


Annual Report

Annual Report and Accounts  
for the year ending  
31 December 2003



*Annual Report*



## General Information

**Address:** 33-41 Lower Mount Street  
Dublin 2  
Tel: (00 353 1) 6146700  
Fax: (00 353 1) 6146701  
e-mail: [info@creditunion.ie](mailto:info@creditunion.ie)  
[www.creditunion.ie](http://www.creditunion.ie)

**Auditors:** PricewaterhouseCoopers  
Wilton Place  
Dublin 2

**Bankers:** Bank of Ireland  
Rathfarnham Shopping Centre  
Rathfarnham  
Dublin 14

**Solicitors:** McCann Fitzgerald  
2 Harbourmaster Place  
Custom House Dock  
Dublin 1

**Taxation Advisors:** PricewaterhouseCoopers  
Wilton Place  
Dublin 2

## Contents

General Information	2
League Board Meeting Attendance 2003	4
Organisation Chart	8
CEO's Foreword	9
Supervisory Committee Report	13
President's Statement	17
Operational and Performance Review	21
Companies and Committees	49
Movement Statistics	59
Financial Statements	67



# Report

## League Board Meeting Attendance 2003



League Board		Attendance	
		Max. Poss.	Attendance
J. O'Regan, President	Clanmaurice Credit Union Limited	14	14
A. O'Byrne, Vice President	Blessington & District Credit Union Limited and Comhar Linn I.N.T.O. Credit Union Limited	14	14
C. Dowling, Treasurer	Mitchelstown Credit Union Limited and Fermoy Credit Union Limited	14	13
S. Adair	Waterside Credit Union Limited	14	14
M. Bailey	Dunshaughlin Credit Union Limited	14	13
J. Dawson	Ballyhackamore Credit Union Limited (Retired April 2003)	6	6
D. Eastment	RTE Credit Union Limited (Retired April 2003)	6	4
G. Foley	Rush Credit Union Limited, Donabate & District Credit Union Limited and Tullamore Credit Union Limited (Retired April 2003)	6	6
K. Geoghegan	Kilnamanagh Credit Union Limited	14	14
S. Gilleece	A.S.T.I. Credit Union Limited and Clonsilla Credit Union Limited (Retired April 2003)	6	6
M. Gormley	Westport Credit Union Limited and Castlebar Credit Union Limited (Retired April 2003)	6	5
M. Griffin	Inchicore & District Credit Union Limited	14	13
K. Helferty	Lisburn Credit Union Limited (Elected April 2003)	8	6
J. Johnstone	ASTI Credit Union Limited, Fairview Credit Union Limited and Rathfarnham Credit Union Limited (Elected April 2003)	8	8
S. Kilgannon	Sligo Credit Union Limited and Teachers Union of Ireland Credit Union Limited (Elected April 2003)	8	7
A. Lloyd	Ballymahon & District Credit Union Limited	14	14
J. McMahon	Clones Credit Union Limited	14	12
C. O'Brien	Kilmallock Credit Union Limited	14	14
T. Weir	Drogheda Credit Union Limited and East Meath Credit Union Limited (Retired April 2003)	6	5



### Management Committee

J. O'Regan, President	Clanmaurice Credit Union Limited
A. O'Byrne, Vice President	Blessington & District Credit Union Limited and Comhar Linn I.N.T.O. Credit Union Limited
C. Dowling, Treasurer	Mitchelstown Credit Union Limited and Fermoy Credit Union Limited
S. Adair	Waterside Credit Union Limited
J. McMahon	Clones Credit Union Limited
L O'Dwyer	CEO

### Supervisors

		Attendance	Max. Poss. Attendance
D. Florida-James, Chairperson	Limavady Credit Union Limited	14	13
B. McCrory, Secretary	Belfast Teachers Credit Union Limited (Elected April 2003)	8	7
P. O'Donnell	Longford Credit Union Limited (Elected April 2003)	8	7
L. Kelly	Ballinasloe Credit Union (Our Lady of Lourdes) Limited (Retired April 2003)	6	6
J. Cleere	The Premier Navan Road & District Credit Union Limited (Deceased February 2003)	3	3
G. Farrell	The Premier Navan Road & District Credit Union Limited (Co-opted March 2003) (Retired April 2003)	2	2

