

Accounts and Notice of AGM

Notice is hereby given that the Annual General Meeting of Cara Credit Union Ltd. will be held at The Rose Hotel, Tralee on **Monday 17th December, 2018 at 8.00pm.**

Please come along, plenty of prizes on the night including Members Car Draw.



TRALEE | CASTLEISLAND | KILLORGLIN



Your Award Winning Team

CARA CREDIT UNION | CELEBRATING 50 YEARS | 1968-2018

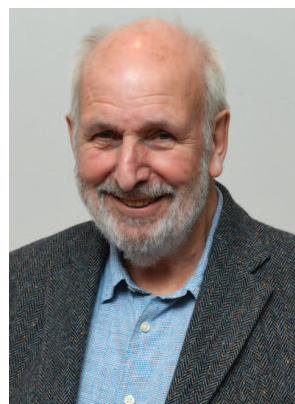
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Richard Bono
Hon Secretary

Cara Credit Union

Board of Directors and Board Oversight Committee

Front row left to right: Lily Tangney, Michael O'Sullivan, Caroline Sugrue (Chairperson) Richard Bono, Pa Laide (CEO) & Sean Roche.

Back row left to right: Danny Kerins, Luke Prendeville (Board Oversight Committee) Eddie Enright, Tom Lawlor, Patrick O'Brien (Board Oversight Committee) John Welch & Randall Wharton.

Missing from the photo:

John O'Connor (Vice Chair) & Anne Marie Brosnan (Board Oversight Committee).

AGM AGENDA

MONDAY 17th DECEMBER 2018 | THE ROSE HOTEL 8.00pm

- Invocation - Credit Union Prayer
1. Acceptance of Proxies (if any) by the Board of Directors
2. Ascertain that a Quorum is present
3. Adoption of Standing Orders
4. Reading and Approval of the Minutes of 2017 AGM
5. Appointment of Tellers
6. Report of the Nominating Committee & Election of Directors, Board Oversight Committee and Auditor
7. Report of the Chairperson
8. Report of the Auditors
9. Report on Accounts
10. Declaration of 0.01% dividend
11. Report of the Board Oversight Committee
12. Report of CEO
13. Approval of the League Affiliation Fees –€1.00 per member automatically deducted from members accounts
14. Approval of the deduction of €4.50 Death Benefit Insurance per member
15. Approval to amend the Standard Rules (please refer to Rules below)
16. AGM Members' Draw
17. Announcement of Election Results
18. Any Other Business
19. Live Members' Car Draw
20. Close of Meeting

Resolution No. 13

That this Annual General Meeting amends the Standard Rules for Credit Unions (Republic of Ireland) by the deletion of Rule 109(8) (see below).

Rule 109(8)

Subject to the Act and any regulations made thereunder, the forms used by the credit union shall contain as a minimum the information as set out in the forms contained in the Appendices to these rules which forms may be amended from time to time by the Irish League of Credit Unions.

CHAIRPERSON'S REPORT

Cara Credit Union has continued to deliver on its strategic priorities during 2018 and activity in lending has been strong. We continue to grow with over 2,400 new members, with our active membership now over 43,000.



Caroline Sugrue

On behalf of your Board of Directors, I am pleased to report that Cara Credit Union has had a very successful year in 2018 and I invite you to attend our 51st AGM, our first AGM as Cara Credit Union.

It has been a very busy year for Cara Credit Union – in February we celebrated our 50th Anniversary with a celebratory Mass in St. John's Church and afterwards at the Grand Hotel in Tralee, followed by an open day in each of our three offices. This was a milestone event in the credit union's history and is testament to your support down through the years. For the year ahead we have Killorglin's 50th anniversary and will provide details of events closer to the time.

Having passed the name change at last year's AGM we changed our name to Cara Credit Union in March. Cara is the Irish word for "friend" and embodies our core ethos and values and helps us broaden our vision for the future together. Serving our members is always at the heart of everything we do and together we have worked tirelessly in making Cara Credit Union one of the strongest community-based credit unions in the country with our assets now standing at over €233 million.

2018 has seen our busiest growth ever in lending with our loan book growing to just under €84m a 13% increase in the year representing 81.01% of our total income. We are very much reliant on our loan book given the current economic climate surrounding the low investment market. We issued €41.7m in new loans with the majority of

these new loans put back into the local community in the form of car purchases, home improvements, weddings and education, which helps to strengthen the indigenous economy and keeps jobs local.

Unfortunately, investment return remains low at less than 1% and this continues to put pressure on the Loan Book to provide the required income to cover expenses, maintain reserves and pay a dividend. With effect from 1st February 2019 we are placing a limit of €50,000 as the maximum amount you can hold in your credit union account. This is to ensure our future strength and sustainability and reduce the pressure currently placed on our Reserves.

We, as a Board will continue to implement and develop our Vision 2020 Strategic Plan. We intend to review and develop our offices in Tralee, Castleisland and Killorglin to enhance member experience and deliver new technology. The delivery of a debit card and accompanying current account service for all members is key to providing new services for our members and we continue to look at other exciting opportunities that may arise to enhance and develop credit union services further. This plan evolves on a yearly basis with market, economic and financial challenges dictating our direction. Having completed a review of our strategic plan, we are satisfied that your credit union is in a strong financial state and well positioned for any unexpected challenges.

A key function of the Board is to set the direction of the credit union while always being mindful of the risks involved. As a Board we must also challenge the financial performance of the credit union and keep a tight rein on all costs. After salaries, the second biggest cost to Cara CU is our Insurance Services. The Board made a decision to maintain the same level of Death Benefit cover (€1,950) for another 12 months. From 1st February 2019, in line with the average claim amount being made, we will reduce the level of savings cover to €3,000. We will also remove the total and permanent disability cover given the cost of the cover versus the number of claims being made.

At the end of the year the Board considered their options in relation to the distribution of any surplus. As with every year end the Board have some very difficult decisions to make and take guidance from the management team in place. This year the Board are proposing a dividend of 0.01% to reward our saving members. This dividend is the same as 2017. In the current economic climate we feel that this is a very competitive rate and are pleased that while giving you the same dividend rate as last year we are also in a position to strengthen our reserves.

The Board considered the discontinuation of the Loan Interest Rebate very carefully and, in the interest of fairness and equality, believes that this is a prudent, yet effective cost-saving mechanism that will benefit all members. Not only are our loan interest rates competitive, but they offer real value for money and with free Loan Protection Insurance paid by the credit union, peace of mind to our borrowing members (*T&C's apply*).

Your Board works diligently throughout the year on your behalf and met a total of 19 times to discharge their regulatory and fiduciary duties. The focus areas for the Board continue to be: Financial Strength, Risk Management, Compliance, Strategy and Sound Governance Practice.

