

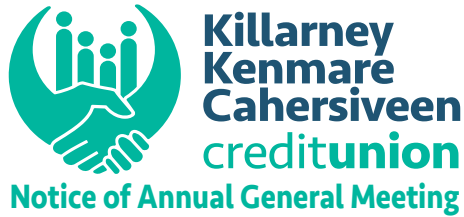
# Annual Report 2022

Notice of Annual General Meeting



**Killarney  
Kenmare  
Cahersiveen  
creditunion**

Serving the South & East Kerry Communities



## INVITATION

**The 2022 Annual General Meeting of the members of Killarney Credit Union Limited will take place via Zoom Webinar on Tuesday 13th December 2022 at 7.30 p.m.**

Members wishing to attend the Virtual AGM need to apply via email to [agm@killarneycu.ie](mailto:agm@killarneycu.ie) and include the following information on your email.

- Name
- Member Number
- Member address

The request for attendance must be received by close of business on Thursday 8th December 2022. A link to the AGM Zoom Webinar will be forwarded to your email address in time for the meeting. The following information is pertinent to this notice.

- Killarney Credit Union will be using Zoom Webinar as the electronic platform for the meeting.
- To gain access to the meeting a member must request an invitation to the virtual meeting by emailing [agm@killarneycu.ie](mailto:agm@killarneycu.ie). This request must be received by close of business on 8th December 2022. Following the request for invitation the member will receive an invitation by email to join the meeting on 13th of December 2022.
- The information required to request an invitation is your name, member number and address. The Credit Union will be verifying members details prior to issuing invitations.
- All non-presenting participants will be muted to allow the smooth running of the meeting. However, you can type a question to the host by clicking on the "chat" button on the bottom of the screen.
- A vote on elections for the positions of Auditor, Board Oversight Committee and Board of Directors will take place. Voting will be conducted by way of online poll and members will be asked to vote electronically for their preferred candidate when instructed by the Chairperson. The votes will be tallied electronically, verified by the Board Oversight Committee, and recorded by the meeting Secretary.
- A vote on the motions will take place. Voting will be conducted by way of online poll and members will be asked to vote Yes/No electronically for each candidate when instructed by the Chairperson. The votes will be tallied electronically, verified by the Board Oversight Committee, and recorded by the meeting Secretary.

**The virtual AGM meeting will be recorded.**

## 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. Chairperson's Address/Report of the Board of Directors;
7. Motions (if any);
8. Report of the Board Oversight Committee;
9. Report of the Auditor;
10. Consideration of Accounts;
11. Declaration of dividend (if any);
12. Report of the Nomination Committee;
13. Election of Auditor;
14. Election to fill vacancy on the Board Oversight Committee;
15. Election to fill vacancies on the Board of Directors;
16. Report of the Credit Committee;
17. Report of Credit Control Committee;
18. Report of Membership Committee;
19. Report of any other Committee;
20. Announcement of election results;
21. Any other business;
22. Adjournment or close of meeting.

### Notice of Elections

- 1 vacancy for the position of Auditor
- 4 vacancies for the Board of Directors
- 1 vacancy for the Board Oversight Committee

## Board of Directors

Joy Clifford-Vaughan ( <i>Chairperson</i> )	Pat Sheehan ( <i>Secretary</i> )	John Long ( <i>Vice Chairperson</i> )
Colin Kiely	Jacqueline O'Leary	Eileen Casey
John Clifton	Elaine O'Riordan	Ger Galvin
		Frank McGonigle

## Board Oversight Committee

Caragh Neeson ( <i>Chairperson</i> )	Bernard Hourihan	Sean O'Sullivan
	Catherine Barry	Mary O'Shea

## Other Volunteers

### Credit Union Staff

Mark Murphy (CEO)	Shane Foley	Elma Culloty	Karena McCarthy
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
Ciara Cronin	Eileen Dineen	Noreen O'Sullivan	Veronica Harty
John Casey	Sheila Coffey	Dara Moynihan	Joe Lyne
Darren Casey	Johnny O'Neill	Amanda O'Sullivan	Niamh O'Sullivan
Emmett O'Shea	Tom Ahern	Noreen Landers	

## Index to Financial Statements

Directors' Report	10-11
Directors' Responsibilities Statement	11-12
Board Oversight Committee's Responsibilities Statement	12
Independent Auditors' Report	12-14
Income and Expenditure Account	15
Statement of Other Comprehensive Income	15
Balance Sheet	16
Statement of Changes in Reserves	17
Statement of Cash Flows	18
Notes to the Financial Statements	19-32
<i>Information not forming part of the audited Financial Statements</i>	
Schedules to the Income and Expenditure Account	33

## Minutes of Killarney Credit Union Limited Virtual AGM 2021

The 51st Annual General Meeting of Killarney Credit Union (KCU) Limited took place virtually on Tuesday 14th December 2021 at 7.30pm with 48 members attending.

Mr. Pat Sheehan (Chairperson) welcomed the members in attendance to the second ever virtual AGM of Killarney Credit Union and he expressed his hope that this AGM would be as successful as the virtual AGM held in March 2021. Pat then outlined the process and rules to ensure the smooth running of the meeting. He advised the members present at the meeting that they could submit questions to the host by using the 'Questions and Answers' function on screen. He informed the meeting that AVC were facilitating the operation of the virtual AGM and advised members that they could propose and second various items using the 'hand' icon. He noted that the agenda is outlined in the AGM booklet that was sent to all members. Finally, he requested that John Long open the meeting with the Credit Union Invocation.

### **Directors present at the meeting:**

Pat Sheehan (Chairperson), Joy Clifford-Vaughan (Vice Chairperson), Gerard Galvin (Secretary), John Long, Colin Kiely, Elaine O'Riordan, Jacqueline O'Leary, Eileen Casey and Frank McGonigle.