### Standing Orders Committee

J. Sheridan, Chairman	Castleblayney Credit Union Limited
M. Bodkin	St. Jarlath's Credit Union Limited
E. Fegan	Armagh Credit Union Limited
J. Kevin	Monasterevan Credit Union Limited

7 meetings in 2003

### Committees

#### Audit

C. Dowling, Chairperson  
S. Adair  
M. Griffin  
J. Johnstone

#### Administration

A. O'Byrne, Chairperson  
K. Geoghegan  
J. McMahon  
C. O'Brien  
J O'Regan

#### Planning & Development

M. Bailey, Chairperson  
A. Lloyd  
S. Kilgannon  
K. Helferty

## Committees / Associated Companies

### Committees of the Board

#### Legislation Committee

S. Adair, Chairperson  
M. Bailey  
C. Dowling  
A. Lloyd  
J. McMahon  
A. O'Byrne

#### Insurance Committee

M. Griffin  
K. Geoghegan  
K. Helferty  
S. Kilgannon  
J. Johnstone  
C. O'Brien

#### Insurance Project Team

M. Griffin  
K. Geoghegan  
K. Helferty  
S. Kilgannon  
J. Johnstone  
C. O'Brien  
L. Healy  
J.B. Flanagan

#### SPS Working Group

J. McMahon, Chairperson  
K. Helferty  
C. O'Brien

### Committees appointed by the Board

#### Northern Ireland Committee

S. Adair, Chairperson	League Board
P. Kerr	Chapter 1 – Pennyburn Credit Union Limited
W. Breen	Chapter 2 – Larne Credit Union Limited
L. McCullagh	Chapter 3 – Camlin Credit Union Limited
B. Jackson	Chapter 4 – Newry Credit Union Limited
P. Donnelly	Chapter 17 – Fintona Credit Union Limited

#### Republic of Ireland Pension Trustee Board

M. O'Callaghan, Chairperson  
C. Bishop  
M. Griffin  
M. Heffernan  
T. Molloy, Irish Pension Trust (Professional Trustee)

#### Northern Ireland Pension Trustee Board

S. Adair, Chairperson  
K. Helferty  
M. Kelly  
H. Kivelehan  
E. Morgan

#### National Technology Committee

Mary Griffin	Chairperson
Liam O'Dwyer (CEO)	Irish League of Credit Unions
Charles McLaughlin	Irish League of Credit Unions
Naoise Kennedy	System Action
Andrew Powell	Sligo Credit Union Limited
Charles Stewart	RTE Credit Union Limited
Donal Enright	Monaleen Parish Credit Union
John O'Mahony	St Gabriel's (Cork) Credit Union Limited

Rosemary O'Doherty  
John Barry  
David Rolston  
Frank Scott  
Gerry O'Leary  
John Mullen  
Keith D'arcy  
Larry Murray

Derry Credit Union Limited  
Neillstown Credit Union Limited  
Ballyhaunis & District Credit Union Limited  
Swinford & District Credit Union Limited  
RTE Credit Union Limited  
Thurles Credit Union Limited  
Inchicore & District Credit Union Limited  
Omagh Credit Union Limited



#### **Implementation Committee**

J. O'Regan, Chairperson  
P. Flynn, Secretary  
U. Adair  
M. Doherty  
B. Ronayne  
K. Helferty  
L. O'Dwyer

ILCU President

League Director  
Waterford Credit Union Limited  
Ballyphehane Credit Union Limited  
League Director  
League CEO

#### **Credit Union News Review Committee**

C. Dowling  
M. Griffin

#### **Wholly Owned Associated Companies**

##### **ECCU Assurance Company Limited**

L. Healy, Chairperson  
C. Donovan  
J.B. Flanagan  
E. Morgan  
D. P. O'Leary  
S. O'Shea  
B. Mulholland, Secretary

##### **ILCU Holding Limited**

J. O'Regan, Chairperson  
C. Dowling  
S. Kilgannon  
F. Cullen, Secretary

##### **ILCU International Development Foundation**

K. Geoghegan, Chairperson  
M. Griffin  
A. O'Byrne  
G. Thompson  
T. Weir  
M. Byrne, Secretary

##### **ILCU Savings Protection Company**

M. Griffin  
K. Helferty  
M. Bailey  
M. Byrne, Secretary

##### **ILCUTECH Limited**

In voluntary liquidation

Structure of the ILCU



New Structure of the ILCU Head Office





# *Forward Strategy*



## CEO's Foreword

I am delighted to introduce you to the first Annual Report of the Irish League of Credit Unions under my term as CEO, covering a year of significant stabilisation, planning and consultation as we now move forward.

