs. The recognition we receive speaks

for itself and is a welcome confirmation that our supports and sponsorships are making a difference to our members and many community groups. I have mentioned that PCU is committed to supporting members under financial pressure. We have become aware during the year that the activity of moneylenders is on the increase in our community. We would remind all members that, while this readily available credit may appear attractive at first, many charge exorbitant rates of interest so the cost involved very often makes the situation worse and may lead to total financial breakdown. I would urge members to consider a credit union loan as a better, more sustainable option. We continue to be open for credit when many other institutions are not.

In conclusion, I would like to thank all our members for your continued support of our credit union, and to assure you that member service will always be our priority, particularly during these difficult times. On my own behalf, I wish to thank the Management and Staff for their efforts in the past year. In addition I want to pay tribute to my fellow Directors and Supervisors for their dedication and support. Members should realise that the workload involved in running a credit union of our size requires a huge sacrifice, in terms of time and commitment, by the individuals involved.

I wish to recognise the contribution of the following board and Supervisory members who gave outstanding service to our credit union and are retiring this year. Directors: Emer McCarthy and John Forristal, Supervisors: Mary Reddin and Sean Mullins. Finally, I would like to wish each and every member a very happy and peaceful Christmas, and best wishes for the New Year.

Sincerely,  
**Philip Coonan**  
Chairman

## TREASURER'S REPORT

It is my duty to report on behalf of your Board of Directors the finances of the Credit Union for the year ended 30 September 2011. Following the usual practice, I do not intend to read the figures at the AGM but to draw your attention to some of the key points. Portlaoise Credit Union continues to remain financially sound and secure despite the economic storm and responsive to the needs of our members.

The 2010/2011 financial year has been an extremely challenging one. We are all aware of the tighter financial constraints placed on all our members as a result of the current financial difficulties in our economy. In addition many external pressures have been placed on the credit union through new regulatory and governance requirements.

I am pleased to inform you that through prudent financial management underpinned by a strong governance framework Portlaoise Credit Union have met all of these requirements set out by the Central Bank of Ireland. Your credit union is in a very strong position not only to withstand the current economic downturn but to continue to serve our members well into the future.

The assets of the Credit Union are €53.1 million and we have a very strong balance sheet in terms of reserves and liquidity. We have maintained our commitment to providing modest loans to credit worthy members. In the current financial year we issued a total of €8.64 million in loans to members enabling them to realize their goals. We will continue to provide our members with a safe and secure home for their savings and will continue to lend at fair and reasonable rates. Current lending restrictions placed on the credit union movement by the Financial Regulator do not impact greatly on Portlaoise Credit Unions ability to meet our member's loan requirements.

### INCOME

The total income of the Credit Union for the year decreased by 27% to €2.24 million. Interest on Members Loans continues to be by far to be the largest part of our income. Interest on Members loans decreased by 15%. Our investments suffered due to the impact the Global Financial turmoil has had on Ireland with investment income decreasing by 58% to €346,253. Going forward we will continue to review our loan offering and tailor our loans to meet members needs. We will continue to adopt a prudent approach to investing, avoiding products containing undue risk.

### EXPENDITURE

Total expenditure for the financial year came in at €1.84 million which represented a decrease of 30% on the previous year. This was due to better management of our bad debts which we continue to prioritise and actively manage. We welcome at all times an opportunity to meet with our members who are in difficulty and will strive to work with each member on a case by case basis to improve their financial position.

Last year the board took the prudent decision of increasing our provisioning to €2.3 million and our operational performance in 2010/11 means we do not have to add further to our provisioning this year. We are obliged to strengthen our reserves by €41,000 in line with Central Bank of Ireland's requirement to put away of 10% of our annual surplus.

### APPROPRIATION OF SURPLUS

The surplus at the end of the year is €406,576. To insure the stability and strength of

Portlaoise Credit Union, in an environment of increased reserves, increased provisioning and declining loan demand, the Board of Directors are recommending a transfer of €41,000 to the Statutory Reserve, a transfer of €12,000 to the Community Fund and a dividend on Members shares of 0.5%. The proposed dividend amounts to €233,000.

