

Annual Report

Notice of Annual General Meeting

2019



Serving the South Kerry Community
Better, stronger, together



You are invited to attend the
49th
Annual General Meeting
of Killarney Credit Union Limited

Wednesday 11th December 2019
Mangerton Suite, Gleneagle Hotel,
Muckcross Road, Killarney
at 7.30pm

Light refreshments will be served
Please bring your passbook on the night

Members Raffle

Free Bus to AGM from Cahersiveen Branch departs at 5.45pm

Free Bus to AGM from Kenmare Branch departs at 6.15pm

To book:

Ring 064-6631344 before Friday 6th December 2019

Notice of Election

1 vacancy for the position of Auditor

4 vacancies for the Board of Directors

1 vacancy for the Board Oversight Committee

cover images courtesy of: RZK Photography, Alan Landers, Shutterstock.com

Agenda

1. Credit Union Invocation;
2. The acceptance by the board of directors of the authorised representatives of members that are not natural persons;
3. Ascertainment that a quorum is present;
4. Adoption of Standing Orders;
5. Reading and approval (or correction) of the minutes of the last annual general meeting;
6. Appointment of Tellers;
7. Chairman's Address/Report of the Board of Directors;
8. Motions (if any);
9. Report of the Board Oversight Committee;
10. Report of the Auditor;
11. Consideration of Accounts;
12. Declaration of dividend (if any);
13. Report of the Nomination Committee;
14. Election of Auditor;
15. Election to fill vacancies on the Board Oversight Committee;
16. Election to fill vacancies on the Board of Directors;
17. Report of the Credit Committee;
18. Report of Credit Control Committee;
19. Report of Membership Committee;
20. Report of any other Committee;
21. Announcement of election results;
22. Raffles – Hampers and cash prizes;
23. Any other business;
24. Adjournment or close of meeting.

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MODEL STANDING ORDERS FOR CREDIT UNIONS (REPUBLIC OF IRELAND)

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

1. VOTING

Each member shall be entitled to one vote irrespective of his/her shareholding, in accordance with section 82(2) of the Credit Union Act, 1997 (as amended)

2-3 ELECTION PROCEDURE

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

4-9 MOTIONS

4. All motions from the floor of the AGM must be proposed and seconded by members present at the AGM and moved by the proposer. If the proposer is absent when the motion is called, the motion shall be deemed to have failed.
5. A proposer of a motion may speak for such period as shall be at the discretion of the chair of the meeting and shall have the right of reply before the motion is put to the meeting for a vote.
6. In exercising his/her right of reply, a proposer may not introduce new material.
7. The seconder of a motion shall have such time as shall be allowed by the chair to second the motion.
8. Members are entitled to speak on any such motion and must do so through the chair. All speakers to any motion shall have such time as shall be at the discretion of the chair.
9. The chair shall have the absolute right to decide at any time when a motion has been sufficiently discussed and may put the motion to the meeting giving the proposer the right of reply before doing so

10- 15 MISCELLANEOUS

10. The chair of the board of directors shall be the chair of any general meeting, except where he/she is not available, in which case it shall be the vice-chair, except where he/she is not available, in which case the board shall decide amongst themselves who shall act as chair of any general meeting.
11. The chair may at his/her discretion, extend the privilege of the floor to any person who is not a member.
12. Matters not covered by the Agenda may be introduced under "Other Business" at the discretion of the chair.
13. The chairman's decision on any matter relating to these Standing Orders or interpretation of same shall be final.
14. No member shall have more than one vote on each question at any general meeting of the credit union or any adjournment thereof irrespective of his/her shareholding or the number of accounts in his/her name in the credit union provided, however, that except in voting at elections, the presiding member shall have a second or casting vote in the event of equality of voting. Voting by proxy shall be allowed only when a member other than a natural person votes through a representative, who is a member of the group, duly authorised in writing for that purpose and accepted as such by the board of directors.
15. Any matter to be decided upon by vote at the AGM shall, unless otherwise expressly provided for by law or the rules, be decided upon by simple majority.

16. SUSPENSION OF STANDING ORDERS

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

17. ALTERATION OF STANDING ORDERS

Standing Orders may be amended or altered at a general meeting and only if a motion to this effect has received a two-thirds majority of those present and voting.

18. ADJOURNMENTS

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

Annual Report 2019

Board of Directors

Pat Sheehan (*Chairperson*)
Colin Kiely
Jackie O'Leary
Bernard Hourihan

Ger Galvin (*Secretary*)
John Long
Joy Clifford
Denis Cournane (*Resigned*)

Dermot Griffin (*Vice Chairperson*)
Edward Leiczynski
Eileen Casey
Elaine O'Riordan (*Co-opted*)

Board Oversight Committee

Caragh Neeson (*Chairperson*)

John Breen

Shelagh Kelleher

Other Volunteers

Catherine Barry

Eugene Carton (RIP)

Mary O'Shea

Credit Union Staff

Mark Murphy
Elma Shine
Karena McCarthy
Elaine O'Shea
Donagh Barry
Margaret Moynihan
Joan Mangan
Ciara Cronin
Noreen O'Sullivan
Veronica Harty
Niamh McSweeney

Stephen Darmody
Shane Foley
Helen Courtney Power
Mairead Brosnan
Miriam McCarthy
Angela McCarthy
Catherine Orpen
Eileen Dineen
Timmy O'Donoghue
John Casey
Majella Godfrey

Michael Gavin (*Resigned*)
Brendan Lynch
Therese Buckley
Jennifer McCarthy
Kathleen O'Leary
Emma Looney
Emer Guihan
Elma Culloty
Ailish O'Shea (*Resigned*)
Sheila Coffey
Brenda Kelliher

The Year in Review



February: Staff at the Schools Quiz at the INEC.



