

NOTIFICATION
AND
ANNUAL
REPORT 2018

Building our future together



Credit Union Limited
where community matters

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Synergy Credit Union Limited will take place in:

**Corrin Event Centre, Corrin, Fermoy
On Tuesday 11th December 2018 @ 8.00 pm**

Please note a bus service will operate from our St Patrick's Branch Office, Lower Glanmire Road, Cork leaving @ 7.00 pm sharp and from our Watergrasshill Branch Office, Main Street, Watergrasshill leaving @ 7.30 pm sharp.

Members will be required to produce their passbooks for admittance to the meeting

Notice of Elections

Elections will be held to fill 5 vacancies on the Board of Directors, 1 vacancy on the Board Oversight Committee and the position of Auditor.

Applications for the position of Director or member of the Board Oversight Committee must be submitted, in writing, to the Nomination Committee on or before 4.00 pm on Friday 7th December 2018.

Applicants must be members of the Credit Union and have reached the age of 18 years. Applicants must meet the eligibility requirements as defined in the Credit Union Act 1997, as amended and also meet Fitness and Probity requirements as per the Bank Reform Act 2010.

Data Privacy

At Synergy Credit Union, we are fully committed to protecting and respecting our members' privacy. Our privacy statement, which is available in any of our branches or to download from our website, sets out the basis on which any personal data we collect from and about you, or that you provide will be processed, used and stored by us.

If you require more information you can contact our DPO by emailing dpo@synergycu.ie or Freephone 1800 27 29 27.

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Agenda

Topic	Time
(a) The acceptance by Board of Directors of the authorised representatives of members that are not natural persons;	8.00 pm to 8.05 pm
(b) Ascertainment that a quorum is present	8.05 pm to 8.10 pm
(c) Adoption of standing orders	8.10 pm to 8.15 pm
(d) Appointment of Tellers	8.15 pm to 8.20 pm
(e) Notice of Motions (Rule Amendments)	8.20 pm to 8.30 pm
(f) Approval (or correction) of the minutes of the 2017 annual general meeting (as circulated)	8.30 pm to 8.35 pm
(g) Report of the Board of Directors	8.35 pm to 8.45 pm
(h) Consideration of the accounts to 30th September 2018	8.45 pm to 9.00 pm
(i) Declaration of dividend and interest rebate	9.00 pm to 9.05 pm
(j) Report of the Auditor	9.05 pm to 9.15 pm
(k) Report of the Board Oversight Committee	9.15 pm to 9.20 pm
(l) Report of the Nomination Committee	9.20 pm to 9.30 pm
(m) Election of Auditor	9.30 pm to 9.35 pm
(n) Election to fill vacancies on the Board Oversight Committee and the Board of Directors	9.35 pm to 9.40 pm
(o) Report of the Credit Committee	9.40 pm to 9.45 pm
(p) Report of the Credit Control Committee	9.45 pm to 9.50 pm
(q) Report of the Membership Committee	9.50 pm to 9.55 pm
(r) Announcement of election results	9.55 pm to 10.00 pm
(s) Any other business	10.00 pm to 10.05 pm
(t) Close of meeting	10.05 pm

Notice of Motion - Amendment to Rules

Motion No 1 **Board of Directors Membership and General Provisions**
The Rule 40(2) of Synergy Credit Union Limited is hereby amended to read “at the time of adoption of these rules, the board of directors shall consist of 9 members, all of whom shall be members of the credit union”

Motion No 2 **Board Oversight Committee Membership and General Provisions**
That Rule 53(1) of Synergy Credit Union Limited is hereby amended to read “the credit union shall have a board oversight committee which shall consist of 3 members”

Motion No 3 **Synergy Credit Union Social Fund**
That the purpose of the Synergy Credit Union Social Fund is amended to read “In accordance with S44(1) of the Credit union Act, 1997, as amended, the Social fund shall be used by the credit union for social, cultural or charitable purposes, including community development.

Amendments to Standard Rules Arising From League AGM 2018

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.

Standing Orders for A.G.M.

VOTING:

1. Each adult member shall be entitled to one vote irrespective of his/her shareholding. Members aged under the age of sixteen do not have any voting rights. Only the first-named tenant in a joint account may vote unless the members of the joint tenancy nominate the other joint tenant to the account to cast the vote.

ELECTION PROCEDURE:

2. Elections to the Board of Directors, to the Board Oversight Committee and to the position of Auditor shall be by majority vote and by secret ballot.
3. Tellers shall be proposed by the Chairperson and approved by members attending and voting at the meeting. When nominations are announced the appointed tellers shall distribute ballot papers.

Nominations shall be in the following order: (a) nominations for auditor, (b) nominations for the board oversight committee and (c) nominations for the Board of 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.

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 by 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 that have equality of vote.

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 Chairman of the meeting, to a maximum of 5 minutes, 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 Chairman to second the motion, to a maximum of 3 minutes.
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 Chairman, to a maximum of 3 minutes.
9. The Chairman 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 Chairman of the Board of Directors shall be the Chairman of any general meeting, except where he/she is not available, then it shall be the Vice-Chairman, except where he/she is not available, in which case the Board shall decide amongst themselves who shall act as Chairman of any general meeting.
11. The Chairman 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 Chairman.
13. The Chairman's decision on any matter relating to these Standing Orders or interpretation of same shall be final.
14. In accordance with Standard Rule 132 (1) no member shall have more than one vote on each question at any general meeting of the credit union or any adjournment thereof, irrespective of his/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 credit union, 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 only if a motion to this effect has received a two-thirds majority of those present and voting.

18. ADJOURNMENTS:

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

Directors' Report

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).
- Entitled under the European Union (Payment Services) Regulations 2018 to provide payment services.
- To act on behalf of a payment institution in providing 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 interest rebates

The surplus for the financial year is set out in the income and expenditure account on page 13. The directors are proposing a dividend in respect of the year ended 30 September 2018 of €68,316 (0.10%) (2017: €55,451 (0.10%)) and a loan interest rebate of €95,321 (5.00%) (2017: €73,768 (5.00%)).