### **BALANCE SHEET**

The Board of Directors and senior management team have worked together closely to ensure we remain a well capitalized credit union. With Total assets of €53.1 million and Members shares of €46.5 million the Balance Sheet remains very strong in terms of our statutory reserve, general reserve, provision for possible bad debts and liquidity.

### **INVESTMENTS**

The returns from our investments are very important to the Credit Union's finances I have already stated the effect the Global Financial turmoil has had on Ireland has had an impact on Portlaoise Credit Union. We had to share the burden of recapitalising the Irish banks which resulted in banks imposing losses on some bonds held by us. The Board of Directors and our financial advisors have always and continue to adopt a conservative approach to investments where our member's funds are held only in 100% capital secured investments. Our priority at present is to hold most of our investments short term however this does impact on our ability to maximise investment returns. Our investments continue to be managed by our Liquidity & Investments Committee and our investment advisors Global Reach Securities. I would like to thank Pdraig O'Sullivan of Global Reach Securities and my fellow committee members, manager Sean Dunne and staff member Ann Marie Keating (who also looks after our finances on a daily basis).

### **LOOKING FORWARD**

Portlaoise Credit Union continues to focus on giving our members an outstanding service, competitive rates and convenience. Recognising the diverse needs of our members our plans for the future include offering new opening hours and a variety of new and innovative products and services. We recognise our members have many choices in financial services and we strive to be the provider of first choice.

We are confident Portlaoise Credit Union will continue to grow and prosper in the coming years as you, the members, are our most valuable asset. We thank you for your continued business and the trust you place in your Credit Union.

There are a few people I would like to thank for their contribution and help to me in the past year. Firstly I would like to thank my colleagues on the Board and the Supervisory committee who volunteer their time and talents. My fellow colleagues on the executive for their continued support and team work. My thanks to our Management team and staff for their assistance in relation to the operation of the Credit Union. I wish to acknowledge the work of the Auditor, Hayden Brown & Co, and in particular the assistance of Ciaran Murray.

Many thanks for your attention.

***Trudy Nealon***

Treasurer

## DIRECTORS' REPORT FOR THE YEAR ENDED 30TH SEPTEMBER 2011

The directors present their report and the financial statements for the year ended 30th September 2011.

### **Principal Activity**

The principal activity of the business continues to be the operation of a Credit Union.

### **Results And Dividends**

	2011	2010
	€	€
Surplus for the year before transfers	406,576	453,378
Transfers to Statutory Reserve	(41,000)	(47,000)
Transfer to Additional Regulatory Reserve	-	(30,000)
Transfer to Dividend Reserve Fund	(233,000)	(362,000)
Transfer to Community Fund	(12,000)	(12,000)
Income retained for the year	120,576	2,378

### **Membership**

The number of registered members as at 30th September 2011 was 18,518 (2009 - 17,027)

### **Auditors**

The auditor Hayden Brown have indicated their willingness to continue in office.

On behalf of the Board

  
\_\_\_\_\_  
Philip Coonan Chairman

  
\_\_\_\_\_  
Seamus McGrath Secretary

Date: 28th October 2011

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the affairs of the Credit Union and of the income and expenditure of the Credit Union for that year. In preparing these the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Credit Union and to enable them to ensure that the financial statements comply with the Credit Union Act 1997 (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.

### *Statement of Supervisory Committee's Responsibilities*

The Credit Union Act 1997 (as amended) requires the appointment of a Supervisory Committee which will oversee directors in the performance of their duties, examine books and documents of the Credit Union, and verify a sample of member balances.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PORTLAOISE CREDIT UNION LTD.**

We have audited the financial statements of Portlaoise Credit Union Ltd. for the year ended 30th September 2011 which comprise of the Income & Expenditure Account, Balance Sheet and Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practices in Ireland). This report is made solely to the Credit Union's members, as a body, in accordance with Section 120 of the Credit Union Act 1997 (as amended). Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of directors and auditors***

As described in the Statement of Directors Responsibilities on page 9 the Credit Union's directors are responsible for the preparation of the financial statements in accordance with applicable law and Irish Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (Ireland and UK) issued by the Auditing Practices Board in Ireland and the United Kingdom.

