

# Annual Report 2017



## **NOTICE OF ANNUAL GENERAL MEETING**

*You are invited to attend the St. Joseph's Irish Airports & Aviation Credit Union Ltd., Annual General Meeting*

**On: Thursday 18th January 2018 at 19:30hrs**

**In: The Main Function Room at ALSAA, Dublin Airport**

*We look forward to seeing you on the night. \*Prize Draws\**



## Powering Growth

# Agenda

1. Call to Order and Opening Prayer;
2. The Acceptance of the Board of Directors of authorised representatives of members that are not natural persons;
3. Ascertainment that a quorum is present;
4. Adoption of Standing Orders;
5. Reading and Approval (or correction) of the Minutes of the last Annual General Meeting;
6. Report of the Board of Directors;
7. Report of the Nominations Committee;
8. Balloting;
9. Financial Report;
10. Report of the Auditor;
11. Report of the Sub-Committees;
12. Report of the Board Oversight Committee;
13. Resolutions and New Business;
14. Announcement of the Election Result;
15. Close of Business



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**John Gallagher**, Secretary

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# Key Information

AS AT 30 SEPTEMBER 2017

## Board of Directors

Robert Walker (Chairperson) \*\*  
Joanna Rygielska-Hernik (Vice-Chairperson) \*  
John Gallagher (Secretary) \*\*  
Donal Cronin  
Marc Currid \*\*  
Danuta Kandzia  
David Mahon (resigned since the last AGM)  
Noelle Oates  
Claire O'Reilly (resigned since the last AGM)  
Maciej Olaszewski (co-opted) \*\*  
Claire Roos-Dooley  
Kieran Rossiter (co-opted) \*\*  
Jennifer White \*

*\* Retiring*

*\*\* Retiring and eligible for re-election*

## Board Oversight Committee

Seamus Canning (Chair) +  
Kieran O'Brien (Secretary) \*\*  
Richard Dignam

*\* Retiring*

*\*\* Retiring and eligible for re-election*

*+ Seamus Canning resigning from Board Oversight Committee and will be seeking election on Board of Directors*

## Auditor

PKF O'Connor, Leddy & Holmes  
Century House  
Harold's Cross Road  
Dublin 6W

## Principal Bankers

### Bank of Ireland

Dublin Airport  
Co. Dublin

### BNP Paribas S.A (Dublin Branch)

5 George's Dock  
IFSC  
Dublin 1

### Ulster Bank

Dublin Airport Branch  
Co. Dublin

## Registered Number

200 CU

# Notice of Meeting

**Notice is hereby given that the 55th Annual General Meeting of St. Joseph's Irish Airports & Aviation Credit Union Ltd. will be held on Thursday, January 18th, 2018 at 19:30hrs in the Main Function Room at A.L.S.A.A, Dublin Airport.**

## Notice of Elections

Elections will be held to fill seven vacancies on the Board of Directors, two vacancies on the Board Oversight Committee and for the position of Auditor. All elections will be by way of secret ballot and voting will be by proportional representation. The terms of office of a director shall not extend beyond the third subsequent AGM after his/her election.

## Nomination Procedure

The Nomination Committee ("the committee") plays a key role in ensuring a satisfactory governance structure on the board of directors of the Credit Union. It must ensure that individuals on the board have sufficient understanding and appreciation of the strategy, operations and performance of the Credit Union so that the standards and criteria established by the Central Bank and applicable legislation are met.

Pursuant to the provisions of the Credit Union Acts 1997-2012, the committee leads the process for board appointments by identifying potential candidates to be nominated to the board at each Annual General Meeting. Regular reviews of the composition of the board are carried out, which enables the committee to identify any gaps or deficiencies thereon and thus ensure the board's successional needs. It considers the number of vacancies arising on the board and the balance of skills, experience and knowledge amongst current directors. The results of these reviews allow the committee to determine whether any particular

qualities are required of potential directors and to ensure that an appropriate balance of skills and experience is maintained on the board.

Volunteers are sought from the membership to go forward for election at the AGM. Each candidate to be nominated for appointment to the board must satisfy the Central Bank's Fitness & Probity requirements in order to ensure that a high standard of volunteers occupy key positions. In accordance with these standards, directors and other senior personnel must act honestly, ethically and with integrity and must be competent, capable and financially sound.

During the course of the year, the Nomination Committee identified candidates to stand for the above positions on the Board of Directors and Board Oversight Committee and they have been assessed under the fitness and probity regime, as required by the Central Bank, with satisfactory results.

## Join our Panel

If you are interested in volunteering on the Board of Directors and wish to be considered for our panel of applicants, please contact the Nomination Committee at [volunteer@aviationcu.ie](mailto:volunteer@aviationcu.ie) for more information.

## Notice of Intention to Change Auditor

In accordance with Section 117 of the Credit Union Act 1997 (as amended) the Board of Directors is proposing to change the auditor of St. Joseph's Irish Airports & Aviation Credit Union Ltd. at the forthcoming AGM. This decision followed a detailed procurement process. The Board of Directors is nominating EisnerAmper Audit Limited as the new auditor to St. Joseph's Irish Airports & Aviation Credit Union Ltd.

# Resolutions

## The following resolutions are being put to the members at Annual General Meeting

- THAT** this Annual General Meeting resolves that EisnerAmper Audit Limited being willing and eligible is nominated for election as auditor to St. Joseph's Irish Airports & Aviation Credit Union Limited
- THAT** this Annual General Meeting agrees that the sum of €317,447 be transferred from the current year surplus to the Regulatory Reserve
- THAT** this Annual General Meeting agrees that the sum of €228,194 be transferred from the undistributed surplus to the Development Reserve
- THAT** this Annual General Meeting agrees that the sum of €134,021 be transferred from the undistributed surplus to the appropriation account and distributed by way of 0.15% Dividend to members' shares and special shares accounts
- THAT** this Annual General Meeting agrees that the sum of €5,188 be transferred from the undistributed surplus to the appropriation account and distributed by way of 0.15% interest to members' savings accounts.
- THAT** this Annual General Meeting agrees that the sum of €173,029 be transferred from the undistributed surplus to the appropriation account and distributed by way of a 10% interest rebate on standard rate loans held by members in the year.
- THAT** this Annual General Meeting agrees that the League Affiliation Fee of 95 cent be deducted from member's shares in the ordinary way

## Amendments to Standard Rules arising from League AGM 2017

No amendments to be made.

The Credit Union Rule Book is available to download from the credit union website [www.aviationcu.ie](http://www.aviationcu.ie).

# Board Oversight Committee Report

The main function of the Board Oversight Committee is to oversee whether the Board of Directors have 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 the course of the year the Board Oversight Committee reviewed the Governance of the Directors to ensure that the Board is acting in the best interest of the Credit Union members. The committee are obliged to prepare four reports to the Board each financial year reviewing the effectiveness of Board meetings, strategy and the decision-making processes. In addition, at least one member of the committee attended every board meeting throughout the year. The Board Oversight Committee also attended a number of the Sub-committee meetings during the year as part of its oversight responsibilities and to review their effectiveness.

In this respect the Board Oversight Committee are satisfied that the Board of Directors has operated in accordance with the Parts IV of the Credit Union Act, 1997 (as amended).

The Board Oversight Committee looks forward to working closely and effectively with the Board over the coming year in this challenging and exciting time for our Credit Union.

Finally the Board Oversight Committee would like to express its thanks to all of the Staff of the Credit Union for all their support throughout the last financial year.



**Seamus Canning** (Chair)  
**Richard Dignam**



**Kieran O'Brien** (Secretary)

# Standing Orders for AGM

**The purpose of standing orders is to ensure that annual general meetings are run in an orderly fashion and within the time specified**

The annual general meeting will commence at 19.30 hrs. and the business of the meeting shall be completed by 21.30 hrs. unless the Chair determines that an extension of time is in the best interests of the meeting for the running of the business of the credit union.

## 1. Voting

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).