At last April's BDM, the fruits of the Review Commission Report – 'Time for Change' - were ratified by the movement and crucial decisions on strategy, funding, rules, risk management and monitoring were made. As this Annual Report goes to print, the remaining resolutions determined by the movement are being finalised, key among them being the resolution dealing with the SPS.

The League office and Board have also refocused their efforts to provide a more streamlined and structured approach to all their activities. The first Environmental Review of the Movement was undertaken in 2003 and is ready for publication and quarterly financial economic and social reports will follow, further underpinning the League's role as a trade association.

Data banks on all crucial credit union information have been developed to allow credit unions identify trends both in their specific sector and the wider financial services environment. This will enable them to respond more quickly to the business issues that they face in an ever-changing market.

The League's representative role has also been addressed, with regular business meetings with the new Registrar, the Department of Finance and key committees in the European Parliament, as well as establishing close links with European credit union organisations and the World Council of Credit Unions.

The development and launching of the PEARLS monitoring system

was undertaken in 2003 and is now complete and becoming embedded in the movement. It is already proving a sound mechanism for developing a stronger awareness of credit union financial performance against national and international benchmarks, it also enables the monitoring service to focus its activity in a risk-based way via early warning indicators when credit unions might need support or internal remedial action.

With the lowering of the LP/LS premium by ECCU and the enhancement of the insurance support services from the League to credit unions, it is hoped that good value and on-your-doorstep services and support will ensure the development of insurance products for credit union members.

The setting up of the new Human Resources function and the launching of the HR manual is a sign that the League recognises the support that credit unions need in this crucial area.

New training modules with a greater regional focus and better information via the website and League publications have also been developed.

In December 2003 IFSRA sent a communication to credit unions initiating a consultation process on the funding of IFSRA. Their initial pricing indicate that the funding required from credit unions would increase by 100% in 2004 one and possibly by a further 100% in succeeding years. The League immediately began a consultation process with affiliated credit unions and at the same time began work with IFSRA with a view to mitigating such costs and ensuring that no duplication of services regarding monitoring would take place.

Business development supports and planning, enhanced training

focused on the governance responsibilities of Directors and Supervisors will all be new features for 2004. Reflecting back on this year, I am of the view that the groundwork is completed for the movement to develop its business strategies, expand its loan portfolio, consolidate its gains in the savings market and continue to develop its role as the social finance provider in Ireland.

The economic climate in 2003 - dictated by above average inflation, low interest rates, a lowering in consumer and business confidence and deteriorating economic growth rates – must be taken into consideration in deciding on the priorities and objectives for the Irish League of Credit Unions.

The impact of credit unions on the business environment is evident from the high level of savings within the movement and the pressures on income generation from more effective business practices and investment strategies.

With most borrowings outside credit unions focused currently on mortgages, the current housing boom is forcing low and middle income earners to restrict more of their borrowing to the purchase of property and less in the traditional areas associated with credit union loans. Given that the average credit union loan in 2002 was EUR 6,000, it is evident that traditional business is still the credit unions' core area, which is restricting the expansion of loan portfolios.

While the banks and building societies have been aggressively advertising for both the mortgage and the small loan market, credit union marketing tends to be less aggressive and more local/regional, due to the movement's structure.

The Irish Financial Services Regulatory Authority, recent Insurance

and Investment Intermediaries' Acts and Directives and a proposed European directive on consumer credit clearly signal that regulation and its incumbent restrictions will create a new environment for the movement. They will also put increasing pressure on our voluntary Directors to provide governance and services in ways similar to those of commercial financial institutions.

Needless to say, this environment contains not only financial threats but also opportunities to develop new services and to serve new markets. For instance, the planned development of a National Payments strategy could, if made accessible to credit unions, bring many new members to the movement and so provide financial services to a whole raft of the Irish population which has to date remained outside the credit union community.

The cohesiveness of the movement is of prime importance, particularly when one strong voice on strategy is required to build confidence, both internally and externally, within the developing economic and regulatory environment. The cost effectiveness of so many of the proposals contained in this plan is equally dependent on the co-operation and participation of all credit unions.