It is important to remember that the Board and committee members that fulfil their duties on your Board and related committees do so voluntarily. Increased regulation and understanding of legislation places a significant responsibility on these volunteers in relation to discharging their duties effectively. With continued training and learning, the Board perform their credit union roles most effectively and, on your behalf, I thank them all for their time and dedication. I would like to extend a special thanks to Aoife Lynch and Úna Glazier-Farmer who both retired from their directorships during the year - their contribution and hard work was a great asset to your Board. Lily Tangney and Randall Wharton have recently joined the Board in their stead and we welcome them.

Finally, this is my first year serving as Chairperson of the Board of Directors and what a year it has been - a 50th anniversary, a new name, recipients of several high-calibre team, credit union and local business awards ... the list goes on. I would like to express a very special thanks to the management and staff of Cara Credit Union who work so tirelessly and with such passion to provide such a personal and dedicated service to all our members. I would especially like to thank all my fellow directors who have supported and worked with me in what was a very interesting and busy year. I would like to thank the Board Oversight Committee for keeping us on our toes and for their support and guidance.

A special thank you to you, our members for keeping Cara Credit Union strong and sustainable, for your unwavering commitment and loyalty in 2018 and we look forward to further growth in 2019. Wishing you all a happy Christmas and a peaceful New Year and I look forward to meeting you all at our AGM.

Caroline Sugrue, Chairperson

BOARD OVERSIGHT COMMITTEE

The Board Oversight Committee (BOC) has the task of ensuring that the board of directors function, as laid out by the Credit Union Acts and good corporate governance practice.

The BOC considers the overall responsibilities of the Board and the functioning of the directors. There are a number of responsibilities specified by the Credit Union Act 2012 but the principal three are as follows; Strategy implementation and review, Risk assessment and management, and Effectiveness of management and procedures. These core responsibilities are the foundation of a strong functioning credit union board and one of the main guidance to the BOC when evaluating and reviewing the board's performance.

Over the past year at least one member of the BOC has been present at all board meetings and have attended a number of the committee meetings. At our request we have received additional information where required. The BOC meet at least once a month, separately to the Board to review and discuss the Board's function and performance.

2018 has proven to be a very busy and challenging year for Cara Credit Union. A large project undertaken was the name change from Tralee Credit Union to Cara Credit Union. This change was managed well and resulted in a smooth change over, which appears to have been embraced by members.

In quarter one of 2018, CCU had a PRISM review from the Central Bank, these reviews are to ensure that CCU is operating within the regulations. There was a lot of work required by

both staff and directors in preparing for this review, which resulted in a positive review outcome. With the number of credit unions diminishing nationally, these reviews may become a more regular occurrence in the future. The investment and regulatory environment within which credit unions operates, continues to be challenging and the Board constantly review the strategic planning to ensure we are prepared for the future. The Board and Credit Union staff have been very conscious of the need to keep up with the latest technology and services available to members.

It is our opinion that the Board and management have taken the appropriate steps ensuring that CCU are prepared for the challenges that are facing the Credit Union and financial environment in the coming years.

Gerard Pierse left the BOC on 1st June 2018 due to personal commitments and Ann Marie Brosnan joined the committee in his stead. We acknowledge with thanks the help and support we received from Gerard.

We wish to thank the Board, management and staff for their support and co-operation during the year.

Patrick O'Brien
Chairperson BOC



Patrick O'Brien

CEO REPORT

2018 was another successful year for your credit union. We celebrated our 50th Anniversary, our name change and strong growth for this financial year. In doing so we reaped the fruits of our labour by winning awards at three recent award ceremonies.

We were honoured to win the Team Leader Award at the Connect Kerry Business Awards in May. In recent weeks we won 5 awards in one day at two prestigious awards ceremonies in Dublin, at the Credit Team Awards and in Kerry, at the Kerryman Business Awards. These awards are a fitting tribute in this our 50th Anniversary and is a significant endorsement to our new name, Cara Credit Union, as well as to the hard work and dedication of our Board, management and staff and the loyalty and support of you, our members.

Offices: Over 100,000 transactions take place every month, 30,000 counter transactions and 70,000 electronic transactions (electronic funds transfers, direct debits and online). We installed a second Kiosk this year in our Tralee office to help ease the queues by facilitating express services which have been well received by you, our members. Our Board has also approved maintenance work in all three offices to improve our members journey and experience when visiting us.

Credit: We paid out €41.7m in new loans this year, bringing our loan book to just under €84m. This was an increase of 13% in the year, a great result in these competitive and challenging times. Lending is our main source of income and we are grateful to our members for their loyalty in borrowing with us. If you need a loan, talk to us. We have a wide range of loans for all purposes and are looking at extending our lending into the farming community with a new Agri Loan in Spring 2019.

Our Pearls A1 ratio, i.e. loans greater than 10 weeks in arrears, is at a historic low of 2.83% (CU

sector is at 6%) indicating that members circumstances are improving, members loyalty in repaying their loans is high, and the hard work within our teams in lending and helping members in arrears.

Compliance: We would like to thank you, our members for your co-operation and support at the removal of two of our services this year, our saving stamps due to anti money laundering legislation and our safety deposit boxes for insurance purposes. As you will see from Page 30, Contingent Liabilities, we have two compliance projects to undertake in 2019. Please refer to Page 30 of this Annual Report and to our Newsletter accompanying this Annual Report.

Corporate Social Responsibility: We are committed to our CSR role to our members and community. This year over €50,000 was made available in sponsorship, community projects (Lauri Healy Community Sponsorship Awards) and our Education and Dan Kellegher Memorial Awards. Unlike Castleisland and Killorglin, our Tralee office did not have a defibrillator nearby, so with the help of Tralee Community Responders we installed a public 24 hour unit outside our Tralee office.

I want to thank our Chairperson, fellow directors and all my colleagues within Cara Credit Union for their ongoing support that I receive in fulfilling my role as CEO. Together we are confident that we are building a better credit union and are focused on delivering premium services to you, our members.

Pa Laide, CEO



Pa Laide

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

The directors present their annual report and the audited financial statements for the financial year ended 30 September 2018.

Principal activity

The principal activity of the business continues to be the operation of a credit union.

Authorisation

The credit union is authorised as follows:

- Insurance/reinsurance intermediary under the European Communities (Insurance Mediation) Regulations, 2005 (as amended).
- Investment Intermediaries (Restricted Activity Investment Product Intermediary) pursuant to Section 26 of the Investment Intermediaries Act, 1995 (as amended).
- Service Providers holding appointments from IIA product producers, including intermediaries that may issue appointments, appearing in the register maintained under Section 31 of the Investment Intermediaries Act, 1995 (as amended).
- Entitled under the European Union (Payment Services) Regulations 2018 to provide payment services.

Business review

The directors are satisfied with the results for the year and the year-end financial position of the credit union. The directors expect to develop and expand the credit union's current activities and they are confident of its ability to continue to operate successfully in the future.

Dividends and loan interest rebates

The surplus for the financial year is set out in the income and expenditure account on page 14. The directors are proposing a dividend in respect of

the year ended 30 September 2018 of €18,584 (0.01%) (2017: €17,266 (0.01%)) and a loan interest rebate of €nil (0.00%) (2017: €131,830 (2.50%)).