February: National Art Competition Winners



March: Launch of Cultivate Agri Loans



July: Launch of Metamo



October: Launch of New Current Account Service

Images courtesy of: Eamon Keogh, Marie O'Sullivan Carroll, Michelle Crean, Michelle Cooper Galvin, Valerie O'Sullivan

Minutes of Killarney Credit Union Limited AGM 2018

The 48th Annual General Meeting AGM of Killarney Credit Union (KCU) Limited took place on Wednesday 12th December 2018 at The Gleneagle Hotel at 7.30pm with approximately 85 members attending.

Mr. Pat Sheehan (Chairperson) welcomed the members in attendance, introduced the Directors to the members and requested that John Long open the meeting with the Credit Union Invocation.

Directors present at the meeting:

Pat Sheehan *Chairperson*

Dermot Griffin *Vice Chairperson*

Gerard Galvin *Secretary*

John Long

Edward Leizcyneski

Colin Kiely

Jackie O'Leary

Eileen Casey

Board Oversight Committee present at the meeting: Caragh Neeson, Shelagh Kelleher and John Breen

Apologies : Joy Clifford (Director), Bernard Hourihan (Director), Denis Cournane (Director)

Also in attendance : Mark Murphy CEO, David Kelly, on behalf of Grant Thornton Auditors & Accountants.

Acceptance of Proxies (if any) by the Board of Directors : There were 4 proxies received and accepted.

Ascertainment that a Quorum was present : There was a Quorum present

Adoption of Standing Orders : The standing orders were adopted

Proposed by: Helen McCarthy

Seconded by: Catherine Coffey

Reading and Approval (or Correction) of the Minutes of the Last AGM 2017.

As the minutes were circulated to all members prior to the meeting AGM deemed them to be correct and ready.

Proposed by: Michael O'Donoghue

Seconded by: Mary Hallissy

Appointment of Tellers : Ailish O'Shea, John Casey, Aideen Farndon and Sean O'Sullivan.

Chairman's Address/Report of the Directors

The Chairman Pat Sheehan addressed the meeting and presented the Chairman's Report as outlined in the AGM booklet. A minute silence was held as a mark of respect for Pat Delaney RIP who sadly passed away during the year.

Proposed by: Catherine Coffey

Seconded by: Mary Hallissy

Motion regarding Amendment to Standard Rules – Rule 109(8)

Proposed by: Catherine Coffey

Seconded by: Michael O'Donoghue

Rule Amendment passed by two thirds majority vote.

Report of the Board Oversight Committee Presented by John Breen

Proposed by: Aideen Farndon

Seconded by: Mary Hallissy

Report of the Auditors

Auditors report was outlined by John Kelly, on behalf of Grant Thornton Auditors & Accountants.

Proposed by: Christy McCarthy

Seconded by: Eugene Carton

Consideration of Accounts presented by Pat Sheehan

Proposed by: Shane Foley

Seconded by: Aideen Farndon

Declaration of Dividend:

0.05% or €60,200 Proposed by Board of Directors

Proposed by: Mary Hallissy

Seconded by: Catherine Coffey

Passed by majority vote

Report of the Nominating Committee presented by Dermot Griffin

Proposed by: Colin Miller

Seconded by: Mai Carton

Election for Auditors with 1 vacancy : Grant Thornton

Election for Board Oversight with 1 vacancy : John Breen

Election for Board of Directors there were 4 candidates for 4 vacancies :

Pat Sheehan, Joy Clifford, Denis Cournane and Jackie O'Leary

Pat Sheehan advised the members to refer to the Biographies which were distributed for further information on the candidates.

Report of Credit Committee presented by Catherine Barry

Proposed by: Helen McCarthy

Seconded by: Michael O'Donoghue

Report of the Credit Control Committee presented by Pat Sheehan

Proposed by: Helen McCarthy

Seconded by: Mai Carton

Report of the Membership Committee presented by Emma Looney

Proposed by: Catherine Coffey

Seconded by: Mary Hallissy

Investment Committee Report presented by Mark Murphy

Proposed by: Christy McCarthy

Seconded by: Mary Hallissey

Report of the Youth Committee presented by Karena McCarthy

Proposed by: Seamus O'Donoghue

Seconded by: Catherine Coffey

Election Results

Auditors :	Grant Thornton	71		
Board Oversight Committee:	John Breen	69		
Board of Directors:	Joy Clifford	62	Denis Cournane	54
	Jackie O'Leary	63	Pat Sheehan	60

All deemed elected.

