

Credit Union Number: CU0020

Clonard Credit Union Limited
Report and Financial Statements
for the financial year ended 30 September 2023

Clonard Credit Union Limited

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Clonard Credit Union Limited
DIRECTORS AND OTHER INFORMATION

Directors	Brian McCrory (Chairperson) Danielle Woods (Treasurer) Moira McCallan (Secretary) Sean Duffy Joe Clifford (Resigned 19 June 2023) Roisin Allen (Resigned 16 June 2023) Trevor Greer (Resigned 31 October 2023) Lisa Lynn (Appointed 21 June 2023, Resigned 31 August 2023) Damian Collins (Appointed 15 March 2023) Lynn Doherty Chris Hall Sean Toal
Credit Union Number	CU0020
Registered Office	62 Clonard Gardens Belfast Co. Antrim BT13 2RT
Auditors	Gildernew & Co Chartered Accountants and Statutory Auditors Six Northland Row Dungannon Tyrone BT71 6AW United Kingdom
Bankers	AIB 35 University Road Belfast Co. Antrim BT7 1ND
Solicitors	McCann & McCann Solicitors 19 Church Street Cathedral Terrace Belfast Co. Antrim BT1 1PG

Clonard Credit Union Limited

DIRECTORS' REPORT

for the financial year ended 30 September 2023

The directors present their report and the audited financial statements for the financial year ended 30 September 2023.

Principal Risks and Uncertainties

The Credit Union provides loans and savings products to its members.

The Credit Union invests surplus funds with a view to ensuring that the return generated from such investments together with the return from lending to members is adequate to meet the overheads of the Credit Union and provide a reasonable rate of return to members on the shares that they hold in the Credit Union.

The Credit Union maintains a risk register in order to assist the Directors with the management of the risks arising from its activities. The key risks are summarised below:

Credit Risk

Credit Risk is the risk that a borrower will default on their contractual obligations resulting in a financial loss to the Credit Union. In order to manage this risk, the Board approves the Credit Union's Credit Control and Lending Policies and any changes to these. All loan applications are assessed with reference to Lending policy in place at the time that a lending decision is made. Loans are subjected to regular reviews to ascertain if there are any factors that may indicate that the likelihood of a loan being repaid has changed.

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 ensures that it maintains a liquidity ratio in excess of that stipulated by the PRA Rulebook at all times.

Market Risk

Market risk comprises of interest rate risk, currency risk and other price risk. The Credit Union conducts all of its activities in sterling and does not deal in derivatives. It is therefore not exposed to currency or other price risk.

Interest Rate Risk

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

Dividends and Interest Rebate

The directors propose a dividend of £379,258 at the rate of 0.50% (2022: £133,660 at 0.25%).

The directors propose an interest rebate of £745,907 at the rate of 20.00% (2022: £638,411 at 20.00%).

Directors and Supervisors

The directors who served during the financial year are as follows:

Brian McCrory (Chairperson)
Danielle Woods (Treasurer)
Moirá McCallan (Secretary)
Sean Duffy
Joe Clifford (Resigned 19 June 2023)
Roisin Allen (Resigned 16 June 2023)
Trevor Greer (Resigned 31 October 2023)
Lisa Lynn (Appointed 21 June 2023, Resigned 31 August 2023)
Damian Collins (Appointed 15 March 2023)
Lynn Doherty
Chris Hall
Sean Toal

Post Balance Sheet Events

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


Auditors

The auditors, Gildernew & Co, have indicated their willingness to continue in office in accordance with Section 44 of the Credit Unions (Northern Ireland) Order 1985.