## 2-3 Election Procedure

2. Elections to the Board of Directors, to the Board Oversight Committee and the position of Auditor shall be by majority vote and by secret ballot.
3. A Ballot Paper for the election to the Board of Directors and Board Oversight Committee and the Auditor, where applicable, will be distributed to each member at the AGM.

## 4-9 Motions

4. 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.
5. A proposer of a motion may speak for not more than three minutes and shall have the right to reply before the motion is put to the meeting for a vote.
6. In exercising his/her right of reply, a proposer may speak for not more than one and a half minutes and may not introduce new material.
7. The seconder of a motion may speak for not more than two minutes to second the motion.
8. Members are entitled to speak on any such motion and must do so through the Chair. All speakers to any motion shall have not more than two minutes in which to make their contribution.

9. The Chair 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.

## 10-15 Miscellaneous

10. The Chair of the Board of Directors shall be the Chair of any general meeting, except where he/she is not available, then 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.
11. The Chair may at his discretion, extend the privilege of the floor to any person who is not a member.
12. Matters not covered by the agenda may be introduced under "Other Business" at the discretion of the Chair.
13. The Chair's decision on any matter relating to these Standing Orders or interpretation of same shall be final.
14. The Chair shall have a casting vote in addition to his own vote.
15. Any matter to be decided upon by a vote at the AGM shall, unless otherwise expressly provided for by law or the Rules, will be decided upon by simple majority.

## 16. Suspension of standing orders

Any 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.

## 17. Alteration of standing orders 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.

## 18. Adjournments

Adjournments of the AGM shall take place only in accordance with Section 81(1) of the Credit Union Act, 1997 (as amended).

# Directors' Report to the 55th Annual General Meeting

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## Principal Activities

St. Joseph's Irish Airports & Aviation Credit Union is principally engaged in providing financial services to members at fair and reasonable rates, on a not for profit basis. The available surplus on operating activities is distributed to members after meeting all reserve and provision requirements.

## Statement of Directors' Responsibilities

The Credit Union Acts 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 the reasons for any material departure from those standards.
- 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 are prepared in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland, including the standards issued by the Financial Reporting Council, and in particular FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Credit Union Acts 1997 as amended.

They are responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In this we state compliance with the statement of Directors' Responsibilities as set out above and present the Annual Report and Audited Financial Statements for the year ended 30th September 2017.

## Annual Review

As you can see the format of this year's report differs from that of previous years. The reason for this is that having reviewed the requirements of section 28(5) of the Credit Union Act and section 3.23 of FRS102, the most important disclosures to be made to members are the annual accounts and relevant notes to the financial statements. The intent for the reader is that there is clarity and transparency. All unnecessary information has been removed from the report. Sub committees of the Board have worked diligently this year and they will report on their activities at the AGM.

This year total income increased by 7% from €3.42 million in 2016 to €3.67 million. Income from loans increased by €0.14m in line with the increased level of loans to members. The total loans outstanding to members at year end was €29.29 million, an increase of €2.06 million from 2016. While the investment portfolio increased by €3.22 million to €71.82 million, income from investments decreased by €0.17m due to the lower level of returns available in the market.

Bad and doubtful debts written off reduced from €0.14m to €0.1m in 2017 and the provision required for bad and doubtful debts reduced from €1.81 million to €1.68 million.

Total expenditure increased by 5.5% from €2.56 million to €2.7 million in 2017. This was mainly due to restructuring costs and increased regulatory levies. The resulting surplus for the year was €970,375, an increase of €103,954 from 2016.

# Directors' Report to the 55th Annual General Meeting *Continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## Dividend and Interest Rebate

From the surplus the Board of Directors propose to distribute to members:

- A dividend of 0.15%
- A rebate of interest of 10% on standard rate loans in the year

The remaining surplus will be distributed to the following reserves:

- €317,447 to the Regulatory Reserve
- €228,194 to the Development Reserve

Total reserves now stand at €27.18 million an increase of €0.52m from 2016.

Overall the Board of Directors are confident that the sound financial position of the Credit Union as shown in the balance sheet will be maintained. It is and will continue to be the policy of the board to protect this financial strength by ensuring that the necessary strategies and policies are in place.

## Risks and Challenges

The Board regularly review the principle risks and challenges facing the Credit Union which include low loan to asset ratio, risks surrounding investments such as capital security, counterparty risk and low investment returns, liquidity risks and risks to the technology infrastructure of the Credit Union. The Board has established its risk tolerances for each material risk in its risk appetite statement which is reviewed regularly to ensure it remains consistent with the strategy of the Board in maintaining capital security, liquidity, growth and the protection of members funds.

Managing these risks are achieved through the work carried out by Board appointed sub committees and the services of external qualified advisors and auditors, the CEO and management team (CFO and Risk & Compliance Officer). Each committee works to a term of reference and are required to operate within the policies of the Board and the rules, regulations and guidance notes issued by the Central Bank of Ireland.

Committee	Main Function
<b>Credit Committee</b>	Ascertain an applicant's ability to repay a loan in accordance with its terms and ensure that the provision of credit does not involve undue risk to members' savings. Approve loans in accordance with the statutory rules and Central Bank guidance.
<b>Credit Control Committee</b>	Ascertain the ongoing ability of a borrower to repay a loan and ensure the repayments of loans by members' in accordance with credit agreements.
<b>Nomination Committee</b>	Applies the fitness and probity regime when identifying candidates to be nominated for appointment to the Board of Directors
<b>Risk &amp; Compliance Committee</b>	Provides an objective non-executive review, oversight and monitoring of the risk management framework and compliance with policies and best practice.
<b>Investment Committee</b>	Reviews the investment portfolio and strategy with the Credit Union's investment advisors and ensures that all investments made are within the risk tolerance as set by the Board and in accordance with all regulatory instructions and guidelines issued by the Central Bank.
<b>Membership Committee</b>	Ascertain if an applicant is eligible for membership and process the application

# Directors' Report to the 55th Annual General Meeting *Continued*

FOR THE YEAR ENDED 30 SEPTEMBER 2017

The Board of Directors must also have in place a robust strategic plan and we wish to thank the CEO, management team and all the staff for the great effort put into increasing the loan book and their ongoing dedication to achieve the objectives of the strategic plan. The main objectives of the Board continue to be to increase the value of the loan book ensuring funds are made available to management to improve services and facilities and promote borrowing.

## Auditors

Section 113(12) of the 1997 Credit Union Act (as amended) states that the members shall elect an auditor to office from the conclusion of the meeting until the next AGM.

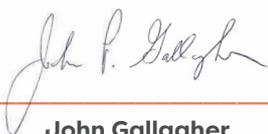
The Board of Directors are proposing that EisnerAmper Audit Limited being willing and eligible is nominated for election as auditor to St. Joseph's Irish Airports & Aviation Credit Union Ltd.

*Finally, the Board thank you, the members for your continued support.*

On behalf of the Board of Directors



**Robert Walker**  
(Chairperson)



**John Gallagher**  
(Secretary)

## Statement of Oversight Committee's Responsibilities

The Credit Union Acts, 1997 (as amended) require the appointment of a Board Oversight Committee to assess whether the Board of Directors has operated in accordance with Part IV, Part 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 in respect of which they are to have regard in relation to the Board.

