

Annual Report

Notice of Annual General Meeting 2016



**Killarney
Credit Union**

WHERE MEMBERS MATTER MOST



Beech Road
Killarney

064 663 1344

Park Road
Killarney

064 663 7800

Killarney Road
Kenmare

064 664 2111

info@killarneycu.ie
www.killarneycu.ie



You are invited to attend the
46th
Annual General Meeting
of Killarney Credit Union Limited

Wednesday 14th December 2016
Mangerton Suite, Gleneagle Hotel,
Muckcross Road, Killarney
at 7.30pm

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

Members draw

Free Bus to AGM from Kenmare

Departs: 6.00pm

From outside Credit Union Kenmare.

To book: Ring 064-6642111 before 12th December

Notice of Election

1 vacancy for the position of Auditor

4 vacancies for the Board of Directors

1 vacancy for the Board Oversight Committee



AGENDA

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

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MODEL STANDING ORDERS FOR CREDIT UNIONS (REPUBLIC OF IRELAND)

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

VOTING

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

2 - 3 ELECTION PROCEDURE

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

4 - 9 MOTIONS

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

10 - 15 MISCELLANEOUS

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

MODEL STANDING ORDERS (continued)

member other than a natural person votes through a representative, who is a member of the group, duly authorised in writing for that purpose and accepted as such by the board of directors.

15. Any matter to be decided upon by vote at the AGM shall, unless otherwise expressly provided for by law or the rules, be decided upon by simple majority.
16. **SUSPENSION OF STANDING ORDERS**
Any one of these Orders or all of these Standing Orders may be suspended on a motion to this effect receiving a two-thirds majority of those present and entitled to vote.
17. **ALTERATION OF STANDING ORDERS**
Standing Orders may be amended or altered at a general meeting and only if a motion to this effect has received a two-thirds majority of those present and voting.
18. **ADJOURNMENTS**
Adjournments of the AGM shall take place only in accordance with section 81(1) of the Credit Union Act, 1997 (as amended).

NAMES OF BOARD OF DIRECTORS (2015-2016)**Chairman**

Pat Delaney

Secretary

Catherine Coffey

Vice Chairman

Pat Sheehan

Colin Kiely

John Long

Edward Leizcyneski

Jackie O'Leary

Dermot Griffin

Michael O'Brien

Joy Clifford

Mary Hallissy (Retired)

**NAMES OF COMMITTEES AND THEIR MEMBERS
FOR 2015-2016****Board Oversight Committee**

Caragh Neeson (Chairperson)

Geraldine O'Sullivan

Deirdre O'Sullivan (Retired)

Credit Control Committee

Pat Sheehan

Edward Leizcyneski

Jackie O'Leary

Credit Committee

Eugene Carton

Catherine Barry

Colin Kiely

Pat Delaney

Dermot Griffin

Investment Committee

Pat Delaney

Pat Sheehan

Mark Murphy

Membership Committee

Mary Hallissy

Angela McCarthy

Emer Guihan

Emma Looney

Jennifer McCarthy

Youth Officer

Joy Clifford

Training Liaison Officer

Catherine Coffey

Chapter Delegates

Dermot Griffin

Catherine Coffey

Alternate Delegates

Edward Leizcyneski

John Long

Nominating Committee

Catherine Coffey

Colin Kiely

Dermot Griffin

Complaints Committee

Colin Kiely

Pat Sheehan

Insurance Officer

Mark Murphy

Audit Committee

Colin Kiely

Pat Sheehan

Michael O'Brien

NAMES OF COMMITTEES AND THEIR MEMBERS FOR 2015-2016 *(continued)*

Strategic Planning and Merger Committee

Pat Delaney
Colin Kiely
John Long
Mark Murphy

Risk Committee

John Long
Catherine Coffey
Jackie O'Leary

Youth Committee

Joy Clifford
Karena McCarthy
Helen Courtney Power
Emma Looney

Credit Union Staff

Mark Murphy	Brendan Lynch
Therese Buckley	Karena McCarthy
Elaine O'Shea	Mairead Brosnan
Jennifer McCarthy	Donagh Barry
Miriam McCarthy	Siobhan Buckley
Kathleen O'Leary	Margaret Moynihan
Angela McCarthy	Emma Looney
David Neeson	Joan Mangan
Stephen Darmody	Michael Gavin
Catherine Orpen	Emer Guihan
Ciara Cronin	Eileen Dineen
Shane Foley	Helen Courtney Power
Denise O'Sullivan	Chloe O'Donoghue

Other Volunteers

Catherine Barry
Eugene Carton
Sheila O'Regan

MINUTES OF KILLARNEY CREDIT UNION LIMITED AGM 2015

The 45th Annual General Meeting AGM of Killarney Credit Union (KCU) Limited took place on Wednesday 9th December, 2015 at the Gleneagle Hotel at 7.30pm with approximately 122 members attending.