Clonard Credit Union Limited
DIRECTORS' REPORT
for the financial year ended 30 September 2023

Approved by the Board of Directors and signed on its behalf by:

Chairperson 
Brian McCrory

Treasurer 
Danielle Woods

Secretary 
Moira McCallan

Date 24 April 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Credit Unions (Northern Ireland) Order 1985 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 financial year. In preparing these financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Credit Union and enable them to ensure that the financial statements are prepared in accordance with applicable law in Northern Ireland and UK Generally Accepted Accounting Practice, 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". 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 so far as the directors are aware:

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


Approved by the Board of Directors and signed on its behalf by:

Chairperson



Brian McCrory

Treasurer



Danielle Woods

Secretary



Mojra McCallan

Date

24 April 2024

INDEPENDENT AUDITOR'S REPORT to the Members of Clonard Credit Union Limited

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of Clonard Credit Union Limited for the financial year ended 30 September 2023 which comprise the Income & Expenditure Account, the Balance Sheet, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements, including significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements in all material respects:

- give a true and fair view of the state of the assets, liabilities, and financial position of the Credit Union as at 30 September 2023 and of its surplus and cash flows for the financial year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the UK's Financial Reporting Council; and
- have been properly prepared in accordance with the requirements of Credit Unions (Northern Ireland) Order 1985.

Opinion on other matters

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Basis for Qualified Opinion

The Credit Union's Balance Sheet at 30 September 2023 includes an Other Debtor balance of £93,283 which is the amalgamation of a series of unreconciled bank and accounting adjustments arising throughout the year. We were unable to obtain sufficient appropriate audit evidence for these transactions. The unreconciled adjustments appear to have occurred as a result of significant changes in Finance and Management personnel during the period. Investigations were ongoing at the date of sign off and the Board of Directors and Management team have committed to resolving these adjustments by 31 August 2024. Consequently, we were unable to determine whether any adjustments were required in the financial statements in relation to this balance.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described 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 the ethical requirements that are relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard, 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 qualified opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Credit Union's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the annual report. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate audit evidence on the basis of an Other Debtor Balance of £93,283. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

INDEPENDENT AUDITOR'S REPORT

to the Members of Clonard Credit Union Limited

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Credit Union and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where the Credit Unions (Northern Ireland) Order 1985 requires us to report to you if, in our opinion:

- proper books of account have not been kept by the Credit Union in accordance with the requirements of legislation,
- a satisfactory system of control over transactions has not been maintained by the Credit Union in accordance with the requirements of the legislation,
- the Income & Expenditure Account and the Balance Sheet are not in agreement with the books of account of the Credit Union,
- we have not obtained all the information and explanations necessary for the purposes of our audit.

Responsibilities of directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities as set out on page 6, 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 the directors either intend 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 (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- results of our enquiries of management and internal auditors about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained from management whether they were aware of any instances of non-compliance and whether they have knowledge of any actual, suspected or alleged fraud; and reviewing the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we identified the greatest potential for fraud in the areas in which management is required to exercise significant judgement. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. We also obtained an understanding of the legal and regulatory framework that the Credit Union operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Credit Unions (Northern Ireland) Order 1985, pensions and tax legislation. In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Credit Union's ability to operate or to avoid a material penalty. These included data protection, employment, environmental and health and safety regulations.

As a result of performing the above, we identified the potential for management override of the controls as a key audit matter related to the potential risk of fraud. Our procedures to respond to the risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC and regulator; and

INDEPENDENT AUDITOR'S REPORT to the Members of Clonard Credit Union Limited

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

This report is made solely to the Credit Union's members, as a body, in accordance with Article 47 of the Credit Unions (Northern Ireland) Order 1985. 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.