Principal risks and uncertainties

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

Credit risk

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

Lack of loan demand

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

Market risk

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

Liquidity risk

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

Operational risk

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

Directors' Report (continued)

For the Financial Year Ended 30 September 2018

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 lending policy. All loan applications are assessed with reference to the credit 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.

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 27/29 Patrick Street, Fermoy, Co Cork.

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 18th October 2018 and signed on its behalf by:

On behalf of the Credit Union:

Chairperson of the Board of Directors: Denis Granville

Date: 18th October 2018



Member of the Board of Directors: Adrian Godwin

Date: 18th October 2018



Directors' Responsibility Statement

For the Financial Year Ended 30 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 18th October 2018 and signed on its behalf by:

On behalf of the Credit Union:

Chairperson of the Board of Directors: Denis Granville
Date: 18th October 2018



Member of the Board of Directors: Adrian Godwin
Date: 18th October 2018



Chairperson's Address

On behalf of the Board of Directors I present the annual report and financial statements for the year ended 30th September 2018 at this, our 53rd Annual General Meeting. I would like to extend a very warm welcome to our St Patrick's members to their first AGM under the Synergy umbrella.

2018 has been a very positive year for Synergy Credit Union. On 1st June 2018 the Transfer of Engagements of St Patrick's (Cork) Credit Union was approved by the Central Bank of Ireland and the transfer was successfully completed on 7th June 2018. I am delighted to report that the transfer has, to date, been very successful with our St Patrick's members availing of the enhanced suite of services and loan products now available to them. The transfer resulted in an increase of €9,690,790 in total assets with loans to a value of €2,228,077 and shares of €8,670,238 also transferring.

Total assets as at 30th September have increased by 20.91% to €83,101,710 with total shares increasing by 20.87% to €69,872,071. The increase in shares continues to create additional challenges in terms of the costs of maintaining reserves. A total of €764,407 must be transferred to the Regulatory Reserve to maintain this reserve at 12% of total assets.

I am extremely pleased to report on the continued growth in our loan book. The loan book has grown by 22.61% to €22,427,420. Interest on members loans has increased by 23.32% to €1,682,065. The growth figure, when adjusted for the loans transferred from St Patrick's, demonstrates organic growth of 10.43%, which is testament to member satisfaction with the loan products offered by the Credit Union. A total of 2,400 loans to a value of €10,945,528 were issued during the year, an increase of 9.01%. The performance of the loan book continues to improve, with 92.76% of loans up to date as at the 30th September 2018 compared with 92.28% as of 30th September 2017. This improved performance has resulted in a release of €666,468 from the Bad and Doubtful Debt provision to reduce this provision to €1,831,007. Bad Debt recovery continues to be strong with a total of €520,608 recovered during the year.

Total income has decreased by 3.31% from 2017, however when adjusted for exceptional items in 2017, total income has increased by €274,605 or 11.5%. Investment income decreased by 6.82% during the year, an ongoing challenge for all credit unions as returns are extremely low and more and more we are seeing institutions applying charges to hold funds.

Total expenditure has increased by €550,458, this increase is due to a number of factors including costs associated with the transfer of engagement, additional employment costs associated with the larger entity, additional resources in lending and compliance and research and product development costs of €276,262. Business Model Development is a key strategic priority for Synergy Credit Union to ensure our continued growth and relevance to future generations. The Board has approved a number of strategic investments which, when realised will greatly enhance the products and services offered to members.

During the 2018 financial year Synergy Credit Union has received approval from the Central Bank of Ireland to provide Member Personal Current Account Services which will include provision of a current account, payment services including a debit card and overdraft facility and third-party payment services. It is expected these services will be available mid-2019.

The Board have also invested in a Joint Venture Collaboration with a view to developing additional products and modernising how members can avail of these products through enhanced digitalisation. It is expected that this venture, which is at an early stage will ultimately enable Synergy Credit Union to offer a full suite of financial products and services to members both face to face and digitally. We continue to be committed to our branch network but are also working to develop our technology to provide choice to our members in how they do business with us, members are embracing technology, so are we.

As part of our continuing commitment to member service, the Fermoy and St Patrick's branches were refurbished during the year to make our service delivery more modern. Members visiting our Fermoy office have an option to use our fully automated and integrated internal ATM for both lodgement and withdrawal facilities. We also have a dedicated private loans area to afford members the privacy required when applying for a loan. We have been greatly encouraged by the positive feedback we receive from members.

Chairperson's Address (continued)

The surplus reported as at 30th September 2018 amounts to €1,224,139, which includes €395,000 received as an interim dividend from IBRC in respect of the Anglo-Irish Credit Union Bond. When considering the distribution of surplus, the board must consider the stability of the balance sheet and therefore the Board have prioritised a transfer of €764,407 to retain this reserve at 12% of total assets. The total reserve position of the Credit Union as at 30th September 2018 amounts to €12,742,975 or 15.33% of total assets.

The board are further recommending the distribution of €68,316 by way of dividend to members, this is the equivalent of 0.1%, in line with the dividend paid in 2017. It is also proposed to make a repayment in the amount of €95,321 by way of interest rebate; this is the equivalent of 5% of total loan interest paid by borrowing members during the financial year.

This year is my last as Chairperson having served in this position for the past 4 years, the maximum allowed under legislation. I am very pleased to hand over the reins to the incoming Chair Pat Leogue and assure him of my support during the transition period in my new role of Vice Chair. It has been a pleasure to represent you the members during my tenure and I assure you that the Board of Directors work extremely diligently in the best interest of the Credit Union and its members both through their dedication to their director role but also through continuous training and development and their work on sub-committees of the credit union. They collectively and individually commit a great deal of personal time in your interest.

Synergy Credit Union would not be the entity it is without its staff, I wish to thank Martina Cotter CEO who plays a significant role in leading and developing our Credit Union. I also thank the management team and all our staff who are through their dedication and commitment are our most valued asset.