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice, and are properly prepared in accordance with the Credit Union Act 1997 (as amended). We also report to you whether in our opinion proper accounting records have been kept by the Credit Union and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the Credit Union's balance sheet and its income and expenditure are in agreement with the books of account.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other

information comprises only the Directors' Report, the Chairman's Statement and Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### ***Basis of opinion***

We conducted our audit in accordance with International Standards on Auditing (Ireland and UK) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Credit Union's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### ***Opinion***

In our opinion the financial statements give a true and fair view of the state of the Credit Union's affairs as at the 30th September 2011 and of its income and expenditure for the year then ended and have been properly prepared in accordance with the provisions of the Credit Union Act 1997 (as amended).

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

In our opinion, the information given in the Directors' Report on page 8 is consistent with the financial statements.

HAYDEN BROWN  
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS  
GRAFTON BUILDINGS,  
34, GRAFTON STREET,  
DUBLIN 2.

Date: 28th October 2011

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER 2011

	Notes	2011 €	2010 €
<b>INCOME</b>			
Interest on Members Loans		1,886,819	2,207,341
Interest Payable and Similar Charges		(30,181)	(19,500)
Other Interest Receivable and Similar Income		<u>346,253</u>	<u>819,462</u>
<b>Net Interest Income</b>		2,202,891	3,007,303
Other Income		<u>46,477</u>	<u>78,396</u>
<b>Total Income</b>		2,249,368	3,085,699
 <b>EXPENDITURE</b>			
Staff costs	2	584,535	577,367
Other Management Expenses		1,289,449	1,222,388
Depreciation		68,501	78,963
Provision for Bad or Doubtful Debts		-	800,000
Bad Debts Recovered		<u>(99,693)</u>	<u>(46,397)</u>
		1,842,792	2,632,321
 <b>Excess of Income over Expenditure</b>		 406,576	 453,378
Transfer to Statutory Reserve		(41,000)	(47,000)
Transfer to Additional Regulatory Reserve		-	(30,000)
Transfer to Community Fund		(12,000)	(12,000)
Transfer to Dividend Reserve Fund		<u>(233,000)</u>	<u>(362,000)</u>
<b>Surplus for the year</b>		<u>120,576</u>	<u>2,378</u>

The Credit Union has no recognised gains or losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

Treasurer Trudy Nealon (Trudy Nealon)  
 Member of Supervisory Committee Mary Reddin (Mary Reddin)  
 Member of Board of Directors Philip Coonan (Philip Coonan)

Date: 28th October 2011

## BALANCE SHEET AS AT 30TH SEPTEMBER 2011

	Notes	2011 €	2010 €
<b>FIXED ASSETS</b>			
Tangible assets	3	<u>3,037,133</u>	<u>3,078,463</u>
<b>Investments</b>		29,531,908	28,241,239
Members' Loan Accounts		20,420,979	23,940,861
Less: Provision for bad and doubtful debts		(2,300,001)	(2,300,001)
Debtors and Prepaid Expenses	4	259,712	330,784
Cash at bank and in hand		<u>2,256,817</u>	<u>1,751,020</u>
		20,637,507	23,722,664
<b>Creditors: amounts falling due within one year</b>	5	<u>(98,468)</u>	<u>(101,426)</u>
<b>Net Current Assets</b>		<u>20,539,039</u>	<u>23,621,238</u>
<b>Total Assets Less Current Liabilities</b>		<u>53,108,080</u>	<u>54,940,940</u>
<b>MEMBERS' RESOURCES</b>			
Members' Shares		46,518,188	48,514,069
Statutory Reserve	7	4,948,781	4,907,781
Additional Regulatory Reserve	7	730,000	730,000
General Reserve	7	126,765	126,765
Community Fund	7	14,598	14,973
Dividend Reserve Fund	7	480,428	478,608
General Fund	7	<u>289,320</u>	<u>168,744</u>
		<u>53,108,080</u>	<u>54,940,940</u>