Raffle Winners

Hugh O'Donoghue (*Hamper*)

Aideen Farndon (*Hamper*)

Nora Fleming (*Hamper*)

Francis O'Connor (*Hamper*)

Paddy Foley (*Hamper*)

Ann Foley (*Hamper*)

Kathleen McCarthy (*Hamper*)

Cian Farndon (*Hamper*)

Patrick Foley (*Hamper*)

Shane Foley (*Hamper*)

Any Other Business

A question arose from a Caherciveen based member who expressed his disappointment with the lack of consultation with members regarding the recent merger between Killarney Credit Union and Caherciveen Credit Union. Pat Sheehan and Mark Murphy addressed the members concerns by giving some background information on the merger and merger talks. They also outlined the strict process and format which is required and that given the circumstances, it was not possible to hold a general meeting to inform members. They advised that the process was followed correctly and was overseen by the Central Bank. The member was assured that that Killarney Credit Union fully intends to develop the Caherciveen branch and continue to support the local community into the future.

No further questions came from the members and Pat Sheehan advised that the Board and Staff would be available immediately after the AGM should any member have any issues or questions.

Pat Sheehan thanked the members for attending the AGM and wished them a Happy Christmas.

No more questions so the meeting concluded at 8.50 pm and refreshments were served.

Chairman's Address

On behalf of the Board of Directors, I would like to welcome you to Killarney Credit Union's 49th Annual General Meeting. This year has seen another strong financial performance for Killarney Credit Union with total assets now standing at over €140 million. Killarney Credit Union is now in the top echelon of credit unions in the country and this gives us the scope and scale to expand our products and services and our aim is to consolidate our position in South Kerry and become the financial institution of choice for our members.

Results and Dividend

I am pleased to report that your credit union achieved a surplus of €402,627. This surplus was achieved despite the difficult economic and trading conditions that continue to exist. Unfortunately, investment income returns remains low which continues to put pressure on our loan book to provide the required income to cover expenses, maintain reserves and invest in new products and services. The trend for falling investment income is expected to continue for a number of years and will impact on the future divided potential of the credit union. Therefore, we are more focused than ever in growing the loan book and expanding services in order to generate additional income.

At the end of the year, the Board considered the options in relation to the distribution of any surplus. In the context of a negative and low interest rate environment, the Directors took the difficult decision not to propose a dividend for the year. Instead, the Directors feel that the resources would be better allocated to investing in new products and services for the benefit of the members. In October, we launched our Current Account service which the Directors feel will be a game changer for the credit union. Members can now fully transact using their credit union current account, debit card and online banking platform for all their everyday banking needs. We have seen strong demand for the current account service since its launch and I would encourage all our members to apply and use this service.

In July, Killarney Credit Union was one of 16 of Ireland's largest credit unions who announced a collaboration named Metamo. This is a €10 million collaborative project with Fexco, the Killorglin based international financial technology company. While this project is still in its infancy, the object of Metamo is to support credit union viability and sustainability through the provision of a more complete and modernised suite of financial products.

Lending & Savings

This year saw the loan book fall by 1.15%, with the total loan book decreasing to €36.3 million. We are currently lending on average over €1.3 million per month to the local economy. Lending is our main source of income, so it is vital that we grow our loan book in a prudent fashion. I would like to thank you for your continued support and encourage you to borrow locally with your credit union.

Members' savings continue to grow, and stood at almost €121.5 million at the year end, which represents an increase of 0.85% in one year. In July 18, the Directors took the difficult decision to introduce a €30,000 limit on savings balances and it is this cap on savings that contributed to the successful management of growth in savings. This situation is closely monitored on an ongoing basis and I would like to thank the members affected for their co-operation with these measures.

Reserves

Our total reserves stand at €17.8 million which is well in excess of the minimum regulatory requirement. Your Credit Union remains a safe place to save, is financially strong and well positioned to meet any challenges that lie ahead. We have seen a fall in loan arrears during the year and the Provision for Bad and Doubtful Debts is €3.28 million which represents 9% of our total loan book. I am pleased to report that our arrears are at the lowest levels in 8 years.

Retirements & Acknowledgements

Due to personal commitments, Denis Cournane (Board of Directors) retired during the year and Shelagh Kelleher will retire following the AGM. I would like to thank them for the contribution and commitment they gave to the credit union. I would like to take this opportunity to thank every member of the credit union team: Board of Directors, Staff, Board Oversight Committee and all our Committee Volunteers who have given generously of their time, energy and experience so willingly.

I wish to remember all those Members who have passed away during the year, remembering especially, Eugene Carton who was a former Director of the credit union and who dedicated countless hours to the credit union. I want to acknowledge the loss of our friend and colleague and to extend our sympathy to his wife Mai and to his family.

Finally, I wish to thank all our members for your continued support and loyalty. May I take this opportunity to wish all our members a safe and peaceful Christmas and we look forward to being of service to you all in 2020.

Pat Sheehan, *Chairman*

Directors' Report

For the financial year ended 30 September 2019

The directors present their annual report and the audited financial statements for the financial year ended 30 September 2019.