I conclude with an expression of thanks and gratitude to Board members who resigned during the year, Veronica Scannell, Lorna Collins, Paul O'Meara and Jessie Duggan. I also recognise those who resign at this AGM Veronica Gubbins and Patrick Higgins. Thank you most sincerely for your commitment to the credit union and the time vested by you in members interest.



Denis Granville
Chairperson

Board Oversight Committee Report

The Board Oversight Committee is pleased to report to you, the members of Synergy Credit Union Limited, in respect of the year ended 30th of September 2018.

During the past year the Board Oversight Committee has discharged its obligations under the Act. Work undertaken by the committee included holding our monthly committee meetings to discuss Credit Union matters and ensuring that the committee was represented at all meetings of the Board of Directors. We also held four quarterly meetings with the Board of Directors in accordance with the Act. It is our view that the Board of Directors have operated in accordance with all legislative and regulatory requirements in all material respects.

Given the increased scale of Synergy Credit Union during the last 12 months, in terms of assets and membership, we are aware of the trust that members have placed in the Committee. We therefore seek the highest standards of governance for our Credit Union.

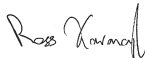
Members of the Board Oversight Committee undertake training and professional development throughout the year to ensure that we have the skills and knowledge to discharge our duties.

The Board Oversight Committee would like to thank Christina Ahern and Nora Buckley, both of whom are stepping down with effect from this AGM, for their commitment and contributions during their time with the Credit Union. The Board Oversight Committee is actively looking for new volunteers and if anyone is interested in joining please make your interest known to any member of the committee.

We also wish to pay tribute to the outgoing Directors for their very considerable contributions and efforts over the last few years.

Finally, we wish to thank the Board of Directors, the CEO, her management team and the staff for their professionalism, sincerity and support throughout the last 12 months.

Ross Kavanagh
Chairperson



Statement of Board Oversight Committee's Responsibilities

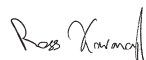
For the Financial Year Ended 30 September 2018

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 18th October 2018 and signed on its behalf by:

On behalf of the Board Oversight Committee:

Chairperson of the Board Oversight Committee: Ross Kavanagh



Date: 18th October 2018

Independent Auditors' Report to the members of Synergy Credit Union Limited

Opinion

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report (continued)

to the members of Synergy Credit Union Limited

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

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

- we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- in our opinion proper accounting records have been kept by the credit union;
- the financial statements are in agreement with the accounting records of the credit union;
- 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 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 auditors' 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 auditors' report. However, future events or conditions may cause the credit union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

Independent Auditors' Report (continued)

to the members of Synergy Credit Union Limited

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

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

This report is made solely to the credit union's members, as a body, in accordance with section 120 of the Credit Union Act, 1997 (as amended). Our audit work has been undertaken so that we might state to the credit union's members those matters we are required to state to them in an 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
for and on behalf of
Grant Thornton
Chartered Accountants
& Statutory Audit Firm
Mill House, Henry Street, Limerick

Date: 18th October 2018

Income and Expenditure Account

For the Financial Year Ended 30 September 2018

	Schedule	2018 €	2017 €
Income			
Interest on members' loans		1,682,065	1,363,953
Other interest and similar income	1	940,879	980,859
Net interest income		2,622,944	2,344,812
Other income	2	20,363	389,112
Total income		2,643,307	2,733,924
Expenditure			
Employment costs		845,617	718,954
Other management expenses	3	1,458,893	1,196,526
Depreciation		135,315	106,485
Net impairment losses/(gains) on loans to members (note 6)		(1,020,657)	(1,153,255)
Total expenditure		1,419,168	868,710
Surplus for the financial year		1,224,139	1,865,214

The financial statements were approved and authorised for issue by the board on 18th October 2018 and signed on behalf of the credit union by:

Chief Executive Officer: Martina Cotter
Date: 18th October 2018

Martina Cotter

Member of the Board Oversight Committee: Ross Kavanagh
Date: 18th October 2018

Ross Kavanagh

Member of the Board of Directors: Pat Leogue
Date: 18th October 2018

Pat Leogue

The notes on pages 18 to 30 form part of these financial statements.

Statement of Comprehensive Income

For the Financial Year Ended 30 September 2018

	2018	2017
	€	€
Surplus for the financial year	1,224,139	1,865,214
Other comprehensive income	-	-
Total comprehensive income for the financial year	<u>1,224,139</u>	<u>1,865,214</u>

The financial statements were approved and authorised for issue by the board on 18th October 2018 and signed on behalf of the credit union by:

Chief Executive Officer: Martina Cotter
Date: 18th October 2018

Martina Cotter
Ross Kavanagh

Member of the Board Oversight Committee: Ross Kavanagh
Date: 18th October 2018

Member of the Board of Directors: Pat Leogue
Date: 18th October 2018

Pat Leogue

The notes on pages 18 to 30 form part of these financial statements.

Balance Sheet

As at 30 September 2018

	Notes	2018 €	2017 €
Assets			
Cash and balances at bank		1,534,739	388,933
Deposits and investments – cash equivalents	8	14,257,925	16,063,724
Deposits and investments – other	8	45,154,150	35,258,540
Loans to members	9	22,427,420	18,291,005
Provision for bad debts	10	(1,831,007)	(2,052,760)
Tangible fixed assets	11	1,439,051	671,801
Prepayments and accrued income	12	119,432	108,328
Total assets		83,101,710	68,729,571
Liabilities			
Members' shares	13	69,872,071	57,807,011
Other liabilities, creditors, accruals and charges	14	475,822	238,967
Other provisions	15	10,842	7,312
Total liabilities		70,358,735	58,053,290
Reserves			
Regulatory reserve	17	9,972,205	8,247,549
Operational risk reserve	17	520,268	400,034
Other reserves			
- Realised reserves	17	2,154,184	1,955,609
- Unrealised reserves	17	96,318	73,089
Total reserves		12,742,975	10,676,281
Total liabilities and reserves		83,101,710	68,729,571