*Signed on Behalf of the Credit Union*

Treasurer \_\_\_\_\_ *Trudy Nealon* (Trudy Nealon)  
 Member of Supervisory Committee \_\_\_\_\_ *Mary Reddin* (Mary Reddin)  
 Member of Board of Directors \_\_\_\_\_ *Philip Coonan* (Philip Coonan)

*Date: 28th October 2011*

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER 2011

	2011	2010
	€	€
<b>Opening Cash and Investments</b>	<u>29,983,580</u>	<u>24,838,881</u>
<b>RECEIPTS</b>		
Members' Shares	23,534,467	23,972,509
Loans Repaid	12,165,804	13,315,439
Members Loan Interest Received	1,886,819	2,207,341
Investment Interest Received	346,253	819,462
Bad Debts Recovered	99,693	46,397
Other Receipts	46,477	78,396
(Increase) / Decrease in prepayments	<u>71,072</u>	<u>(173,164)</u>
	38,150,585	40,266,380
<b>DISBURSEMENTS</b>		
Members' Shares Withdrawn	25,530,349	23,579,392
Loans Granted	8,645,922	9,265,554
Interest Paid	30,181	19,500
Dividends Paid	231,180	474,525
Operating Expenses	1,886,357	1,807,859
Fixed Assets Purchased	27,172	10,171
(Increase) / Decrease in accruals	<u>4,555</u>	<u>(35,320)</u>
	<u>36,355,716</u>	<u>35,121,681</u>
<b>Closing Cash and Investments</b>	31,778,449	29,983,580

*Signed on Behalf of the Credit Union*

Treasurer Trudy Nealon (Trudy Nealon)

Member of Supervisory Committee Mary Reddin (Mary Reddin)

Member of Board of Directors Philip Coonan (Philip Coonan)

*Date: 28th October 2011*

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2011

### 1. *Accounting Policies*

The significant accounting policies adopted by the Credit Union are as follows:

#### 1.1. *Accounting convention*

The financial statements are prepared under the historical cost convention.

#### 1.2. *Income Recognition*

Interest on Members' Loans is recognised when payment is received as specified in Section 110(1)(c)(i) of the Credit Union Act 1997 (as amended), (i.e. on a cash basis).

Investment income and gains received at the balance sheet date and receivable within twelve months of the balance sheet date are recognised in the income and expenditure.

Investment income receivable after twelve months of the balance sheet date is transferred to a reserve which is designated as not eligible for distribution until such time as the income is received or receivable within twelve months of the balance sheet date.

#### 1.3. *Tangible fixed assets and depreciation*

Tangible Assets are stated at cost less accumulated depreciation. Depreciation is calculated in order to write off the cost of the tangible assets over their expected useful lives at the following annual rates:

Development of New Premises	-	2% Straight line
Fixtures and Fittings	-	15% Straight Line
Office Equipment	-	20% Straight Line

#### 1.4. *Investments*

Investments will be carried in the balance sheet at the lower of cost and market value, other than investments which have a guaranteed maturity/redemption value at a fixed future date, which will be carried at cost plus accrued income (if any) until that date.

The Credit Union Act 1997 (as amended) requires that the lower of cost and market value is applied to each investment individually and not to the investment book as a whole.

Investment decisions are made with an intention to hold all investments until their maturity date rather than to sell once they are in profit. Any exception to this will involve a change in accounting policy and needs approval of the Board.

Investment income will be reflected in the income and expenditure on an accruals basis.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2011 ...../ continued

### ***Bank deposits, term deposits and other short term deposits***

These are valued at the deposit amount plus any accrued interest where the Credit Union has title to the interest on a time basis.

### ***Investments with guaranteed returns***

These are valued at cost plus guaranteed returns proportionally spread out over the life of the investment. These investments and any gains which are guaranteed under the terms of the investment / policy are only guaranteed if held to maturity. Investments are only capital guaranteed if held to maturity and if the institutions fulfill their obligations.