Principal risks and uncertainties

The principal risks and uncertainties faced by the credit union are:

Credit risk

Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to the credit union, resulting in financial loss.

Lack of loan demand

Lending is the principal activity of the credit union and the credit union is reliant on it for generating income to cover costs and generate a surplus.

Market risk

Market risk is the risk that the value of an investment will decrease. This risk can arise from fluctuations in values of, or income from, assets or changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the credit union will not have sufficient cash resources to meet day to day running costs and repay members' savings when demanded.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes or systems of the credit union, any failure by persons connected with the credit union or from external events.

DIRECTORS' REPORT contd.

These risks are managed by the board of directors as follows:

Credit risk

In order to manage this risk, the board of directors regularly reviews and approves the credit union's credit policy. 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.

Lack of loan demand

The credit union provide lending products to its members and promote these products through various marketing initiatives.

Market risk

The board of directors regularly reviews and approves the credit union's investment policy and funds are invested in compliance with this policy and regulatory guidance.

Liquidity risk

The credit union's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due.

Operational risk

The operational risk of the credit union is managed through the employment of suitably qualified staff to ensure appropriate processes, procedures and systems are implemented and are further supported with a robust reporting structure.

Accounting records

The directors believe that they comply with the

requirements of Section 108 of the Credit Union Act, 1997 (as amended) with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the credit union are maintained at the credit union's premises at 45-47 Ashe Street, Tralee, Co. Kerry.

Events after the end of the financial year

There have been no significant events affecting the credit union since the year end.

Auditors

In accordance with Section 115 of the Credit Union Act, 1997 (as amended), the auditors Grant Thornton offer themselves for re-election. This report was approved by the board on 14th November 2018 and signed on its behalf by:



Caroline Sugrue
Chairperson of the board of directors



Sean Roche
Member of the board of directors

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE FINANCIAL YEAR ENDED 30th SEPTEMBER 2018

The directors are responsible for preparing the financial statements in accordance with applicable Irish law and regulations. The directors are also responsible for preparing the other information included in the annual report. The Credit Union Act, 1997 (as amended) requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the credit union and of the income and expenditure of the credit union for that period.

In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and reason for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Credit Union will continue in business.

The directors are responsible for ensuring that the credit union keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the credit union, enable at any time the assets, liabilities, financial position and income and expenditure of the credit union to be determined with reasonable accuracy, enable them to ensure that the financial statements comply with the Credit Union Act 1997 (as amended) and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the credit union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the board on 14th November 2018 and signed on its behalf by:

Chairperson of the board of directors

Member of the board of directors

BOARD OVERSIGHT COMMITTEE'S RESPONSIBILITIES STATEMENT

FOR THE FINANCIAL YEAR ENDED 30th SEPTEMBER 2018

The Credit Union Act, 1997 (as amended) requires the appointment of a board oversight committee to assess whether the board of directors has operated in accordance with part iv, part iv (a) and any regulations made for the purposes of part iv or part iv (a) of the Credit Union Act, 1997 (as amended) and any other matter prescribed by the Central Bank of Ireland in respect of which they are to have regard to in relation to the board of directors.

This statement was approved by the board oversight committee on 14th November 2018 and signed on its behalf by:

Patrick O'Brien, Chairperson of the Board Oversight Committee

INDEPENDENT AUDITORS' REPORT TO MEMBERS

Opinion

We have audited the financial statements of Cara Credit Union Limited, which comprise the income and expenditure account, the statement of comprehensive income, the balance sheet, the statement of changes in reserves and the statement of cash flows for the financial year ended 30 September 2018, and the related notes to the financial statements, including the summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law including the Credit Union Act, 1997 (as amended) and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (Generally Accepted Accounting Practice in Ireland).

In our opinion, Cara Credit Union Limited's financial statements:

- give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the state of the credit union's affairs as at 30 September 2018 and of its income and expenditure and cash flows for the year then ended; and
- have been properly prepared so as to conform with the requirements of the Credit Union Act, 1997 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)') and applicable law. Our responsibilities under those standards are further described in the 'responsibilities of the auditor for

the audit of the financial statements' section of our report. We are independent of the credit union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, namely the Irish Auditing and Accounting Supervisory Authority (IAASA) Ethical Standard concerning the integrity, objectivity and independence of the auditor, and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the entity. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Credit Union's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

Other information comprises information included in the annual report, other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial

INDEPENDENT AUDITORS' REPORT TO MEMBERS contd.

statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, 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.

Matters on which we are required to report by the Credit Union Act, 1997 (as amended)

Based solely on the work undertaken in the course of the audit, we report that:

- we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- in our opinion proper accounting records have been kept by the credit union;
- the financial statements are in agreement with the accounting records of the credit union;
- the financial statements contain all primary statements, notes and significant accounting policies required to be included in accordance with section 111(1)(c) of the Act.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland, including FRS 102, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the credit union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the credit union or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor for the audit of the financial statements

The auditor's objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes their opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

INDEPENDENT AUDITORS' REPORT TO MEMBERS contd.

judgement and maintain professional scepticism throughout the audit. The auditor will also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the credit union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the credit union's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the credit union to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may be identified during the audit.

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

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

Denise O'Connell FCA

for and on behalf of Grant Thornton
Chartered Accountants & Statutory Audit Firm
Mill House,
Henry Street,
Limerick

14th November, 2018

INCOME AND EXPENDITURE ACCOUNT

FOR THE FINANCIAL YEAR ENDED 30th SEPTEMBER 2018

INCOME	Schedule	2018 €	2017 €
Interest on members' loans		5,809,624	5,284,896
Members' deposit & other interest expense & similar charges		-	(4,860)
Other interest and similar income	1	1,243,705	1,890,570
Gain on investments		-	1,571,392
Net interest income		7,053,329	8,741,998
Other income	2	144,324	117,359
Total income		7,197,653	8,859,357
EXPENDITURE			
Employment costs		2,336,780	2,497,308
Other management expenses	3	2,928,284	3,041,525
Depreciation		129,848	145,541
Net impairment losses/(gains) on loans to members (note 5)		(118,881)	(365,776)
Total expenditure		5,276,031	5,318,598
Surplus for the financial year		1,921,622	3,540,759

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30th SEPTEMBER 2018

	2018	2017
Surplus for the financial year	1,921,622	3,540,759
Other comprehensive income	-	-
Total comprehensive income for the financial year	1,921,622	3,540,759

The financial statements were approved, and authorised for issue, by the board of directors on the 14th November 2018 and signed on behalf of the credit union by:

CEO:  Patrick Laide 14th Nov. 2018
 Chairperson board of directors:  Caroline Sugrue 14th Nov. 2018
 Chairperson board oversight committee:  Patrick O'Brien 14th Nov. 2018

The notes on pages 18 to 31 form part of these financial statements.