The financial statements were approved and authorised for issue by the board on 18th October 2018 and signed on behalf of the credit union by:

Chief Executive Officer: Martina Cotter

Date: 18th October 2018

Member of the Board Oversight Committee: Ross Kavanagh

Date: 18th October 2018

Member of the Board of Directors: Pat Leogue

Date: 18th October 2018

Martina Cotter
Ross Kavanagh
Pat Leogue

The notes on pages 18 to 30 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 reserves	Unrealised reserves	Total
	€	€	€	€	€
As at 1 October 2016	6,870,848	441,942	1,522,841	67,563	8,903,194
Surplus for the year	1,376,701	-	415,424	73,089	1,865,214
Dividends and loan interest rebates paid	-	-	(92,127)	-	(92,127)
Transfer between reserves	-	(41,908)	109,471	(67,563)	-
As at 1 October 2017	8,247,549	400,034	1,955,609	73,089	10,676,281
Surplus for the year	84,032	95,234	1,021,644	23,229	1,224,139
Dividends and loan interest rebates paid	-	-	(127,510)	-	(127,510)
Transfer of engagements	876,217	25,000	68,848	-	970,065
Transfer between reserves	764,407	-	(764,407)	-	-
As at 30 September 2018	9,972,205	520,268	2,154,184	96,318	12,742,975

- The regulatory reserve of the credit union as a percentage of total assets as at 30 September 2018 was 12.00% (2017: 12.00%).
- The operational risk reserve of the credit union as a percentage of total assets as at 30 September 2018 was 0.63% (2017: 0.58%).

The notes on pages 18 to 30 form part of these financial statements.

Statement of Cash Flows

For the Financial Year Ended 30 September 2018

		2018 €	2017 €
Opening cash and cash equivalents		16,452,657	13,560,786
Cash flows from operating activities			
Loans repaid by members	9	8,793,605	7,153,969
Loans granted to members	9	(10,945,528)	(9,351,008)
Interest on loans		1,682,065	1,363,953
Investment income		940,879	980,859
Bad debts recovered and recoveries		597,774	878,732
Other receipts		20,363	389,112
Dividend paid		(53,856)	(25,589)
Loan interest rebate paid		(73,654)	(66,538)
Operating expenses		(2,304,510)	(1,915,480)
Movement in other assets and liabilities		178,793	(18,858)
Net cash flows from operating activities		(1,164,069)	(610,848)
Cash flows from investing activities			
Cash and investments introduced on transfer of engagements		7,370,444	-
Fixed asset purchases/disposals		(365,580)	(31,489)
Net cash flow from other investing activities		(9,895,610)	(1,017,962)
Net cash flows from investing activities		(2,890,746)	(1,049,451)
Cash flows from financing activities			
Members' shares received		56,328,523	55,327,304
Members' shares withdrawn		(52,933,701)	(50,775,134)
Net cash flow from financing activities		3,394,822	4,552,170
Net (decrease)/increase in cash and cash equivalents		(659,993)	2,891,871
Closing cash and cash equivalents	7	15,792,664	16,452,657

The notes on pages 18 to 30 form part of these financial statements.

Notes to the Financial Statements

For the Financial Year Ended 30 September 2018

1. Legal and regulatory framework

Synergy 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 27/29 Patrick Street, Fermoy, Co Cork.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Statement of compliance

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

2.3 Going concern

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

2.4 Income

Interest on 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 (continued)

For the Financial Year Ended 30 September 2018

2. Accounting policies (continued)

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
Furniture and fittings	10% straight line per annum
Computer and office equipment	20% 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.

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.

Notes to the Financial Statements (continued)

For the Financial Year Ended 30 September 2018

2. Accounting policies (continued)

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

Members' shares in Synergy 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 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.

2.15 Pension costs

The credit union operates a defined contribution pension scheme. The assets of these schemes are held separately from those of the credit union in independently administered funds. Employer contributions to the pensions scheme are charged to the income and expenditure account in the period to which they relate.

2.16 Other payables

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

2.17 Derecognition of financial liabilities

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

2.18 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 are 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.

Notes to the Financial Statements (continued)

For the Financial Year Ended 30 September 2018

2. Accounting policies (continued)

2.19 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.

2.20 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 definition of operational risk is the risk of losses stemming from inadequate or failed internal processes, people and systems or from external events. The Directors have considered the requirements of the Act and have considered an approach to the calculation of the operational risk reserve. Synergy Credit Union Limited uses the Basic Indicator Approach as set out in the operational risk measurements techniques proposed under Basel II capital adequacy rules for banking institutions in calculating the operational risk reserve. Therefore Synergy Credit Union Limited will hold an operational risk reserve which will at a minimum equal 15% of the average positive gross income for the previous three years. For any year in which there was a deficit, this will be excluded from the calculation.

2.21 Other Reserves

Other reserves are the accumulated surpluses to date that have not been declared as dividends returnable to members. The other reserves are subdivided into realised and unrealised. The credit union has established a social fund reserve to be used by the credit union for social, cultural and charitable purposes in accordance with section 44 of the Credit Union Act, 1997 (as amended) and this is included in realised reserves. 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".

2.22 Transfer of engagements

Transfer of engagements are accounted for using the acquisition method of accounting. This involves recognising the assets and liabilities of St. Patrick's (Cork) Credit Union Limited at fair value. In applying the acquisition method of accounting for the transfer of engagements, the member interests transferred by the credit union were transferred at fair value. This consideration has been estimated as equivalent to the acquisition date fair value of the member interests in St. Patrick's (Cork) Credit Union Limited (the fair value of St. Patrick's (Cork) Credit Union Limited) at the date of the transfer, and is reflected as an adjustment in reserves.

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 €1,439,051 (2017: €671,801).