The Board of Directors are currently satisfied that these conditions will be met.

### ***Investments with return of capital guaranteed***

These are valued at the lower of cost or market value but not lower than the capital guaranteed amount. Dividend or other income is recognised in the income and expenditure account when it is received or receivable within one year of the balance sheet date. Investments are only capital guaranteed if held to maturity and if the institutions fulfill their obligations. The Board of Directors are currently satisfied that these conditions will be met.

### ***Perpetual Bonds and Corporate Bonds***

Perpetual Bonds and Corporate Bonds are valued at the lower of cost or market value. Interest income is recognised in the income and expenditure account when it is received or receivable. Decreases in the capital value of the bond are included in the income and expenditure account. Increases which reverse a previous decrease are included in the income and expenditure account. All other increases in excess of the cost of the bond are ignored until the bond is sold / matures.

## **1.5. Pension costs**

The credit union participates in an industry-wide pension scheme for employees (The Irish League of Credit Unions Republic of Ireland Pension Scheme). This is a funded scheme of the defined benefit type, with assets invested in separate trustee administered funds.

An actuarial review of the fund is normally carried out every three years by the Scheme's independent, professionally qualified, actuary. The actuarial review looks at the past & future liabilities of the scheme. The actuarial review for 1st March 2011 is not due for completion until end of November.

The last completed triennial actuarial review was carried out with an effective date of 1 March 2008 using the Projected Unit Credit method. The principal actuarial assumption used in the valuation was the investment return would be 1.25% higher than the annual salary increases. The market value of the scheme's assets at 1 March

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2011 ...../ continued

2008 was €67.93m. The actuarial valuation disclosed a past service deficit of €27.34m at 1st March 2008. This actuarial review recommended a long term funding rate of 25.8%. The cost of risk benefits is paid in addition to this rate.

As a result of the major falls on world stock markets in the latter half of 2008 the assets of the scheme as at 30th November 2008 had reduced by approximately 27% since the date of the actuarial valuation. As the actuarial review would have assumed a positive return on the assets of the scheme into the future it was considered prudent to increase the long term funding rate payable from 1st March 2009 to allow for the investment losses, upon receipt of advice from the actuary the trustees decided to increase the rate to 27.5% of pensionable salary. The cost of risk benefits is paid in addition to this rate.

It should be noted that the above rate is based on the long term funding objectives. As a separate requirement under section 56(1) of the Pensions Act 1990, the scheme actuary must carry out a separate valuation every 3 years and produce a funding certificate for submission to The Pensions Board 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.

An actuarial funding certificate, certifying the Scheme did not meet the statutory minimum funding standard was submitted to the Pensions Board with an effective date of 1 March 2009.

Consequently, the Trustees submitted a new funding proposal, to address the shortfall in funding, to the Pensions Board. The submitted funding proposal is designed to ensure that the scheme could reasonably be expected to satisfy the funding standard as at 1st March 2019. This funding proposal was approved by the Pensions Board.

For the scheme year ended 28th February 2011 the actuary advised he was reasonably satisfied that, based on the existing funding proposal effective from 1 March 2009, the scheme will satisfy the funding standard as specified in Section 44 of the Pensions Act, 1990, at the date of 1 March 2019 specified by the Pensions Board under Section 49(2) (a) of the Act for the purpose of the existing funding proposal. Please note that in making this statement no account has been taken of events, i.e. markets changes, occurring after 28th February 2011 The scheme's Solvency Position in accordance with the aggregate cover for total Funding Standard liabilities as at 1st March 2011 was 93%.

It should be noted that the past few months have been a period of significantly adverse experience for all pension schemes and there remains a high level of volatility on financial markets. The next effective date for certification of the adequacy of the funding proposal is 1st March 2012.