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 or ancillary insurance intermediary under the European Union (Insurance Distribution) Regulations, 2018).
- Investment Intermediaries (Restricted Activity Investment Product Intermediary) pursuant to Section 26 of the Investment Intermediaries Act, 1995 (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

The surplus for the financial year is set out in the income and expenditure account on page 12. The directors are proposing a dividend in respect of the year ended 30 September 2019 of €nil (0.00%) (2018: €60,228 (0.05%)).

Principal risks and uncertainties

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

Credit risk

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

Lack of loan demand

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

Market risk

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

Liquidity risk

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

Operational risk

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

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 loans policy. All loan applications are assessed with reference to the loans 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 finance function. The books of account of the credit union are maintained at the credit union's premises at Beech Road, Killarney, Co. Kerry.

Events after the end of the financial year

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

Auditors

In accordance with Section 115 of the Credit Union Act, 1997 (as amended), the auditors Grant Thornton offer themselves for re-election.


This report was approved by the board on 28th October 2019 and signed on its behalf by:



Pat Sheahan

Chairperson of the board of directors

Date: 28th October 2019



Ger Galvin

Member of the board of directors

Directors' Responsibilities Statement

For the financial year ended 30 September 2019

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 28th October 2019 and signed on its behalf by:



Pat Sheahan

Chairperson of the board of directors

Date: 28th October 2019



Ger Galvin

Member of the board of directors

Board Oversight Committee's Responsibilities Statement

For the financial year ended 30 September 2019

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 28th October 2019 and signed on its behalf by:



Caragh Neeson

Chairperson of the Board Oversight Committee

Date: 28th October 2019

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

Opinion

We have audited the financial statements of Killarney Credit Union Limited, which comprise the income and expenditure account, the statement of other comprehensive income, the balance sheet, the statement of changes in reserves and the statement of cash flows for the financial year ended 30 September 2019, 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, Killarney 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 2019 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.

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.

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

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

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

Denise O'Connell FCA
for and on behalf of Grant Thornton
Chartered Accountants & Statutory Audit Firm, Mill House, Henry Street, Limerick

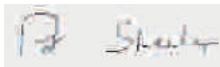
Date: 28th October 2019

Income and Expenditure Account


For the financial year ended 30 September 2019

	Schedule	2019 €	2018 €
Income			
Interest on members' loans		2,814,638	2,176,889
Other interest and similar income	1	831,144	756,017
Net interest income		3,645,782	2,932,906
Other income	2	133,617	96,456
Total income		3,779,399	3,029,362
Expenditure			
Employment costs		1,254,488	1,025,759
Other management expenses	3	2,051,897	1,621,473
Depreciation		156,608	154,116
Net impairment losses/(gains) on loans to members (note 5)		(86,221)	(214,437)
Total expenditure		3,376,772	2,586,911
Surplus for the financial year		402,627	442,451

The financial statements were approved and authorised for issue by the board on 28th October 2019 and signed on behalf of the credit union by:



Pat Sheahan
Member of the board
of directors



Caragh Neeson
Member of the board
oversight committee



Mark Murphy
CEO

Date: 28th October 2019

The notes on pages 16 to 28 form part of these financial statements.

Statement of Other Comprehensive Income

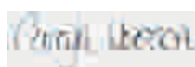
For the financial year ended 30 September 2019

	Schedule	2019 €	2018 €
Income			
Surplus for the financial year		402,627	442,451
Other comprehensive income		-	-
Total comprehensive income for the financial year		402,627	442,451

The financial statements were approved and authorised for issue by the board on 28th October 2019 and signed on behalf of the credit union by:



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Mark Murphy
CEO

Date: 28th October 2019

The notes on pages 16 to 28 form part of these financial statements.

Balance Sheet

As at 30 September 2019

	Notes	2019 €	2018 €
Assets			
Cash and balances at bank		4,853,808	5,909,973
Deposits and investments – cash equivalents	7	30,466,221	36,558,278
Deposits and investments – other	7	69,064,580	60,266,521
Loans to members	8	36,304,738	36,728,858
Provision for bad debts	9	(3,283,817)	(3,323,938)
Members' current accounts	14	2	-
Tangible fixed assets	10	2,138,926	2,246,861
Investments in associates	11	265,000	-
Debtors, prepayments and accrued income	12	310,274	273,615
Total assets		140,119,732	138,660,168
Liabilities			
Members' shares	13	121,473,435	120,433,857
Members' deposits	13	-	20,807
Members' current accounts	14	5,363	-
Other liabilities, creditors, accruals and charges	15	834,407	727,695
Other provisions	16	16,453	31,675
Total liabilities		122,329,658	121,214,034
Reserves			
Regulatory reserve	18	15,356,237	15,356,237
Operational risk reserve	18	802,809	602,809
Other reserves			
- Realised reserves	18	1,554,432	1,369,992
- Unrealised reserves	18	76,596	117,096
Total reserves		17,790,074	17,446,134
Total liabilities and reserves		140,119,732	138,660,168

The financial statements were approved and authorised for issue by the board on 28th October 2019 and signed on behalf of the credit union by:



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Mark Murphy
CEO

Date: 28th October 2019

The notes on pages 16 to 28 form part of these financial statements.