Notes to the Financial Statements (continued)

For the Financial Year Ended 30 September 2018

3. Judgements in applying accounting policies and key source of estimation uncertainty (continued)

Provision for bad debts

Synergy 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 €1,831,007 (2017: €2,052,760) representing 8.16% (2017: 11.22%) 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 considered an approach to the calculation of the operational risk reserve. Synergy Credit Union Limited uses the basic indicator approach as set out in the operational risk measurements techniques proposed under Basel II capital adequacy rules for banking institutions in calculating the minimum operational risk reserve. The operational risk reserve of the credit union at the year end was €520,268 (2017: €400,034).

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.

4. Transfer of engagements

On 1 June 2018 Synergy Credit Union Limited ("SCU") accepted the transfer of St. Patrick's (Cork) Credit Union Limited ("SPCCU"). The assets and liabilities of SPCCU at the date of transfer were incorporated into the balance sheet of SCU at that date.

SCU did not pay any consideration in respect of the Transfer of engagements. On the date of transfer, the members of the Transferor Credit Union became members of SCU, and thereby became entitled to member interest associated with such membership. In applying the acquisition method of accounting for this business combination, the members' interests transferred by SCU represents the consideration transferred for the net assets acquired. This consideration has been estimated as equivalent to the acquisition date fair value of the member interests in the Transferor Credit Union (the fair value of the Transferor Credit Union) at the date of transfer, and is reflected as an adjustment in Reserves in note 17 on page 27.

The fair values of the net assets acquired are detailed in the table below:

Fair value of SPCCU assets and liabilities acquired by SCU

	€
Tangible fixed assets	536,985
Cash on hand and at bank	713,247
Deposits and investments	6,657,197
Loans to members	2,228,077
Provision for bad debts	(444,715)
Members' shares	(8,670,238)
Other liabilities, creditors, accruals and charges	(50,488)
	<u>970,065</u>

Notes to the Financial Statements (continued)

For the Financial Year Ended 30 September 2018

5. Key management personnel compensation

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

	2018	2017
	€	€
Short term employee benefits paid to key management	434,195	323,699
Payments to pension schemes	32,517	27,157
Total key management personnel compensation	466,712	350,856

6. Net impairment losses/ (gains) on loans to members

	2018	2017
	€	€
Bad debts recovered (net)	(520,608)	(764,008)
Impairment of loan interest reclassified as bad debt recoveries	(77,166)	(114,724)
Movement in bad debts provision during the year	(666,468)	(512,335)
Loans written off	243,585	237,812
Net impairment losses/(gains) on loans to members	(1,020,657)	(1,153,255)

Bad debt recovered net is analysed as follows:

	2018	2017
	€	€
Bad debt recovered	542,101	794,550
Legal fees associated with the bad debts recovered	(21,493)	(30,542)
Bad debts recovered (net)	520,608	764,008

7. Cash and cash equivalents

	2018	2017
	€	€
Cash and balances at bank	1,534,739	388,933
Deposits & investments (note 8)	59,412,075	51,322,264
Less: Deposit & investment amounts maturing after three months	(45,154,150)	(35,258,540)
Total cash and cash equivalents	15,792,664	16,452,657

Notes to the Financial Statements (continued)

For the Financial Year Ended 30 September 2018

8. Deposits and investments

	2018 €	2017 €
Deposits and investments – cash equivalents		
Accounts in authorised credit institutions (Irish and non-Irish based)	14,257,925	16,063,724
Total deposits and investments – cash equivalents	14,257,925	16,063,724
Deposits and investments – other		
Accounts in authorised credit institutions (Irish and non-Irish based)	36,989,314	30,235,680
Bank bonds	5,651,945	4,575,586
Other	1,975,382	-
Central Bank deposits	537,509	447,274
Total deposits and investments – other	45,154,150	35,258,540
Total deposits and investments	59,412,075	51,322,264

9. Financial assets – loans to members

	2018 €	2017 €
As at 1 October	18,291,005	16,331,778
Loans arising on transfer of engagements	2,228,077	-
Loans granted during the year	10,945,528	9,351,008
Loans repaid during the year	(8,793,605)	(7,153,969)
Gross loans and advances	22,671,005	18,528,817
Bad debts		
Loans written off during the year	(243,585)	(237,812)
As at 30 September	22,427,420	18,291,005

10. Provision for bad debts

	2018 €	2017 €
As at 1 October	2,052,760	2,565,095
Provisions arising on transfer of engagements	444,715	-
Movement in bad debts provision during the year	(666,468)	(512,335)
As at 30 September	1,831,007	2,052,760

The provision for bad debts is analysed as follows:

	2018 €	2017 €
Grouped assessed loans	1,831,007	2,052,760
Provision for bad debts	1,831,007	2,052,760

Notes to the Financial Statements (continued)

For the Financial Year Ended 30 September 2018

11. Tangible fixed assets

	Freehold premises €	Furniture & fittings €	Computer & office equipment €	Total €
COST				
1 October 2017	510,000	805,908	876,537	2,192,445
Additions	-	196,838	168,742	365,580
On transfer of engagements	534,129	1,471	1,385	536,985
At 30 September 2018	1,044,129	1,004,217	1,046,664	3,095,010
DEPRECIATION				
1 October 2017	30,600	751,589	738,455	1,520,644
Charge for year	13,868	29,800	91,647	135,315
At 30 September 2018	44,468	781,389	830,102	1,655,959
NET BOOK VALUE				
30 September 2018	999,661	222,828	216,562	1,439,051
30 September 2017	479,400	54,319	138,082	671,801

12. Prepayments and accrued income

	2018 €	2017 €
Loan interest receivable	78,253	65,245
Prepayments	41,179	43,083
	119,432	108,328

13. Members' shares

	2018 €	2017 €
As at 1 October	57,807,011	53,254,841
Members' savings arising on transfer of engagements	8,670,238	-
Received during the year	56,328,523	55,327,304
Withdrawn during the year	(52,933,701)	(50,775,134)
As at 30 September	69,872,071	57,807,011

14. Other liabilities, creditors, accruals and charges

	2018 €	2017 €
Other liabilities, creditors, accruals and charges	454,981	222,358
PAYE/PRSI	20,841	16,609
	475,822	238,967

15. Other provisions

	2018 €	2017 €
Holiday Pay Accrual		
At 1 October	7,312	14,192
Charged to the income and expenditure account	3,530	(6,880)
At 30 September	10,842	7,312

Notes to the Financial Statements (continued)

For the Financial Year Ended 30 September 2018

16. Financial instruments

16a. Financial instruments – measured at amortised cost

Financial assets	2018	2017
	€	€
Financial assets measured at amortised cost	<u>81,398,852</u>	<u>70,002,202</u>
Financial liabilities	2018	2017
	€	€
Financial liabilities measured at amortised cost	<u>70,358,735</u>	<u>58,053,290</u>

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.