The scheme is a defined benefit scheme. However, the credit union is unable to identify its share of the underlying assets and liabilities. Consequently, the credit union accounts for its contributions to the scheme as if it were a defined contribution scheme. Contributions payable to the scheme are recognised in the income and expenditure account.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2011 ...../ continued

### 1.6. Bad and Doubtful Debts

Bad debts written off are included in other Management Expenses. Bad debts recovered are included in the Income and Expenditure Account. Provision for doubtful debts is made against current loan balances on the basis of Resolution 49 of the Irish League of Credit Unions. An additional provision of €897,577 is considered prudent by the board of directors.

### 2. Employees

#### Number of employees

The average number of persons employed by the Credit Union during the year is analysed as follows:

	2011	2010
Administration	4	4
Clerical Officers	<u>11</u>	<u>11</u>
	15	15
<b>Employment costs</b>	<b>2011</b>	<b>2010</b>
	€	€
Wages and salaries	501,493	494,875
Other pension costs	<u>83,042</u>	<u>82,492</u>
	584,535	577,367

### 3. Tangible Fixed Assets

	Freehold Premises	Short Leasehold Property	Fittings & Fittings	Office Equipment	Total
<b>COST</b>	€	€	€	€	€
At 1 October 2010	3,342,727	20,066	155,007	454,171	3,971,971
Additions	-	-	3,121	<u>24,051</u>	<u>27,172</u>
At 30 September 2011	<u>3,342,727</u>	<u>20,066</u>	<u>158,128</u>	478,222	3,999,143
<b>Depreciation</b>					
At 1 October 2010	306,960	19,745	143,704	423,100	893,509
Charge for the year	<u>38,666</u>	<u>321</u>	<u>6,999</u>	<u>22,515</u>	<u>68,501</u>
At 30 September 2011	345,626	20,066	150,703	445,615	962,010
<b>Net book values</b>					
At 30 September 2011	<u>2,997,101</u>	-	<u>7,425</u>	<u>32,607</u>	<u>3,037,133</u>
At 30 September 2010	3,035,767	321	11,303	31,071	3,078,462

In view of the current downturn in the property market the Board of Directors have considered the appropriateness of carrying out an impairment review on the premises. In the current market it is difficult to get a reliable valuation and so the Board of Directors

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2011 ...../ continued

have prepared a calculation of the Value In Use of the premises to determine if the value of the premises will be obtained through its use into the future.

This involved projecting forward future expected normal surpluses less expected dividends and depreciation for 30 years. This calculation results in a Value In Use in excess of the carrying value of the premises.

Given the non commercial nature, ethos and social function of the Credit Union coupled with the fact that there is no intention or need to dispose of the premises it is fact that no impairment adjustment needs to be made in the accounts.

### 4. Sundry debtors

	2011	2010
<b>Amounts falling due within one year:</b>	€	€
Prepayments and accrued income	<u>259,712</u>	<u>330,784</u>
	259,712	330,784

### 5. Creditors

	2011	2010
<b>Amounts falling due within one year:</b>	€	€
Sundry creditors and accruals	88,192	92,747
Bank overdraft	<u>10,276</u>	<u>8,679</u>
	98,468	101,426

### 6. Proposed Dividends and Loan Interest rebate

	2011	2010
	Rate	Rate
	€	€
Dividend on shares	0.50% 233,000	0.50% 237,000

Portlaoise Credit Union has adopted FRS 21 "Events after the balance sheet date". Under this standard, dividends will be recognised when a liability to pay the dividend is created. This means that dividends recommended by the credit union to be paid following the AGM will no longer be reflected as a liability in the financial statements of the credit union until such time as they are approved at the AGM.

### 7. Reserves

	Opening Balance	Net Movement	Closing Balance
	€	€	€
Statutory Reserve	4,907,781	41,000	4,948,781
General Reserve	126,765	-	126,765
Community Fund	14,973	375	14,598
Dividend Reserve Fund	478,608	1,820	480,428
Additional Regulatory Reserve	730,000	-	730,000
General Fund	<u>168,744</u>	<u>120,576</u>	<u>289,320</u>
	6,426,871	163,021	6,589,892

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2011 ...../ continued

### 8. *Insurance against Fraud*

The Credit Union has insurance against fraud in the amount of €2,600,000 in compliance with Section 47 of the Credit Union Act 1997.