Gerard Gildernew
for and on behalf of
GILDERNEW & CO
Chartered Accountants and Statutory Auditors
Six Northland Row
Dungannon
Tyrone
BT71 6AW
United Kingdom

Date: 24 April 2024

Clonard Credit Union Limited
INCOME & EXPENDITURE ACCOUNT
for the financial year ended 30 September 2023

	Notes	2023 £	2022 £
Income			
Interest on members' loans	3	3,665,376	3,192,058
Other interest income and similar income	4	884,867	512,227
Net interest income		4,550,243	3,704,285
Other income	6	445,580	456,073
Total income		4,995,823	4,160,358
Expenditure			
Employment costs	7	898,406	671,071
Other management expenses (Schedule 1)		1,846,607	1,276,629
Depreciation		121,023	102,433
Net (recoveries) or losses on loans to members	12.4	380,789	628,560
Total expenditure		3,246,825	2,678,693
Surplus of income over expenditure before taxation		1,748,998	1,481,665
Taxation	9	(165,746)	(86,368)
Surplus of income over expenditure after taxation		1,583,252	1,395,297
Other comprehensive income		-	-
Total comprehensive income		1,583,252	1,395,297

The financial statements were approved and authorised for issue by the Board of Directors on 24 April 2024 and signed on its behalf by;

Chairperson (Brian McCrory)



Treasurer (Danielle Woods)



Date

24 April 2024

Clonard Credit Union Limited

Credit Union Number: CU0020

BALANCE SHEET

as at 30 September 2023

	Notes	2023 £	2022 £
Assets			
Cash and cash equivalents	10	12,394,030	2,054,708
Property, plant and equipment	11	838,509	658,618
Loans to members	12	34,631,385	27,056,452
Provision for bad debts	12	(1,264,657)	(1,270,330)
Prepayments and other debtors	13	203,931	82,979
Accrued income	13	491,832	333,890
Deposits and investments	14	41,638,403	34,928,968
Total Assets		<u>88,933,433</u>	<u>63,845,285</u>
Liabilities			
Members' shares	15	76,226,197	54,546,133
Trade creditors and accruals	16	287,666	154,985
Other creditors	16	227,964	86,368
Other provisions		1,354	1,539
Total Liabilities		<u>76,743,181</u>	<u>54,789,025</u>
Net Assets		<u>12,190,252</u>	<u>9,056,260</u>
Members' Resources			
Statutory reserve		10,971,804	8,269,856
Additional regulatory reserve		93,283	14,333
		<u>11,065,087</u>	<u>8,284,189</u>
Distribution reserve		1,125,165	772,071
Total Members' Resources		<u>12,190,252</u>	<u>9,056,260</u>

Approved by the Board of Directors and signed on its behalf by:

Chairperson (Brian McCrory)



Treasurer (Danielle Woods)



Date

24 April 2024

Clonard Credit Union Limited

STATEMENT OF CHANGES IN RESERVES

for the financial year ended 30 September 2023

	Statutory reserve	Additional regulatory reserve	Distribution reserve	Total
	£	£	£	£
At 1 October 2021	7,611,459	49,504	700,277	8,361,240
Dividends paid during the financial year	-	-	(125,644)	(125,644)
Loan interest rebate paid during the financial year	-	-	(574,633)	(574,633)
Surplus allocation in financial year	-	1,395,297	-	1,395,297
Other movement in reserves	658,397	(1,430,468)	772,071	-
At 30 September 2022	<u>8,269,856</u>	<u>14,333</u>	<u>772,071</u>	<u>9,056,260</u>
At 1 October 2022	8,269,856	14,333	772,071	9,056,260
Dividends paid during the financial year	-	-	(138,219)	(138,219)
Loan interest rebate paid during the financial year	-	-	(622,102)	(622,102)
Surplus allocation in financial year	-	1,583,252	-	1,583,252
Transfer of Engagements	2,311,061	-	-	2,311,061
Other movement in reserves	390,887	(1,504,302)	1,113,415	-
At 30 September 2023	<u>10,971,804</u>	<u>93,283</u>	<u>1,125,165</u>	<u>12,190,252</u>

The Regulatory Reserve of the Credit Union as a % of the total assets as at 30th September 2023 was 12.34% which is less than the Credit Union's Regulatory Reserve requirement of 10%.

