

# Annual Report 2020

Notice of Annual General Meeting



**Killarney  
Kenmare  
Cahersiveen**  
creditunion



KILLARNEY | KENMARE | CAHERSIVEEN

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CELEBRATING  
FIFTY YEARS  
1970 - 2020

Serving the South & East Kerry Communities

## AGM NOTICE

Dear Member

Based on the current public health advice in place and uncertainty towards indoor gatherings, Killarney Credit Union Ltd will not be in a position to hold our Annual General Meeting (AGM) in December 2020. We are currently awaiting guidance and a change in legislation from the Government, but we envisage that we may be holding our AGM in 2021, in a virtual format, as this may be the safest and most prudent method in the current climate. Once all legal, technical and electronic measures are in place we will notify you of the date and how the AGM will take place.

As you have now received your annual report, we may send out the invitation to attend the AGM as an operational email for members whom we have an email address for. Members that we don't have an email address for will receive a postal invitation. Please contact the credit union if you want to verify or update your email address.

Please note that final confirmation of the AGM will also be advertised in local media, in branch and on our website and social media channels.

We apologise for any inconvenience this may cause and we will communicate with all members once we receive additional guidance from the Government. If you have any queries, please do not hesitate to contact us.



Pat Sheehan

Chairman, Killarney Credit Union Ltd

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## AMENDMENTS TO STANDARD RULES

**Motion 1** That this Annual General Meeting agrees to amend Rule 1(a) of the Standard Rules for Credit Unions (Republic of Ireland) by the insertion of "membership officer", to read as follows:

Rule 1. 'officer' includes:

(a) the Chairman, the secretary or any other member of the board of directors, a member of a principal committee, a member of the board oversight committee, risk management officer, compliance officer, credit officer, *membership officer* or credit control officer of the credit union.

**Motion 2** That this Annual General Meeting agrees to amend Rule 13(1)(ii) of the Standard Rules for Credit Unions (Republic of Ireland) by the insertion of "or by a duly appointed and authorised Membership Officer", to read as follows:

Rule 13. (1)(ii) his application for membership shall have been approved by the affirmative vote of a majority of the board of directors or by a duly appointed and authorised membership committee present at a meeting at which the application is considered, *or by a duly appointed and authorised membership officer*; and...

**Motion 3** That this Annual General Meeting agrees to amend the introduction to Rule 83 of the Standard Rules for Credit Unions (Republic of Ireland) by the insertion of "and/or membership officer", to read as follows:

Rule 83. Subject to these rules and the Act, the membership committee *and/or membership officer shall...*

**Motion 4** That this Annual General Meeting agrees to insert a new Rule 84A into the Standard Rules for Credit Unions (Republic of Ireland), to read as follows:

Rule 84A. (1) *The board of directors may approve the appointment of a person by the manager as a membership officer to assist the membership committee and work under its supervision and control. (2) A record of each application for membership which has or has not been approved shall be furnished by the membership officer to the membership committee no later than seven days of receipt of the application.*

## Board of Directors

Pat Sheehan ( <i>Chairperson</i> )	Ger Galvin ( <i>Secretary</i> )	Dermot Griffin ( <i>Vice Chairperson</i> )
Colin Kiely	John Long	Jackie O'Leary
Joy Clifford	Eileen Casey	Elaine O'Riordan
Frank McGonigle ( <i>Co-opted</i> )		

## Board Oversight Committee

Caragh Neeson ( <i>Chairperson</i> )	Bernard Hourihan ( <i>Co-opted</i> )	Michael O'Brien ( <i>Co-opted</i> )
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## Other Volunteers

Catherine Barry	Mary O'Shea
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## Credit Union Staff

Mark Murphy	Stephen Darmody ( <i>Resigned</i> )	Shane Foley
Elma Culloty	Karena McCarthy	Helen Courtney Power ( <i>Resigned</i> )
Brendan Lynch	Therese Buckley	Elma Shine
Elaine O'Shea	Jennifer McCarthy	Mairead Brosnan
Miriam McCarthy	Donogh Barry	Kathleen O'Leary
Margaret Moynihan	Angela McCarthy	Emma Looney
Joan Mangan ( <i>Resigned</i> )	Catherine Orphen	Emer Guihan ( <i>Resigned</i> )
Ciara Cronin	Eileen Dineen	Noreen O'Sullivan
Timmy O'Donoghue ( <i>Resigned</i> )	Veronica Harty	John Casey
Sheila Coffey	Niamh McSweeney ( <i>Resigned</i> )	Brenda Kelliher
Aoife O'Brien	Joe Lyne	Darren Casey
Johnny O'Neill	Aisling Quigley	

## Minutes of Killarney Credit Union Limited AGM 2019

The 49th Annual General Meeting AGM of Killarney Credit Union (KCU) Limited took place on Wednesday 11th December 2019 in The Gleneagle Hotel at 7.30pm with approximately 105 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	Joy Clifford	Colin Kiely
Bernard Hourihan	Elaine O'Riordan	Jackie O'Leary
Eileen Casey.		