BALANCE SHEET

AS AT 30th SEPTEMBER 2018

		2018 €	2017 €
ASSETS			
Cash and balances at bank		2,051,302	1,692,646
Deposits and investments – cash equivalents	7	31,822,662	41,195,079
Deposits and investments – other	7	117,940,402	105,296,611
Loans to members	8	83,908,771	74,358,214
Provision for bad debts	9	(4,847,645)	(4,540,243)
Tangible fixed assets	10	2,188,367	2,234,905
Prepayments and accrued income	11	623,648	597,504
Total assets		233,687,507	220,834,716
LIABILITIES			
Members' shares	12	196,264,578	184,969,189
Members' deposits	12	189,992	228,013
Other liabilities, creditors, accruals and charges	13	1,630,014	1,816,809
Other provisions	14	45,163	35,580
Total liabilities		198,129,747	187,049,591
RESERVES			
Regulatory reserve	16	24,249,234	22,380,939
Operational risk reserve	16	705,000	505,000
Other reserves			
- Realised reserves	16	10,229,618	10,595,816
- Unrealised reserves	16	373,908	303,370
Total reserves		35,557,760	33,785,125
Total liabilities and reserves		233,687,507	220,834,716

The financial statements were approved, and authorised for issue, by the board of directors on the 14th November 2018 and signed on behalf of the credit union by:

CEO:  Patrick Laide 14th Nov. 2018
 Chairperson board of directors:  Caroline Sugrue 14th Nov. 2018
 Chairperson board oversight committee:  Patrick O'Brien 14th Nov. 2018

The notes on pages 18 to 31 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

	Regulatory Reserve €	Operational Risk Reserve €	Realised Reserve €	Unrealised Reserves €	Total €
As at 1 October 2016	20,635,027	500,000	9,748,334	-	30,883,361
Surplus for the financial year	-	-	3,540,759	-	3,540,759
Dividend and loan interest rebate paid	-	-	(638,995)	-	(638,995)
Transfer between reserves	1,745,912	5,000	(2,054,282)	303,370	-
As at 1 October 2017	22,380,939	505,000	10,595,816	303,370	33,785,125
Surplus for the financial year	600,000	200,000	1,035,542	86,080	1,921,622
Dividend and loan interest rebate paid	-	-	(148,987)	-	(148,987)
Transfer between reserves	1,268,295	-	(1,252,753)	(15,542)	-
As at 30 September 2018	24,249,234	705,000	10,229,618	373,908	35,557,760

The regulatory reserve of the credit union as a percentage of total assets as at 30 September 2018 was 10.38% (2017: 10.13%).

The operational risk reserve of the credit union as a percentage of total assets as at 30 September 2018 was 0.30% (2017: 0.23%).

The notes on pages 18 to 31 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 €	2017 €
Opening cash and cash equivalents		42,887,725	38,859,373
Cash flows from operating activities			
Loans repaid by members	8	31,920,110	28,189,550
Loans granted to members	8	(41,722,402)	(38,217,880)
Loan interest		5,809,624	5,284,896
Deposit interest		-	(4,860)
Investment income		1,243,705	1,890,570
Gain on investments		-	1,571,392
Bad debts recovered and recoveries		678,018	989,038
Other receipts		144,324	117,359
Dividends paid		(17,222)	(402,319)
Loan interest rebate paid		(131,765)	(236,676)
Operating expenses		(5,265,064)	(5,538,833)
Movement in other assets and liabilities		(203,356)	650,016
Net cash flows from operating activities		(7,544,028)	(5,707,747)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed asset (purchases)/disposals		(83,310)	(66,898)
Net cash flow from other investing activities		(12,643,791)	(957,895)
Net cash flows from investing activities		(12,727,101)	(1,024,793)
CASH FLOWS FROM FINANCING ACTIVITIES			
Members' shares and members' deposit received		217,206,137	206,232,961
Members' shares and members' deposits withdrawn		(205,948,769)	(195,472,069)
Net cash flows from financing activities		11,257,368	10,760,892
Net (decrease)/increase in cash and cash equivalents		(9,013,761)	4,028,352
Closing cash and cash equivalents	6	33,873,964	42,887,725

The notes on pages 18 to 31 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

1. LEGAL AND REGULATORY FRAMEWORK

Cara Credit Union Limited is registered with the Registry of Credit Unions and is regulated by the Central Bank of Ireland. The registered office of the credit union is located at 45-47 Ashe Street, Tralee, Co. Kerry.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

The financial statements have been prepared in accordance with applicable Irish accounting standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and Irish statute comprising of the Credit Union Act, 1997 (as amended). The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Euro (€) which is also the functional currency of the credit union.

The following principal accounting policies have been applied:

2.2 Statement of Compliance

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102).

2.3 Going Concern

After reviewing the credit union's projections, the directors have reasonable expectation that the credit union has adequate resources to continue in operational existence for the foreseeable future. The credit union therefore continues to adopt the going concern basis in preparing its financial statements.

2.4 Income

Interest on members' loans

Interest on members' loans is recognised on an accruals basis using the effective interest method.

Deposit and investment income

Investment income is recognised on an accruals basis using the effective interest method.

Other income

Other income is recognised on an accruals basis.

2.5 Investments

The specific investment products held by the credit union are accounted for as follows:

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.

Central Bank Deposits

Credit unions are obliged to maintain certain deposits with the Central Bank. These deposits are technically assets of the credit union but to which the credit union has restricted access. The funds on deposit with the Central Bank attract nominal interest and will not ordinarily be returned to the credit union while it is a going concern. The amounts are stated at the amount deposited plus accrued income and are not subject to impairment reviews.

NOTES TO THE FINANCIAL STATEMENTS contd.

Investments at Fair Value

Investments held for trading and investment in stock market shares (i.e. non-convertible preference shares and non-puttable ordinary shares or preference shares) are included in this category. Financial assets at fair value are classified as held for trading if they are acquired for sale in the short term. They are valued at fair value (market value) at the year-end date and all gains and losses are taken to the income and expenditure account.

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market these assets will be carried at cost less impairment.

2.6 Tangible Fixed Assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The credit union adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the credit union. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the income and expenditure account during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:	
Freehold premises	2% straight line per annum
Fixtures and fittings	10% straight line per annum
Computer equipment	25% straight line per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains' or 'other losses' in the income and expenditure account.

2.7 Impairment of Tangible Fixed Assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the income and expenditure account. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income and expenditure account.

2.8 Taxation

The credit union is not subject to income tax or corporation tax on its activities.

NOTES TO THE FINANCIAL STATEMENTS contd.

2.9 Cash and Cash Equivalents

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

2.10 Financial Assets – 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 using the effective interest method.

Loans are derecognised when the right to receive cash flows from the asset has expired, usually when all amounts outstanding have been repaid by the member.