Statement of Changes in Reserves

For the financial year ended 30 September 2019

	Regulatory reserves	Operational risk reserve	Realised reserves	Unrealised reserves	Total
	€	€	€	€	€
As at 1 October 2017	12,801,110	426,442	839,640	63,794	14,130,986
Surplus for the financial year	-	26,749	393,458	22,244	442,451
Dividends paid	-	-	(45,189)	-	(45,189)
Transfer of engagements	2,555,127	149,618	182,083	31,058	2,917,886
As at 1 October 2018	15,356,237	602,809	1,369,992	117,096	17,446,134
Surplus for the financial year	-	200,000	202,627	-	402,627
Dividends paid	-	-	(58,687)	-	(58,687)
Transfers between reserves	-	-	40,500	(40,500)	-
As at 30 September 2019	15,356,237	802,809	1,554,432	76,596	17,790,074

• The regulatory reserve of the credit union as a percentage of total assets as at 30 September 2019 was 10.96% (2018: 11.07%).

• The operational risk reserve of the credit union as a percentage of total assets as at 30 September 2019 was 0.57% (2018: 0.43%).

The notes on pages 16 to 28 form part of these financial statements.

Statement of Cash Flows

For the financial year ended 30 September 2019

	Notes	2019 €	2018 €
Opening cash and cash equivalents		42,468,251	22,240,364
Cash flows from operating activities			
Loans repaid by members	8	16,227,430	11,206,583
Loans granted to members	8	(16,037,306)	(12,888,670)
Interest on loans		2,814,638	2,176,889
Investment income		831,144	756,017
Bad debts recovered and recoveries		280,096	238,306
Other receipts		133,617	96,456
Dividends paid		(58,687)	(45,189)
Members' current accounts lodgements	14	7,911	-
Members' current accounts withdrawals	14	(2,550)	-
Operating expenses		(3,306,385)	(2,647,232)
Movement in other assets and liabilities		54,831	(108,379)
Net cash flows from operating activities		944,739	(1,215,219)
Cash flows from investing activities			
Cash and investments introduced from transfer of engagements		-	19,659,688
Investments in associates		(265,000)	-
Fixed asset (purchases)/disposals		(48,673)	(8,187)
Net cash flow from other investing activities		(8,798,059)	338,958
Net cash flows from investing activities		(9,111,732)	19,990,459
Cash flows from financing activities			
Members' savings received	13	96,371,007	71,079,866
Members' savings withdrawn	13	(95,352,236)	(69,627,219)
Net cash flow from financing activities		1,018,771	1,452,647
Net increase/(decrease) in cash and cash equivalents		(7,148,222)	20,227,887
Closing cash and cash equivalents	6	35,320,029	42,468,251

The notes on pages 16 to 28 form part of these financial statements.

Notes to the financial statements

For the financial year ended 30 September 2019

1. Legal and regulatory framework

Killarney 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 Beech Road, Killarney, Co. Kerry.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Statement of compliance

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

2.3 Going concern

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

2.4 Income

Interest on members' loans

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

Deposit and investment income

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

Other income

Other income is recognised on an accruals basis.

2.5 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.

2.6 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

2.6 Investments (continued)

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.

Investments at fair value

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

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

2.7 Financial assets – loans to members

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

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

2.8 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.

2.9 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
Leasehold premises	20% straight line per annum
Office equipment	15% reducing balance per annum
Computer hardware	33% 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.

2.9 Tangible fixed assets (continued)

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.

2.10 Impairment of assets

At each reporting date 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.

2.11 Investments in associates

Investments in associates are accounted for at cost less impairment.

2.12 Other receivables

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

2.13 Financial liabilities – members' shares and deposits

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

2.14 Members' current accounts

The credit union provides Member Personal Current Account Services in accordance with Section 49(3) of the Credit Union Act, 1997 (as amended).

2.15 Other payables

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

2.16 Pension costs

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

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

The credit union also operates a defined contribution plan for certain employees. A defined contribution plan is a pension plan under which the credit union pays fixed contributions into a separate entity. Once the contributions have been paid the credit union has no further payments obligations.

The contributions are recognised as an expense in the income and expenditure account when they fall due. Amounts not paid are shown in accruals as a liability on the balance sheet. The assets of the plan are held separately from the credit union in independently administered funds.

2.17 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.

2.18 Derecognition of financial liabilities

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

2.19 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. Killarney 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 Killarney 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.

In addition, the credit union has included in its operational risk reserve a Member Personal Current Account Service operational risk reserve, in accordance with Section 49(3) of the Credit Union Act, 1997 (as amended).

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. 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 Distribution policy

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

The rate of dividend 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 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 when members ratify such payments at the Annual General Meeting.

2.23 Taxation

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

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

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

Determination of depreciation, useful economic life and residual value of tangible assets

The annual depreciation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of residual values. The directors regularly review these useful lives and change them if necessary to reflect current conditions. In determining these useful lives management consider technological change, patterns of consumption, physical condition and expected economic utilisation of the assets. Changes in the useful lives can have a significant impact on the depreciation charge for the financial year. The net book value of tangible fixed assets subject to depreciation at the year end was €2,138,926 (2018: €2,246,861).