The development of EFT access and a treasury management facility, as recommended by the Review Commission, will be greatly enhanced by the principle of co-operation to enable the movement achieve its social and economic objectives.





*Supervisory  
Committee*

## Supervisory Committee Report

The Supervisory Committee met on 14 occasions during the past year, with most meetings held either prior to or immediately after scheduled board meetings.

Individual members of the Supervisory Committee attended meetings of the following Board Committees during the year:

- ◆ Management
- ◆ Planning and Development
- ◆ Administration (including SPS)
- ◆ Insurance
- ◆ Audit
- ◆ Foundation Board
- ◆ National Technology Committee
- ◆ Northern Ireland Committee
- ◆ Legislation

According to the Rules of the Irish League of Credit Unions\*, supervisors "...shall have the right to attend any such meeting of any such committee, sub-committee or other body and to speak and be heard at any such meeting."

Supervisory Committee members can only attend meetings if they receive timely and adequate notification. As a result of bringing this matter to the attention of the President, Board and CEO, it is hoped that the problems regarding notification of committee and other meetings have been completely resolved. This would enable the supervisors to exercise their rights on behalf of the member credit unions as per the rule.

As provided for within the Irish League of Credit Unions rules\*\*, the Supervisory Committee submitted an interim report to the Board of Directors of the Irish League of Credit Unions in October



2003. The substantive issues raised in this report were identified as:

1. conduct of meetings
2. work of the committees
3. circulation and presentation of reports
4. use of e-mail
5. compliance with general meeting resolutions
6. code of conduct

It is intended to make a further report to the Board prior to the Consultative General Meeting of April 2004.

The Committee approves of the current moves to initiate induction training for all new Credit Union Directors and Supervisors and looks forward to this being extended to the Office holders of the League.

Credit Unions are in a period of change and transition, some of which arises from within the movement following the Time for Change document and some of which is being implemented by external agencies in both jurisdictions. The League Board continues to vigorously represent the movement and inform the legislators and regulators of the views and needs of member credit unions and their individual members.

In the Republic of Ireland, the newly established IFSRA has raised serious issues with regard to the ownership, participation in, and the control and function of the SPS. The governance and operation of individual credit unions and financial expertise of credit union officers across the country is being questioned. How credit unions are to contribute to the funding of IFSRA is an additional contentious issue.

In Northern Ireland, the PricewaterhouseCoopers Review has been completed but, regrettably, its publication has been delayed as a consequence of the current political context. The League Board continues to maintain pressure for its early publication and looks forward to its public release at the earliest opportunity.

It is noted in 'Time for Change', the Report of Review Commission, Section 11 (iii) in relation to the Implementation Committee, that the "Committee should meet within two weeks of the SGM 2002". Section 11(iv) required a "final report one year after the inaugural meeting". This report remains overdue at the time of writing and it is hoped that the Final Report will be presented at the CGM 2004. The Committee's concerns on this matter have been conveyed to the League Board.

In September 2003, the Irish League of Credit Unions Supervisory Committee issued a letter to the membership regarding the then proposed Supervisors' Association and submitted a report on this matter to the Board. While recognising and empathising with the reasons why Credit Union Supervisors feel it necessary to organise meetings where issues relevant to them can be discussed and debated, the Board announced that it could not support the formation of an independent Association outside the League. Instead, the Board would support the formation of a Supervisors' Forum within the structures of the Irish League of Credit Unions.