2.11 Provision for bad debts

The credit union assesses if there is objective evidence that any of its loans are impaired with due consideration of environmental factors. The loans are assessed collectively in groups that share similar credit risk characteristics. Individually significant loans are assessed on a loan by loan basis. In addition, if there is objective evidence that any individual loan is impaired, a specific loss will be recognised. Bad debt provisioning is monitored by the credit union, and the credit union assesses and approves its provisions and the adequacy of same on a regular basis.

Any bad debts/impairment losses are recognised in the income and expenditure account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the income and expenditure account.

2.12 Other Receivables

Other receivables such as prepayments are initially measured at transaction price including transaction costs and are subsequently measured at amortised cost using the effective interest method.

2.13 Financial Liabilities – Members' Shares and Members' Deposits

Members' shares and members' deposits in Cara Credit Union Limited are redeemable and therefore are classified as financial liabilities. They are initially recognised at the amount of cash deposited and subsequently measured at amortised cost.

2.14 Members Deposits

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

2.15 Holiday Pay

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

2.16 Pension Costs

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

The scheme is a multi-employer Scheme and due to the nature of the Scheme it is not possible for Cara Credit Union Limited to separately identify its share of the Scheme's underlying assets and liabilities.

Consequently, it accounts for the Scheme as a defined contribution plan. There is an agreed

NOTES TO THE FINANCIAL STATEMENTS contd.

funding plan in respect of the Pension Scheme as a result of a Minimum Funding Standard deficit certified by the Scheme's Actuary in 2009. Consequently, Cara 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.

The Credit Union also operates a defined contribution pension scheme for some employees. The assets of these schemes are held separately from those of the Credit Union in independently administered funds. Employer contributions to the pension scheme are charged to the income and expenditure account in the period to which they relate.

2.17 Other Payables

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

2.18 Derecognition of Financial Liabilities

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

2.19 Distribution Policy

Dividends and loan interest rebates are made from the current year's surplus or reserves set aside for that purpose. The board's proposed dividends and loan interest rebates to members each year is based on the distribution policy of the credit union.

The rate of dividends and loan interest rebates recommended by the board will reflect:

- the risk profile of the credit union, particularly in its loan and investments portfolios;
- the board's desire to maintain a stable rather than a volatile rate of dividend each year; and

- members' legitimate dividend and loan interest rebate expectations;
- all dominated by prudence and the need to sustain the long-term welfare of the credit union.

For this reason the board will seek to build up its reserves to absorb unexpected shocks and still remain above minimum regulatory requirements.

The credit union accounts for dividends and loan interest rebates when members ratify such payments at the Annual General Meeting.

2.20 Regulatory Reserve

The Credit Union Act, 1997 (Regulatory Requirements) Regulations 2016 requires credit unions to establish and maintain a minimum regulatory reserve requirement of at least 10 per cent of the assets of the credit union. This Reserve is to be perpetual in nature, freely available to absorb losses, realised financial reserves that are unrestricted and non-distributable.

2.21 Operational Risk Reserve

Section 45(5)(a) of the Credit Union Act, 1997 (as amended) requires each credit union to maintain an additional reserve that it has assessed is required for operational risk having regard to the nature, scale and complexity of the credit union. Credit unions are required to maintain a minimum operational risk reserve having due regard for the sophistication of the business model.

The Directors have considered the requirements of the Act and have calculated the operational risk reserve requirement by reference to the predicted impact of operational risk events that may have a material impact on the credit union's business.

2.22 Other Reserves

Other reserves are the accumulated surpluses to date that have not been declared as dividends

NOTES TO THE FINANCIAL STATEMENTS contd.

returnable to members. The other reserves are subdivided into realised and unrealised. In accordance with the Central Bank guidance note for credit unions on matters relating to accounting for investments and distribution policy, investment income that has been recognised but will not be received within 12 months of the balance sheet date is classified as “unrealised” and is not distributable. A reclassification between unrealised and realised is made as investments come to within 12 months of maturity date. The directors have deemed it appropriate that interest on loans receivable at the balance sheet date is also classified as “unrealised” and is not distributable. All other income is classified as “realised”.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCE OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires the directors to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Determination of Depreciation, Useful Economic Life and Residual Value of Tangible Assets

The annual depreciation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of residual values. The directors regularly review these useful lives and change them if necessary to reflect current conditions. In determining these useful lives management consider technological change, patterns of consumption, physical condition and expected economic utilisation of the assets. Changes in the useful lives can have a significant impact on the depreciation charge for the financial year. The net book value of tangible fixed assets

subject to depreciation at the year end was €2,188,367 (2017: €2,234,905).

Provision for bad debts

Cara Credit Union Limited's accounting policy for impairment of loans is set out in the accounting policy in note 2.11. The estimation of loan losses is inherently uncertain and depends upon many factors, including loan loss trends, credit risk characteristics in loan classes, local and international economic climates, conditions in various sectors of the economy to which the credit union is exposed, and, other external factors such as legal and regulatory requirements. The provision for bad debts in the financial statements at the year end was €4,847,645 (2017: €4,540,243) representing 5.78% (2017: 6.11%) of the total gross loan book.

Operational Risk Reserve

The directors have considered the requirements of the Credit Union Act, 1997 (as amended) and have developed an approach to the calculation of the operational risk reserve. The operational risk reserve of the credit union at the year end was €705,000 (2017: €505,000).

Adoption of Going Concern Basis for Financial Statements Preparation

The directors have prepared projections and cash flows for a period of at least twelve months from the date of the approval of the financial statements which demonstrate that there is no material uncertainty regarding the credit union's ability to meet its liabilities as they fall due, and to continue as a going concern. On this basis the directors consider it appropriate to prepare the financial statements on a going concern basis. Accordingly, these financial statements do not include any adjustments to the carrying amounts and classification of assets and liabilities that may arise if the credit union was unable to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS contd.

	€ 2018	€ 2017
4. KEY MANAGEMENT PERSONNEL COMPENSATION		
The directors of Cara Credit Union Limited are all unpaid volunteers. The key management personnel compensation is as follows:		
Short term employee benefits paid to key management	805,587	728,010
Payments to pension schemes	67,359	80,044
Total key management personnel compensation	872,946	808,054
5. NET IMPAIRMENT LOSSES/(GAINS) ON LOANS TO MEMBERS		
Bad debts recovered	(564,954)	(836,483)
Impairment of loan interest reclassified as bad debt recoveries	(113,064)	(152,555)
Movement in bad debts provision during the year	307,402	311,178
Loans written off during the year	251,735	312,084
Net impairment losses/(gains) on loans to members	(118,881)	(365,776)
6. CASH AND CASH EQUIVALENTS		
Cash and balances at bank	2,051,302	1,692,646
Deposits & investments (note 7)	149,763,064	146,491,690
Less: Deposit & investment amounts maturing after three months	(117,940,402)	(105,296,611)
Total cash and cash equivalents	33,873,964	42,887,725
7. DEPOSITS AND INVESTMENTS		
Deposits and investments – cash equivalents		
Accounts in authorised credit institutions (Irish and non-Irish based)	31,768,690	41,140,966
Collective investment schemes	53,972	54,113
Total deposits and investments – cash equivalents	31,822,662	41,195,079
Deposits and investments – other		
Accounts in authorised credit institutions (Irish and non-Irish based)	72,123,000	68,073,000
Bank bonds	23,533,524	20,500,405
Irish and EEA state securities	20,465,612	14,909,986
Central Bank deposits	1,818,266	1,813,220
Total deposits and investments – other	117,940,402	105,296,611
Total deposits and investments	149,763,064	146,491,690

NOTES TO THE FINANCIAL STATEMENTS contd.