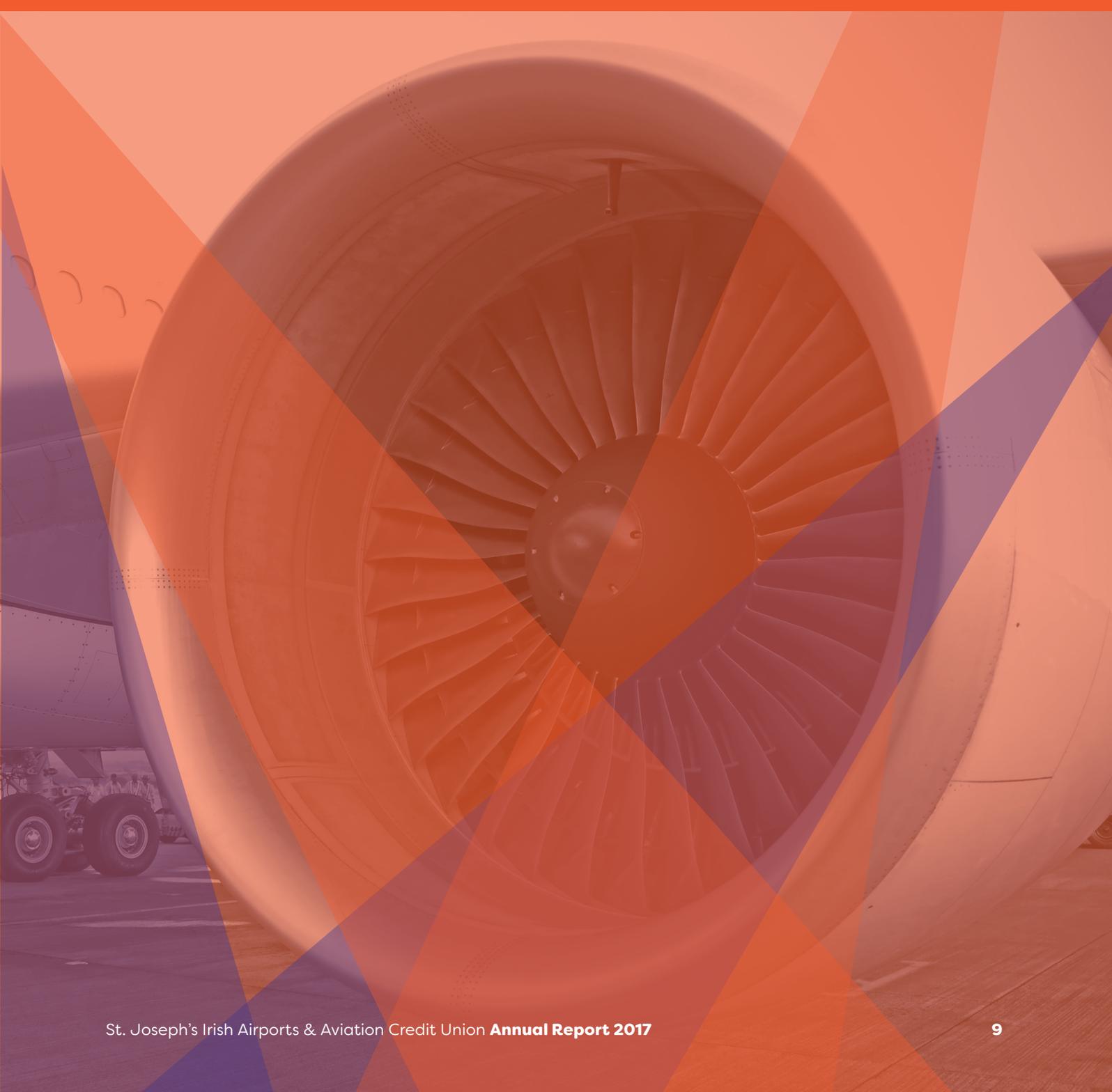


**Seamus Canning**  
(Chairperson of the Board Oversight Committee)



**Kieran O'Brien**  
(Secretary of the Board Oversight Committee)

# CEO Report



# CEO Report



In my report last year, I referred to our objectives for the following three years with the first being the necessity to increase loans to members; this being the most vital part of the success of our business. St. Joseph's Irish Airports & Aviation Credit Union has returned satisfactory results and over the year has seen us continue to deliver on competitive loan products and interest rates to maintain our growth.

Our special rate car loan in particular continues to be one of the best value products in the market to assist members in the purchase of new transport or to pay off outstanding car finance. Other special rate loans taken up in the year include educational, holiday, Christmas and that coupled with our reduced standard rate loan has contributed to the growth in our loan book. Figuratively, a €2 million increase, representing 7.57% growth.

I want to assure members that we continue to focus on providing rates that are either better or comparable to the big banks in personal lending. I am pleased to report that borrowers on the higher interest rate of the standard loan will benefit with a tax-free interest rebate of 10%, following approval at this year's AGM.

While we strive to ensure members continue to receive better value for all their banking needs, we need to also make decisions that ensure the long-term strength and stability of your credit union.

The Credit Union has performed a complex upgrade of its IT infrastructure to ensure it maintains a robust

and secure IT environment in which we operate. Banking and technology is continuously evolving, as are the expectations and needs of our members so technology is an area that requires continuous investment in, in order to remain relevant and competitive.

Our new website was launched during the year, which is compatible on all devices (PC, tablet, mobile), giving members easier access to our full range of services. It is also possible for new members to initiate the joining process online. I am pleased to report that we welcomed 569 new members in the year.

Through ongoing member surveys, we will continue to seek confirmation of the needs and wants of members so that we can continue to deliver quality service and products to you.

Our objectives remain to introduce new and improved services in the areas of Current Accounts, Debit Cards or equivalent, improved Budget Scheme services and online account functionality.

To the Board, fellow Management Team and all staff, I want to thank you for your dedication, courage and drive to see our Credit Union succeed into the future

To the members, your continued support and loyalty is vital to the future success of our Credit Union and I thank you.

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**Edel Bourke**  
Chief Executive Officer

# Independent Auditor's Report

## TO THE MEMBERS OF ST. JOSEPH'S IRISH AIRPORTS & AVIATION CREDIT UNION LIMITED

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of St Josephs Irish Airports and Aviation Credit Union Limited for the year ended 30th September 2017, which comprise the Income and Expenditure Account, Balance Sheet, Statement of Changes in Reserves and Cash Flow Statement and notes to the financial statements, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Irish Law and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion, the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as at 30th September 2017 and its income and expenditure and cash flows for the year then ended.
- have been properly prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been properly prepared in accordance 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 described below in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and 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 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

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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, 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 ST. JOSEPH'S IRISH AIRPORTS & AVIATION CREDIT UNION LIMITED

Opinions on other matters prescribed 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 we consider necessary for the purposes of our audit.
- In our opinion, proper accounting records have been kept by the Credit Union, and
- The financial statements are in agreement with the accounting records.

## Respective responsibilities

### Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is 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 management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our 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 our 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.

### Further information regarding the scope of our responsibilities as auditor

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We 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 our 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 director's 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 going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related

# Independent Auditor's Report *Continued*

## TO THE MEMBERS OF ST. JOSEPH'S IRISH AIRPORTS & AVIATION CREDIT UNION LIMITED

disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as going concerns.

- 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 fair presentation.

We communicate 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 we identify during our audit.

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

Our 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.

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#### **PKF O'Connor, Leddy & Holmes**

Registered Auditors  
Century House  
Harolds Cross Road  
Harolds Cross  
Dublin 6W

# Income and Expenditure Account

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 €	2016 €
<b>INCOME</b>			
Interest on Members' Loans	3	2,453,157	2,317,958
Other interest income and similar income	4	729,653	898,164
Gain on sales of government bonds	5	313,373	-
Interest payable and similar charges	6	(5,387)	(2,027)
<b>NET INTEREST INCOME</b>		<b>3,490,796</b>	<b>3,214,095</b>
Other Income	7	180,571	208,476
<b>TOTAL INCOME</b>		<b>3,671,367</b>	<b>3,422,571</b>
<b>EXPENDITURE</b>			
Employment costs	8	(1,432,882)	(1,257,044)
Other Management Expenses	Schedule 1	(899,664)	(1,073,943)
Share and Loan Insurance	9	(317,274)	(310,738)
Statutory and Regulatory charges	Schedule 2	(256,455)	(109,593)
Depreciation	13	(114,632)	(97,565)
Net recoveries on loans to members	12	319,915	292,733
		(2,700,992)	(2,556,150)
<b>SURPLUS FOR THE YEAR</b>		<b>970,375</b>	<b>866,421</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
Surplus for the year		970,375	866,421
Reversal of impairment	13	-	486,253
Write Back of Pension Provision		-	1,000,000
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>970,375</b>	<b>2,352,674</b>