Mr. Pat Delaney (Chairperson) welcomed the members in attendance and introduced the Directors to the members.

Directors and Committee Members Present at the meeting included:

Mr. Pat Delaney	Chairperson
Mr. Pat Sheehan	Vice Chairperson
Ms. Catherine Coffey	Secretary
Mr. John Long	
Mr. Edward Leizcyneski	
Mr. Colin Kiely	
Mr. Michael O'Brien	
Ms. Joy Clifford	
Mr. Dermot Griffin	
Ms. Jacqueline O'Leary	

Apologies

Mrs. Mary Hallissy

Board Oversight Committee

Ms. Deirdre O Sullivan
Ms. Geraldine O Sullivan

In attendance

Ms. Denise O Connell, on behalf of Grant Thornton Auditors & Accountants

Acceptance of Proxies (if any) by the Board of Directors

There were no proxies

Ascertainment that a Quorum was present

There was a Quorum present.

MINUTES OF KILLARNEY CREDIT UNION LIMITED AGM 2015 (continued)**Adoption of Standing Orders**

The standing orders were adopted

Proposed by Catherine Barry and Seconded by Katherine Carton

Reading and Approval (or Correction) of the Minutes of the Last AGM 2014

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

Proposed by Colin Miller and Seconded by Mike Neeson

Appointment of Tellers

Siobhan Buckley, Kathleen O' Leary, Tom McDonnell & Tim Sheehan

Chairman's Address/Report of the Directors

The Chairman Pat Delaney addressed the meeting

Proposed by Dan Kelliher and Seconded by Sean O'Sullivan

Motion Regarding Future Mergers (transfer of Engagements) read by Colin Kiely

"That this Annual General Meeting of Killarney Credit Union Limited resolves to empower the Board of Director's to give effect to a transfer of engagements (to/from) another credit union by way of Board Resolution subject to regulatory approval and in accordance with the relevant provisions of the Credit Union Act 1997 (as amended)".

Proposed by Colin Kiely and Seconded from the floor by Dermot Dineen

Denise O'Connell, Auditor took the count.

Motion deemed passed.

Consideration of Accounts presented by Pat Sheehan

Proposed by John O'Sullivan and Seconded by Helen McCarthy

Report of the Auditors

Auditors report was outlined by Ms. Denise O'Connell, on behalf of Grant Thornton Auditors & Accountants. She presented the accounts as was outlined on pages 12 to 21 as per the Annual Report.

Proposed by Colin Miller and Seconded by Mike McDonnell

Report of the Board Oversight Committee**Presented by Deirdre O'Sullivan**

Proposed by Dermot Dineen and Seconded by Michael Leane

Declaration of Dividend

0.25% Proposed by Board Directors

Proposed by Colin Miller and Seconded by Dermot Dineen

Approved by majority.

Report of the Nominating Committee presented by Colin Kiely

Proposed by Mike Neeson and Seconded by Dermot Dineen

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

Joy Clifford, Mary Hallissy, Michael O'Brien and Jacqueline O'Leary

Election for Board Oversight

Caragh Neeson

Election for Auditors

Grant Thornton

MINUTES OF KILLARNEY CREDIT UNION LIMITED AGM 2015 (continued)**Investment Committee Report presented by Pat Sheehan***Proposed by Donal O'Sullivan and Seconded by Helen McCarthy***Report of Credit Committee presented by Catherine Barry***Proposed by Colin Miller and Seconded by Michael Leane***Report of the Credit Control Committee presented by Pat Sheehan***Proposed by Helen Foley and Seconded by Michael Leane***Report of the Membership Committee presented by Angela McCarthy***Proposed by Colin Miller and Seconded by Helen McCarthy***Report of the Youth Committee presented by Catherine Coffey***Proposed by Christy McCarthy and Seconded by Bridget Delaney***Report of the Investment Committee presented by Pat Sheehan***Proposed by Bridget Delaney and Seconded by Helen Foley***Any Other Business**

Mr. Alan Whelan thanked all on stage for their time. He would like to know about the credit union sign over a betting shop – is it removed or when will it be removed? Alan was not in favour of the loans advertised for Communion/Confirmation in the paper however he wanted to acknowledge the wonderful work of the Youth Committee especially with the Table Quiz.