**Board Oversight Committee present at the meeting:** Caragh Neeson and John Breen.

**Apologies:** Ted Leizcynski (Director), Elma Shine (Branch Manager Caherciveen)

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

**Acceptance of Proxies (if any) by the Board of Directors:** No proxies received for AGM.

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

**Adoption of Standing Orders:** The standing orders were adopted.

*Proposed by:* Catherine Coffey *Seconded by:* Mary Hallissey

### Reading and Approval (or Correction) of the Minutes of the Last AGM 2018

As the minutes were circulated to all members prior to the meeting, and those present at the AGM deemed them to be correct and ready for approval.

*Proposed by:* Michael O'Donoghue *Seconded by:* Helen McCarthy

<b>Appointment of Tellers:</b>	Catriona Dunlea	Gerry Morley	Sean O'Sullivan
	Helen Foley	Brendan Lynch	Therese Buckley

### 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. Pat Sheehan acknowledged the service of Denis Cournane, Ted Leizcynski and Shelagh Kelleher who retired from the Board of Directors and Board Oversight Committee during the year.

*Proposed by:* Jerry Morley *Seconded by:* Brigid Foley

### Motion regarding Amendment to Standard Rules

No motions for this meeting.

**Report of the Board Oversight Committee** Presented by Caragh Neeson

*Proposed by:* Eileen O'Donoghue *Seconded by:* Breeda Neeson

### Report of the Auditors

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

*Proposed by:* Sean O'Sullivan *Seconded by:* Anthony Reynolds

**Consideration of Accounts** presented by Pat Sheehan

*Proposed by:* Mike Neeson *Seconded by:* Peter Gosch

### Declaration of Dividend:

Pat Sheehan advised the meeting that after careful consideration, the Board of Directors have decided not to declare a dividend at the AGM. He advised the meeting that the directors took the following into account as part of their deliberations:

- The credit union has made significant investment in other services during the year, namely the Current Account service and the joint venture with Metamo. These services will improve services to all members and offer a viable alternative to mainstream banks.

- The current total reserve ratio of 17.7% is well above the minimum requirement of 10%, the directors do not want to dilute the reserve position of the credit union by declaring a dividend.
- Alternative rates on offer to members for on-demand funds in banks are extremely low
- The current low interest rate environment of the credit union is particularly difficult at present which is impacting our ability to generate a sufficient surplus to declare a dividend.

*Proposed by:* Helen Foley

*Seconded by:* Michael O'Donoghue

Passed by a majority vote.

**Report of the Nominating Committee** presented by Dermot Griffin

*Proposed by:* Helen McCarthy

*Seconded by:* Eileen O'Donoghue

**Election for Auditors with 1 vacancy:** Grant Thornton

**Election for Board Oversight with 1 vacancy:** Caragh Neeson

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

Ger Galvin, Dermot Griffin, Colin Kiely and Elaine O'Riordan.

Ballot papers were distributed and voting took place with all ballot papers collected by the tellers.

**Report of Credit Committee** presented by Catherine Barry

*Proposed by:* Mike Neeson

*Seconded by:* Katherine Carton

**Report of the Credit Control Committee** presented by Stephen Darmody

*Proposed by:* Mary Hallissey

*Seconded by:* Catherine Coffey

**Report of the Membership Committee** presented by Eileen Casey

*Proposed by:* Catherine Coffey

*Seconded by:* Helen McCarthy

**Investment Committee Report** presented by Mark Murphy

*Proposed by:* Mary Hallissey

*Seconded by:* Christy McCarthy

**Report of the Youth Committee** presented by Karena McCarthy

*Proposed by:* Catherine Coffey

*Seconded by:* Hugh O'Donoghue

### Election Results

Auditors:	Grant Thornton	83		
Board Oversight Committee:	Caragh Neeson	87		
Board of Directors:	Ger Galvin	78	Dermot Griffin	76
	Colin Kiely	76	Elaine O'Riordan	81

All deemed elected.

### Raffle Winners

Nora Fleming ( <i>Hamper</i> )	Helena O'Donoghue ( <i>Hamper</i> )	Eileen Walshe ( <i>Hamper</i> )
Gerry Gorman ( <i>Hamper</i> )	Sean Kiely ( <i>Hamper</i> )	Eileen Dennehy ( <i>Hamper</i> )
Kathleen McCarthy ( <i>Hamper</i> )	Catriona Dunlea ( <i>Hamper</i> )	Ned Buckley ( <i>Hamper</i> )
Mary Eileen Mulligan ( <i>Hamper</i> )		

### Any Other Business

Pat Sheehan paid tribute to the late Eugene Carton and a minute's silence was observed in his honour RIP.

**No questions so the meeting concluded at 8.30 pm and refreshments were served.**

## Chairman's Address

Dear Member,

It is my privilege, on behalf of your Board of Directors to present to you the Annual Report and Accounts of Killarney Credit Union for the year ended 30th September 2020.