These financial statements were approved, and authorised for issue, by the Board on 28th November 2017 and signed on its behalf by:



CEO:  
Edel Bourke



Member of the Board of Directors:  
John Gallagher



Member of the Board Oversight Committee:  
Seamus Canning

# Balance Sheet

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 €	2016 €
<b>ASSETS</b>			
Cash and Cash Equivalents	10	23,855,974	26,026,099
Investments	11	71,816,459	68,589,551
Loans to Members	12	29,289,910	27,227,971
Less provision for bad and doubtful debts		(1,683,951)	(1,809,702)
Tangible Fixed Assets	13	2,308,954	2,260,150
Debtors, Prepayments and Accrued Income	14	1,853,742	1,670,136
<b>TOTAL ASSETS</b>		<b>127,441,088</b>	<b>123,964,205</b>
<b>LIABILITIES</b>			
Members' Shares	15	(90,915,363)	(88,155,957)
Members' Deposits	16	(294,052)	(311,896)
Money Management Accounts	17	(8,508,533)	(8,273,880)
Other Liabilities, Creditors, Accruals and Charges (Incl. DIRT)	18	(536,860)	(554,394)
<b>TOTAL LIABILITIES</b>		<b>(100,254,808)</b>	<b>(97,296,127)</b>
<b>ASSETS LESS LIABILITIES</b>		<b>27,186,280</b>	<b>26,668,078</b>
<b>RESERVES</b>			
Regulatory reserve		14,025,000	13,707,553
Operational Risk reserve		1,240,000	1,568,428
Non-Distributable reserve	19	4,619,740	4,814,802
Distributable reserve	19	7,301,540	6,577,295
<b>TOTAL RESERVES</b>		<b>27,186,280</b>	<b>26,668,078</b>

These financial statements were approved, and authorised for issue, by the Board on 28th November 2017 and signed on its behalf by:



CEO:  
Edel Bourke



Member of the Board of Directors:  
John Gallagher



Member of the Board Oversight Committee:  
Seamus Canning

# Statement of Changes in Reserves

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Regulatory reserve	Operational risk reserve	Distributable reserve	Non-distributable reserve	Total Reserves
	€	€	€	€	€
<b>Opening balances at 1 October 2015</b>	12,707,553	-	9,279,135	2,728,388	24,715,076
Total comprehensive income for the year	-	-	2,352,674	-	2,352,674
Dividend paid during the year	-	-	(399,672)	-	(399,672)
Transfer between reserves	1,000,000	1,568,428	(4,654,842)	2,086,414	-
<b>Closing balances at 30 September 2016</b>	<u>13,707,553</u>	<u>1,568,428</u>	<u>6,577,295</u>	<u>4,814,802</u>	<u>26,668,078</u>
<b>Opening balances at 1 October 2016</b>	13,707,553	1,568,428	6,577,295	4,814,802	26,668,078
Total comprehensive income for the year	-	-	970,375	-	970,375
Dividend paid during the year	-	-	(427,872)	-	(427,872)
Savings interest paid during the year	-	-	(17,801)	-	(17,801)
Spent during the year	-	-	-	(6,500)	(6,500)
Transfer between reserves	317,447	(328,428)	199,543	(188,562)	-
<b>Closing balances at 30 September 2017</b>	<u>14,025,000</u>	<u>1,240,000</u>	<u>7,301,540</u>	<u>4,619,740</u>	<u>27,186,280</u>

- (1) The Regulatory reserve of the Credit Union as % of total assets as at 30th September 2017 was 11%. (2016: 11%).
- (2) In accordance with S45 of the Credit Union Act 1997 (as amended) the Credit Union put in place an Operational Risk reserve during the prior period. The Board approved a transfer of €328,428 out (2016: €1,568,428 transfer in) of the Operational Risk reserve, following the completion of an annual internal process of assessing the level of the reserve required to cover the operational risk within the Credit Union. The Operational Risk reserve of the Credit Union as % of total assets as at 30th September 2017 was 0.97%. (2016: 1.27%).
- (3) Following commencement of S13 of the 2012 Act, the requirement for Credit Unions to transfer 10% of their annual surplus to their statutory reserve (now known as the Regulatory reserve) each year has been removed. Notwithstanding this, the Board of the Credit Union has transferred €317,447 (2016: €1,000,000) of its surplus to its Regulatory reserve so that the reserve would represent at least 11% of its total assets at year end, in excess of the required limit of 10%.
- (4) Restructuring costs of €416,756 (2016: €315,518) have been released from the Restructuring Reserve.

These financial statements were approved, and authorised for issue, by the Board on 28th November 2017 and signed on its behalf by:



CEO:  
Edel Bourke



Member of the Board of Directors:  
John Gallagher



Member of the Board Oversight Committee:  
Seamus Canning

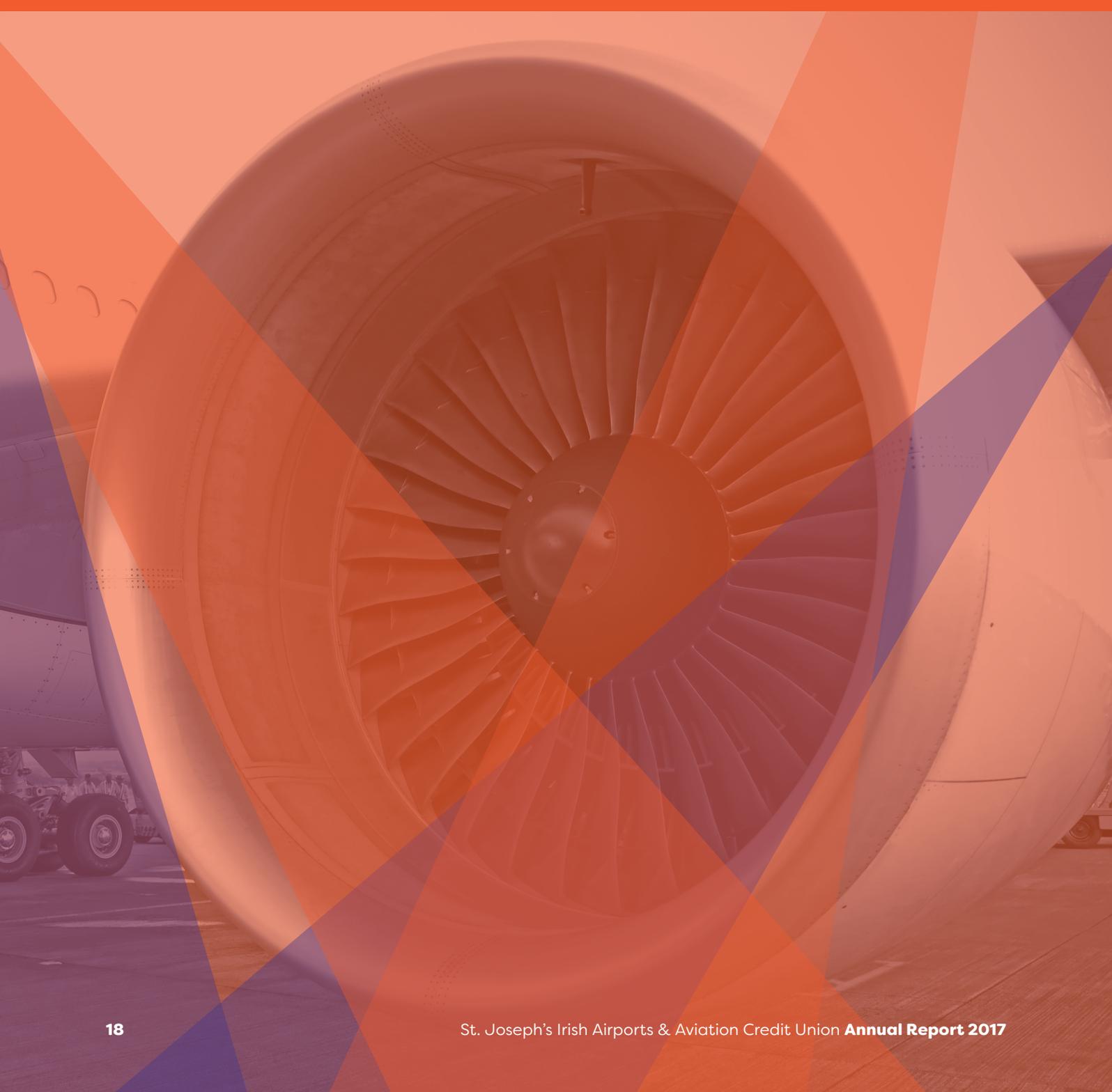
# Cash Flow Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	2017	2017	2016	2016
	€	€	€	€
			Restated	Restated
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>				
<b>Cash flows from operating activities</b>				
Loans repaid by members		15,355,945		14,403,282
Loans granted to members		(17,514,332)		(17,154,530)
Loan interest received		2,406,264		2,317,958
Interest paid on members' deposits		(564)		(763)
Interest paid to banks on clearing accounts		(4,823)		(1,264)
Investment income received		1,471,236		796,495
Gains on sales of government bonds		313,373		-
Other income received		180,571		208,476
Bad debts recovered		290,612		296,081
Dividends paid		(445,673)		(399,672)
Operating expenses including employment costs		(2,943,664)		(2,685,753)
Security deposit for banking facilities		(800,000)		-
Net cash outflow from operating activities		<u>(1,691,055)</u>		<u>(2,219,089)</u>
<b>Cash flows from investing activities</b>				
Proceeds from sale of investments	42,157,416		12,567,993	
Purchase of investments	(45,384,324)		(22,436,684)	
Purchase of fixed assets	<u>(163,436)</u>		<u>-</u>	
Net cash outflows from investing activities		<u>(3,390,344)</u>		<u>(9,868,691)</u>
<b>Cash flows from financing activities</b>				
Members' Shares received	34,213,600		37,553,388	
Members' Shares withdrawn	(31,454,194)		(33,139,234)	
Members' Deposits received	16,974		79,473	
Members' Deposits withdrawn	(34,818)		(57,747)	
Cash inflow to Members' Money Management Accounts	34,272,851		33,833,751	
Cash outflow from Members' Money Management Accounts	<u>(34,103,139)</u>		<u>(32,728,261)</u>	
Net cash inflows from financing activities		<u>2,911,274</u>		<u>5,541,370</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(2,170,125)</u>		<u>(6,547,010)</u>
<b>Opening Cash and Cash Equivalents</b>		<u>26,026,099</u>		<u>32,573,109</u>
<b>Closing Cash and Cash Equivalents</b>		<u>23,855,974</u>		<u>26,026,099</u>

# Notes To the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017



# Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## 1. LEGAL AND REGULATORY FRAMEWORK

St. Joseph's Irish Airports & Aviation Credit Union Limited ("the Credit Union") is established under the Credit Union Acts 1997 (as amended). The Credit Union is registered with the Registrar of Credit Unions and is regulated by the Central Bank of Ireland. The principal place of business is Dublin Airport.

## 2. ACCOUNTING POLICIES

### Statement of compliance and basis of preparation

These financial statements have been prepared in full compliance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"). The financial statements have been prepared on the historical cost basis.

### Currency

The financial statements are prepared in Euro, which is the functional currency of the Credit Union. Monetary amounts in these financial statements are rounded to the nearest Euro.

### Going Concern

The financial statements are prepared on the going concern basis. The directors believe this is appropriate as the Credit Union:

- 1) Is generating annual surpluses;
- 2) Maintains an appropriate level of liquidity; and
- 3) Has reserves that are currently above the minimum requirements of the Central Bank.

### Income

#### Interest on members' loans

Interest on loans to members is recognised using the effective interest method, and is calculated and accrued on a daily basis.

#### Investment income

The Credit Union currently only has investments that are valued at amortised cost, and use the effective interest method to recognise investment income.

#### Other income

Other income such as commissions receivable on insurance products and foreign exchange services arises in connection to specific transactions. Income relating to individual transactions is recognised when the transaction is completed.

### Dividends to Members and Interest on Members' Deposits

#### Interest on members' deposits

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

#### Dividends on shares

Dividends are made from current year's surplus or the dividend reserves set aside for that purpose. The Board's proposed distribution to members each year is based on the dividend and loan interest rebate policy. The rate of dividend recommended by the Board will reflect:

- 1) the risk profile of the Credit Union, particularly in its loan and investment portfolios;
- 2) the Board's desire to maintain a stable rather than a volatile rate of dividend each year; and
- 3) 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 rebates of loan interest when members ratify such payments at the Annual General Meeting.

### Taxation

The Credit Union is not subject to income tax or corporation tax on its activities as a Credit Union.

### Cash and cash equivalents

Cash and cash equivalents comprises operating cash on hand, cash deposited with banks and investments with original maturity of less than or equal to three months.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## Financial instruments

The Credit Union has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments' of FRS 102 to all of its financial instruments. Financial instruments are recognised when the Credit Union becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Financial assets and liabilities are classified according to the substance of the contractual arrangements entered into.

## Basic financial assets

Basic financial assets are initially measured at the transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method. Basic financial instruments include the following:

### Loans to members

Loans to members are financial assets with fixed or determinable payments. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method.

### Investments held at amortised cost

Investments 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 un-collectability. This effectively spreads out the return on such investments over time, but does take account immediately of any impairment in the value of the investment.

## 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.

## Impairment of financial assets

Financial assets, other than those held at fair value, are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the expected cash flows discounted at the asset's original effective interest rate. In the case of impairment of loans to members, the loans are assessed collectively in groups that share similar credit risk characteristics except for individually significant loans which are assessed on a loan by loan basis for impairment. Any 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.

## De-recognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Credit Union transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. In the case of loans to members, loans are derecognised, when the right to receive cash flows from the loans have

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

expired, usually when all amounts outstanding have been repaid by the member. The Credit Union does not transfer loans to third parties.

## Basic financial liabilities

Basic financial liabilities are initially recognised at the transaction price, including transaction costs, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities are subsequently carried at amortised cost using the effective interest method.

## Financial liabilities members' shares and deposits

Members' shares, Money Management Accounts and Deposits are redeemable and therefore are classified as financial liabilities. They are initially recognised at the amount of cash deposited and subsequently members' deposits are measured at amortised cost.

## Other payables

Other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

## De-recognition of financial liabilities

Financial liabilities are derecognised when the obligations of the Credit Union specified in the contract are discharged, cancelled or expire.

## Tangible fixed Assets

Tangible fixed assets comprise items of property, plant and equipment, which are stated at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value over its estimated useful life. The categories of property, plant and equipment are depreciated as follows:

Property	2% per annum
Refurbishment of short-term leasehold premises	33.33% per annum
Office Equipment	25% per annum
Office Furniture	10% per annum
Computer Equipment	33.33% / 20% per annum
Boiler	6.67% per annum

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the Income and Expenditure account.

## Impairment of tangible fixed assets

At each reporting end date, the Credit Union reviews the carrying value of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income and Expenditure account. Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

exceed the carrying 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

## Employee benefits

### Pension Scheme

Contributions to the (Defined contribution) Pensions scheme are charged to the Income and Expenditure Account in the period to which they relate.

The Credit Union had its own Defined Benefit Scheme for employees (St Joseph's Irish Airports & Aviation Credit Union Limited Staff Retirement & Mortality Scheme). This was a funded defined benefit scheme with assets managed by the Scheme trustees. This Scheme wound up in August 2016 and is no longer active. Contributions to the scheme were charged to the Income and Expenditure Account along with any winding up costs.