### 9. *Honorarium to Treasurer*

The Directors recommend that the Treasurer be paid an honorarium of €5,250 (2010: €5,250).

### 10. *Pension costs*

The Credit Union operates a defined benefit pension scheme. The assets of the scheme are held separately from those of the Credit Union in an independently administered fund.

The pension charge in the Income and Expenditure Account is equal to the contributions paid during the year which amounted to €83,042 (2010: €82,492).

### 11. *Related party transactions*

Included in loans is an amount of €97,450 representing loans to officers. New loans amounting to €53,900 were issued to officers during the year.

### 12. *Rates of Interest Charged on Members' Loans*

Portlaoise Credit Union charged the following rates of interest on loans during the year

Personal Loans	8.99%
Student Loans	6.50%
Secure share loan (Loans within shares held)	5.49%
House Deposit Loans	6.00%
Special One Year Loan	5.99%
Green Energy Loan	6.50%
Special Car Loan	6.99%

### 13. *Approval of financial statements*

The financial statements were approved by the Board on 28th October 2011.

## DETAILED OPERATING STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER 2011

<b>Income</b>	2011 €	2010 €
Interest on members' loans	1,886,819	2,207,341
Interest payable and similar charges	(30,181)	(19,500)
Other interest receivable and similar income	346,253	819,462
Share and loan insurance rebate	29,319	63,455
Other Income	<u>17,158</u>	<u>14,941</u>
	2,249,368	3,085,699
<b>Administrative expenses</b>		
Wages and salaries	501,493	494,875
Treasurers Honorarium	5,250	5,250
Staff pension costs	83,042	82,492
Training	12,104	10,292
Rent and rates	28,164	27,882
General insurance	24,358	24,469
Computer maintenance	26,838	24,325
Lighting, heating and cleaning	16,495	20,234
Repairs and maintenance	19,580	10,380
Printing and stationery	21,192	21,751
Advertising and promotion	13,062	17,736
Postage and telephone	17,888	22,547
Chapter expenses	1,858	1,410
Debt collection	22,464	31,688
Loan Appraisal Costs	6,428	8,076
AGM expenses	20,381	22,630
Share and loan insurance	229,128	262,040
Travel expenses	6,374	9,589
Audit fees	14,520	14,520
Legal and professional fees	20,877	18,847
Bank interest and charges	18,895	9,791
Investment Management Fees	12,155	14,000
Bad debts charged off	663,216	582,597
Provision for bad and doubtful debts	-	800,000
Bad debts recovered	(99,693)	(46,397)
Uniforms	6,175	363
Affiliation Fees	28,700	9,918
SPS Contribution	30,144	28,772
Subscriptions	10,146	9,858
General expenses	13,057	13,423
Depreciation	<u>68,501</u>	<u>78,963</u>
	1,842,792	2,632,321
Excess of Income over Expenditure	<u>406,576</u>	<u>453,378</u>
Transfer to Statutory Reserve	41,000	47,000
Transfer to Additional Regulatory Reserve	-	30,000
Transfer to Community Fund	12,000	12,000
Transfer to Dividend Reserve Fund	<u>233,000</u>	<u>362,000</u>
	<u>286,000</u>	<u>451,000</u>
<b>Income Retained for Year</b>	120,576	2,378

## MOTIONS FOR AGM, 12th December 2011

Take note that the following resolutions will be presented to the Annual General Meeting.