Clonard Credit Union Limited
STATEMENT OF CASH FLOWS

for the financial year ended 30 September 2023

	Notes	2023 £	2022 £
Opening cash and cash equivalents		2,054,708	2,392,519
Cash flows from operating activities			
Loans repaid		14,712,277	11,240,963
Loans granted		(18,070,309)	(14,127,829)
Loan interest income		3,665,376	3,192,058
Investment income		884,867	512,227
Other income received		445,580	456,073
Bad debts recovered		150,550	74,572
Dividends paid		(138,219)	(125,644)
Loan interest rebate		(622,102)	(574,633)
Operating expenses		(2,828,087)	(1,947,885)
Movement in other assets		(159,152)	(73,753)
Movement in other liabilities		55,377	67,827
Taxation		(82,568)	(86,368)
Net cash used in operating activities		(1,986,410)	(1,392,392)
Cash flows from investing activities			
Purchase of property, plant and equipment		(102,017)	(126,897)
Receipts from disposal of property, plant and equipment		343,889	-
Net cash flow from other investing activities		202,010	(1,228,440)
Transfers of Engagements		10,319,919	-
Net cash generated from investing activities		10,763,801	(1,355,337)
Cash flows from financing activities			
Members' shares received		27,442,027	22,114,502
Members' shares withdrawn		(25,880,096)	(19,704,584)
Net cash generated from financing activities		1,561,931	2,409,918
Net increase in cash and cash equivalents		10,339,322	(337,811)
Cash and cash equivalents at end of financial year	10	12,394,030	2,054,708

Clonard Credit Union Limited

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2023

1. LEGAL AND REGULATORY FRAMEWORK

Clonard Credit Union Limited is established under the Credit Unions (Northern Ireland) Order 1985. The Credit Union is registered with the Department for the Economy and is regulated by the Financial Conduct Authority ("FCA") and Prudential Regulation Authority ("PRA"). The principal place of business is 62 Clonard Gardens, Belfast, Co. Antrim, BT13 2RT.

2. ACCOUNTING POLICIES

The following principal accounting policies have been applied;

Statement of compliance and basis of preparation

The financial statements of the Credit Union for the year ended 30 September 2023 have been prepared in accordance with the Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") issued by the Financial Reporting Council.

The Credit Union is registered with the Department for the Economy and is regulated by the Financial Conduct Authority and Prudential Regulation Authority.

Currency

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

Going concern

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

- is generating annual surpluses;
- maintains an appropriate level of liquidity; and
- has reserves that are currently above the minimum requirements of the PRA.

Income recognition

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

(i) Interest on members' loans

Interest on Members' Loans is recognised when payment is received.

(ii) Investment income

Investment income is recognised when received or irrevocably receivable. Investments are recognised at cost less any permanent diminution in capital value but ignoring any increase in capital value or encashment value until realised in the form of cash or cash equivalents.

Dividend and loan interest rebate

Dividends and loan interest rebates are made from current years surplus that has been set aside in the Distribution Reserve.

The rate of dividend and interest rebate recommended by the Board of Directors will reflect:

- The risk profile of the Credit Union's loan and investment portfolios;
- The Credit Union's strategic objectives as outlined in its Business Plan and the level of reserves that the Credit Union needs to have in place. The Board will seek to build up its reserves to remain above the level required by its Regulator and to enable it to deal with any unexpected future events; and
- Members' legitimate dividend and loan interest rebate expectations.

Dividends and loan interest rebates are issued to members when members ratify such payments at the Annual General Meeting of the Credit Union.

Taxation

The Credit Union is liable for Corporation Tax on its investment income. All other income of the Credit Union is exempt from Corporation Tax.

Clonard Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2023

continued

Investments

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

Held at amortised cost

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

Property, plant and equipment and depreciation

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

Land and buildings freehold	5% Straight line
Fixtures, fittings and equipment	20% Straight line
Computer equipment	33.33% Straight line

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 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits and investments with a maturity of less than or equal to three months.