### **Board Oversight Committee present at the meeting:**

Caragh Neeson, Bernard Hourihan and Michael O'Brien.

### **Apologies:** None

**Also in attendance:** Mark Murphy (CEO), Karena McCarthy (Marketing Officer) and Marina Fitzgerald, on behalf of Grant Thornton Auditors & Accountants.

Shane Hoskins of Audio Visual Company (AVC) was also present and tasked with the operation of the virtual AGM and the associated voting.

**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:* Pat Sheehan

*Seconded by:* Emma Looney

**Reading and Approval (or Correction) of the Minutes of the Last AGM 2020**

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:* Pat Sheehan

*Seconded by:* Siobhan Kelly

**Chairperson's Address/Report of the Directors**

The Chairperson Pat Sheehan addressed the meeting and presented the Chairperson's Report as outlined in the AGM booklet. Pat Sheehan acknowledged the service of the Directors, Board Oversight Committee and Staff Members who retired during the year.

*Proposed by:* John Long

*Seconded by:* Conor O'Leary

**Motion regarding Amendment to Standard Rules**

There were no motions to present to the AGM

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

*Proposed by:* Ciara Cronin

*Seconded by:* Ger Galvin

**Report of the Auditors**

*The Auditors report was outlined by Marina Fitzgerald, on behalf of Grant Thornton Auditors & Accountants.*

*Proposed by:* Elma Shine

*Seconded by:* Jennifer McCarthy

**Consideration of Accounts** presented by Pat Sheehan

A summary of the Income & Expenditure, Balance Sheet and Reserves was presented on screen and Pat Sheehan reviewed the accounts as laid out in the Annual Report. Pat Sheehan informed the meeting that this year a much-increased surplus of €0.88 million is being reported due to an increase in income and a reduction in expenditure. Loan Income has increased by 3.33% while Investment Income decreased by 12.37%. Total Expenditure has decreased by 19.36% during the year and Pat Sheehan noted that cost management remains a focus for the credit union. Total Assets have decreased to €148.25 million with loans to members increasing by 6.92% and total savings decreasing by 1.25%. Pat Sheehan highlighted the fact that Total Reserves have increased to 12.61% as a very positive outcome for the credit union and he noted that all the steps taken over the past 18 months were made with the aim of increasing out Total Reserve levels.

*Proposed by:* Joe Lyne

*Seconded by:* Miriam McCarthy

**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 considered the current low interest rate environment and the strategic aim to increase Total Reserves when reaching this decision. He noted that the focus of the credit union will remain in developing new member services and supporting clubs and organisations through community sponsorship.

*Proposed by:* Elma Culloty

*Seconded by:* Donal O'Riordan

**Report of the Nomination Committee** presented by Ger Galvin

*Proposed by:* Brendan Lynch

*Seconded by:* Darren Casey

**Elections**

Pat Sheehan advised the meeting that the voting would take place virtually via the voting option. A voting ballot will appear on the screens, with 30 seconds allowed to vote by clicking on the person or persons that you wish to vote for in each category. Pat Sheehan confirmed that the electronic voting process would be overseen by Carragh Neeson (Board Oversight Committee) and advised the meeting that the results would be announced at the end of the meeting.

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

**Election for Board Oversight with 1 vacancy:** Sean O'Sullivan

**Election for Board of Directors there were 3 candidates for 3 vacancies**

Pat Sheehan, Joy Clifford-Vaughan and Jacqueline O'Leary.

**Report of Credit Committee** presented by Elma Culloty

*Proposed by:* Miriam McCarthy      *Seconded by:* Ger Galvin

**Report of the Credit Control Committee** presented by Margaret Moynihan

*Proposed by:* Darren Casey      *Seconded by:* Jennifer McCarthy

**Report of the Membership Committee** presented by Angela McCarthy

*Proposed by:* Emma Looney      *Seconded by:* Frank McGonigle

**Investment Committee Report** presented by Mark Murphy

*Proposed by:* Elaine O'Riordan      *Seconded by:* Shane Foley

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

*Proposed by:* Geraldine Guilfoyle      *Seconded by:* Catherine Coffey

**Report of the Audit and Risk Committee** presented by Shane Foley

*Proposed by:* Colette Kiely      *Seconded by:* Dermot Griffin

**Election Results**

Auditors:	Grant Thornton	Elected
Board Oversight Committee:	Sean O'Sullivan	Elected
Board of Directors:	Pat Sheehan	Elected
	Joy Clifford-Vaughan	Elected
	Jacqueline O'Leary	Elected

All deemed elected.

**Any Other Business**

Mark Murphy noted that no questions had been raised by members at the meeting.

**Close of Meeting**

Pat Sheehan thanked all members for taking the time and effort attending the second virtual AGM. He also thanked the Directors and Board Oversight Committee for their commitment, support and guidance during the year and he welcomed Sean O'Sullivan who was newly elected to the Board Oversight Committee. Pat Sheehan thanked all of the officers who were retiring at the end of the AGM. Pat Sheehan thanked Marina Fitzgerald of Grant Thornton and the team at AVC for ensuring the virtual AGM ran smoothly and thanked Karena McCarthy for all her hard work in organising and co-ordinating the virtual AGM. Pat Sheehan thanked all staff for their hard work during the last 12 months in providing a friendly and professional service to the members. Pat Sheehan thanked Mark Murphy for his assistance during the last four years. Finally, Pat Sheehan thanked the members for the honour of electing him as Chairperson for the last four years and he wished all members a Happy Christmas and a safe 2022.

**The meeting concluded at 8.15pm.**

## Chairperson's Address

### Welcome

As Chairperson of Killarney Credit Union, I am honoured to present to you, the Annual Report and Financial Statements for the year ended 30th September 2022.