### Other Employee Benefits

The costs of short-term employee benefits, including holiday pay, are recognised as a liability and as an expense (unless those costs are required to be recognised as part of the cost of fixed assets) over the period they are earned.

### Termination

Termination benefits are recognised immediately as an expense when the Credit Union is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

## Reserves

### Regulatory reserve

The Credit Union is required to maintain and establish a minimum Regulatory reserve of at least 10% of the assets of the Credit Union in accordance with Credit Union Act 1997 (Regulatory Requirements) Regulations 2016.

### Operational Risk reserve

The Credit Union has established an Operational Risk reserve which is separate, distinct and in addition to the reserves the Credit Union is required to hold

in its Regulatory reserve. The amount held in the Operational Risk reserve is the predicted impact of operational risk events that may have a material impact on the Credit Union's business.

### Distributable reserve

Distributable reserves are the accumulated surpluses to date that have not been declared as dividends returnable to members or set aside to the Regulatory, Operational Risk and Non-Distributable reserves.

### Non-Distributable reserves

Non-distributable reserves are accumulated reserves transferred from surpluses to date which have been classified as "non-distributable" as they have been designated for specific purposes.

## Use of estimate and judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying the accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below:

### Bad debts/Impairment losses on loans to members

The Credit Union's accounting policy for impairment of financial assets is set out in accounting policy in Note 2. 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. Credit risk is identified, assessed and measured through the use of rating and scoring tools with emphasis on weeks in arrears and other observable credit risk metrics. The ratings influence the management of individual loans.

The credit rating triggers the impairment assessment and if relevant the raising of specific provisions on individual loans where there is doubt about their recoverability. Loan loss provisioning is monitored by the Credit Union, and the Credit Union assesses and

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

approves its provisions and provision adequacy on a quarterly basis. Key assumptions underpinning the Credit Union's estimates of collective provisions for loans with similar credit risk characteristics and incurred but not reported provisions ("IBNR") are based on the historical experiences of the Credit Union's allied to the Credit Union's judgement of relevant conditions in the wider technological, market, economic or legal environment in which the Credit Union operates.

If a loan is impaired, the impairment loss is the difference between the carrying amount of the loan and the present value of the expected cash flows discounted at the asset's original effective interest rate taking account of pledged shares and other security as appropriate. Assumptions are back tested with the benefit of experience. After a period of time, when it is concluded that there is no real prospect of recovery of loans/part of loans which have been subjected to a specific provision, the Credit Union writes off that amount of the loan deemed irrecoverable against the specific provision held against the loan.

## Revaluation of buildings

The Credit Union conducted a review in September 2016 of the valuation of the leasehold. An independent valuation was carried out by Cushman & Wakefield. The current fair value per the valuation was assessed at €2,250,000 and the directors deemed this reasonable.

## Depreciation 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 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.

## 3. INTEREST ON MEMBERS' LOANS

	2017 €	2016 €
Loan interest received in year	2,406,264	2,317,958
Interest accrued at year end but not received	46,893	-
<b>Total Interest on Members' Loans</b>	<b>2,453,157</b>	<b>2,317,958</b>

## 4. OTHER INTEREST INCOME AND SIMILAR INCOME

	2017 €	2016 €
Investment income and gains received by the Balance Sheet date	490,345	541,258
Receivable within 12 months of Balance Sheet date	239,308	356,906
<b>Total Other Interest Income and Similar Income</b>	<b>729,653</b>	<b>898,164</b>

## 5. GAIN ON SALES OF GOVERNMENT BONDS

The directors approved the sale of the credit union's entire government bond portfolio in March 2017 as the sale price exceeded the interest and principal that would have been collected had the investments been held to their maturity date. A gain of €313,373 was recorded on the sale.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## 6. INTEREST PAYABLE AND DIVIDENDS

	2017 €	2016 €
Interest payable for the year on deposits by members	(564)	(763)
Interest charged by banks on funds lodged by the credit union (note 27)	(4,823)	(1,264)
<b>TOTAL INTEREST PAYABLE</b>	<b>(5,387)</b>	<b>(2,027)</b>
Interest rate:		
Members' deposits (up to 30 June 2017, thereafter 0%)	0.25%	0.25%

Dividends are formally proposed by the directors after the year end and are confirmed at an AGM of the members. As a result, the proposed dividend for the current year does not represent a liability at the Balance Sheet date and the dividend included in the Statement of Reserves in the current year relates to dividends paid to members for the prior year. Dividends for the current and prior year periods were as follows:

	2017 €	2016 €
Dividend paid during the year	427,872	399,672
Dividend rate on share accounts	0.50%	0.50%
Dividend proposed but not recognised	139,209	431,811
Dividend rate on share accounts	0.15%	0.50%
Loan interest rebate proposed but not recognised	173,029	-
Loan interest rebate rate	10%	-%

## 7. OTHER INCOME

	2017 €	2016 €
Budget Scheme Charges	109,338	124,806
Car Draw	21,000	21,356
Commissions	17,233	16,284
Other Income	-	13,030
Rental Income	33,000	33,000
<b>Total Other Income</b>	<b>180,571</b>	<b>208,476</b>

## 8. EMPLOYEES

### Number of employees

The average monthly numbers of employees during the year were:

	2017 Number	2016 Number
Manager	1	1
Other staff	19	19
	<b>20</b>	<b>20</b>

### Employment costs

	2017 €	2016 €
Wages and salaries	813,083	839,397
Employer's PRSI	116,730	87,769
Pension cost	105,703	132,832
Restructuring costs - pension	386,915	-
Other pay-related costs	10,500	-
Other employment costs	(49)	197,046
<b>Total Employment Costs</b>	<b>1,432,882</b>	<b>1,257,044</b>

Employment costs include wages, salaries, social security contributions, paid annual leave, redundancy and retirement costs.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## Key Management

The remuneration of key management personnel was as follows:

	2017 €	2016 €
Short term employee benefit	287,630	228,400
Payments to pension schemes	26,807	25,608
Restructuring costs – pension	110,583	-
<b>Total key management personnel compensation</b>	<b>425,020</b>	<b>254,008</b>

Short-term employee benefits include wages, salaries, social security contributions, paid annual leave and other costs.

## 9. SHARE AND LOAN INSURANCE

	2017 €	2016 €
Gross life savings and loan protection premiums	341,200	310,738
Claims experience refund	(23,926)	-
Net share and loan insurance costs	<u>317,274</u>	<u>310,738</u>

## 10. CASH AND CASH EQUIVALENTS

	2017 €	2016 €
Cash and balances with clearing banks	5,054,372	3,961,594
Deposit accounts with banks with notice periods not exceeding 90 days	7,800,000	-
Security deposit for banking facilities	-	800,000
Term deposits with banks maturing within 90 days	<u>11,001,602</u>	<u>21,264,505</u>
<b>Total cash and cash equivalents</b>	<b><u>23,855,974</u></b>	<b><u>26,026,099</u></b>

Short term deposits with banks are deposits with original maturity or notice periods of less than or equal to three months. All other deposits with banks are included under Investments in the Balance Sheet and disclosed in Note 11. The security deposit for banking facilities described in note 14 was disclosed under cash and cash equivalents in 2016.

## 11. INVESTMENTS

	2017 €	2016 €
Fixed term deposits with banks	68,911,936	53,575,330
Irish Government bonds	1,987,216	14,092,562
Central Bank of Ireland Deposit Guarantee Scheme Legacy Fund	79,007	180,467
Central Bank of Ireland Minimum Reserve Account	838,300	741,192
<b>Total Investments at Amortised Cost</b>	<b><u>71,816,459</u></b>	<b><u>68,589,551</u></b>

Investments at the current and prior Balance Sheet date were all measured at amortised cost as appropriate.