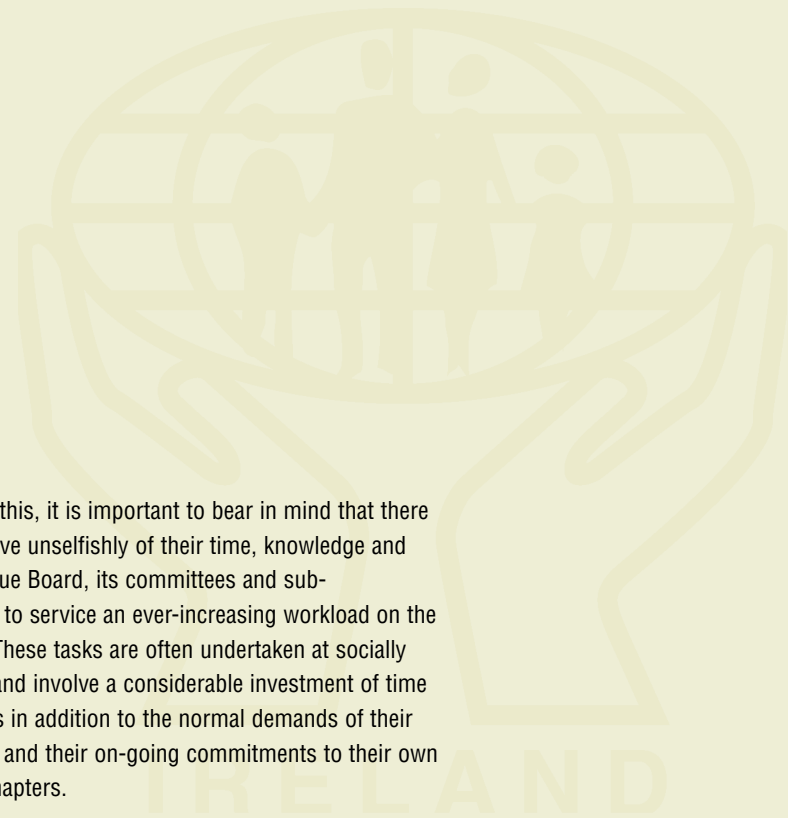
The Supervisory Committee is increasingly aware of the difficulties presented to the Board and the movement by the continuance of a number of Credit Unions who continue to operate outside the Credit Union Act 1997 and Standard Rule 44, Sections 4b & 4c. This is detrimental to the philosophy, integrity and public perception of the whole movement.

In the midst of all of this, it is important to bear in mind that there are 13 people who give unselfishly of their time, knowledge and expertise to the League Board, its committees and sub-committees, in order to service an ever-increasing workload on the movement's behalf. These tasks are often undertaken at socially unacceptable hours and involve a considerable investment of time and energy. All this is in addition to the normal demands of their everyday family lives and their on-going commitments to their own Credit Unions and Chapters.

The Supervisory Committee wishes to acknowledge the co-operation of the League President, Board of Directors, the CEO, the League staff and the membership during the past year.

\* Section 6, Rule 4, Sub-section 2

\*\* Section 6, Rule 3, Sub-section 2



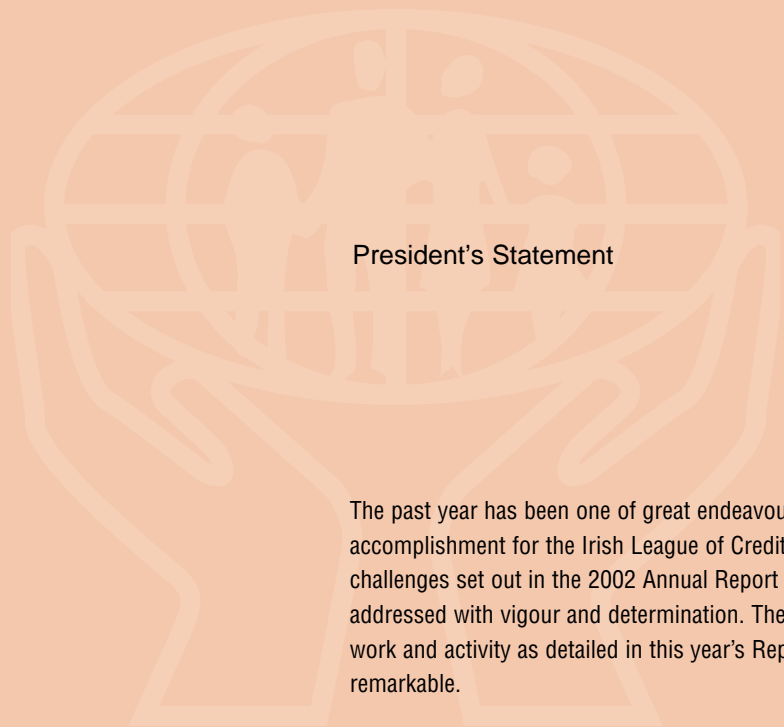
*Supervisory Committee*



President's Statement



*President's  
Statement*



## President's Statement

The past year has been one of great endeavour and significant accomplishment for the Irish League of Credit Unions, with the challenges set out in the 2002 Annual Report having been addressed with vigour and determination. The volume of valuable work and activity as detailed in this year's Report has been remarkable.