My first year as Chairperson has presented a number of challenges as well as innovation in new products and development. Whilst the effects of the pandemic are not gone, new challenges have presented themselves. Record high inflation, the cost of living and the green agenda are factors imparting most households and these are areas Killarney Credit Union must be cognisant of in our development and delivery of services.

### Pension Deficit

In 2022, Killarney Credit Union, like many credit unions across the country, was affected by a pension funding deficit which had a negative impact on our financial position. The funding position of the Irish League of Credit Unions (ILCU) Pension Scheme, of which Killarney Credit Union is a member, received a high level of media attention during the early part of the year. The defined benefit pension scheme, which covers credit unions throughout Ireland, has existed since 1972 and there are now almost €400 million of assets and liabilities in the scheme. In 2021, the Board of the ILCU carried out a review of the scheme and it was decided that the old scheme would cease in March 2022 and replaced with a new defined contribution scheme. A funding deficit arose on the old defined benefit scheme and participating credit unions were required to fund this deficit. As you will see set out in the financial statements, there is a funding deficit of over €2 million recognised to fund our portion of the deficit. Please be assured that this is a matter that the Board of Killarney Credit Union has devoted significant time and attention to over the past year. Killarney Credit Union, together with many credit unions around the country, lobbied the ILCU to provide financial support to offset the impact of the pension funding deficit. As a direct result of this lobbying, Killarney Credit Union received an SPS rebate of over €0.62 million, which reduces the net impact of the pension funding deficit to €1.39 million. The pension scheme funding arrangements that have been put in place and the changes implemented are expected to have drawn a line under the funding and deficit that the Pension Scheme faced, now and into the future. We believe that the decisions taken provide certainty and clarity for Killarney Credit Union and the wider credit union movement.

### Financial Performance

The pension funding deficit has had a material impact on the credit unions financial performance and as a result, we are reporting a loss of (€0.14 million) for the year. This loss was driven by the net impact of pension funding deficit/SPS rebate of €1.39 million which was charged during the year. However, when the net deficit is excluded, the underlying financials of the credit union are strong. Ongoing day-to-day costs reduced by €0.22 million and loan interest increased by €0.20 million. The loan book has increased by 8.39% to €41.52 million while loan arrears have fallen to historically low levels of 1.65%. The trend for low investment returns has begun to change in recent months and we expect investment income to recover in the coming years.

### Lending & Savings

During the past year, our loan portfolio increased by €3.21 million to €41.52 million, an increase of 8.39%. We are currently lending on average of €1.63 million per month to the local communities of South and East Kerry. Lending is our main source of income, so it is vital that we continue to grow our loan book in a prudent fashion. The loan interest rates offered by Killarney Credit Union are among the most competitive in Kerry. Therefore, I ask you to encourage your extended family and friends to avail of these excellent products when they next borrow, with most of these loans also attracting full life assurance cover.

Members' savings continue to grow, and stood at €130.60 million at the year end, which represents an increase of 1.42% in one year. This increase is driven by the success of our current account offering.

### Reserves

Our total reserves stand at €18.56 million which is well in excess of the minimum regulatory requirement. At the year end, our total realised reserve ratio stood at 12.11%. 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 pension funding deficit had a negative impact in 2022. It is against this backdrop; the Board has taken a difficult decision that Killarney Credit Union will not propose a dividend for the year. Instead, the Directors feel that the resources would be better allocated to retaining reserves in the credit union. I fully empathise with how you may view our decision, but I hope you will understand that we must put the financial safety and resilience of the credit union ahead of any other considerations. Instead, the focus will remain on bolstering our reserve position, investing in new services for the members and also supporting various clubs and community groups through sponsorship opportunities.

### 2022 Highlights

Along with the growth of our loan book there has also been many other highlights to the last 12 months. More and more people are switching to our current account as growth in this area was immense this year. We have facilitated many people changing over from Ulster Bank and KBC and continue to do so. We are heartened to see this appetite and growth in our current account product. We are now also in a position to offer current accounts to anyone over 12 years of age. This is another huge milestone in the provision of services across all the ages and in particular our teenage and student members.

Due to demand and price increases across the construction sector we increased our Home Improvement Loan product ceiling to €80,000. In September we introduced a very competitive Green Loan to our suite of loan products. This Green loan is one of the most competitive offerings in the market and is already gaining interest and use. We also enhanced our Community Loan product, and we will be communicating these improvements in the New Year.

Credit unions in Ireland won the Irish CX Impact Award for Customer Service for a record 8th year in a row. This accolade is an endorsement of the sentiment credit unions hold in the population as a whole. Killarney Credit Union donated over €30,000 to various local clubs, organisations, community initiatives and schools throughout the year. We take great pride in supporting local initiatives and value the support we receive in return.

### 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. To this end we are currently preparing and finalising our strategic plan for the coming three years. We are committed to supporting the communities where we live and work to improve their financial wellbeing. Part of our plan going forward is greater responsibility to Environmental, Social and Governance issues and creating greater awareness to our commitments to diversity and inclusion.

We are committed to being a protector of and a champion for our environment. The spirit of sustainability will permeate every aspect of our organisation going forward.

Of paramount importance to us is to ensure our community knows that we are open for business to everyone in our common bond. We would like to extend a warm welcome to all our new neighbours who have found refuge here from other countries. We trust you will make a happy and safe home here. Tá fáilte romhaibh go léir.



### **Retirements and New Beginnings**

Following the 2021 AGM, Sean O’Sullivan was co-opted onto the Board Oversight Committee. John Clifton was co-opted onto the Board of Directors during the year. We are delighted to welcome Sean and John’s expertise to the organisation. Due to personal commitments and new horizons, staff members, Brenda Kelliher and Evan Cosgrave left Killarney Credit Union. We would like to thank them for their time and commitment during their employment in Killarney Credit Union and wish them well in the future. Tom Ahern joined the team as Financial Officer and Noreen Landers as Member Services in November, while Dara Moynihan came on board as a full time Member Services officer in January.