Provision for bad debts

Killarney Credit Union Limited's accounting policy for impairment of loans is set out in the accounting policy in note 2.8. 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 €3,283,817 (2018: €3,323,938) representing 9.05% (2018: 9.05%) of the total gross loan book.

Investments in associates

The investments in associates represents Killarney Credit Union Limited's investment in Metacu Management Designated Activity Company. This investment was made for operational purposes. The credit union holds 6.25% Redeemable A Ordinary shares in the company and through the terms of the shareholders agreement agreed between each of the participating credit unions, Killarney Credit Union Limited is deemed to have influence over the operations of this company. Therefore the investment has been accounted for as an investment in an associate.

Operational risk reserve

The directors have considered the requirements of the Credit Union Act, 1997 (as amended) and have developed an approach to the calculation of the operational risk reserve. Killarney 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. In addition, the credit union has included in its operational risk reserve a Member Personal Current Account Service operational risk reserve, in accordance with Section 49(3) of the Credit Union Act, 1997 (as amended). The operational risk reserve of the credit union at the year end was €802,809 (2018: €602,809).

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. Key management personnel compensation

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

	2019	2018
	€	€
Short term employee benefits paid to key management	513,657	459,933
Payments to pension schemes	61,571	54,331
Total key management personnel compensation	575,228	514,264

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

	2019	2018
	€	€
Bad debts recovered	(188,096)	(152,998)
Impairment of loan interest reclassified as bad debt recoveries	(92,000)	(85,308)
Movement in bad debts provision during the year	(40,121)	(156,030)
Loans written off during the year	233,996	179,899
Net impairment losses/(gains) on loans to members	(86,221)	(214,437)

6. Cash and cash equivalents

	2019	2018
	€	€
Cash and balances at bank	4,853,808	5,909,973
Deposits & investments (note 7)	99,530,801	96,824,799
Less: Deposit & investment amounts maturing after three months	(69,064,580)	(60,266,521)
Total cash and cash equivalents	35,320,029	42,468,251

7. Deposits and investments

Deposits and investments – cash equivalents

	2019	2018
	€	€
Accounts in authorised credit institutions (Irish and non-Irish based)	30,368,046	36,312,203
Equities	4	6
Collective investment schemes	98,171	246,069
Total deposits and investments – cash equivalents	30,466,221	36,558,278

Deposits and investments – other

Accounts in authorised credit institutions (Irish and non-Irish based)	55,100,082	45,368,871
Irish and EEA state securities	1,839,881	1,890,278
Bank bonds	11,050,981	12,053,675
Central bank deposits	1,073,636	953,697
Total deposits and investments – other	69,064,580	60,266,521

Total deposits and investments

99,530,801 **96,824,799**

8. Financial assets – loans to members

	2019	2018
	€	€
As at 1 October	36,728,858	26,441,575
Loans arising on transfer of engagements	-	8,785,096
Loans granted during the year	16,037,306	12,888,670
Loans repaid during the year	(16,227,430)	(11,206,584)
Gross loans and advances	36,538,734	36,908,757

Bad debts

Loans written off during the year	(233,996)	(179,899)
As at 30 September	36,304,738	36,728,858

9. Provision for bad debts

	2019	2018
	€	€
As at 1 October	3,323,938	2,829,992
Provision arising on transfer of engagements	-	649,976
Movement in bad debts provision during the year	(40,121)	(156,030)
As at 30 September	3,283,817	3,323,938

The provision for bad debts is analysed as follows:

Grouped assessed loans	3,283,817	3,323,938
Provision for bad debts	3,283,817	3,323,938

10. Tangible fixed assets

	Freehold premises €	Leasehold premises €	Office equipment €	Computer hardware €	Total €
Cost					
1 October 2018	5,112,089	19,829	708,340	397,856	6,238,114
Additions	-	-	21,950	26,723	48,673
At 30 September 2019	5,112,089	19,829	730,290	424,579	6,286,787
Depreciation					
1 October 2018	3,101,905	19,829	563,147	306,372	3,991,253
Charge for year	43,152	-	25,918	87,538	156,608
At 30 September 2019	3,145,057	19,829	589,065	393,910	4,147,861
Net book value					
30 September 2019	1,967,032	-	141,225	30,669	2,138,926
30 September 2018	2,010,184	-	145,193	91,484	2,246,861

11. Investments in associates

	€
Cost	
At 1 October 2018	-
Additions in the year	265,000
At 30 September 2019	265,000
Accumulated impairment	
At 1 October 2018	-
Impairment loss	-
At 30 September 2019	-
Net book value	
30 September 2019	265,000
30 September 2018	-

Interests in associate

The credit union has interests in the following associate:

Associate	Type of Shares held	Proportion Held (%)	Net Assets €	Profit or Loss €
Metacu Management Designated Activity Company	Redeemable A Ordinary	6.25%	.*	.*

The effect of including this investment as if it had been accounted for using the equity method would be as follows:

	Shares of Net Assets €
At 1 October 2018	-
Investment during the year	265,000
Share of profit/(loss) for the financial year after tax	.*
Share of other comprehensive income	.*
At 30 September 2019	265,000

*Metacu Management Designated Activity Company commenced trading during 2019 and has not yet prepared its first year financial statements. Consequently the net assets or profit/loss of the company is not yet available.