2020 marked the 50th anniversary of Killarney Credit Union but given the various restrictions in place during the year, we were unable to mark the occasion in any meaningful form. We are extremely proud of this milestone and we hope to recognise and celebrate it in an appropriate manner in the not too distant future.

### COVID-19

2019/2020 was a challenging year for the development of Killarney Credit Union. The exceptional challenges caused by the COVID-19 pandemic are still unfolding and there is ongoing uncertainty in relation to further lockdowns and the timeline for a vaccine to become widely available. As a credit union, we responded rapidly by making operational changes to the way we do business in branch, introduced priority hours for elderly and vulnerable members and we provided payment breaks on home loans, small business loans and personal loans to members impacted by COVID-19. In addition, we waived current account fees for 3 months and increased spending limits on cashless payments on our debit cards.

### Financial Performance

COVID-19 has had a material impact on the credit unions financial performance. We are reporting a surplus of €22,000 for the year. This lower surplus was driven by the bad debts provision of €294,000 which was charged during the year. This increase in provision reflects a prudent approach to provisioning given the deterioration in the economy and the ongoing uncertainty over COVID-19 and Brexit. The Provision for Bad and Doubtful Debts is now €3.578 million which represents 10% of our Total Loan Book. Total Assets increased to €149.1 million, which was mainly driven by a large increase in member savings. Loan interest income has decreased by 2.16% to €2.754 million and investment income decreased by 4.96% to €790,000. The trend for low investment returns is expected to continue for a number of years and will impact on the future dividend potential of the credit union. Therefore, the credit union is more focused than ever in growing our loan book and introducing new services in order to generate additional income.

Overall, costs have remained relatively stable at €3.572 million for the year. Cost management remains a priority for the credit union. Given the economic uncertainty surrounding COVID-19 and Brexit, a review of all Branches and services was completed in April 2020 to ensure that the credit union is in a position to meet all our members needs and allow us to continue to invest in new products and services that will benefit all members. Arising from this review the Directors took the difficult decision to withdraw or reduce certain services to members. From 1st January 2021, the credit union will no longer offer Death Benefit Insurance, and Life Savings Insurance cover will reduce from €5,000 to €3,000. Loan Protection Insurance remains unchanged. The Park Road branch, which was closed at the start of the COVID-19 pandemic, will remain closed and will not be reopening in the future.

The Board are acutely aware that these changes will impact members, but I want to reassure you that every decision taken by the Board is in the best interests of our members with the future strength, sustainability and viability of the credit union to the forefront of our decision making.

### Lending & Savings

This year our loan portfolio decreased to €35.8 million. The sharp reduction in economic activity negatively impacted loan demand in April, May and June 2020, but lending recovered in the final 3 months of the year. We approved and paid out over 2,250 loans amounting to €15.5 million into the local economy. Lending is our main source of income, so it is vital that we continue to grow our loan book in a prudent fashion offering competitive interest rates and value for money. I would like to thank you for your continued support in borrowing from us. If you need a loan, I would encourage you to borrow locally here with your Credit Union.

Members' shares continue to grow, and stood at €129.4 million at the year end, which represents an increase of 6.56% in one year. The lockdown restrictions introduced by the Government during the year have led

to unprecedented levels of savings increases across the country. However, this ongoing increased level of savings is not without its challenges and downsides. We now face the challenge that if these levels of savings growth continue, they will have a detrimental effect on our Reserve ratios. In November 2020, the Directors took the difficult decision to introduce a €20,000 limit on member savings balances. 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. However as noted above, the impact of COVID-19 and increased savings have led to the credit union introducing cost savings measures and a savings limit with the aim of protecting the reserve levels in the credit union. The Directors are confident that these measures will prove successful in ensuring the long term future of the credit union for both current and future members.

At the end of the year, the Board considered the options in relation to the distribution of any surplus. In the context of current economic climate and the 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 retaining reserves in the credit union.

### Strategic Ambition

Our ambition is that Killarney Credit Union can become the first choice for personal financial products and services for our members across South and East Kerry. This year has seen continued progress in the delivery of this strategy. In October 2019, we launched our Current Account service and members can now fully transact using their credit union current account, debit card and online banking platform for all of 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 for and use this service.

In 2020, we announced a €10 million collaborative project between Killarney Credit Union, Fexco and 15 other large credit unions. 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. To that end, we are confident that a new suite of financial services will be launched early in 2021 to include car and home insurance and savings and investment products to further meet the needs of our members.

### Retirements


Due to work and personal commitments, Ted Leiczynski (Board of Directors) and John Breen (Board Oversight Committee) resigned during the year. Staff members, Stephen Darmody, Helen Courtney Power, Joan Mangan, Emer Guihan, Niamh McSweeney and Timmy O'Donoghue resigned during the year to take up new career opportunities outside of the Credit Union. On behalf of the Board of Directors, I would like to thank them for the contribution and commitment they gave to the Credit Union and wish them well in the future.

### Acknowledgements

I would like to take this opportunity to thank our staff for their hard work, commitment and support, especially in these unprecedented and difficult circumstances. I would also like to thank my fellow Directors, Board Oversight Committee and Volunteers for their excellent work during the year.