In December, I was elected as Chairperson of Killarney Credit Union. It is a role that I am incredibly proud to hold and will endeavour to work for and represent the members of Killarney Credit Union to the best of my ability. In these ever-changing times, I hope to bring knowledge, experience and fresh ideas to Killarney Credit Union.

### **Acknowledgements**

I would like to take this opportunity to thank our staff for their hard work, commitment and support this year. I would also like to thank my fellow Directors, Board Oversight Committee and Volunteers for their excellent work during the year. On behalf of Killarney Credit Union I wish to remember, and extend our sympathy to the families and relatives of our deceased members. I would also like to extend our sympathies to the family of former Kenmare Board of Director, Eileen Brosnan RIP who died during the year.

Finally, I wish to thank all our members for your continued support and loyalty. May I take this opportunity to wish you all a safe and peaceful Christmas and we look forward to being of service to you all in 2023.



Joy Clifford-Vaughan  
*Chairperson*

## Directors' Report

For the financial year ended 30 September 2022

The directors present their annual report and the audited financial statements for the financial year ended 30 September 2022.

### 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 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 financial year ended 30 September 2022 (2021: The directors did not propose a dividend).

### 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.

#### Global macro-economic risk

There is an economic and operational risk relating to rising inflation rates, disruption to global supply chains and a general uncertainty in the markets as a result of the pandemic and the on-going war in Eastern Europe.

These risks and uncertainties 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.

**Global macro-economic risk**

The board of directors and management closely monitor the developments of rising inflation rates and disruption to global supply chains and markets, and continue to take appropriate actions to mitigate any possible adverse effects on the credit union.

**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 and signed on its behalf by:



**Joy Clifford-Vaughan**  
*Chairperson of the board of directors*



**Pat Sheehan**  
*Member of the board of directors*

*Date: 24th November 2022*

**Directors’ responsibilities statement**

*For the financial year ended 30 September 2022*

The directors are responsible for preparing the financial statements in accordance with applicable Irish law and regulations. The directors have elected to prepare the financial statements in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (FRS 102). 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. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the credit union's website.

On behalf of the board:



**Joy Clifford-Vaughan**

*Chairperson of the board of directors*



**Pat Sheehan**

*Member of the board of directors*


*Date: 24th November 2022*

## Board oversight committee's responsibilities statement

*For the financial year ended 30 September 2022*

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.

On behalf of the board oversight committee:



**Cargh Neeson**

*Chairperson of the board oversight committee*

*Date: 24th November 2022*

## 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 2022, 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 2022 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, including the Ethical Standard for Auditors (Ireland) issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), 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**

In auditing the financial statements, we have concluded that the director's use of going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the credit union's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

Other information comprises information included in the annual report, other than the financial statements and our auditor's 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 auditor's 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the credit union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

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

This report is made solely to the credit union's members, as a body, in accordance with section 120 of the Credit Union Act, 1997 (as amended). Our audit work has been undertaken so that we might state to the credit union's members those matters we are required to state to them in an auditor's 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, Limerick

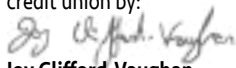
*Date: 24th November 2022*

## Income and expenditure account

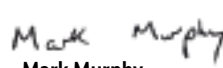
For the financial year ended 30 September 2022

		2022	2021
	Schedule	€	€
<b>Income</b>			
Interest on members' loans		3,044,430	2,845,699
Other interest income and similar income	1	675,775	692,218
<b>Net interest income</b>		<b>3,720,205</b>	<b>3,537,917</b>
Other income	2	813,719	229,214
<b>Total income</b>		<b>4,533,924</b>	<b>3,767,131</b>
<b>Expenditure</b>			
Employment costs		1,277,717	1,104,782
Other management expenses	3	1,733,777	1,810,678
Pension funding deficit		2,014,431	-
Depreciation		119,103	124,507
Net impairment gains on loans to members (note 5)		(467,795)	(159,418)
<b>Total expenditure</b>		<b>4,677,233</b>	<b>2,880,549</b>
<b>(Deficit)/surplus for the financial year</b>		<b>(143,309)</b>	<b>886,582</b>

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

  
**Joy Clifford-Vaughan**  
 Member of the board of directors

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

  
**Mark Murphy**  
 CEO

Date: 24th November 2022

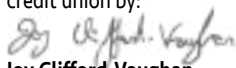
The notes on pages 19 to 32 form part of these financial statements.

## Statement of other comprehensive income

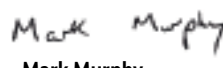
For the financial year ended 30 September 2022

	2022	2021
	€	€
<b>Income</b>		
(Deficit)/surplus for the financial year	(143,309)	886,582
Other comprehensive income	-	-
<b>Total comprehensive (loss)/income for the financial year</b>	<b>(143,309)</b>	<b>886,582</b>

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

  
**Joy Clifford-Vaughan**  
 Member of the board of directors

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

  
**Mark Murphy**  
 CEO

Date: 24th November 2022

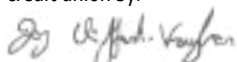
The notes on pages 19 to 32 form part of these financial statements.