16b. 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
	€	€	€	€
Other	<u>1,975,382</u>	<u>-</u>	<u>1,975,382</u>	<u>-</u>
Total	<u>1,975,382</u>	<u>-</u>	<u>1,975,382</u>	<u>-</u>
At 30 September 2017	Total	Level 1	Level 2	Level 3
	€	€	€	€
Deposits and investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 (continued)

For the Financial Year Ended 30 September 2018

17. Reserves

	Balance 1/10/2017	Arising on ToE	Payment of dividends and loan interest rebates	Appropriation of current year surplus	Transfer between reserves	Balance 30/09/2018
	€	€	€	€	€	€
Regulatory reserve	8,247,549	876,217	-	84,032	764,407	9,972,205
Operational risk reserve	400,034	25,000	-	95,234	-	520,268
Other reserves						
Realised						
Special reserve: dividends and loan interest rebates	129,219	-	(127,510)	163,637	(1,709)	163,637
Future dividends reserve	278,015	-	-	-	(154,248)	123,767
General reserve	1,518,375	68,848	-	858,007	(608,450)	1,836,780
Social fund reserve	30,000	-	-	-	-	30,000
Total realised reserves	1,955,609	68,848	(127,510)	1,021,644	(764,407)	2,154,184
Unrealised						
Interest on loans reserve	65,245	-	-	13,008	-	78,253
Investment income reserve	7,844	-	-	10,221	-	18,065
Total unrealised reserves	73,089	-	-	23,229	-	96,318
Total reserves	10,676,281	970,065	(127,510)	1,224,139	-	12,742,975

Notes to the Financial Statements (continued)

For the Financial Year Ended 30 September 2018

18. Credit risk disclosures

The credit union complies with Section 12 of the Credit Union Act, 1997 (Regulatory Requirements) Regulations 2016. This regulation:

- 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 Synergy 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.

	2018		2017	
	€	%	€	%
LOANS NOT IMPAIRED				
Total loans not impaired, not past due	19,880,262	88.64%	15,968,355	87.30%
IMPAIRED LOANS:				
Not past due	591,346	2.64%	786,551	4.30%
Up to 9 weeks past due	902,025	4.02%	449,353	2.46%
Between 10 and 18 weeks past due	159,902	0.71%	53,551	0.29%
Between 19 and 26 weeks past due	107,253	0.48%	32,288	0.18%
Between 27 and 39 weeks past due	61,940	0.28%	21,395	0.12%
Between 40 and 52 weeks past due	63,162	0.28%	109,261	0.60%
53 or more weeks past due	661,530	2.95%	870,251	4.75%
Total impaired loans	2,547,158	11.36%	2,322,650	12.70%
TOTAL LOANS	22,427,420	100.00%	18,291,005	100.00%

19. Related party transactions

	2018		2017	
	No. of Loans	€	No. of Loans	€
Loans advanced to related parties during the year	20	136,303	16	58,825
Total loans outstanding to related parties at the year end	25	228,616	18	170,544
Total provision for loans outstanding to related parties		1,789		1,343

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 Synergy Credit Union Limited.

Total loans outstanding to related parties represents 1.02% of the total loans outstanding at 30 September 2018 (2017: 0.93%).

Synergy Credit Union Limited purchased furniture and office supplies in the amount of €600 and €1,850 from Oak Tree Financial Limited and Simply Office Solutions Limited respectively during the year ended 30 September 2018. Adrian Godwin (Director of Synergy Credit Union Limited) is a Director of Oak Tree Financial Limited and was a Director of Simply Office Solutions Limited when the purchases were made.

Notes to the Financial Statements (continued)

For the Financial Year Ended 30 September 2018

20. Additional financial instruments disclosures

20a. Financial risk management

Synergy 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 Synergy 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 Synergy Credit Union Limited's credit lending policy. All loan applications are assessed with reference to the credit 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.

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: Synergy Credit Union Limited's main interest rate risk arises from adverse movements in interest rates receivable which would affect investment income. Synergy 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.

20b. 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.

20c. 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	<u>22,427,420</u>	8.92%	<u>18,291,005</u>	8.64%

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 (continued)

For the Financial Year Ended 30 September 2018

21. Dividends and loan interest rebate

The following distributions were paid during the year:

	%	2018 €	%	2017 €
Dividend on shares	0.10%	53,856	0.05%	25,589
Loan interest rebate	5.00%	73,654	5.00%	66,538

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

	%	2018 €	%	2017 €
Dividend on shares	0.10%	68,316	0.10%	55,451
Loan interest rebate	5.00%	95,321	5.00%	73,768

22. Events after the end of the financial year

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

23. 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).

24. Capital commitments

There were no capital commitments at 30 September 2018.

25. Contingent liabilities

25a. 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.

25b. There is a contingent liability included in the Letter of Authority held by Bank of Ireland with regard to an Electronic Funds Transfer in the amount of €100,000.

26. Comparative information

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

27. Approval of financial statements

The board of directors approved these financial statements for issue on 18th October 2018.

Schedules to the Income and 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 pages 10 to 12.