I wish to remember all those Members who have passed away during the year. On behalf of Killarney Credit Union, I extend our sympathy to the families and relatives of our deceased members.

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 2021.



Pat Sheehan  
Chairman

## Directors' Report

For the financial year ended 30 September 2020

The directors present their annual report and the audited financial statements for the financial year ended 30 September 2020.

### 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 (as amended).
- 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 acknowledge 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 directors are not proposing a dividend in respect of the year ended 30 September 2020 (2019: proposed dividend of €nil (0.00%)).

### Principal risks and uncertainties

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

#### Credit risk

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

#### Lack of loan demand

Lending is the 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

Since the year end the COVID-19 pandemic has continued to have a direct effect on the credit union, the economy and the general population. The directors and management are closely monitoring the evolution of the pandemic, and while there is no clear indication as to when the impact will be curtailed or eliminated, they will continue to take appropriate actions to mitigate any possible adverse effects on the credit union, on its officers and on its members.

### Auditors

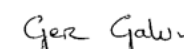
In accordance with Section 115 of the Credit Union Act, 1997 (as amended), the auditors Grant Thornton offer themselves for re-election.

This report was approved by the board on 5th November 2020 and signed on its behalf by:



Pat Sheahan

Chairperson of the board of directors



Ger Galvin

Member of the board of directors

Date: 5th November 2020

## Directors' responsibilities statement

For the financial year ended 30 September 2020

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 5th November 2020 and signed on its behalf by:



**Pat Sheahan**  
Chairperson of the board of directors



**Ger Galvin**  
Member of the board of directors

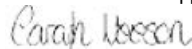
Date: 5th November 2020

## Board oversight committee's responsibilities statement

For the financial year ended 30 September 2020

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 5th November 2020 and signed on its behalf by:



**Caragh Neeson**  
Chairperson of the board oversight committee

Date: 5th November 2020

## 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 2020, 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 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 2020 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: 5th November 2020

## Income and expenditure account

For the financial year ended 30 September 2020

		2020	2019
	Schedule	€	€
<b>Income</b>			
Interest on members' loans		2,753,933	2,814,638
Other interest income and similar income	1	789,900	831,144
<b>Net interest income</b>		<b>3,543,833</b>	<b>3,645,782</b>
Other income	2	50,413	133,617
<b>Total income</b>		<b>3,594,246</b>	<b>3,779,399</b>
<b>Expenditure</b>			
Employment costs		1,315,499	1,254,488
Other management expenses	3	1,979,512	2,051,897
Depreciation		120,519	156,608
Net impairment losses/(gains) on loans to members (note 5)		156,644	(86,221)
<b>Total expenditure</b>		<b>3,572,174</b>	<b>3,376,772</b>
<b>Surplus for the financial year</b>		<b>22,072</b>	<b>402,627</b>

The financial statements were approved and authorised for issue by the board on 5th November 2020 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: 5th November 2020

The notes on pages 17 to 30 form part of these financial statements.

## Statement of other comprehensive income

For the financial year ended 30 September 2020

		2020	2019
	Schedule	€	€
<b>Income</b>			
Surplus for the financial year		22,072	402,627
Other comprehensive income		-	-
<b>Total comprehensive income for the financial year</b>		<b>22,072</b>	<b>402,627</b>

The financial statements were approved and authorised for issue by the board on 5th November 2020 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: 5th November 2020

The notes on pages 17 to 30 form part of these financial statements.

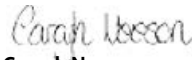
## Balance sheet

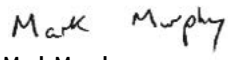
As at 30 September 2020

	Notes	2020 €	2019 €
<b>Assets</b>			
Cash and balances at bank		3,823,726	4,853,808
Deposits and investments – cash equivalents	7	28,168,305	30,466,221
Deposits and investments – other	7	82,128,672	69,064,580
Loans to members	8	35,822,630	36,304,738
Provision for bad debts	9	(3,578,177)	(3,283,817)
Members' current accounts	14	2,064	2
Tangible fixed assets	10	2,134,270	2,138,926
Investments in associates	11	265,000	265,000
Debtors, prepayments and accrued income	12	322,103	310,274
<b>Total assets</b>		<b>149,088,593</b>	<b>140,119,732</b>
<b>Liabilities</b>			
Members' shares	13	129,436,625	121,473,435
Members' current accounts	14	904,119	5,363
Other liabilities, creditors, accruals and charges	15	906,621	834,407
Other provisions	16	29,082	16,453
<b>Total liabilities</b>		<b>131,276,447</b>	<b>122,329,658</b>
<b>Reserves</b>			
Regulatory reserve	18	15,456,237	15,356,237
Operational risk reserve	18	832,364	802,809
Other reserves			
- Realised reserves	18	1,430,408	1,554,432
- Unrealised reserves	18	93,137	76,596
<b>Total reserves</b>		<b>17,812,146</b>	<b>17,790,074</b>
<b>Total liabilities and reserves</b>		<b>149,088,593</b>	<b>140,119,732</b>

The financial statements were approved and authorised for issue by the board on 5th November 2020 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: 5th November 2020

The notes on pages 17 to 30 form part of these financial statements.