## Balance sheet

As at 30 September 2022

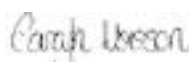
	Notes	2022 €	2021 €
<b>Assets</b>			
Cash and balances at bank		7,690,379	12,503,954
Deposits and investments – cash equivalents	7	28,997,784	22,061,475
Deposits and investments – other	7	74,222,659	76,290,034
Loans to members	8	41,517,008	38,303,173
Provision for bad debts	9	(3,381,598)	(3,595,679)
Members' current accounts overdrawn	14	14,384	6,094
Tangible fixed assets	10	1,933,332	2,019,402
Investments in associates	11	265,000	265,000
Debtors, prepayments and accrued income	12	489,606	399,933
<b>Total assets</b>		<b>151,748,554</b>	<b>148,253,386</b>
<b>Liabilities</b>			
Members' shares	13	126,745,679	126,972,765
Members' current accounts	14	3,857,360	1,804,321
Other liabilities, creditors, accruals and charges	15	2,579,179	768,179
Other provisions	16	10,917	9,393
<b>Total liabilities</b>		<b>133,193,135</b>	<b>129,554,658</b>
<b>Reserves</b>			
Regulatory reserve	18	15,456,237	15,456,237
Operational risk reserve	18	1,009,165	1,009,165
Other reserves			
- Realised reserves	18	1,917,768	2,137,815
- Unrealised reserves	18	172,249	95,511
<b>Total reserves</b>		<b>18,555,419</b>	<b>18,698,728</b>
<b>Total liabilities and reserves</b>		<b>151,748,554</b>	<b>148,253,386</b>

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



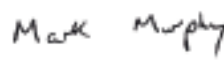
**Joy Clifford-Vaughan**

Member of the board of directors



**Caragh Neeson**

Member of the board oversight committee



**Mark Murphy**

CEO

Date: 24th November 2022

The notes on pages 19 to 32 form part of these financial statements.



## Statement of changes in reserves

For the financial year ended 30 September 2022

	Regulatory reserves €	Operational risk reserve €	Realised reserves €	Unrealised reserves €	Total €
<b>As at 1 October 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>
Surplus for the financial year	-	-	876,718	9,864	886,582
Transfers between reserves	-	176,801	(169,311)	(7,490)	-
<b>As at 1 October 2021</b>	<b>15,456,237</b>	<b>1,009,165</b>	<b>2,137,815</b>	<b>95,511</b>	<b>18,698,728</b>
Deficit for the financial year	-	-	(220,047)	76,738	(143,309)
<b>As at 30 September 2022</b>	<b>15,456,237</b>	<b>1,009,165</b>	<b>1,917,768</b>	<b>172,249</b>	<b>18,555,419</b>

- The regulatory reserve of the credit union as a percentage of total assets as at 30 September 2022 was 10.19% (2021: 10.43%).
- The operational risk reserve of the credit union as a percentage of total assets as at 30 September 2022 was 0.67% (2021: 0.68%).

The notes on pages 19 to 32 form part of these financial statements.

## Statement of cash flows

For the financial year ended 30 September 2022

	Notes	2022 €	2021 €
<b>Opening cash and cash equivalents</b>		<b>34,565,429</b>	<b>31,992,031</b>
<b>Cash flows from operating activities</b>			
Loans repaid by members	8	16,224,012	15,400,938
Loans granted to members	8	(19,541,742)	(18,018,033)
Interest on members' loans		3,044,430	2,845,699
Other interest income and similar income		675,775	692,218
Bad debts recovered and recoveries		357,609	313,472
Other income		813,719	229,214
Members' current accounts lodgements	14	23,596,129	11,553,836
Members' current accounts withdrawals	14	(21,551,380)	(10,657,664)
Operating expenses		(5,025,925)	(2,914,002)
Movement in other assets and liabilities		1,722,851	(166,272)
<b>Net cash flows from operating activities</b>		<b>315,478</b>	<b>(720,594)</b>
<b>Cash flows from investing activities</b>			
Fixed asset (purchases)/disposals		(33,033)	(11,097)
Net cash flow from other investing activities		2,067,375	5,838,638
<b>Net cash flows from investing activities</b>		<b>2,034,342</b>	<b>5,827,541</b>
<b>Cash flows from financing activities</b>			
Members' shares received	13	82,812,228	83,441,507
Members' shares withdrawn	13	(83,039,314)	(85,975,056)
<b>Net cash flow from financing activities</b>		<b>(227,086)</b>	<b>(2,533,549)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,122,734</b>	<b>2,573,398</b>
<b>Closing cash and cash equivalents</b>	6	<b>36,688,163</b>	<b>34,565,429</b>

The notes on pages 19 to 32 form part of these financial statements.

## Notes to the financial statements

For the financial year ended 30 September 2022

### 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 Deposits and investments

### 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 minimum deposits with the Central Bank but may also hold an excess over the regulatory minimum. The regulatory minimum deposits are technically assets of the credit union but to which the credit union has restricted access. The regulatory minimum portion will not ordinarily be returned to the credit union while it is a going concern and is separately identified in note 7, Deposits and investments - other. Funds held with the Central Bank in excess of the regulatory minimum requirements are fully available to the credit union and are therefore treated as cash equivalents and are separately identified in note 7, Deposits and investments - cash equivalents. The amounts held on deposit with the Central Bank are not subject to impairment reviews.

### Investments at fair value

Investments designated on initial recognition as non basic are recognised at fair value. They are subsequently measured at fair value (market value) at the year-end date and all gains and losses are taken to the income and expenditure account.

## 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.

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.

Depreciation is provided on the following basis:

Freehold premises	2% 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. 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 employees (The Irish League of Credit Unions Republic of Ireland Pension Scheme) (the Scheme). This is a funded defined benefit scheme with assets managed by the Scheme's trustees. The ILCU is the principal employer of the Scheme and Killarney

Credit Union Limited is a participating employer. The Scheme is a multi-employer defined benefit scheme and there is insufficient information for the credit union to separately identify its share of the Scheme's underlying assets and liabilities. Consequently, the Scheme is currently accounted for as a defined contribution plan. If an agreement is entered into with the Scheme that determines how Killarney Credit Union Limited will fund a past service deficit, the credit union shall recognise a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit). Refer to note 27 for further detail.