Schedule 1 – Other interest income and similar income

	2018	2017
	€	€
Investment income and gains received/receivable within 1 year	922,814	973,015
Investment income receivable outside of 1 year	18,065	7,844
Total per income and expenditure account	940,879	980,859

Schedule 2 – Other income

	2018	2017
	€	€
Commission and sundry income	20,363	18,572
Proceeds from insurance claim - net	-	365,222
ReBo rebate	-	5,318
Total per income and expenditure account	20,363	389,112

Schedules to the Income and Expenditure Account (continued)

For the Financial Year Ended 30 September 2018

Schedule 3 – Other management expenses

	2018	2017
	€	€
Rent and rates	18,410	12,240
Light and heat	18,238	11,456
Repairs and office administration	91,702	66,541
Printing and stationery	31,163	32,560
Postage and telephone	17,719	18,943
Donations and sponsorship	20,679	39,928
Promotion and advertising	45,136	63,298
Training costs	28,347	26,979
AGM and convention expenses	25,739	26,873
Travel and subsistence	24,872	17,009
ILCU affiliation fees and SPS fund	20,064	37,472
Deposit guarantee scheme	60,848	57,183
Audit fee	22,140	22,140
General insurance	32,629	20,921
Share and loan insurance	219,136	227,869
Death benefit insurance	74,839	107,518
Pension	93,255	68,472
Computer and software maintenance	78,232	72,953
Regulatory levies	47,128	75,778
Legal and professional fees	83,172	64,985
Cash under/(over)	903	1,182
Board and board oversight expenses	10,916	19,028
Bank charges	50,539	52,855
Miscellaneous expenses	2,192	343
Transfer of engagements costs	64,633	12,000
Research and product development	276,262	40,000
Total per income and expenditure account	<u>1,458,893</u>	<u>1,196,526</u>

Minutes from the Annual General Meeting 2017

Minutes of the Annual General Meeting of Synergy Credit Union Ltd which took place on Tuesday 12th December 2017 at 8pm in Fermoy Community Youth Centre, Ashe Quay, Fermoy, Co. Cork.

The Chairperson, Mr. Denis Granville, extended a welcome to members and invited guests to the 52nd Annual General Meeting of the Credit Union. He went on to say that the attendance serves to remind us of the pivotal role that Synergy Credit Union plays in the community. He advised those in attendance that a stenographer was in attendance in the interest of posterity and accuracy of minutes, and advised that all speakers must speak through the microphone provided stating their full name. The Chairperson confirmed the attendance of 84 with 81 attendees eligible to vote.

The Chairperson formally opened the meeting and confirmed no authorities were presented to the Board in respect of non-natural persons.

STANDING ORDERS:

The Chairperson called upon Joe Tobin, Chairperson of the Standing Order Committee to propose the adoption of the Standing Orders. Joe Tobin proposed the adoption of the standing orders; this proposal was seconded by Des Geary.

Unanimously agreed.

APPOINTMENT OF TELLERS:

The Chairperson proposed the appointment of the following tellers: Stephen Geary, St. Patrick's Cork Credit Union, Marvin Board and Flan Groarke. Seconded by Pat Cahill.

Unanimously agreed.

NOTICE OF MOTIONS:

The Chairperson moved to agenda item E, Notice of Motions and advised the members that the motion in respect of the Board of Directors Membership and General Provisions had been withdrawn as a suitable candidate had been identified to retain the Board composition at 11 directors.

The Chairperson proposed Motion One: That the rules of Synergy Credit Union Ltd are hereby amended in Rule 5(1) by the insertion of the following as (vii) after (vi) and the renumbering of (vii) as (viii) "The provision of the following additional services by the Credit Union for members subject to the prior approval of the Registrar of Credit Unions and any other permissions or license that may be required by law" Seconded by: Sinead Coffey.

Unanimously agreed.

The Chairperson proposed Motion 2: Transfer of Engagement. The Chairperson submitted for consideration the motion entitled Transfer of Engagements contained on page 2 of the Annual Report. In advance of the vote the Chairman outlined key information in relation to the Terms of Engagement process and the benefits of the merger.

This motion was seconded by: Karen Allen.

Unanimously agreed.

MINUTES OF THE 2016 AGM:

The Chairperson then called upon Adrian Godwin to propose the adoption of the minutes of the 2016 Annual General Meeting as circulated on pages 30 to 33 of the Annual Report. Adrian Godwin proposed the adoption of the 2016 minutes; this proposal was seconded by Amanda Richards.

Unanimously agreed.

REPORT OF THE BOARD OF DIRECTORS.

The Chairperson continued to give the Chairpersons address: It gives me great pleasure to address this our 52nd AGM and present the Annual Report and Financial Statements for the year ended 30th September 2017. Before we review the 2017 Financial Year I would like to briefly look back on 2016. A year of many contrasts. A year of success and growth and yet also a year when the Credit Union overcame one of its greatest challenges in the form of financial irregularities.

Minutes from the Annual General Meeting 2017 (continued)

Turning our focus to the 2017 Financial Year, I am pleased to report that the operational performance was strong and in line with the expectations of the Credit Union. The loan book has grown by 12% to €18,291,005 as at the 30th September 2017 and the loan interest income has increased by 17.09% to €1,363,953. I am also pleased to advise that the performance of the loan book continues to improve. The number of loans in arrears has decreased with 92.28% of loans up to date as at the 30th September 2017 compared to 84.42% as of the 30th September 2016.

The Credit Union also received €395,000 as an interim dividend from the Special Liquidators of the IBRC in respect of the Anglo-Irish Credit Union Bond. Assets increased by 10.07% with total assets standing at €68,729,571. This growth in assets creates additional challenges in terms of the cost of retaining reserves. The Board has made the prudent decision to increase the regulatory reserve to 12% of total assets to support future capital development and provide stability and create further growth. The strategic plan of the Credit Union contains a number of service development objectives including provision of members current accounts and enhanced loan products such as housing and farm finance loans.

The Board of Directors remain committed to mergers as a strategic priority and anticipate with the approval of the Register of Credit Unions to accept the transfer of the engagements of St. Patrick's Credit Union Cork during the 2018 financial year. The proposed transfer is currently at due diligence stage.