The credit ratings of the banks with which fixed term deposits were held was as follows:

	2017 €	2016 €
A-	7,500,000	4,200,000
BBB+	13,700,000	-
BBB	11,664,094	4,200,000
BBB-	16,318,194	18,966,419
BB+	-	12,207,785
BB	19,729,648	-
BB-	-	14,001,126
<b>Total fixed term deposits with banks</b>	<b><u>68,911,936</u></b>	<b><u>53,575,330</u></b>

The credit rating of Irish Government Bonds was at A+ at both 30/09/2017 and 30/09/2016.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## 12. LOANS TO MEMBERS - FINANCIAL ASSETS

### Loans to members

	2017 €	2016 €
As at 1st October	27,227,971	24,614,735
Advanced during the year	17,514,332	17,154,530
Repaid during the year	(15,355,945)	(14,403,282)
Written-off during the year	(96,448)	(138,012)
<b>Gross loans to members</b>	<b>29,289,910</b>	<b>27,227,971</b>
<b>Impairment allowances</b>		
Individual loans	(1,360,594)	(1,542,167)
Groups of loans	(258,563)	(216,218)
Advances to budget plan members	(64,794)	(51,317)
Loan provision	(1,683,951)	(1,809,702)
<b>Net loans to members</b>	<b>27,605,959</b>	<b>25,418,269</b>

The Credit Union does not offer a mortgage product. Loans to members are secured and unsecured. Secured loans are secured by registered charges on members assets or through restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding. There are maximum amounts set down by the Central Bank in terms of what amount a member can borrow from the Credit Union.

The carrying amount of the loans to members represents the credit union's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full.

### Loans

	2017		2016	
	Amount €	Proportion %	Amount €	Proportion %
Not yet past due nor Impaired	17,529,410	59.9%	14,499,216	53.2%
1 to 9 weeks past due but not Impaired	4,599,298	15.7%	3,951,617	14.5%
Covered Loans	4,319,637	14.7%	4,499,565	16.5%
<b>Gross loans not Impaired</b>	<b>26,448,345</b>	<b>90.3%</b>	<b>22,950,398</b>	<b>84.2%</b>

### Loans Impaired

Not yet past due but impaired	1,240,084	4.2%	2,389,978	8.8%
Up to 9 weeks past due	623,744	2.1%	822,171	3.0%
Between 10 and 18 weeks past due	244,068	0.8%	198,787	0.7%
Between 19 and 26 weeks past due	106,843	0.4%	106,148	0.4%
Between 27 and 39 weeks past due	125,257	0.4%	148,397	0.6%
Between 40 and 52 weeks past due	102,127	0.4%	80,087	0.3%
Over 52 weeks past due	399,442	1.4%	532,005	2.0%
<b>Gross loans impaired</b>	<b>2,841,565</b>	<b>9.7%</b>	<b>4,227,573</b>	<b>15.8%</b>

### Impairment allowances

	2017 €	2016 €
Individual loans	(1,425,388)	(1,593,484)
Group loans	(258,563)	(216,218)
<b>Total carrying value</b>	<b>27,605,959</b>	<b>25,418,269</b>

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## Loan provision account for impairment losses

	2017 €	2016 €
As at 1st October	1,809,702	1,944,365
Decrease in bad debt provision	(125,751)	(134,663)
As at 30th September	1,683,951	1,809,702

Loans amounting to €4,319,637 (2016: €4,499,565) are fully secured by members shares.

## Net recoveries recognised for the year

	2017 €	2016 €
Bad debts recovered	290,612	296,081
Decrease in bad debt provision	125,751	134,663
	416,363	430,744
Loans written off	(96,448)	(138,012)
<b>Net Recoveries on Loans To Members Recognised For The Year</b>	<b>319,915</b>	<b>292,733</b>

## 13. TANGIBLE FIXED ASSETS

	Land and buildings leasehold €	Office equipment €	Computer Equipment €	Total €
<b>COST</b>				
At 1 October 2016	3,919,578	477,517	392,409	4,789,504
Additions	-	941	162,495	163,436
Disposals	-	-	-	-
At 30 September 2017	3,919,578	478,458	554,904	4,952,940
<b>DEPRECIATION</b>				
At 1 October 2016	1,669,580	474,866	384,908	2,529,354
Disposals	-	-	-	-
Charge for the year	73,787	1,770	39,075	114,632
At 30 September 2017	1,743,367	476,636	423,983	2,643,986
<b>NET BOOK VALUE</b>				
At 30 September 2017	2,176,211	1,822	130,921	2,308,954
At 30 September 2016	2,249,998	2,651	7,501	2,260,150

A valuation of the credit union's leasehold interest was carried out by Cushman & Wakefield, property consultant firm, at 21st September 2016. The valuation of the leasehold interest at that date was €2,250,000. This resulted in an increase in the valuation of the leasehold by €486,253 which was reflected in the financial statements year ended 30 September 2016 as a write back of a previous impairment.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## 14. DEBTORS, PREPAYMENTS AND ACCRUED INCOME

	2017 €	2016 €
Security deposit for banking facilities	800,000	-
Advances to budget plan members (note 17)	668,372	603,431
Investment income accrued	239,308	980,891
Prepayments	82,609	68,321
PAYE/PRSI	-	11,708
Other debtors	63,453	5,785
	<u>1,853,742</u>	<u>1,670,136</u>

## 16. MEMBERS' DEPOSITS - FINANCIAL LIABILITIES

	2017 €	2016 €
As at 1st October	311,896	290,170
Received during the year	16,974	79,473
Repaid during the year	(34,818)	(57,747)
As at 30th September	<u>294,052</u>	<u>311,896</u>

Members' deposits are repayable on demand.

## 15. MEMBERS' SHARES

	2017 €	2016 €
As at 1st October	88,155,957	83,741,803
Received during the year	34,213,600	37,553,388
Repaid during the year	(31,454,194)	(33,139,234)
As at 30th September	<u>90,915,363</u>	<u>88,155,957</u>

Members' shares are repayable on demand except for shares attached to loans. The breakdown of the shares between attached and unattached is as follows:

	2017 €	2016 €
Unattached savings	78,486,330	75,340,633
Attached savings	12,429,033	12,815,324
Total members' shares	<u>90,915,363</u>	<u>88,155,957</u>

The figure of €4,264,548 disclosed in last year's accounts for attached savings was incorrect. The correct figure of €12,815,324 is disclosed above.

## 17. MONEY MANAGEMENT ACCOUNTS

	2017 €	2016 €
Balances owed to members (financial liability)	8,508,533	8,273,880
Advances to budget plan members (financial asset: note 14)	(668,372)	(603,431)
Net balance as at 30th September	<u>7,840,161</u>	<u>7,670,449</u>

	2017 €	2016 €
As at 1st October	7,670,449	6,564,959
Received during the year	34,272,851	33,833,751
Repaid during the year	(34,103,139)	(32,728,261)
As at 30th September	<u>7,840,161</u>	<u>7,670,449</u>

Money Management Accounts credit balances and advances to budget plan members are repayable on demand.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## 18. OTHER LIABILITIES, CREDITORS, ACCRUALS AND CHARGES (INCL. DIRT)

	2017 €	2016 €
PAYE	36,034	-
Car Draw Scheme	145,400	197,488
Other Liabilities and Charges	355,426	356,906
	536,860	554,394

## 19. OTHER RESERVES

	Balance 01/10/16	Movement	Balance 30/09/17
<b>Non Distributable Reserves</b>			
Conservation	2,000,000	-	2,000,000
Development	1,771,806	228,194	2,000,000
Restructuring	977,165	(416,756)	560,409
Charitable	20,000	(6,500)	13,500
Educational	45,831	-	45,831
	4,814,802	(195,062)	4,619,740
<b>Distributable Reserves</b>			
General	2,627,867	-	2,627,867
Undistributed surplus	3,949,428	724,245	4,673,673
	6,577,295	724,245	7,301,540
<b>Total Reserves</b>	11,392,097	529,183	11,921,280

## 20. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES

### Financial risk management

The Credit Union is a provider of personal and business loans and also provides savings products to its members. The Credit Union invests excess funds with a view to ensuring that the return from members' loans and investments is adequate to meet the overheads of the Credit Union and provide a reasonable return to members on shares and deposits. The Credit Union has a risk register in place to help the directors manage the various risks arising from its activities to include the issuing of loans to members and investing the excess funds of the Credit Union. The main financial risks arising from St. Joseph's Irish Airports & Aviation Credit Union Limited's activities are credit risk, liquidity risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

### Credit risk

Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to the Credit Union, resulting in financial loss to the Credit Union. In order to manage this risk, the Board approves the Credit Union's credit policy, and all changes to it. All loan applications are assessed with reference to the credit policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed. The credit risk on members' loans is disclosed in Note 12.