John Long replied that the symbol or logo is licenced by the World Council therefore Killarney Credit Union cannot do anything about removing the logo.

Raffle Winners

Tim O'Shea	Hamper	Louise Moynihan	Cash
Sean O'Sullivan	Hamper	Ellen Farndon	Cash
Rena Long	Hamper	Mike Neeson	Cash
Seamus O'Donoghue	Hamper	Frank Hickey	Cash
Katherine Carton	Hamper	Kathleen O'Leary	Cash

Election Results

Election of Auditors	103	1 Spoilt Vote
Caragh Neeson Board Oversight	99	6 Spoilt Votes

Board of Directors

3 Spoilt Votes

Joy Clifford	94	Mary Hallissy	92
Michael O'Brien	93	Jacqueline O'Leary	92

All deemed elected.

No more questions so the meeting concluded.

AMENDMENTS TO STANDARD RULES ARISING FROM LEAGUE AGM 2016

That this annual general meeting agrees to amend to amend Rule 13(2) of The Standard Rules of Credit Unions (ROI) to read as follows:

- (2) A person shall be treated as having the qualification required for admission to membership of the credit union if he is a member of the same household as, and is a member of the family of, another person who is a member of the credit union and who has a direct common bond with those other members. *However, a child or step-child of a member, where such child or step-child is under the age of 18 years and living outside the common bond but resident in the Republic of Ireland or the United Kingdom, shall not be precluded from membership of the credit union.*

CHAIRMAN'S ADDRESS

Dear Member,

On behalf of the Board of Directors, I would like to welcome you to Killarney Credit Union's 46th Annual General Meeting.

The year 2015/2016 has seen another strong financial performance for Killarney Credit Union with total assets now standing at over €105 million. Killarney Credit Union is now in the top echelon of Credit Unions in the country and this gives us the scope and scale to expand our products and services in the future.

Results and Dividend

I am pleased to report that your credit union achieved a surplus of €436,900 and the Directors are recommending a dividend of 0.05% totalling €44,000. The dividend, in the context of the backdrop of zero interest rates, reflects positively on our credit union and our commitment to members.

Our loan income has increased by 17% and our investment income, despite the continuing fall in interest rates, has remained steady. The trend for low investment returns is expected to continue for a number of years and will impact on our ability to generate a reasonable return on investments.

Lending

Killarney Credit Union has expanded its range of loan products and we are very much open for business. This year saw loan growth of 16.29%, with the total loan book increasing to €23.5 million. We are currently lending on average almost €1.1 million per month to members and it is very encouraging to see that the vast majority of our members are honouring their loan repayment commitments. With the economy improving and members becoming more confident about the future, I would hope that the Credit Union is in a position to meet all our members' borrowing needs. I would like to thank you for your continued support in borrowing from us.

Savings

Members' savings continue to grow, and stood at €90.94 million at the year end, which represents an increase of 7.78% in one year. The last number of years have seen a significant increase in the savings held by members of the Credit Union. I welcome this display of confidence by our members in our financial strength. However, due to the much changed regulatory and economic environment in which Killarney and other Credit Unions around the country are operating, there are downsides to this increase. We now face the challenge that if members' savings continue to rise, the funds available to pay dividends in the future may be significantly reduced as more of the annual surplus would be required to maintain our reserves at their current level.

We also face the challenge of a low interest rate environment which is greatly reducing the investment income that Killarney Credit Union earns on its deposits. Due to the high level of on demand savings held by the Credit Union, over €18 million of excess funds must be placed in investments which we are receiving very low interest rates.

As a consequence of the increased savings and low interest rate environment, in July 2016, the Board of Directors took the difficult decision to introduce a €50,000 limit on savings balances for members for the foreseeable future. This situation is closely monitored on an ongoing basis and any changes will be communicated directly to members.