The external and internal environments within which our movement operates impact on the objectives, priorities and strategies of credit unions on an on-going basis. Economic factors - inflation, low interest rates, deteriorating economic growth rates and lack of consumer confidence - impact on the business environment of credit unions. Legislative and regulatory changes originating at both National and EU level, together with the consequent procedural and administrative tasks, will create a more challenging and demanding environment for our credit unions going forward.

The internal environment, while reflecting the vision and the levels of strategic planning, implementation and evaluation of the movement, is, in particular, a product of the stage of the movement's development. Studies of the Irish and global credit union movements have identified very clearly that ours is at the 'transition stage' of development. This is not to suggest that the Irish movement can be treated as a homogeneous entity since a number of credit unions are further along the developmental spectrum than others.

The history of older credit union movements confirms that tensions and difficulties that have beset us in recent years have been experienced by others on the road to 'maturity'. Learning from this global experience, it is clear that the manner by which the problems are resolved and the process of inclusive strategic planning which is undertaken, are central to the outcome of a

successful and responsive credit union movement.

The putting in place of the Review Commission, the implementation of its recommendations and the on-going proactive work of the League demonstrate in a real and tangible manner the commitment and determination of the League to be instrumental in setting the pace for credit union development in Ireland. The forward planning process must be on-going and cyclical – Plan, Implement, Evaluate and Plan – to ensure that all our member credit unions are well supported in their development.

The cohesiveness of the movement must be a critical objective of not only the League but also of all credit unions. It is vital that the representative voice of the credit union movement is united, strong and clearly expressed in negotiations with Government and the EU.

The legislative and regulatory environments must recognise and be supportive of the unique role of credit unions and their invaluable contribution to the social and economic well-being of society throughout the island of Ireland. In this regard, the League has already established a good working relationship with the new Irish Financial Services Regulatory Authority and with its first appointed Registrar of Credit Unions.

The publication of the PricewaterhouseCoopers Consultative Report on the Way Forward for Credit Unions in Northern Ireland is eagerly awaited. The outcome will indicate the preferred course of action for the provision of the most appropriate Legislative and Regulatory framework for Credit Unions in Northern Ireland to develop and to provide increased "added value" to their members. The establishment of the Northern Ireland Committee earlier this year has ensured that the key issues relating to the operation of credit unions of every size in Northern Ireland are represented,

prioritised and supported by the ILCU.

During the year, 90% of the Review Commission's recommendations were implemented. The implementation of the small but significant number of outstanding recommendations is being advanced and the Implementation Committee will issue a final report to the Consultative General Meeting.

Improved communications through prompt circulations, updates, technical advice, the Credit Union News Magazine, E-Mail and the Web-Site, together with the greater involvement of interest groups and Chapters have helped in rebuilding confidence in the League in 2003.

The implementation of the revised funding arrangements in 2004 for the League and the Savings Protection Scheme accompanied by a significant reduction in LP/LS premiums will address the concern for more visible transparency and accountability.

The National Technology Committee which was established during the year will provide independent advice to the Credit Union Movement and the League on Information Technology and associated projects. The League is monitoring and evaluating the Bank of Ireland project which is about to be piloted as well as examining similar type proposals from a number of other institutions, always mindful of the need for rigorous evaluation before recommending a way forward

The year ahead will present many challenges to our movement. The Representation/Trade Association mandate will engage the energy of the League both at Government and EU levels. The invaluable work undertaken during 2003 in Business Service and Self-Regulatory activities must be advanced still further so that all

Credit Unions, irrespective of asset size or location, will be provided with the most effective support framework for the delivery of services to their members.