### PROPOSED CHANGES TO CREDIT UNION RULES ARISING FROM IRISH LEAGUE OF CREDIT UNION'S ANNUAL GENERAL MEETING 2011

#### Resolution No. 4

That this Annual General Meeting agrees to amend Rule 1 of the Standard Rules for Credit Unions (Republic of Ireland) by the deletion of "and Financial Services Authority" where it appears in the definition of "Bank" so as to read as follows:

"Bank" means the Central Bank of Ireland via the office of the Registrar of Credit Unions;

#### Resolution No. 5

That this Annual General Meeting agrees to amend Rule 1 of the Standard Rules for Credit Unions (Republic of Ireland) by the insertion of the following definition of "civil partner":

"civil partner" has the meaning assigned to it by the Civil Partnership and Certain Rights and Obligations of Cohabitants Act, 2010;

#### Resolution No. 6

That this Annual General Meeting agrees to amend Rule 44 (9) of the Standard Rules for Credit Unions (Republic of Ireland) by the insertion of "civil partner," after spouse where appearing in line 2 so as to read as follows:

(9) The credit union shall not accept from an officer of the credit union a guarantee for a loan to another member unless that other member is the officer's spouse, civil partner, child or parent.

#### Resolution No. 7

That this Annual General Meeting agrees to amend Rule 136 (2) of the Standard Rules for Credit Unions (Republic of Ireland) by the insertion of "a minimum of" so to read

as follows:

(2) The nominating committee shall consist of a minimum of three members, at least one of whom shall be a director.

#### Resolution No. 8

That this Annual General Meeting agrees to amend Rule 152 (2) (b) of the Standard Rules for Credit Unions (Republic of Ireland) by the insertion of "civil partner," after spouse where appearing in line 1 so as to read as follows:

(2) None of the following persons shall be qualified for election as auditor of the credit union:

(b) a parent, spouse, civil partner, brother, sister or child of an officer or voluntary assistant of the credit union; or

### Other Motions specific to Portlaoise Credit Union:

#### Motion No. 1.

That the board of Portlaoise Credit Union be reduced from 15 members to 13 members at this Annual General Meeting.

#### Motion No. 2.

The Board of Portlaoise Credit Union recommends a dividend of 0.5%.

#### Motion No. 3.

That Portlaoise Credit Union transfer €47,000 to the Statutory Reserve.

#### Motion No. 4.

That Portlaoise Credit Union transfer €12,000 to the Community Fund.

#### Motion No. 5.

It is proposed that a 25c deduction be made from the member's dividend for the ILCU Development Foundation to help relieve the scourge of poverty, hunger and financial exclusion among the people and families who benefit from its overseas projects.

#### Motion No. 6.

That the Treasurers honorarium be set at €5,250 for 2011. [€5,250 in 2010].

## THE SUPERVISORS REPORT FOR THE YEAR ENDED 30TH SEPTEMBER 2011

In line with the requirements laid down by the Irish League of Credit Unions and the Financial Regulator The Supervisory Committee carried out the following:

- We met with the board to discuss performance evaluation on four occasions during the year. Performance evaluation was undertaken on the overall Board performance and on the key Committees. The main focus was Governance requirements and the implementation of key policies
- Quarterly reports were issued to the Board.
- We attended all board meetings and attended meetings held by individual committees
- Membership passbook verification was carried out on a random selection of 10% of members
- Verification of Investment balances were confirmed by financial institutions at 30th June 2010
- A number of internal control checks were carried out on lending controls, cash control and expenditure control during the period.
- We met with Auditor Ciaran Murray on two occasions to discuss his findings and recommendations.

A number of external factors affected Portlaoise Credit Union during the year that were outside the control of the Board in particular the lending Restriction introduced by the Financial Regulator and the Government amendments in respect of subordinated bond holders. In both cases we are satisfied that the Board have worked to ensure that the best advice was sought in terms of compliance and to ensure the members' interest are best served. We continue to strongly recommend that all key polices are reviewed and tested for appropriateness on a regular basis. The Board must ensure that all times they are up to date on all current and new legislation as laid down by the Regulator and that all decisions are made from a fully informed position and we commend the members of the Board that have given a commitment to complete further formal studies in this area which is in line with the requirements of the Financial Regulator.

We wish to thank the board for their ongoing co-operation in all their dealings with the Supervisors.

***Rita Murphy Kerry  
Sean Mullins  
Mary Reddin  
Phil Coughlan  
Patsy Campion***





**Portlaoise**  
credit union

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