€ 2018		€ 2017		
8. FINANCIAL ASSETS – LOANS TO MEMBERS				
As at 1 October	74,358,214	64,641,968		
Loans granted during the year	41,722,402	38,217,880		
Loans repaid during the year	(31,920,110)	(28,189,550)		
Gross loans and advances	84,160,506	74,670,298		
Bad debts				
Loans written off during the year	(251,735)	(312,084)		
As at 30 September	83,908,771	74,358,214		
9. PROVISION FOR BAD DEBTS				
As at 1 October	4,540,243	4,229,065		
Movement in bad debts provision during the year	307,402	311,178		
As at 30 September	4,847,645	4,540,243		
The provision for bad debts is analysed as follows:				
Grouped assessed loans	4,847,645	4,540,243		
Provision for bad debts	4,847,645	4,540,243		
10. TANGIBLE FIXED ASSETS				
	€ Freehold Premises	€ Fixtures & Fittings	€ Computer Equipment	€ Total
COST				
1 October 2017	2,998,591	631,427	455,952	4,085,970
Additions	-	50,938	32,372	83,310
At 30 September 2018	2,998,591	682,365	488,324	4,169,280
DEPRECIATION				
1 October 2017	921,389	544,164	385,512	1,851,065
Charge for year	59,807	10,989	59,052	129,848
At 30 September 2018	981,196	555,153	444,564	1,980,913
NET BOOK VALUE				
30 September 2018	2,017,395	127,212	43,760	2,188,367
30 September 2017	2,077,202	87,263	70,440	2,234,905

NOTES TO THE FINANCIAL STATEMENTS contd.

	€ 2018	€ 2017
11. PREPAYMENTS AND ACCRUED INCOME		
Prepayments	52,664	52,171
Loan interest receivable	185,874	158,353
Accrued income on investments	385,110	386,980
	623,648	597,504
12. MEMBERS' SAVINGS		
As at 1 October	185,197,202	174,436,310
Received during the year	217,206,137	206,232,961
Withdrawn during the year	(205,948,769)	(195,472,069)
As at 30 September	196,454,570	185,197,202
Members' savings are analysed as follows:		
Members' shares	196,264,578	184,969,189
Members' deposits	189,992	228,013
Total members' savings	196,454,570	185,197,202
13. OTHER LIABILITIES, CREDITORS, ACCRUALS & CHARGES		
Accruals and other liabilities	1,571,838	1,759,897
PAYE/PRSI	45,630	51,197
Car draw	12,546	5,715
	1,630,014	1,816,809
14. OTHER PROVISIONS		
Holiday Pay Accrual		
At 1 October	20,688	38,814
Charged to the income and expenditure account	24,475	(18,126)
At 30 September	45,163	20,688
Pension Provision		
At 1 October	14,892	29,783
Charged to the income and expenditure account	(14,892)	(14,891)
At 30 September	-	14,892
Total Other Provisions		
At 1 October	35,580	68,597
Charged to the income and expenditure account	9,583	(33,017)
At 30 September	45,163	35,580

NOTES TO THE FINANCIAL STATEMENTS contd.

€ 2018

€ 2017

15. FINANCIAL INSTRUMENTS

15a. Financial Instruments – Amortised Cost

Financial assets

Financial assets measured at amortised cost

236,054,275

222,875,417

Financial liabilities

Financial liabilities measured at amortised cost

198,129,747

187,049,591

Financial assets measured at amortised cost comprise cash and balances at bank, deposits and investments and loans.

Financial liabilities measured at amortised cost comprise member savings, creditors and accruals and provisions.

15b. Financial Instruments – Fair Value Measurements

FRS 102 requires fair value measurements to be disclosed by the source of inputs, using a three level hierarchy:

Quoted prices for identical instruments in active market (level 1);

Prices of recent transactions for identical instruments and valuation techniques using observable market data (level 2), and

Valuation techniques using unobservable market data (level 3).

The table below sets out fair value measurements using the fair value hierarchy:

At 30 September 2018

€ Total

€ Level 1

€ Level 2

€ Level 3

Collective investment schemes

53,972

-

53,972

-

Total

53,972

-

53,972

-

At 30 September 2017

€ Total

€ Level 1

€ Level 2

€ Level 3

Collective investment schemes

54,113

-

54,113

-

Total

54,113

-

54,113

-

There were no fair value adjustments recognised in the income and expenditure account for the year ended 30 September 2018 (2017: €nil).

NOTES TO THE FINANCIAL STATEMENTS contd.

	Balance 1/10/17 €	Payment of dividend & loan interest rebates €	Appropriation of current year surplus €	Transfers between Reserves €	Balance 30/09/18 €
16. RESERVES					
Regulatory reserve	22,380,939	-	600,000	1,268,295	24,249,234
Operational risk reserve	505,000	-	200,000	-	705,000
Other Reserves					
Realised					
Dividend reserve	1,000,000	-	-	-	1,000,000
General reserve	9,446,720	-	1,016,958	(1,252,644)	9,211,034
Special reserve: dividend and loan interest rebate	149,096	(148,987)	18,584	(109)	18,584
Total realised reserves	10,595,816	(148,987)	1,035,542	(1,252,753)	10,229,618
Unrealised					
Interest on loans reserve	158,353	-	27,521	-	185,874
Investment income reserve	145,017	-	58,559	(15,542)	188,034
Total unrealised reserves	303,370	-	86,080	(15,542)	373,908
Total reserves	33,785,125	(148,987)	1,921,622	-	35,557,760
17. CREDIT RISK DISCLOSURES					
The credit union complies with Section 12 of the Credit Union Act, 1997 (Regulatory Requirements) Regulations 2016. This regulation:					
<ul style="list-style-type: none"> restricts the concentration of lending by the credit union within certain sectors or to connected persons or groups (concentration limits); restricts the absolute amount of lending to certain sectors to a set percentages of the regulatory reserve (large exposure limit) restricts the loan duration of certain loans to specified limits (maturity limits) requires specified lending practices to be in place where loans are made to certain sectors such as commercial loans, community loans or loans to another credit union. 					
The carrying amount of the loans to members represents Cara Credit Union Limited's maximum exposure to credit risk. The following provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full.					

NOTES TO THE FINANCIAL STATEMENTS contd.