The Credit Union's investments are also exposed to credit risk and the Credit Union mitigates the risk by only placing investments with financial institutions where the counterparties have strong credit ratings and using investment products authorised by the Central Bank. The credit ratings of the financial institutions where investments are held are disclosed in note 11.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## 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. The Credit Union adheres on an ongoing basis to the minimum liquidity ratio and minimum short term liquidity ratio as set out in the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016.

## Market risk

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

## Interest rate risk

The Credit Union's main interest rate risk arises from differences between the interest rate exposures on the receivables and payables that form an integral part of a Credit Union's operations. The Credit Union considers rates of interest receivable on investments and members' loans when deciding on the dividend rate payable on shares and on any loan interest rebate.

## Interest rate risk disclosures

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

### Financial assets

	Rate of Interest	
	2017	2016
Standard Loan (up to 30/06/2017)	10.9%	10.9%
Standard Loan (from 01/07/2017)	8.9%	-
Secured (covered by shares/deposits)	4.9%	4.9%
Special Car Loan	5.9%	5.9%
Christmas Loan	7.9%	7.9%
Gross loans to members	29,289,910	27,227,971

## Financial liabilities

	2017	2016
Members' shares	90,915,363	88,155,957
Members' deposits	294,052	311,896

The dividend on shares and interest on deposits is determined on the basis of income less administrative expenses and, as can be seen above, a consistent margin is maintained between interest receivable and dividend on shares and interest payable on deposits. As a result, the surplus for the year is not particularly sensitive to interest rate risk and no sensitivity analysis is presented.

## Liquidity risk disclosures

All of the financial liabilities of the Credit Union are repayable on demand except for some members' shares attached to loans and members' deposits which have a fixed maturity date.

## Fair value of financial instruments

The Credit Union does not hold any financial instruments at fair value.

## Capital

The Credit Union maintains sufficient reserves to buffer the Credit Union against any losses on its members' loans and also its investments. The current Regulatory reserves are in excess of the minimum requirement set down by the Central Bank, and stand at 11% of the total assets of the Credit Union at the Balance Sheet date.

## 21. POST BALANCE SHEET EVENTS

There are no material events after the balance sheet date to disclose.

## 22. CONTINGENT LIABILITIES

The Credit Union had no contingent liabilities at the current or prior Balance Sheet date.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## 23. CAPITAL COMMITMENTS

There were no capital commitments at year-end.

## 24. INSURANCE AGAINST FRAUD

The Credit Union has Insurance against fraud in the amount of €3,900,000 in compliance with Section 47 of the Credit Union Act 1997.

## 25. RELATED PARTY TRANSACTIONS

At 30 September 2017, the following related party balances (under FRS 102) were noted:

	2017	2016
	€	€
Loans	161,472	198,438
Shares	340,584	178,511
Others	20,270	10,650

There was a provision of €15,084 (2016: €64,012) against the loans due from the directors and the management team at the current and prior Balance Sheet date.

## 26. PENSIONS

### Defined Benefit Scheme

During the prior year, the board of directors approved a resolution to cease contributions to the defined scheme. The Scheme was wound up on 31 August 2016.

All contributions to the scheme prior to the cessation were charged to the Profit and Loss account.

The total cost in respect of the defined benefit scheme charged to the profit and loss account for the Credit Union was nil (2016: €22,900).

## 27. RECLASSIFICATION OF AMOUNTS

The Directors have availed of the option under paragraph 5.5C of FRS102 “*The Financial Reporting Standard applicable in the UK and the Republic of Ireland*” to include additional line items in the income statement when this is necessary to explain the elements of financial performance. Paragraph 3.12 of FRS102 requires that where the presentation or classification of items in the financial statements has changed, comparative amounts should be reclassified.

The income statement now discloses separately the costs of share and loan insurance, and statutory and regulatory charges. The costs of €310,738 and €109,593 respectively which arose in 2016 were previously included in other management expenses in the 2016 financial statements.

The interest costs charged by banks for leaving funds in current accounts, primarily those used for clearing cheques and electronic transfers, have been reclassified on the face of the income statement from other management expenses to interest payable and similar charges. The costs of €1,264 respectively which arose in 2016 were previously included in other management expenses in the 2016 financial statements.

The format of the cash flow statement has been revised in line with the Irish League of Credits Unions’ Illustrative Financial Statements which necessitated the revision of some of the comparative figures in the cash flow statement and the balance sheet. The new format excludes investments with a remaining maturity of more than 3 months from the definition of cash and cash equivalents.

## 28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Directors on 28th November 2017

# Schedules

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## SCHEDULE 1: OTHER MANAGEMENT EXPENSES

	2017	2016
	€	€
Rent and Rates	62,632	68,977
Lighting, Heating and Cleaning	29,070	46,710
Repairs and Renewals	25,603	11,809
Security Expenses	51,111	53,840
Printing and Stationery	58,999	64,536
Postage and Telephone	87,763	88,544
Debt Collection	25,597	55,235
Promotions and Advertising	35,062	44,032
Training Costs	15,794	13,962
AGM Expenses	39,022	38,913
Travel and Subsistence	30,979	10,362
Bank Charges	47,747	38,825
Audit Fee	32,395	29,410
Supervisory Committee Expenses	3,743	7,357
General Insurance	44,241	46,375
Legal & Professional Fees	27,920	78,335
Consultancy Fees	61,278	175,569
Computer Maintenance	135,795	136,233
ICB Subscription	9,982	8,397
Affiliation Fees	10,504	26,240
Restructuring costs	43,883	-
Sponsorship & donations	4,074	-
Miscellaneous Expenses	16,470	30,282
<b>Total</b>	<b>899,664</b>	<b>1,073,943</b>

## SCHEDULE 2: STATUTORY AND REGULATORY CHARGES

	2017	2016
	€	€
Deposit guarantee scheme contributory fund charges	138,815	-
Credit Institutions Resolution Fund Levy	60,847	54,281
Credit Institutions Stabilisation Levy	27,102	25,034
Central Bank of Ireland Industry Levy Credit Unions	11,400	18,919
Central Bank of Ireland Industry Levy Retail Intermediaries	700	1,210
Deposit Guarantee Scheme deductions	2,413	115
Credit Union Resolution Board	8,939	4,554
Financial Services Ombudsman	3,397	3,055
Competition & Consumer Protection Commission	1,847	840
European Payments Council	546	967
Investor Compensation Company	199	199
Data Protection Commissioner	90	90
Irish Stock Exchange	160	-
Other	-	329
<b>Total</b>	<b>256,455</b>	<b>109,593</b>



St. Joseph's Irish Airports & Aviation Credit Union  
Limited is regulated by the Central Bank of Ireland.



**Dublin**

Cloghran House  
Corballis Way  
Dublin Airport  
Co. Dublin

Tel: 01-8445187  
Fax: 01-8445469  
info@aviationcu.ie

**Shannon**

Office 4, Link Corridor  
Shannon Airport  
Co. Clare

Tel: 061-715402  
Fax: 061-715404  
shannon@aviationcu.ie

**Cork**

Compass House  
Cork Airport  
Co. Cork

Tel/Fax: 021-4319868  
info@aviationcu.ie