The credit union also operates a defined contribution plan for 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. The amount payable at the year end in respect of same was €nil (2021: €11,400).

### **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 Termination benefits**

Termination benefits are included in employment costs where applicable and are expensed to the income and expenditure account on an accruals basis.

### **2.21 Derecognition of financial liabilities**

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

### **2.22 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.

### **2.23 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).

## 2.24 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 and the balance of the SPS refund receivable is also classified as unrealised and is not distributable. All other income is classified as realised.

## 2.25 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 €1,933,332 (2021: €2,019,402).

### Provision for bad debts

The credit union's accounting policy for impairment of loans is set out 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 €3,381,598 (2021: €3,595,679) representing 8.15% (2021: 9.39%) of the total gross loan book.

### Investments in associates

The investments in associates represents the credit union'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, the credit union 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. 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 €1,009,165 (2021: €1,009,165).

### Pension

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 scheme of the defined benefit type, with assets invested in separate trustee administered funds. Judgement is required to assess whether the credit union has sufficient information to enable it to account for the Scheme as a defined benefit plan. An assessment has been performed of the information currently available and Killarney Credit Union Limited has determined that there is currently insufficient information available to provide an appropriate allocation of pension assets and liabilities due to the following:

- Scheme assets are not segregated or tracked by contributing employers. There is insufficient information to appropriately allocate the assets to individual employers as contributions paid are pooled in a single fund and none of the contributing employers have separately segregated asset pools.
- Orphan members are those members (including pensioners) who previously contributed to the scheme where their employer has paid an exit cost and as a result has no further liability to the scheme. A pension liability continues to exist for these individual members. There is uncertainty around where the obligation rests in respect of orphan members currently and into the future.
- The Funding Plan calculations are based on each employer's share of liabilities at a point in time. This does not infer that each employer is contributing towards its liabilities. The determination of the contribution rate is a point in time assessment and is not updated subsequently for changes in the employers' liability that may occur in the future. Subsequently, as the profile of the scheme continues to change, there will continue to be a natural cross subsidisation.

Consequently, Killarney Credit Union Limited continues to account for the plan as a defined contribution plan.

### Adoption of going concern basis for financial statements preparation

The credit union continue to closely monitor developments within the global macro-economic environment. 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.

	2022	2021
	€	€
Short term employee benefits paid to key management	572,048	444,043
Payments to pension schemes	29,709	45,743
<b>Total key management personnel compensation</b>	<b>601,757</b>	<b>489,786</b>

#### 5. Net impairment gains on loans to members

	2022	2021
	€	€
Bad debts recovered	(318,157)	(260,771)
Impairment of loan interest reclassified as bad debt recoveries	(39,452)	(52,701)
Movement in bad debts provision during the year	(214,081)	17,502
Loans written off during the year	103,895	136,552
<b>Net impairment gains on loans to members</b>	<b>(467,795)</b>	<b>(159,418)</b>

#### 6. Cash and cash equivalents

	2022	2021
	€	€
Cash and balances at bank	7,690,379	12,503,954
Deposits and investments – cash equivalents (note 7)	28,997,784	22,061,475
<b>Total cash and cash equivalents</b>	<b>36,688,163</b>	<b>34,565,429</b>

#### 7. Deposits and investments

	2022	2021
	€	€
<b>Deposits and investments – cash equivalents</b>		
Accounts in authorised credit institutions (Irish and non-Irish based)	22,452,357	16,002,456
Bank bonds	500,000	-
Equities	2	2
Central Bank deposits	6,045,425	6,059,017
<b>Total deposits and investments – cash equivalents</b>	<b>28,997,784</b>	<b>22,061,475</b>

#### Deposits and investments – other

Accounts in authorised credit institutions (Irish and non-Irish based)	55,469,102	57,144,925
Irish and EEA state securities	518,051	523,925
Bank bonds	17,077,310	17,476,580
Central Bank deposits	1,158,196	1,144,604

**Total deposits and investments – other** **74,222,659** **76,290,034**

**Total deposits and investments** **103,220,443** **98,351,509**

**8. Financial assets – loans to members**

	2022	2021
	€	€
As at 1 October	38,303,173	35,822,630
Loans granted during the year	19,541,742	18,018,033
Loans repaid during the year	(16,224,012)	(15,400,938)
<b>Gross loans and advances</b>	<b>41,620,903</b>	<b>38,439,725</b>
<b>Bad debts</b>		
Loans written off during the year	(103,895)	(136,552)
<b>As at 30 September</b>	<b>41,517,008</b>	<b>38,303,173</b>

**9. Provision for bad debts**

	2022	2021
	€	€
As at 1 October	3,595,679	3,578,177
Movement in bad debts provision during the year	(214,081)	17,502
<b>As at 30 September</b>	<b>3,381,598</b>	<b>3,595,679</b>

The provision for bad debts is analysed as follows:

	2022	2021
	€	€
Grouped assessed loans	3,381,598	3,595,679
<b>Provision for bad debts</b>	<b>3,381,598</b>	<b>3,595,679</b>

**10. Tangible fixed assets**

	Freehold premises	Office equipment	Computer hardware	Total
Cost	€	€	€	€
1 October 2021	5,112,089	199,198	594,117	5,905,404
Additions	-	6,908	26,125	33,033
<b>At 30 September 2022</b>	<b>5,112,089</b>	<b>206,106</b>	<b>620,242</b>	<b>5,938,437</b>

**Depreciation**

1 October 2021	3,231,479	142,101	512,422	3,886,002
Charge for year	43,152	10,210	65,741	119,103
<b>At 30 September 2022</b>	<b>3,274,631</b>	<b>152,311</b>	<b>578,163</b>	<b>4,005,105</b>