## Statement of changes in reserves

For the financial year ended 30 September 2020

	Regulatory reserves €	Operational risk reserve €	Realised reserves €	Unrealised reserves €	Total €
<b>As at 1 October 2018</b>	<b>15,356,237</b>	<b>602,809</b>	<b>1,369,992</b>	<b>117,096</b>	<b>17,446,134</b>
Surplus for the financial year	-	200,000	202,627	-	<b>402,627</b>
Dividends paid	-	-	(58,687)	-	<b>(58,687)</b>
Transfers between reserves	-	-	40,500	(40,500)	-
<b>As at 1 October 2019</b>	<b>15,356,237</b>	<b>802,809</b>	<b>1,554,432</b>	<b>76,596</b>	<b>17,790,074</b>
Surplus for the financial year	-	5,500	31	16,541	<b>22,072</b>
Transfers between reserves	100,000	24,055	(124,055)	-	-
<b>As at 30 September 2020</b>	<b>15,456,237</b>	<b>832,364</b>	<b>1,430,408</b>	<b>93,137</b>	<b>17,812,146</b>

- The regulatory reserve of the credit union as a percentage of total assets as at 30 September 2020 was 10.37% (2019: 10.96%).
- The operational risk reserve of the credit union as a percentage of total assets as at 30 September 2020 was 0.56% (2019: 0.57%).

The notes on pages 17 to 30 form part of these financial statements.



## Statement of cash flows

For the financial year ended 30 September 2020

	Notes	2020 €	2019 €
<b>Opening cash and cash equivalents</b>		<b>35,320,029</b>	<b>42,468,251</b>
<b>Cash flows from operating activities</b>			
Loans repaid by members	8	15,872,900	16,227,430
Loans granted to members	8	(15,514,972)	(16,037,306)
Interest on members' loans		2,753,933	2,814,638
Other interest income and similar income		789,900	831,144
Bad debts recovered and recoveries		261,896	280,096
Other income		50,413	133,617
Dividends paid		-	(58,687)
Members' current accounts lodgements	14	4,694,777	7,911
Members' current accounts withdrawals	14	(3,798,083)	(2,550)
Operating expenses		(3,251,030)	(3,306,385)
Movement in other assets and liabilities		73,014	54,831
<b>Net cash flows from operating activities</b>		<b>1,932,748</b>	<b>944,739</b>
<b>Cash flows from investing activities</b>			
Investments in associates		-	(265,000)
Fixed asset (purchases)/disposals		(159,844)	(48,673)
Net cash flow from other investing activities		(13,064,092)	(8,798,059)
<b>Net cash flows from investing activities</b>		<b>(13,223,936)</b>	<b>(9,111,732)</b>
<b>Cash flows from financing activities</b>			
Members' shares received	13	88,586,690	96,371,007
Members' shares withdrawn	13	(80,623,500)	(95,352,236)
<b>Net cash flow from financing activities</b>		<b>7,963,190</b>	<b>1,018,771</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(3,327,998)</b>	<b>(7,148,222)</b>
<b>Closing cash and cash equivalents</b>	6	<b>31,992,031</b>	<b>35,320,029</b>

The notes on pages 17 to 30 form part of these financial statements.

## Notes to the financial statements

For the financial year ended 30 September 2020

### 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

Deposit and 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 Taxation

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

#### 2.7 Operating leases

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

## 2.8 Investments

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

### Held at amortised cost

Investments designated on initial recognition as held at amortised cost are measured at amortised cost using the effective interest method less impairment. This means that the investment is measured at the amount paid for the investment, minus any repayments of the principal; plus or minus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount, minus, in the case of a financial asset, any reduction for impairment or uncollectability.

### Central Bank deposits

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

### 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.

## 2.9 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.

## 2.10 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.

## 2.11 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.

## 2.11 Tangible fixed assets (continued)

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 improvements	Over the lesser of the useful economic life and the remaining term of the lease
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.

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.

## 2.12 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.

## 2.13 Investments in associates

Investments in associates are accounted for at cost less impairment.

## 2.14 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.

## 2.15 Financial liabilities – members' shares

Members' shares 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.

## 2.16 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).

## 2.17 Other payables

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

## 2.18 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.

## 2.19 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.

## 2.20 Derecognition of financial liabilities

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

## 2.21 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.

## 2.22 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. The credit union 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 the credit union 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).

## 2.23 Other Reserves

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

## 2.23 Other Reserves (continued)

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".

## 2.24 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.

## 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 €2,134,270 (2019: €2,138,926).

### Provision for bad debts

The credit union's accounting policy for impairment of loans is set out in the accounting policy in note 2.10. 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 €3,578,177 (2019: €3,283,817) representing 9.99% (2019: 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.