12. Debtors, prepayments and accrued income

	2019	2018
	€	€
Loan interest receivable	76,596	94,023
Other assets and prepayments	229,471	178,289
Other debtors	4,207	1,303
	310,274	273,615

13. Members' savings

	2019	2018
	€	€
As at 1 October	120,454,664	94,050,277
Members' savings arising on transfer of engagements	-	24,951,740
Received during the year	96,371,007	71,079,866
Withdrawn during the year	(95,352,236)	(69,627,219)
As at 30 September	121,473,435	120,454,664

Members' savings are analysed as follows:

	2019	2018
	€	€
Members' shares	121,473,435	120,433,857
Members' deposits	-	20,807
Total members' savings	121,473,435	120,454,664

14. Members' current accounts

	2019	2018
	€	€
As at 1 October	-	-
Lodgements	7,911	-
Withdrawals	(2,550)	-
As at 30 September	5,361	-

	No. of Accounts	Balance of Accounts €
Debit	1	2
Credit	13	5,363
Permitted overdrafts	-	-

15. Other liabilities, creditors, accruals and charges

	2019	2018
	€	€
Other creditors and accruals	802,181	702,129
PAYE/PRSI	32,226	25,566
	834,407	727,695

16. Other provisions

Holiday pay accrual

At 1 October	31,675	23,965
Charged to the income and expenditure account	(15,222)	7,710
At 30 September	16,453	31,675

2019	2018
€	€
31,675	23,965
(15,222)	7,710
16,453	31,675

Pension accrual

At 1 October	-	19,943
Charged to the income and expenditure account	-	(19,943)
At 30 September	-	-

2019	2018
€	€
-	19,943
-	(19,943)
-	-

Total other provisions

At 1 October	31,675	43,908
Charged to the income and expenditure account	(15,222)	(12,233)
At 30 September	16,453	31,675

2019	2018
€	€
31,675	43,908
(15,222)	(12,233)
16,453	31,675

17. Financial instruments

17a. Financial instruments – amortised cost

Financial assets

Financial assets measured at amortised cost

2019	2018
€	€
140,110,381	138,468,858

Financial liabilities

Financial liabilities measured at amortised cost

2019	2018
€	€
122,329,658	121,214,034

Financial assets measured at amortised cost comprise of cash and balances at bank, deposits and investments, loans, members' current accounts, other debtors and investments in associates.

Financial liabilities measured at amortised cost comprise of member savings, members' current accounts and creditors and accruals and provisions.

17b. 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).

17b. Financial instruments – fair value measurements (continued)

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

At 30 September 2019	Total	Level 1	Level 2	Level 3
	€	€	€	€
Accounts in authorised credit institutions	750,000	-	750,000	-
Collective investment scheme	98,171	-	98,171	-
Equities	4	4	-	-
Total	848,175	4	848,171	-

At 30 September 2018	Total	Level 1	Level 2	Level 3
	€	€	€	€
Accounts in authorised credit institutions	750,000	-	750,000	-
Collective investment schemes	246,069	-	246,069	-
Equities	6	6	-	-
Total	996,075	6	996,069	-

The fair value adjustment recognised in the income and expenditure account for the year ended 30 September 2019 was €2 (2018: €nil).

18. Reserves

	Balance 01/10/18	Payment of dividends	Appropriation of current year surplus	Transfers between reserves	Balance 30/09/19
	€	€	€	€	€
Regulatory reserve	15,356,237	-	-	-	15,356,237
Operational risk reserve	602,809	-	200,000	-	802,809
Other reserves					
Realised					
Special reserve: dividends paid	60,228	(58,687)	-	(1,541)	-
Future dividend reserve	50,000	-	-	-	50,000
General reserve	1,259,764	-	202,627	42,041	1,504,432
Total realised reserves	1,369,992	(58,687)	202,627	40,500	1,554,432
Unrealised					
Interest on loans reserve	94,023	-	-	(17,427)	76,596
Investment income reserve	23,073	-	-	(23,073)	-
Total unrealised reserves	117,096	-	-	(40,500)	76,596
Total reserves	17,446,134	(58,687)	402,627	-	17,790,074

19. 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 Killarney 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.