	2018		2017	
	€	%	€	%
LOANS NOT IMPAIRED				
Total loans not impaired, not past due	65,074,675	77.55%	57,162,677	76.87%
IMPAIRED LOANS:				
Not past due	2,326,361	2.77%	2,503,444	3.37%
Up to 9 weeks past due	14,131,162	16.84%	12,227,285	16.44%
Between 10 and 18 weeks past due	680,570	0.81%	490,996	0.66%
Between 19 and 26 weeks past due	308,220	0.37%	403,919	0.54%
Between 27 and 39 weeks past due	450,102	0.54%	244,981	0.33%
Between 40 and 52 weeks past due	206,630	0.25%	246,838	0.33%
53 or more weeks past due	731,051	0.87%	1,078,074	1.46%
Total impaired loans	18,834,096	22.45%	17,195,537	23.13%
TOTAL LOANS	83,908,771	100.00%	74,358,214	100.00%

	2018		2017	
	No. of Loans	€	No. of Loans	€
18. RELATED PARTY TRANSACTIONS				
Loans advanced to related parties during the year	8	163,500	11	71,000
Total loans outstanding to related parties at the year end	22	327,628	20	301,976
Total provision for loans outstanding to related parties		16,156		5,646

The related party loans stated above comprise of loans to members of the board of directors, the management team and members of the family of members of the board of directors and the management team of Cara Credit Union Limited.

Total loans outstanding to related parties represents 0.39% of the total loans outstanding at 30 September 2018 (2017: 0.41%).

NOTES TO THE FINANCIAL STATEMENTS contd.

19. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES

19a. Financial Risk Management

Cara 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 Cara 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 the credit union, resulting in financial loss. In order to manage this risk the board of directors regularly reviews and approves Cara Credit Union Limited's credit policy. 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.

Market risk: Market risk is the risk that the value of an investment will decrease. This risk can arise from fluctuations in values of, or income from, assets or changes in interest rates. The board of directors regularly reviews and approves the credit union's investment policy and funds are invested in compliance with this policy and regulatory guidance.

Liquidity risk: Liquidity risk is the risk that the credit union will not have sufficient cash resources to meet day to day running costs and repay members' savings when demanded. The credit union's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due.

Interest rate risk: Cara Credit Union Limited's main interest rate risk arises from adverse movements in interest rates receivable which would affect investment income. Cara Credit Union Limited reviews any potential new investment product carefully to ensure that minimum funds are locked in low yielding long term investments yet at the same time maximising investment income receivable.

19b. Liquidity Risk Disclosures

The credit union's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due. The credit union adheres on an ongoing basis to the minimum liquidity ratio and minimum short term liquidity ratio as set out in regulatory requirements.

19c. Interest Rate Risk Disclosures

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

	2018		2017	
	€	Average interest rate %	€	Average interest rate %
Gross loans to members	83,908,771	7.54%	74,358,241	7.72%

The dividend payable is at the discretion of the directors and is therefore not a financial liability of the credit union until declared and approved at the AGM.

NOTES TO THE FINANCIAL STATEMENTS contd.

20. DIVIDENDS AND LOAN INTEREST REBATE

The following distributions were made during the year:

	%	2018	€	%	2017	€
Dividend on shares	0.01%	17,222		0.25%	402,319	
Loan interest rebate	2.50%	131,765		5.00%	236,676	

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

	%	2018	€	%	2017	€
Dividend on shares	0.01%	18,584		0.01%	17,266	
Loan interest rebate	0.00%	-		2.50%	131,830	

21. EVENTS AFTER THE END OF THE FINANCIAL YEAR

There have been no significant events affecting the credit union since the year end.

22. INSURANCE AGAINST FRAUD

The credit union has Insurance against fraud in the amount of €5,200,000 in compliance with Section 47 of the Credit Union Act, 1997 (as amended).

23. CAPITAL COMMITMENTS

There were no capital commitments at 30 September 2018.

24. CONTINGENT LIABILITIES

24a. During the year the credit union, following consultations with professional advisers, identified that, in certain circumstances, some members' consent was not obtained for the deduction, by the credit union, of the members' designated portion of the DBI premium from members funds. The credit union has commenced a review and identified the in scope members and will engage with these members to seek retrospective consent to the deductions. The credit union could be required to refund any sums deducted without retrospective consent. As this process is currently on-going it is impracticable at this time to estimate the financial impact, if any, of this matter and whether any net amounts will become payable or not in the future.

24b. In September 2018, the Registry of Credit Unions advised all credit unions of a potential matter in relation to accrued interest outstanding on certain top-up loans which may have led to a potential over-collection of interest. The credit union has commenced a review to ascertain whether any top-up loans made to members might be impacted by these circumstances, and if so, to determine what actions may need to be taken. Consequently it is impracticable at this time to estimate the impact, financial or otherwise, if any, of this matter and whether any net amounts will become payable or not in the future.

25. COMPARATIVE INFORMATION

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

NOTES TO THE FINANCIAL STATEMENTS contd.

26. THE IRISH LEAGUE OF CREDIT UNIONS REPUBLIC OF IRELAND PENSION SCHEME

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

The scheme is a multi-employer scheme and due to the nature of the Scheme it is not possible for Cara Credit Union Limited to separately identify its share of the scheme's underlying assets and liabilities. Consequently, it accounts for the scheme as a defined contribution plan, in accordance with FRS 102.

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

As part of the above solvency assessment process, the scheme actuary must carry out a separate valuation under the Minimum Funding Standard every 3 years and produce a funding certificate for submission to the Pensions Authority within 9 months of the effective date of the valuation. The purpose of the certificate is to certify whether or not the assets of the

scheme at the effective date are sufficient to meet the liabilities of the scheme based on the assumption that the scheme was wound up at that date. The most recent actuarial funding certificate was effective as at 1 March 2018 and it certified that the scheme satisfied the funding standard. Further, the actuary was reasonably satisfied that as at 28 February 2018 the scheme can be expected to satisfy the funding standard as specified in Section 44 of the Pensions Act, 1990, at 1 March 2019, being the date specified by the Pensions Authority under Section 49(2) (a) of the Act for the purpose of the existing funding proposal.

An actuarial review of the fund is normally carried out every three years by the scheme's independent, professionally qualified actuary. The actuarial review considers the past and future liabilities of the scheme. The last completed triennial actuarial review was carried out with an effective date of 1 March 2017 using the projected unit valuation method. The principal actuarial assumption used in the valuation was the investment return would be 1.75% higher than the annual salary increases. The market value of the scheme's assets at 1 March 2017 was €216m. The actuarial valuation disclosed a past service deficit of €6.4m at 1 March 2017 calculated under the ongoing actuarial valuation method. This valuation method assumes that the scheme will continue in existence for the foreseeable future. The assumptions used in the actuarial review to determine the past service deficit differ from the assumptions that would be used to determine the liabilities for defined benefit obligations under FRS102. This actuarial review recommended that the rate agreed under the funding proposal, 27.5% of pensionable salary, continues to be paid. The cost of risk benefits is paid in addition to this rate giving a total contribution rate of 30% of pensionable salary.