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

The directors have considered the requirements of the Credit Union Act, 1997 (as amended) and have developed an approach to the calculation of the operational risk reserve. The credit union 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 €832,364 (2019: €802,809).

**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 the credit union are all unpaid volunteers. The key management personnel compensation is as follows.

	2020	2019
	€	€
Short term employee benefits paid to key management	504,557	513,657
Payments to pension schemes	60,835	61,571
<b>Total key management personnel compensation</b>	<b>565,392</b>	<b>575,228</b>

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

	2020	2019
	€	€
Bad debts recovered	(188,589)	(188,096)
Impairment of loan interest reclassified as bad debt recoveries	(73,307)	(92,000)
Movement in bad debts provision during the year	294,360	(40,121)
Loans written off during the year	124,180	233,996
<b>Net impairment losses/(gains) on loans to members</b>	<b>156,644</b>	<b>(86,221)</b>

**6. Cash and cash equivalents**

	2020	2019
	€	€
Cash and balances at bank	3,823,726	4,853,808
Deposits and investments (note 7)	110,296,977	99,530,801
Less: Deposit and investment amounts maturing after three months	(82,128,672)	(69,064,580)
<b>Total cash and cash equivalents</b>	<b>31,992,031</b>	<b>35,320,029</b>

**7. Deposits and investments**

	2020	2019
	€	€
<b>Deposits and investments – cash equivalents</b>		
Accounts in authorised credit institutions (Irish and non-Irish based)	26,909,001	30,368,046
Equities	2	4
Irish and EEA state securities	1,259,302	-
Collective investment schemes	-	98,171
<b>Total deposits and investments – cash equivalents</b>	<b>28,168,305</b>	<b>30,466,221</b>

**Deposits and investments – other**

Accounts in authorised credit institutions (Irish and non-Irish based)	60,162,580	55,100,082
Irish and EEA state securities	529,610	1,839,881
Bank bonds	20,332,861	11,050,981
Central bank deposits	1,103,621	1,073,636
<b>Total deposits and investments – other</b>	<b>82,128,672</b>	<b>69,064,580</b>

<b>Total deposits and investments</b>	<b>110,296,977</b>	<b>99,530,801</b>
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**8. Financial assets – loans to members**

	2020	2019
	€	€
As at 1 October	36,304,738	36,728,858
Loans granted during the year	15,514,972	16,037,306
Loans repaid during the year	(15,872,900)	(16,227,430)
<b>Gross loans and advances</b>	<b>35,946,810</b>	<b>36,538,734</b>

**Bad debts**

Loans written off during the year	(124,180)	(233,996)
<b>As at 30 September</b>	<b>35,822,630</b>	<b>36,304,738</b>

**9. Provision for bad debts**

	2020	2019
	€	€
As at 1 October	3,283,817	3,323,938
Movement in bad debts provision during the year	294,360	(40,121)
<b>As at 30 September</b>	<b>3,578,177</b>	<b>3,283,817</b>

The provision for bad debts is analysed as follows:

	2020	2019
	€	€
Grouped assessed loans	3,578,177	3,283,817
<b>Provision for bad debts</b>	<b>3,578,177</b>	<b>3,283,817</b>

**10. Tangible fixed assets**

	Freehold premises	Leasehold improvements	Office equipment	Computer hardware	Total
Cost	€	€	€	€	€
1 October 2019	5,112,089	19,829	730,290	424,579	6,286,787
Additions	-	-	-	159,844	159,844
Disposals	-	(19,829)	(528,682)	-	(548,511)
<b>At 30 September 2020</b>	<b>5,112,089</b>	<b>-</b>	<b>201,608</b>	<b>584,423</b>	<b>5,898,120</b>
<b>Depreciation</b>					
1 October 2019	3,145,057	19,829	589,065	393,910	4,147,861
Charge for year	43,270	-	24,744	52,505	120,519
Disposals	-	(19,829)	(484,701)	-	(504,530)
<b>At 30 September 2020</b>	<b>3,188,327</b>	<b>-</b>	<b>129,108</b>	<b>446,415</b>	<b>3,763,850</b>
<b>Net book value</b>					
<b>30 September 2020</b>	<b>1,923,762</b>	<b>-</b>	<b>72,500</b>	<b>138,008</b>	<b>2,134,270</b>
30 September 2019	1,967,032	-	141,225	30,669	2,138,926

**11. Investments in associates**

Cost	€
At 1 October 2019 and 30 September 2020	265,000
<b>Accumulated impairment</b>	
At 1 October 2019 and 30 September 2020	-
<b>Net book value</b>	
<b>At 30 September 2020</b>	<b>265,000</b>
At 30 September 2019	265,000

**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%	4,128,964	(111,036)

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

	Share of net assets
	€
<b>At 1 October 2019</b>	<b>265,000</b>
Share of other comprehensive income/(loss)	(6,940)
<b>At 30 September 2020</b>	<b>258,060</b>

The above financial information in respect of Metacu Management Designated Activity Company was extracted from the audited financial statements for the period ended 31 December 2019.