**Net book value**

<b>At 30 September 2022</b>	<b>1,837,458</b>	<b>53,795</b>	<b>42,079</b>	<b>1,933,332</b>
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At 30 September 2021	1,880,610	57,097	81,695	2,019,402
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**11. Investments in associates**

<b>Cost</b>	€
At 1 October 2021 and 30 September 2022	265,000
<b>Accumulated impairment</b>	
At 1 October 2021 and 30 September 2022	-
<b>Net book value</b>	
<b>At 30 September 2022</b>	<b>265,000</b>
At 30 September 2021	265,000

**Interests in associate**

The credit union has interests in the following associate:

<b>Associate</b>	<b>Registered Address</b>	<b>Type of shares held (%)</b>	<b>Proportion held €</b>	<b>Net Assets €</b>	<b>Profit or (loss) €</b>
Metacu Management Designated Activity Company	14 Ely Place Dublin 2, Ireland	Redeemable A Ordinary	6.25%	4,030,007	4,607

The above financial information in respect of Metacu Management Designated Activity Company was extracted from the audited financial statements for the year ended 31 December 2021.

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

	<b>Share of net assets</b>
	<b>€</b>
<b>At 1 October 2021</b>	<b>251,587</b>
Share of profit/(loss) for the financial year after tax	288
<b>At 30 September 2022</b>	<b>251,875</b>

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

	<b>2022</b>	<b>2021</b>
	<b>€</b>	<b>€</b>
Loan interest receivable	78,980	77,271
Other assets and prepayments	347,573	278,537
Other debtors	63,053	44,125
<b>As at 30 September</b>	<b>489,606</b>	<b>399,933</b>

**13. Members' shares**

	<b>2022</b>	<b>2021</b>
	<b>€</b>	<b>€</b>
As at 1 October	126,972,765	129,506,314
Received during the year	82,812,228	83,441,507
Withdrawn during the year	(83,039,314)	(85,975,056)
<b>As at 30 September</b>	<b>126,745,679</b>	<b>126,972,765</b>

**14. Members' current accounts**

	<b>2022</b>	<b>2021</b>
	€	€
As at 1 October	1,798,227	902,055
Lodgements	23,596,129	11,553,836
Withdrawals	(21,551,380)	(10,657,664)
<b>As at 30 September</b>	<b>3,842,976</b>	<b>1,798,227</b>

	<b>No. of</b>	<b>Balance of</b>
	<b>Accounts</b>	<b>Accounts</b>
		€
Debit	286	14,384
Credit	2218	3,857,360
Permitted overdrafts	19	18,180

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

	<b>2022</b>	<b>2021</b>
	€	€
Other creditors and accruals	750,665	746,467
PAYE/PRSI	28,268	21,712
Pension funding liability	1,800,246	-
<b>As at 30 September</b>	<b>2,579,179</b>	<b>768,179</b>

**16. Other provisions**

	<b>2022</b>	<b>2021</b>
	€	€
<b>Holiday pay accrual</b>		
At 1 October	9,393	29,082
Charged to the income and expenditure account	1,524	(19,689)
<b>As at 30 September</b>	<b>10,917</b>	<b>9,393</b>

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

<b>Financial assets</b>	<b>2022</b>	<b>2021</b>
	€	€
Financial assets measured at amortised cost	130,196,632	123,886,607
<b>Financial liabilities</b>	<b>2022</b>	<b>2021</b>
	€	€
Financial liabilities measured at amortised cost	133,193,135	129,554,658

Financial assets measured at amortised cost comprise of cash and balances at bank, deposits and investments, loans, members' current accounts overdrawn, 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 2022	Total	Level 1	Level 2	Level 3
	€	€	€	€
Accounts in authorised credit institutions	16,820,293	-	16,820,293	-
Bank bonds	5,753,340	-	5,753,340	-
Equities	2	2	-	-
<b>Total</b>	<b>22,573,635</b>	<b>2</b>	<b>22,573,633</b>	<b>-</b>

At 30 September 2021	Total	Level 1	Level 2	Level 3
	€	€	€	€
Accounts in authorised credit institutions	19,834,529	-	19,834,529	-
Bank bonds	5,752,717	-	5,752,717	-
Equities	2	2	-	-
<b>Total</b>	<b>25,587,248</b>	<b>2</b>	<b>25,587,246</b>	<b>-</b>

There was no fair value movement recognised in the income and expenditure account for the year ended 30 September 2022 (2021: €nil).

**18. Reserves**

	Balance 01/10/21	Appropriation of current year surplus	Balance 30/09/22
	€	€	€
<b>Regulatory reserve</b>	<b>15,456,237</b>	-	<b>15,456,237</b>
<b>Operational risk reserve</b>	<b>1,009,165</b>	-	<b>1,009,165</b>
<b>Other reserves</b>			
<b>Realised</b>			
General reserve	2,137,815	(220,047)	1,917,768
<b>Total realised reserves</b>	<b>2,137,815</b>	<b>(220,047)</b>	<b>1,917,768</b>
<b>Unrealised</b>			
Interest on loans reserve	77,271	1,709	78,980
Investment income reserve	18,240	12,696	30,936
SPS reserve	-	62,333	62,333
<b>Total unrealised reserves</b>	<b>95,511</b>	<b>76,738</b>	<b>172,249</b>
<b>Total reserves</b>	<b>18,698,728</b>	<b>(143,309)</b>	<b>18,555,419</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 percentage of the regulatory reserve (large exposure limit);
- restricts the loan duration of certain loans to specified limits (maturity limits); and
- 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.