SCHEDULES TO THE INCOME & EXPENDITURE ACCOUNT

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

The following Schedules do not form part of the statutory financial statements which are the subject of the Independent Auditors' Report on page 11 - 13.

SCHEDULE 1 - OTHER INTEREST INCOME AND SIMILAR INCOME	€ 2018	€ 2017
Investment income received/receivable within 1 year	1,185,146	1,745,553
Investment income receivable outside of 1 year	58,559	145,017
Total per income and expenditure account	1,243,705	1,890,570

SCHEDULE 2 - OTHER INCOME	€ 2018	€ 2017
Sundry income	79,233	54,352
Commissions	63,598	61,306
Entrance fees	1,493	1,701
Total per income and expenditure account	144,324	117,359

SCHEDULE 3 - OTHER MANAGEMENT EXPENSES	€ 2018	€ 2017
Rent and rates	40,592	43,484
Light and heat	36,819	29,151
Repairs, maintenance and cleaning	67,941	98,060
Security costs	7,382	9,728
Printing and stationery	74,076	59,492
Postage and telephone	76,882	68,605
Marketing and sponsorship*	182,798	148,997
Chapter dues	29,988	1,480
AGM and convention expenses	28,274	48,043
Travel and subsistence	15,134	27,281
Bank charges	192,531	173,905
Irish credit bureau costs	41,020	30,435
Audit fee	33,825	33,825
General insurance	67,831	63,079
Share and loan insurance	611,575	526,970
Death benefit insurance	375,685	325,897
Office expenses	44,578	43,379
Board expenses	12,381	26,698
Staff training	24,243	27,053
Professional body membership	9,267	8,385
Legal and professional fees	225,091	234,218
Computer maintenance	321,932	269,907
Miscellaneous expenses	7,273	1,804
Affiliation fees and trade subscriptions	63,109	251,775
Regulatory levies	338,057	489,874
Total per income and expenditure account	2,928,284	3,041,525

*This includes Marketing, Sponsorship, Name Change, 50th Anniversary, Lauri Healy Community Sponsorship Awards, Education Awards and Youth.

CREDIT UNION MEMBERS CAR DRAW

INCOME & EXPENDITURE ACCOUNTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER, 2018

Income	€
Car Draw Member Entry Fees for F/Y 2018	113,382
Expenditure	
Prize Costs (Car Purchases)	96,288
Audit Fee	1,230
Administration and Miscellaneous Fee	3,318
Surplus for Cash Prizes	12,546

NOMINATIONS AND ELECTIONS

Auditors

Under Rule 107 (2) Cara Credit Union Ltd. shall appoint an auditor in accordance with Part V11 of the Act, Grant Thornton being eligible seeks re-election.

Board of Directors

Aoife Lynch and Úna Glazier-Farmer resigned in 2018. Lily Tangney and Randall Wharton were co-opted to fill these vacancies and under Rule 43 retire and seek re-election. Michael O'Sullivan, Seán Roche and Caroline Sugrue, under Rule 42, resign and being eligible seek re-election.



Lily Tangney

Lily joined the Board in June 2018. Originally from Tramore, Lily is a retired RGN. She has particular interest in environmental protection and green issues. A published writer, Lily is an active member of Kerry Women's Writers Network, is treasurer of Tralee Toastmasters and Secretary of Churchill Probus Group.



Randall Wharton

Randall joined the Board in July 2018. He has over 15 years' management experience and is currently Chief Operations Officer for an electrical manufacturing company in Dublin, where he works on strategy, project management and business development in Ireland, the UK and Europe. He lives just outside Tralee.



Michael O'Sullivan

Michael has been a Director with Cara Credit Union since April 2015 and is currently a member of the Audit Committee. He is a member of Chartered Management Accountants and is Senior Finance Manager with Western Union, having previously served as a Finance Manager with Fexco. A native of Ballyduff, Michael currently lives in Killorglin.

contd. overleaf

NOMINATIONS & ELECTIONS contd.



Sean Roche

Seán has served as Director of Cara Credit Union since April 2015 and currently sits on the Membership and Credit Control Committees. A former director with Killorglin CU, Seán is a retired public servant and works tirelessly on a voluntary basis with many community projects. A keen golfer, Seán resides in Glenbeigh.



Caroline Sugrue

Caroline has served on the Board of Cara Credit Union since August 2015 and was appointed as Chair in December 2017. She is currently a Director with DCS Group, an energy solutions company and has over

10 years' experience at board level, overseeing operations and finance. She resides with her family in the Spa.

Board Oversight Committee

Gerard Pierse resigned during the year. Ann Marie Brosnan was co-opted to fill this vacancy and, in accordance with Rule 57, she retires and being eligible seeks re-election.



Ann Marie Brosnan

Ann Marie recently joined the Board Oversight Committee in June 2018. She is a certified public accountant, working as Finance Project Manager with Pulse Learning in Tralee. She currently resides in the Ballymac area.

STANDING ORDERS

Reference: Recommendation 41 (b) of the Planning Committee;

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. When nominations are announced tellers shall be appointed by the chair and ballot papers shall be distributed. Nominations shall be in the following order: (a) nominations for auditor; (b) nominations for members of the board oversight committee; (c) nominations for directors. When voting is completed, the votes shall be taken and tallied by the tellers. Any ballot paper which contains votes for more than the number required to be elected shall be void. All elections shall be by secret ballot and by majority vote. When the votes have been counted by the tellers, the results shall be announced by the chair. In the event that all vacancies are not filled by the first ballot further ballots shall be taken as required. In the event of an equality of votes between candidates for the remaining vacancies not filled in accordance with the above procedure one further ballot shall be taken and should that ballot fail to determine the issue, the vacancies shall be filled by lot from among such candidates having an equality of votes.

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 such period as shall be at the discretion of the chair of the meeting and shall have the right of reply before the motion is put to the meeting for a vote.
6. In exercising his/her right of reply, a proposer may not introduce new material.
7. The seconder of a motion shall have such time as shall be allowed by the chair 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 such time as shall be at the discretion of the chair.
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, in which case it shall be the vice-chair, except where he/she is not available, in which case the board shall decide amongst themselves who shall act as chair of any general meeting.
11. The chair may at his/her 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 chairman's decision on any matter relating to these Standing Orders or interpretation of same shall be final.
14. No member shall have more than one vote on each question at any general meeting of the credit union or any adjournment thereof irrespective of his/her shareholding or the number of accounts in his/her name in the credit union provided, however, that except in voting at elections, the presiding member shall have a second or casting vote in the event of equality of voting. Voting by proxy shall be allowed only when a member other than a natural person votes through a representative, who is a member of the group, duly authorised in writing for that purpose and accepted as such by the board of directors.
15. Any matter to be decided upon by vote at the AGM shall, unless otherwise expressly provided for by law or the rules, be decided upon by simple majority.

16. SUSPENSION OF STANDING ORDERS

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

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).



Celebrating 50 Years