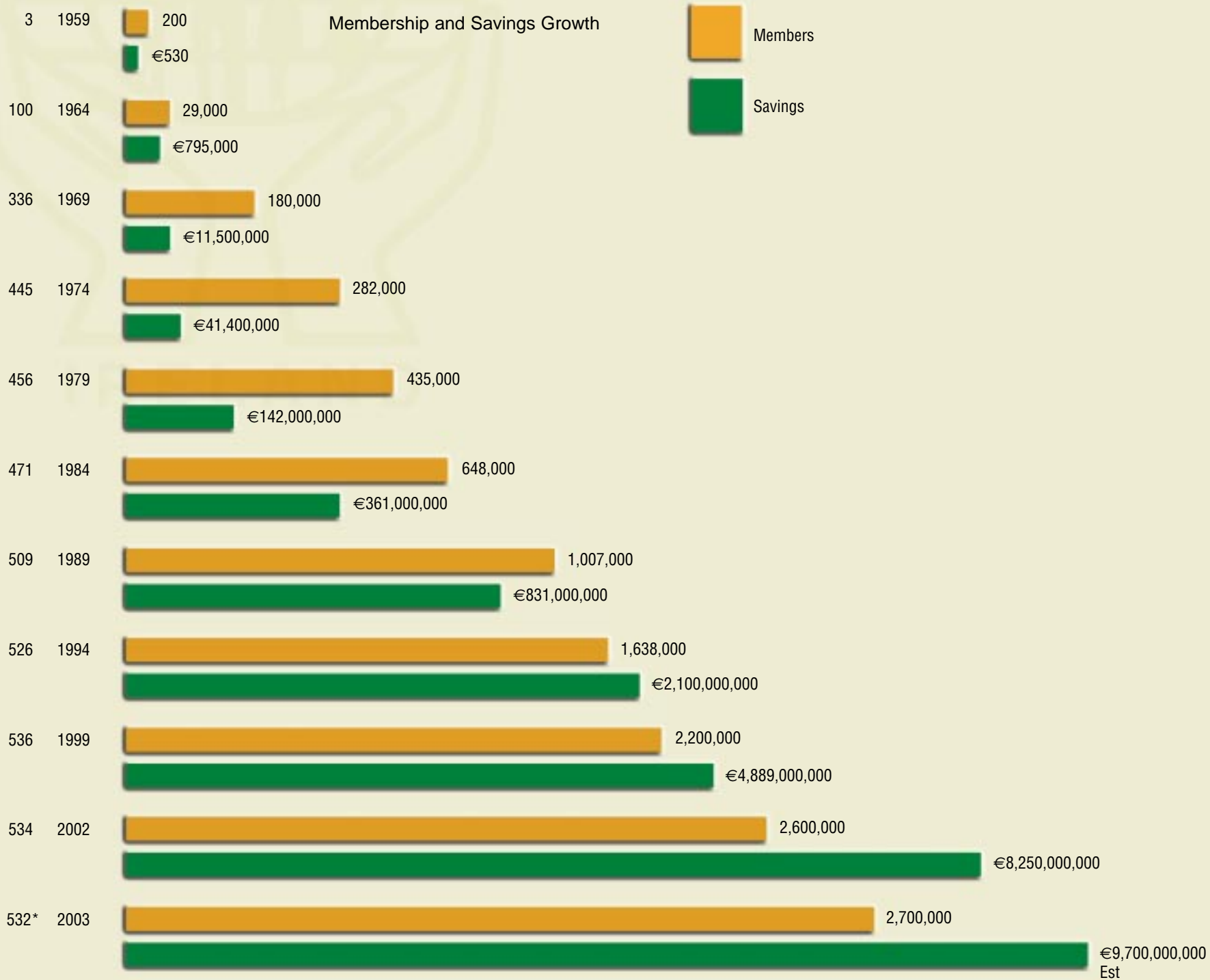
Perhaps the most important challenge for our movement going forward is to continue to protect and to project the ways in which credit unions are unique. While credit unions operate in the marketplace and must become more complex organisations to respond to member's needs in a rapidly changing economic, social and technological environment, they are shaped by forces which are fundamentally different from other financial service institutions.

We need to define our movement in terms of this changing environment in ways that make it evident that credit unions are unique. This will enable us to articulate our concerns and to speak to Government and the EU in a strong, forceful and clear manner.

Attempts by legislators and regulators at Government or EU levels to regard credit unions as mere carbon copies of other financial service providers must be resolutely resisted. The sense of pride in our distinctiveness, so obvious in the early years, must be continually renewed among our volunteers and employees.

As your President and as Chairman of the Board, I am satisfied that the Irish League of Credit Unions is now well positioned to meet the challenges of 2004 and the future. I wish to thank my colleagues on the Board, the C.E.O. and the League staff for their outstanding commitment, dedication and work during 2003.

### Membership and Savings Growth



Note: \*This includes 5 credit unions which have ceased trading and await formal dissolution.