19. Credit risk disclosures (continued)

	2019		2019	
	€	%	€	%
LOANS NOT IMPAIRED				
Total loans not impaired, not past due	33,162,418	91.34%	32,548,003	88.62%
IMPAIRED LOANS:				
Not past due	152,930	0.42%	228,489	0.62%
Up to 9 weeks past due	1,674,548	4.61%	2,361,492	6.43%
Between 10 and 18 weeks past due	215,067	0.59%	403,792	1.10%
Between 19 and 26 weeks past due	173,546	0.48%	121,661	0.33%
Between 27 and 39 weeks past due	134,048	0.37%	138,283	0.38%
Between 40 and 52 weeks past due	180,772	0.50%	99,026	0.27%
53 or more weeks past due	611,409	1.69%	828,112	2.25%
Total impaired loans	3,142,320	8.66%	4,180,855	11.38%
Total loans	36,304,738	100.00%	36,728,858	100.00%

20. Related party transactions

20a. Loans

	2019		2018	
	No. of loans	€	No. of loans	€
Loans advanced to related parties during the year	6	122,568	4	94,700
Total loans outstanding to related parties at the year end	18	332,034	21	319,552
Total provision for loans outstanding to related parties		42,140		42,027

The related party loans stated above comprise of loans outstanding to directors and the management team (to include their family members or any business in which the directors or management team had a significant shareholding).

Total loans outstanding to related parties represents 0.91% of the total loans outstanding at 30 September 2019 (2018: 0.87%).

20b. Savings

The total amount of savings held by related parties at the year end was €545,491 (2018: €677,981).

21. Additional financial instruments disclosures

21a. Financial risk management

Killarney 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 Killarney 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 Killarney Credit Union Limited's loans policy. All loan applications are assessed with reference to the loans 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: Killarney Credit Union Limited's main interest rate risk arises from adverse movements in interest rates receivable which would affect investment income. Killarney 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.

21b. 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.

21c. Interest rate risk disclosures

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

	2019 Average interest rate		2018 Average interest rate	
	€	%	€	%
Gross loans to members	36,304,738	7.98%	36,728,858	8.13%

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.

22. Dividends

The following distributions were paid during the year:

	2019		2018	
	%	€	%	€
Dividend on shares	0.05%	58,687	0.05%	45,189

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

	2019		2018	
	%	€	%	€
Dividend on shares	0.00%	-	0.05%	60,228

23. Events after the end of the financial year

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

24. 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).

25. Capital commitments

There were no capital commitments at 30 September 2019.

26. Contingent liabilities

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.

27. Comparative information

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

28. The Irish League of Credit Unions Republic of Ireland Pension Scheme

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

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

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

As part of the above solvency assessment process, the Scheme actuary must carry out a separate valuation under the Minimum Funding Standard every 3 years and produce a funding certificate for submission to the Pensions Authority within 9 months of the effective date of the valuation. The purpose of the certificate is to certify whether or not the assets of the scheme at the effective date are sufficient to meet the liabilities of the scheme based on the assumption that the scheme was wound up at that date. The most recent Actuarial Funding Certificate was effective as at 1 March 2018 and it certified that the Scheme satisfied the funding standard. Further, the Actuary was reasonably satisfied that as at 28 February 2018 the scheme can be expected to satisfy the funding standard as specified in Section 44 of the Pensions Act, 1990, at 1 March 2019, being the date specified by the Pensions Authority under Section 49(2) (a) of the Act for the purpose of the existing funding proposal.

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

29. Approval of financial statements

The board of directors approved these financial statements for issue on 28th October 2019.

Schedules to the income and expenditure account

For the financial year ended 30 September 2019

The following schedules do not form part of the statutory financial statements which are the subject of the Independent Auditors' report on pages 9 to 11.

SCHEDULE 1 – OTHER INTEREST INCOME AND SIMILAR INCOME

	2019	2018
	€	€
Investment income received/receivable within 1 year	831,144	751,566
Investment income receivable outside of 1 year	-	4,451
Total per income and expenditure account	831,144	756,017

SCHEDULE 2 – OTHER INCOME

	2019	2018
	€	€
Commissions	68,333	49,354
ECCU Rebate	57,491	39,404
Fees and miscellaneous income	7,793	7,698
Total per income and expenditure account	133,617	96,456

SCHEDULE 3 – OTHER MANAGEMENT EXPENSES

	2019	2018
	€	€
Rent	36,000	36,000
Rates and service charges	61,284	48,991
Lighting and heating	40,279	31,781
Repairs and maintenance	24,880	21,144
Security	32,705	27,620
Printing and stationery	43,576	45,812
Postage	24,442	17,153
Telephone	23,777	16,867
Promotion, advertising and sponsorship	129,663	93,765
Chapter, social and seminar expenses	56,853	45,827
Travel and subsistence	27,642	20,102
Bank interest and charges	65,115	54,597
Audit fee	24,293	24,293
General insurance	46,469	43,911
Key person insurance	875	925
Share and loan insurance	555,852	404,552
Education and subscription	29,601	14,598
Consultancy, legal and professional fees	351,585	307,304
Office general expenses	7,624	6,487
Affiliation fees and subscriptions	58,983	55,098
Regulatory levies	242,911	215,958
Maintenance contracts	154,793	87,272
Cash short	1,200	665
Staff uniforms	11,495	751
Total per income and expenditure account	2,051,897	1,621,473



Our Branches



Beech Road,
Killarney,
V93 XR5V,
Co. Kerry.



Park Road,
Killarney,
V93 CVF9,
Co. Kerry.



Killarney Road,
Kenmare,
V93 NN73,
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Killarney Credit Union Limited is regulated by the Central Bank of Ireland.