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

Other Debtors

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.

Clonard Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 September 2023

continued

De-recognition of financial assets

Financial assets are de-recognised 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 de-recognised, when the right to receive cash flows from the loans have expired, usually when all amounts outstanding have been repaid by the member. Clonard Credit Union Limited does not transfer loans to third parties.

Impairment of financial assets

Financial assets, other than those held at fair value, are assessed for indicators of impairment at each reporting year 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 the Credit Union's loan portfolio, loans are assessed collectively in groups that have 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 & 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 Revenue account.

Bad debt provision

Provision for Doubtful Debts is made after a detailed review of the Credit Union's Loan Book. General allowances are made in line with the provisioning requirements stipulated by the PRA. Additional allowances are made after reviewing the credit worthiness of individual borrowers and the value of collateral underlying the loan.

Bad debts are written off when there is reasonable doubt that the full amount of principal will not be collected. In all cases where it is impractical to estimate the recoverable amount the carrying amount is reduced to zero.

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.

Members' shares

Members' shares in Clonard Credit Union Limited are redeemable and therefore are classified as financial liabilities. They are recognised at the amount of cash deposited.

Other creditors

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 liability

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

Employee benefits

Clonard Credit Union Limited participates in an industry-wide pension scheme for employees (The Irish League of Credit Unions Northern Ireland Pension Scheme). This is a funded defined benefit scheme with assets managed by the scheme's trustees.

Clonard Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2023

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The scheme is a multi-employer scheme and due to the nature of the scheme, it is not possible for the Credit Union to separately identify its share of the scheme's underlying assets and liabilities. Consequently, the Credit Union accounts for the scheme as a defined contribution plan. However, there is an agreed funding plan in respect of the pension scheme in place based on a recovery plan dated 28 February 2017. Consequently, Clonard Credit Union Limited recognises a liability at each Balance Sheet date for its outstanding contributions payable under the agreed funding plan to the extent that they relate to committed funding in respect of the deficit to which the funding plan relates.

Distribution

Clonard Credit Union Limited's policy is to pay a reasonable rate of dividend and loan interest rebate subject to covering operating expenses and meeting reserve requirements as set out in the Credit Union's Reserve Management Policy.

Additional Regulatory reserve

The Credit Union has established an Additional Regulatory 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 Additional Regulatory reserve is equal to the other debtor balance (See Note 13). This will be released once remaining explanations for unreconciled transactions are obtained.

Distribution reserve

The Unappropriated surplus is the accumulated surpluses to date that have not been declared as dividends or loan interest rebate returnable to members or set aside to the General reserve.

Critical accounting estimates and judgements

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

Impairment losses on loans to members

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.

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 approves its provisions and provision adequacy on a quarterly basis. At all times the Credit Union ensures that its provisions meet the minimum requirements contained within the PRA Credit Union Rule book.

3. INTEREST ON MEMBERS' LOANS	2023	2022
	£	£
Loan interest received in financial year	<u>3,665,376</u>	<u>3,192,058</u>
4. OTHER INTEREST INCOME AND SIMILAR INCOME	2023	2022
	£	£
Investment income received	<u>884,867</u>	<u>512,227</u>

Clonard Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2023

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5. INTEREST PAYABLE AND DIVIDENDS

The dividend and any loan interest rebate 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.

The interest expense for the Credit Union comprises of interest payable on deposits, and was as follows for the current and prior financial year:

Dividends and loan interest rebate

The following distributions were made during the financial year:

	2023 %	2023 £	2022 %	2022 £
Dividends on shares	0.25	138,219	0.25	125,644
Loan interest rebate	20.00	622,102	20.00	574,633
		<u>760,321</u>		<u>700,277</u>

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

Proposed dividends and loan interest rebate

At the financial year-end the directors have allocated the amount of £1,125,165 to the Distribution Reserve which may be returned to the members by way of dividend and a loan interest rebate by way of resolution by a majority of the members at the annual general meeting. The proposed distribution is as follows:

	2023 %	2023 £	2022 %	2022 £
Dividends on shares	0.50	379,258	0.25	133,660
Loan interest rebate	20.00	745,907	20.00	638,411
		<u>1,125,165</u>		<u>772,071</u>

6. OTHER INCOME

	2023 £	2022 £
Entrance fees	-	5,980
Affiliation Fee Income	183,327	177,690
Cash over	6,175	-
Savings Protection Scheme Refund	239,271	255,097
Commissions/Other Income	16,807	17,306
	<u>445,580</u>	<u>456,073</u>

Clonard Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2023

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7. EMPLOYEES AND REMUNERATION

	2023 Number	2022 Number
Management	1	1
Other staff	39	29
	<u>40</u>	<u>30</u>

The average monthly number of employees during the year to 30 September 2023 was 40 (2022 - 30).

	2023 £	2022 £
The staff costs comprise:		
Wages and salaries	757,425	559,561
Pension costs	140,981	111,510
	<u>898,406</u>	<u>671,071</u>

8. KEY MANAGEMENT PERSONNEL

The directors of Clonard Credit Union Limited are all unpaid volunteers. The management personnel compensation is as follows:

	2023 £	2022 £
Short term employee benefits	74,844	67,802
Payments to pension scheme	7,987	9,872
Total key management personnel compensation	<u>82,831</u>	<u>77,674</u>

9. TAXATION

	2023 £	2022 £
Corporation tax charge in respect of current financial year	<u>165,746</u>	<u>86,368</u>

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash on hand and deposits and investments with a maturity of less than or equal to three months.

	2023 £	2022 £
Cash and bank balances	<u>12,394,030</u>	<u>2,054,708</u>

Clonard Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2023

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11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings freehold £	Fixtures, fittings and equipment £	Computer equipment £	Total £
Cost				
At 1 October 2022	1,063,326	178,752	388,367	1,630,445
Additions	-	72,664	29,353	102,017
Disposals	(290,000)	-	-	(290,000)
Transfers of Engagement	428,848	31,049	-	459,897
At 30 September 2023	1,202,174	282,465	417,720	1,902,359
Depreciation				
At 1 October 2022	506,824	139,056	325,947	971,827
Charge for the financial year	43,563	33,610	43,850	121,023
On disposals	(29,000)	-	-	(29,000)
At 30 September 2023	521,387	172,666	369,797	1,063,850
Net book value				
At 30 September 2023	680,787	109,799	47,923	838,509
At 30 September 2022	556,502	39,696	62,420	658,618

12. LOANS TO MEMBERS - FINANCIAL ASSETS

12.1 LOANS TO MEMBERS

	2023 £	2022 £
As at 1 October	27,056,452	25,111,949
Advanced during the financial year	18,070,309	14,127,829
Repaid during the financial year	(14,712,277)	(11,240,963)
Transfer of engagement movement	4,868,244	-
Loans written off	(651,343)	(942,363)
Gross loans to members	12.2 34,631,385	27,056,452

12.2 CREDIT RISK DISCLOSURES

	2023 £	2023 %	2022 £	2022 %
Gross loans not impaired				
Not past due	33,395,014	96.43	26,108,140	96.49
Gross loans individually impaired				
Between 3 and 6 months past due	715,736	2.07	506,230	1.87
Between 6 and 9 months past due	274,588	0.79	236,934	0.88
Between 9 and 12 months past due	161,522	0.47	144,875	0.54
12 or more months past due	84,525	0.24	60,273	0.22
Total	1,236,371	3.57	948,312	3.51
Total gross loans	34,631,385	100.00	27,056,452	100.00
Impairment allowance				
Individually significant loans	(1,264,657)		(1,270,330)	
Total carrying value	33,366,728		25,786,122	