**12. Debtors, prepayments and accrued income**

	2020	2019
	€	€
Loan interest receivable	84,761	76,596
Other assets and prepayments	236,226	229,471
Other debtors	1,116	4,207
<b>As at 30 September</b>	<b>322,103</b>	<b>310,274</b>

**13. Members' shares**

	2020	2019
	€	€
As at 1 October	121,473,435	120,454,664
Received during the year	88,586,690	96,371,007
Withdrawn during the year	(80,623,500)	(95,352,236)
<b>As at 30 September</b>	<b>129,436,625</b>	<b>121,473,435</b>

**14. Members' current accounts**

	2020	2019
	€	€
As at 1 October	5,361	-
Lodgements	4,694,777	7,911
Withdrawals	(3,798,083)	(2,550)
<b>As at 30 September</b>	<b>902,055</b>	<b>5,361</b>

	No. of Accounts	Balance of Accounts
		€
Debit	74	2,064
Credit	757	904,119
Permitted overdrafts	5	3,700

**15. Other liabilities, creditors, accruals and charges**

	2020	2019
	€	€
Other creditors and accruals	871,561	802,181
PAYE/PRSI	35,060	32,226
<b>As at 30 September</b>	<b>906,621</b>	<b>834,407</b>

**16. Other provisions**

	2020	2019
	€	€
<b>Holiday pay accrual</b>		
At 1 October	16,453	31,675
Charged to the income and expenditure account	12,629	(15,222)
<b>As at 30 September</b>	<b>29,082</b>	<b>16,453</b>

## 17. Financial instruments

### 17a. Financial instruments – measured at amortised cost

Financial assets	2020	2019
	€	€
Financial assets measured at amortised cost	130,396,025	138,098,107

Financial liabilities	2020	2019
	€	€
Financial liabilities measured at amortised cost	131,276,447	122,329,658

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 members' shares, members' current accounts, other liabilities, creditors, accruals and charges and other 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).

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

At 30 September 2020	Total	Level 1	Level 2	Level 3
	€	€	€	€
Accounts in authorised credit institutions	19,815,486	-	19,815,486	-
Equities	2	2	-	-
<b>Total</b>	<b>19,815,488</b>	<b>2</b>	<b>19,815,486</b>	<b>-</b>

At 30 September 2019	Total	Level 1	Level 2	Level 3
	€	€	€	€
Accounts in authorised credit institutions	2,762,274	-	2,762,274	-
Collective investment schemes	98,171	-	98,171	-
Equities	4	4	-	-
<b>Total</b>	<b>2,860,449</b>	<b>4</b>	<b>2,860,445</b>	<b>-</b>

The fair value adjustment recognised in the income and expenditure account for the year ended 30 September 2020 was €2 (2019: €2).

## 18. Reserves

	Balance 01/10/19	Appropriation of current year surplus	Transfers between reserves	Balance 30/09/20
	€	€	€	€
<b>Regulatory reserve</b>	<b>15,356,237</b>	<b>-</b>	<b>100,000</b>	<b>15,456,237</b>
<b>Operational risk reserve</b>	<b>802,809</b>	<b>5,500</b>	<b>24,055</b>	<b>832,364</b>
<b>Other reserves</b>				
<b>Realised</b>				
Future dividend reserve	50,000	-	(50,000)	-
General reserve	1,504,432	31	(74,055)	1,430,408
<b>Total realised reserves</b>	<b>1,554,432</b>	<b>31</b>	<b>(124,055)</b>	<b>1,430,408</b>
<b>Unrealised</b>				
Interest on loans reserve	76,596	8,165	-	84,761
Investment income reserve	-	8,376	-	8,376
<b>Total unrealised reserves</b>	<b>76,596</b>	<b>16,541</b>	<b>-</b>	<b>93,137</b>
<b>Total reserves</b>	<b>17,790,074</b>	<b>22,072</b>	<b>-</b>	<b>17,812,146</b>

## 19. Credit risk disclosures

In line with regulatory requirements, the credit union:

- 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 business loans, community loans or loans to another credit union.

The carrying amount of the loans to members represents the credit union'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.

	2020		2019	
	€	%	€	%
<b>Loans not impaired</b>				
Total loans not impaired, not past due	32,827,270	91.64%	33,162,418	91.34%
<b>Impaired loans:</b>				
Not past due	195,472	0.54%	152,930	0.42%
Up to 9 weeks past due	1,589,228	4.44%	1,674,548	4.61%
Between 10 and 18 weeks past due	277,602	0.77%	215,067	0.59%
Between 19 and 26 weeks past due	102,646	0.29%	173,546	0.48%
Between 27 and 39 weeks past due	201,738	0.56%	134,048	0.37%
Between 40 and 52 weeks past due	53,059	0.15%	180,772	0.50%
53 or more weeks past due	575,615	1.61%	611,409	1.69%
Total impaired loans	2,995,360	8.36%	3,142,320	8.66%
<b>Total loans</b>	<b>35,822,630</b>	<b>100.00%</b>	<b>36,304,738</b>	<b>100.00%</b>

## 20. Related party transactions

### 20a. Loans

	2020		2019	
	No. of Loans	€	No. of Loans	€
Loans advanced to related parties during the year	9	100,500	6	122,568
Total loans outstanding to related parties at the year end	21	346,354	18	332,034
Total provision for loans outstanding to related parties		40,539		42,140

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 0.97% of the total loans outstanding at 30 September 2020 (2019: 0.91%).