The Board as part of the strategic planning process has revised member benefits such as Life Savings and Death benefit Insurance to ensure all members are benefitting equally. Following a review of the experience of members, the level of life savings cover has reduced to €3,000 and the Death Benefit Insurance to €1,000, effective from the 1st October 2017.

Surplus reported as at the 30th September 2017 amounted to €1,865,214. While this is a very healthy result, consideration must be given to the exceptional income items which once removed reduce surplus €1,104,992. When considering the distribution of the surplus the Board must consider the stability of the balance sheet and therefore have prioritised a transfer to the Regulatory Reserve of €1,376,701. The transfer of €18,015 to the dividend reserve to maintain the reserve at the equivalent of 0.5% dividend and a transfer of €7,000 to the Social Fund Reserve to bring this reserve to €30,000. The Board are recommending the distribution of €55,451 by way of dividend to members. This is the equivalent of 0.1%. It is also proposed to make a repayment of €73,768 by way of interest rebate. This is the equivalent of 5% of the total interest paid by borrowing members during the financial year.

The Chairperson concluded by thanking all volunteers and staff.

The Chairperson then opened the meeting to the floor for questions.

Following the questions and answers session the Chairperson proposed the adoption of the Report of the Board of Directors. This proposal was seconded by Mr. Seamus Ahern.

Unanimously agreed.

PRESENTATION OF ACCOUNTS:

The accounts for the year ending the 30th September 2017 were presented to the meeting and proposed by Mr. Adrian Godwin. Seconded by: Marie Carey. Unanimously agreed.

Dividend of 0.1%. - proposed by Adrian Godwin
Seconded by Seamus Ahern. Unanimously agreed.
Loan interest rebate of 5% - proposed by: Adrian Godwin
Seconded by: Tony Murphy.

Unanimously agreed.

Minutes from the Annual General Meeting 2017 (continued)

AUDITORS REPORT:

Denise O'Connell of Grant Thornton gave the Auditors Report. Proposed by: Mr. Pat Cahill
Seconded by: Niall Cremin.

Unanimously Agreed.

REPORT OF THE BOARD OVERSIGHT COMMITTEE:

Ross Kavanagh presented the report of the Board Oversight Committee for the year ended 30th September 2017. He advised that during the past year the Board Oversight Committee had discharged its legal obligations. Our work undertaken included attending monthly meetings as a committee and being represented at all Board of Directors meetings. We also held four separate meetings with the Board of Directors and attended many sub-committee meetings. It is our view that the Board of Directors have operated in accordance with all legislative and regulatory requirements.

Ross Kavanagh proposed the adoption of the report, it was seconded by William Lonergan

Unanimously agreed.

REPORT OF THE NOMINATION COMMITTEE:

Veronica Scannell presented the report of the Nomination Committee and on behalf of the committee proposed the following:

Position of Auditor – Grant Thornton have offered themselves and are eligible for re-election to the position of auditor.

The Board Oversight Committee –

There are two vacancies and two valid nominations.

- Nora Buckley
- Betty Moore

The Board of Directors -

There are four vacancies and four valid nominations.

- Emily Harrington
- Pat Leogue
- Veronica Gubbins
- Veronica Scannell.

Veronica Scannell proposed the report of the Nomination Committee, seconded by Eileen Fox.

Unanimously agreed.

ELECTIONS:

Elections were held for the positions on the Board of Directors, Board Oversight Committee and Auditor. The appointed tellers supervised the voting and collection of ballot papers. The tellers adjourned to count the ballots cast.

REPORT OF THE CREDIT COMMITTEE:

Mr. Pat Leogue proposed the adoption of the report of the Credit Committee as presented. Seconded by Mr. John O'Brien. Unanimously Agreed.

REPORT OF THE CREDIT CONTROL COMMITTEE:

Ms. Jessie Duggan presented the adoption of the report of the Credit Control Committee. Seconded by: Mr. Paddy Crowley.

Unanimously agreed.

REPORT OF THE MEMBERSHIP COMMITTEE:

Virginie Hyvernat proposed the adoption of the report of the Membership Committee as presented. Seconded by: Marie Carey.

Unanimously agreed.

ELECTION RESULTS:

The Chairperson confirmed that Grant Thornton had been approved as Auditors. Elected to the Board Oversight Committee: Nora Buckley and Betty Moore. Elected to the Board of Directors: Veronica Gubbins, Emily Harrington, Pat Leogue and Veronica Scannell.

ANY OTHER BUSINESS:

Presentations were made to retiring director Virginie Hyvernat and member of BOC Paul Lillis.

CLOSE OF MEETING:

The Chairperson thanked the members for attending the meeting and for having a productive meeting. He then closed the meeting.

IMPORTANT NOTICE:

REDEMPTION OF THE €2 EURO SAVING STAMPS,
THE €1 EURO EDDIE SAVING STAMPS AND
THE €25, €15 AND €5 SHOPPING VOUCHERS



All Vouchers and
stamps have to be
reclaimed before
31st March 2019

Please return all vouchers and saving stamp books whether full or not, on or before the 31st March 2019. Stamps can be redeemed in any of our three offices; Fermoy, Watergrasshill or Lwr. Glanmire Road, Cork.

ALTERNATIVE SAVING SERVICE:

The saving stamp service has been replaced with our new **Visual Saving Card** now available as a service on your account. Your Visual Saving Card is faster, more secure and will provide you with a more efficient service.



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- Save or Repay with your Bank's Credit Card 24/7



Our Common Bond – The Area We Serve

Araglen, Ballyduff, Ballyhooly, Castletyons, Castletownroche, Conna, Glanworth, Glenville, Fermoy, Kilworth, Kildorrery, Leamlara, Rathcormac, Watergrasshill and in Cork City; Tivoli, Lower Glanmire Road, Middle Glanmire Road, Horgan's Quay, Patrick's Quay, McCurtain Street, Leitrim Street, Richmond Hill, Rathmore Park, Pope's Road, Thomas Kent Park, Old Youghal Road, St. Luke's and the surrounding areas

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