Clonard Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2023

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12.3 LOAN PROVISION ACCOUNT FOR IMPAIRMENT LOSSES	2023 £	2022 £
As at 1 October	1,270,330	1,509,561
Allowances reversed during the financial year	(120,003)	(239,231)
Transfer of engagement movement	114,330	-
(Decrease) in loan provision during the financial year	(5,673)	(239,231)
As at 30 September	<u>1,264,657</u>	<u>1,270,330</u>

12.4 NET RECOVERIES OR LOSSES RECOGNISED FOR THE FINANCIAL YEAR	2023 £	2022 £
Bad debts recovered	(150,550)	(74,572)
Increase	(120,004)	(239,231)
Loans written off	(270,554)	(313,803)
	651,343	942,363
Net (recoveries)/losses on loans to members recognised for the financial year	<u>380,789</u>	<u>628,560</u>

12.5 ANALYSIS OF GROSS LOANS OUTSTANDING	2023 Number of loans	2023 £	2022 Number of loans	2022 £
Less than one year	1,054	444,359	744	249,470
Greater than 1 year and less than 3 years	1,103	2,561,783	290	527,959
Greater than 3 years and less than 5 years	6,385	31,624,404	5,756	26,279,023
Greater than 5 years and less than 10 years	1	839	-	-
	<u>8,543</u>	<u>34,631,385</u>	<u>6,790</u>	<u>27,056,452</u>

13. DEBTORS, PREPAYMENTS AND ACCRUED INCOME	2023 £	2022 £
Prepayments	110,648	82,979
Other debtors	93,283	-
Accrued income	491,832	333,890
	<u>695,763</u>	<u>416,869</u>

The Other Debtor balance of £93,283 is the amalgamation of a series of unreconciled bank and accounting adjustments arising throughout the year.

Clonard Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2023

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14. DEPOSITS

The category of counterparties with whom the deposits and investments were held was as follows:

	2023 £	2022 £
Deposits		
A1	17,752,810	20,367,762
A3	-	3,161,000
A+	5,800,000	5,800,000
Aa3	3,400,000	-
Ba2	245	245
No rating	14,685,348	5,599,961
Total deposits	41,638,403	34,928,968

15. MEMBERS' SHARES - FINANCIAL LIABILITIES

	2023 £	2022 £
As at 1 October	54,546,133	52,136,215
Received during the financial year	27,442,027	22,114,502
Repaid during the financial year	(25,880,096)	(19,704,584)
Transfer of engagement movement	20,118,133	-
As at 30 September	76,226,197	54,546,133

	2023 £	2022 £
Attached shares	18,025,507	13,669,829
Unattached shares	58,200,690	40,876,304
Total	76,226,197	54,546,133

16. OTHER CREDITORS AND ACCRUALS

	2023 £	2022 £
Accruals	287,666	154,985
Other creditors	227,964	86,368
	515,630	241,353

17. FINANCIAL INSTRUMENTS

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

Credit Risk:

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

Clonard Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2023

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Liquidity Risk:

Clonard Credit Union Limited's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due. The objective of the Credit Union's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

Market Risk:

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

Fair Value of Financial Instruments

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

17.1 INTEREST RATE RISK DISCLOSURE

	2023	Average interest rate	2022	Average interest rate
	£	%	£	%
Financial assets				
Gross loans to members	<u>34,631,385</u>	<u>12.68</u>	<u>27,056,452</u>	<u>12.68</u>
Financial liabilities				
Members' shares	<u>76,226,197</u>	<u>0.50</u>	<u>54,546,133</u>	<u>0.25</u>

The interest rates applicable to loans to members are fixed at 12.68% for standard rate loans (The Credit Union has a number of special rate loan products with interest rates varying between 4% and 7%). 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.

17.2 LIQUIDITY RISK DISCLOSURE

All of the financial liabilities of the Credit Union are repayable on demand except for some members' shares attached to loans.