	2022		2021	
	€	%	€	%
<b>Loans not impaired</b>				
Total loans not impaired, not past due	39,386,398	94.87%	35,816,873	93.51%
<b>Impaired loans:</b>				
Not past due	72,907	0.18%	104,963	0.27%
Up to 9 weeks past due	1,366,952	3.29%	1,537,804	4.02%
Between 10 and 18 weeks past due	156,186	0.38%	236,164	0.62%
Between 19 and 26 weeks past due	110,075	0.27%	60,772	0.16%
Between 27 and 39 weeks past due	89,221	0.21%	135,600	0.35%
Between 40 and 52 weeks past due	68,913	0.16%	62,409	0.16%
53 or more weeks past due	266,356	0.64%	348,588	0.91%
<b>Total impaired loans</b>	<b>2,130,610</b>	<b>5.13%</b>	<b>2,486,300</b>	<b>6.49%</b>
<b>Total loans</b>	<b>41,517,008</b>	<b>100.00%</b>	<b>38,303,173</b>	<b>100.00%</b>

## 20. Related party transactions

### 20a. Loans

	2022		2021	
	No. of Loans	€	No. of Loans	€
Loans advanced to related parties during the year	7	139,995	14	97,900
Total loans outstanding to related parties at the year end	22	445,086	20	333,686
Total provision for loans outstanding to related parties		42,354		36,493

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 1.07% of the total loans outstanding at 30 September 2022 (2021: 0.87%).

### 20b. Shares

The total amount of shares held by related parties at the year end was €450,399 (2021: €468,448).

## 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. Credit risk mitigation may include the requirement to obtain collateral as set out in the credit union's loans policy. Where collateral or guarantees are required, they are usually taken as a secondary source of repayment in the event of the borrower's default. The credit union maintains policies which detail the acceptability of specific classes of collateral. The principal collateral types for loans are: an attachment over members' pledged shares; personal guarantees; and charges over assets. The nature and level of collateral required depends on a number of factors such as the term of the loan and the amount of exposure. 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 pay out 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.

	2022		2021	
	€	Average Interest rate %	€	Average Interest rate %
Gross loans to members	41,517,008	7.67%	38,303,173	7.68%

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:

	2022		2021	
	%	€	%	€
Dividend on shares	-	-	-	-

The directors are not proposing a dividend in respect of the financial year ended 30 September 2022 (2021: The directors did not propose a dividend).

**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 (2021: €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 2022.

**26. Leasing commitments**

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

	2022	2021
	€	€
Less than 1 year	-	1,098
1 to 5 years	-	-
<b>As at 30 September</b>	<b>-</b>	<b>1,098</b>

**27. 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.

On 31 March 2022, the defined benefit scheme closed to future accrual and although staff retained all the benefits that they had earned in the Scheme to that date, Killarney Credit Union Limited and its employees ceased making regular contributions to the Scheme and ceased earning any additional benefits from the Scheme.

At the date of closure of the Scheme, there was a past service deficit which was allocated to each participating credit union based on the total benefits earned by staff in each credit union. Killarney Credit Union Limited's allocation of that past service deficit is €1,841,205. This amount, together with associated costs and interest totalling €2,014,431, is included in the income and expenditure account for the financial year ended 30 September 2022. Killarney Credit Union Limited has entered a 10 year funding plan to pay the deficit of which the first year was paid in 2022.

As this is a pooled pension scheme, Killarney Credit Union Limited remains liable to cover the cost of their share of any future increase in the total cost of providing the pension payments to credit union employees who were part of the Scheme. Killarney Credit Union Limited could exit the Scheme and therefore never have to make a potential additional payment requirement but exiting the Scheme would incur a substantial additional cost.

If credit unions exit the Scheme, they are required to pay to the trustees the exit amount which the trustees determine is required to fund benefits in respect of their active, deferred and pensioner members on a "no risk" basis. The exiting credit union thereby settles any liability they have to contribute to the Scheme in the future.

**28. Comparative information**

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

**29. Approval of financial statements**

The board of directors approved these financial statements for issue on 24th November 2022.



## Schedules to the income and expenditure account

For the financial year ended 30 September 2022

The following schedules do not form part of the statutory financial statements which are the subject of the Independent Auditor's report on pages 12 to 14.

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

	2022	2021
	€	€
Investment income received/receivable within 1 year	663,079	682,354
Investment income receivable outside of 1 year	12,696	9,864
<b>Total per income and expenditure account</b>	<b>675,775</b>	<b>692,218</b>

### Schedule 2 – Other income

	2022	2021
	€	€
Commissions	42,441	21,120
ECCU rebate	52,508	155,567
Fees and sundry income	4,769	1,795
MPCAS income	90,674	50,732
SPS refund	623,327	-
<b>Total per income and expenditure account</b>	<b>813,719</b>	<b>229,214</b>

### Schedule 3 – Other management expenses

	2022	2021
	€	€
Rates and service charges	51,779	30,355
Lighting and heating	46,001	36,851
Repairs and maintenance	32,249	31,262
Security	24,636	28,764
Printing and stationery	29,817	32,275
Postage	12,306	15,291
Telephone	29,729	28,093
Promotion, advertising and sponsorship	78,636	154,247
Chapter, social and seminar expenses	74,579	58,322
Travel and subsistence	8,885	7,370
Bank interest and charges	83,419	89,432
Audit fee	24,293	24,293
General insurance	66,596	64,510
Key person insurance	1,014	1,042
Share and loan insurance	346,687	402,701
Education and subscription	16,391	21,390
Consultancy, legal and professional fees	173,599	178,648
MPCAS costs	129,502	107,624
Office general expenses	4,660	6,246
Affiliation fees and SPS contributions	61,325	52,413
Regulatory levies	269,317	222,299
Maintenance contracts	168,711	212,956
Cash (over)/short	(354)	406
Staff uniforms	-	2,430
Diminution of fixed assets	-	1,458
<b>Total per income and expenditure account</b>	<b>1,733,777</b>	<b>1,810,678</b>



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