### 20b. Shares

The total amount of shares held by related parties at the year end was €506,035 (2019: €545,491).

## 21. Additional financial instruments disclosures

### 21a. Financial risk management

The credit union 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 the credit union'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 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.

**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' shares 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:** The credit union's main interest rate risk arises from adverse movements in interest rates receivable which would affect investment income. The credit union 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.

	2020		2019	
	Average Interest rate		Average Interest rate	
	€	%	€	%
Gross loans to members	35,822,630	7.84%	36,304,738	7.98%

Any 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:

	2020		2019	
	%	€	%	€
Dividend on shares	0.00%	-	0.05%	58,687

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

	2020		2019	
	%	€	%	€
Dividend on shares	0.00%	-	0.00%	-

## 23. Events after the end of the financial year

Since the year end the COVID-19 pandemic has continued to have a direct effect on the credit union, the economy and the general population. The directors and management are closely monitoring the evolution of the pandemic, and while there is no clear indication as to when the impact will be curtailed or eliminated, they will continue to take appropriate actions to mitigate any possible adverse effects on the credit union, on its officers and on its members.

## 24. Insurance against fraud

The credit union has Insurance against fraud in the amount of €5,200,000 (2019: €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 2020.

## 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 is progressing a review of this matter 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. It is expected that the credit union will finalise its review over the coming months. 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. Leasing commitments

The credit union had future minimum lease payments under non-cancellable operating leases as follows:

**27. Leasing commitments** (continued)

	2020	2019
	€	€
Less than 1 year	1,440	1,464
1 to 5 years	1,084	2,562
<b>As at 30 September</b>	<b>2,524</b>	<b>4,026</b>

**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 was approved by the Pensions Authority. The Scheme exited the funding plan as scheduled on 1 March 2019 meeting its statutory funding obligations on that date.

As part of the 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.

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 FRS 102. 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. The 2020 actuarial review is underway and is expected to be concluded by 30 November 2020.

**29. Comparative information**

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

**30. Approval of financial statements**

The board of directors approved these financial statements for issue on 5th November 2020.

**Schedules to the income and expenditure account**

For the financial year ended 30 September 2020

The following schedules do not form part of the statutory financial statements which are the subject of the Independent Auditors' report on pages 10 to 12.

**Schedule 1 – Other interest income and similar income**

	2020	2019
	€	€
Investment income received/receivable within 1 year	781,524	831,144
Investment income receivable outside of 1 year	8,376	-
<b>Total per income and expenditure account</b>	<b>789,900</b>	<b>831,144</b>

**Schedule 2 – Other income**

	2020	2019
	€	€
Commissions	31,195	68,333
ECCU rebate	-	57,491
Fees and other income	19,218	7,793
<b>Total per income and expenditure account</b>	<b>50,413</b>	<b>133,617</b>

**Schedule 3 – Other management expenses**

	2020	2019
	€	€
Rent	33,000	36,000
Rates and service charges	39,971	61,284
Lighting and heating	39,241	40,279
Repairs and maintenance	48,180	24,880
Security	31,789	32,705
Printing and stationery	34,669	43,576
Postage	8,162	24,442
Telephone	25,976	23,777
Promotion, advertising and sponsorship	142,705	129,663
Chapter, social and seminar expenses	58,747	56,853
Travel and subsistence	11,299	27,642
Bank interest and charges	88,623	65,115
Audit fee	23,898	24,293
General insurance	60,426	46,469
Key person insurance	781	875
Share and loan insurance	543,981	555,852
Education and subscription	18,087	29,601
Consultancy, legal and professional fees	218,134	351,585
Office general expenses	10,866	7,624
Affiliation fees and SPS contributions	56,516	58,983
Regulatory levies	271,964	242,911
Maintenance contracts	160,050	154,793
Cash short	725	1,200
Staff uniforms	7,741	11,495
Diminution of fixed assets	43,981	-
<b>Total per income and expenditure account</b>	<b>1,979,512</b>	<b>2,051,897</b>





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# CELEBRATING FIFTY YEARS 1970 - 2020



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



Killarney Road,  
Kenmare,  
V93 NN73,  
Co. Kerry.



1-3 O'Connell Street,  
Cahersiveen,  
V23 HF77,  
Co. Kerry.



**064 663 1344 | [info@killarneycu.ie](mailto:info@killarneycu.ie)**  
**[www.killarneycu.ie](http://www.killarneycu.ie)**

*Killarney Credit Union Limited is regulated by the Central Bank of Ireland.*