18. RELATED PARTY TRANSACTIONS

Directors, supervisors and staff (i.e. officers) of the Credit Union during the financial year ended 30 September 2023 operated share and loan accounts with the Credit Union. The following transactions and balances existed with members who were officers during the financial year ended 30 September 2023:

	No. of loans	2023 £
Loans advanced to Related Parties during the financial year	40	125,850
Total loans outstanding to Related Parties at the financial year end	43	<u>209,788</u>

The directors, supervisors and office staff share balances stood at £242,176 (2022: £277,019) which includes Instant Access balances.

There were no provisions against the loans due from current directors, management teams and their families at the current or prior year end Balance Sheet dates.

19. INSURANCE AGAINST FRAUD

The Credit Union has insurance against fraud in compliance with the PRA Rulebook.

Clonard Credit Union Limited
NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 September 2023

continued

20. CAPITAL COMMITMENTS

The Credit Union had no material capital commitments at the financial year-ended 30 September 2023.

21. POST-BALANCE SHEET EVENTS

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

22. CONTINGENT LIABILITIES

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

23. ABC CREDIT UNION LIMITED TRANSFER OF ENGAGEMENTS

The transfer of engagements from ABC Credit Union Limited completed on 14th October 2022. See below a summary of assets and liabilities to Clonard Credit Union Limited:

	2023 £	2022 £
Tangible Fixed Assets	249,307	-
Cash on Hand and at Bank	8,704,827	-
Other Debtors	44,222	-
Deposits and Investments	4,461,445	-
Loans	3,537,546	-
Provision for Bad Debts	(77,528)	-
Member Savings	(15,356,111)	-
Other Liabilities, Creditors, Accruals and Charges	(80,055)	-
	<u>1,483,653</u>	<u>-</u>

24. AVILA CREDIT UNION LIMITED TRANSFER OF ENGAGEMENTS

The transfer of engagements from Avila Credit Union Limited completed on 15th September 2023. See below a summary of assets and liabilities to Clonard Credit Union Limited:

	2023 £	2022 £
Tangible Fixed Assets	219,502	-
Cash on Hand and at Bank	1,615,092	-
Other Debtors	66,607	-
Deposits and Investments	2,450,000	-
Loans	1,330,698	-
Provision for Bad Debts	(36,802)	-
Member Savings	(4,762,022)	-
Other Liabilities, Creditors, Accruals and Charges	(55,667)	-
	<u>827,408</u>	<u>-</u>

25. 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 total reserves are in excess of the minimum requirement set down by the PRA, and stands at 12.34% (2022 - 12.95%) of the total assets of the Credit Union at the Balance Sheet date.

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved, and authorised for issue, by the Board of Directors on 24 April 2024.

Clonard Credit Union Limited

SCHEDULE TO THE INCOME & EXPENDITURE ACCOUNT

for the financial year ended 2023

Schedule 1 - Other Management Expenses

	2023	2022
	£	£
Other Management Expenses	124,340	64,851
Rent and rates payable	23,350	22,934
General insurance	900,866	655,860
Share and loan insurance	23,310	12,873
Security and cash transit	33,583	28,391
Light and heat	4,695	19,868
Repairs and renewals	167,795	62,509
Computer and equipment maintenance	58,714	26,027
Printing and stationery	91,078	47,683
Promotion and education	56,250	51,494
Telephone and postage	1,631	4,188
Chapter expenses	14,855	16,480
Travelling and subsistence	8,414	14,611
Social and entertainment	146,307	78,277
Legal and debt recovery fees	49,845	-
Recruitment and temporary staffing costs	54,209	19,834
Audit fees	(185)	(185)
Deferred Income Release	99,575	93,354
Bank interest and charges	23,401	27,870
Subscriptions and donations	23,946	23,754
Saving protection scheme	23,517	5,956
General expenses	(82,889)	-
Surpluses/deficits on disposal of tangibles		
	<u>1,846,607</u>	<u>1,276,629</u>