CHAIRMAN'S ADDRESS (continued)**Reserves**

Our total reserves stand at €13.56 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 to lie ahead.

We have seen a fall in loan arrears during the year and the Provision for Bad and Doubtful Debts is €2.97 million which represents 12.64% of our total loan book. I am pleased to report that our arrears are at the lowest levels in 6 years.

Services

Killarney Credit Union is constantly reviewing members' services and in October 2016 we launched a new IT system which allows for greater online and mobile account access and functionality. Members who register for this service can now access their Credit Union account online or through their smartphones. This allows members to transfer funds between their Credit Union accounts, transfer funds to other banks and pay bills. Members can register for this service by calling into any branch or registering online at www.killarneycu.ie. The mobile app is available to download on the Google Play or Apple stores.

Next year, we hope to be in a position to provide expanded services including direct debits in early 2017.

During the year we launched a number of new loan products including Home Loans, Business Loans and Bridging Loans. If you are considering borrowing, your Credit Union makes sense in so many ways; our interest rates are competitive, no fees or early repayment charges are incurred on credit union loans and borrowings are insured at no direct cost to the member (Subject to qualifying criteria).

Our membership has grown to over 25,000 members who benefit from Free Death Benefit Insurance of €1,000 (subject to minimum savings balance of €250), Free Life Savings Insurance cover of €5,000 and Free Loan Protection Insurance. These insurance products are offered at no direct cost to the member which is a great comfort to our members should any tragic circumstances arise.

Retirements

Due to work and personal commitments, Mary Hallissy (Board of Directors) and Deirdre O'Sullivan (Board Oversight Committee) retired during the year. 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 every member of the Credit Union team, the Board of Directors, Staff, members of the Board Oversight Committee and all of our Committee Volunteers who have given generously of their time, energy and experience so willingly.

I wish to remember all those Members who have passed away during the year, remembering especially, Joan McSweeney who was a former employee of the Credit Union. 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 2017.



Pat Delaney
Chairman

DIRECTORS' REPORT**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

The directors present their annual report and the audited financial statements for the financial year ended 30 September 2016.

PRINCIPAL ACTIVITIES

The principal activities of the credit union involves the acceptance of members' shares/savings and lending to members in accordance with legislation and criteria determined by the Irish League of Credit Unions and the Credit Union itself.

AUTHORISATION

The Credit Union is authorised as follows:

- Insurance/reinsurance intermediary under the European Communities (Insurance Mediation) Regulations, 2005 (as amended).
- Investment Intermediaries (Restricted Activity Investment Product Intermediary) pursuant to Section 26 of the Investment Intermediaries Act, 1995 (as amended)
- Service Providers holding appointments from IIA product producers, including intermediaries that may issue appointments, appearing in the register maintained under Section 31 of the Investment Intermediaries Act, 1995 (as amended)
- Entitled under Regulation 9(1) (b) of the European Community (Payment Services) Regulations 2009 to provide payment services.

BUSINESS REVIEW

Both the level of business and the year-end financial position were satisfactory. 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.

RESULTS, DIVIDENDS AND LOAN INTEREST REBATE

The excess of income over expenditure for the year is set out in the Income and Expenditure Account on page 12. The Directors recommend a dividend in respect of the year ended 30 September 2016 of €44,000 (0.05%) (2015: €198,542 (0.25%).

PRINCIPAL RISKS AND UNCERTAINTIES

The Credit Union is fully aware of its principal risks, monitors these constantly and does everything in its power to minimise all risks and to handle prudently those residual risks over which it has little control. The principal areas currently requiring risk management include:

- Decline in loan interest income and loan security risk.
- Prudent investment selection to minimise loss of investment income.
- Liquidity management and control of costs.
- Continuous monitoring of compliance with regulatory and legislative requirements.

ACCOUNTING RECORDS

The Directors believe that they comply with the requirements of Section 108 of the Credit Union Act, 1997 (as amended) with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Credit Union are maintained at the Credit Union's premises at Beech Road, Killarney.

EVENTS SINCE THE END OF 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.

DIRECTORS' REPORT (CONTINUED)**DIRECTORS' RESPONSIBILITIES STATEMENT**

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.

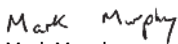
In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Credit Union and which enables them to ensure that the financial statements comply with the Credit Union Act, 1997 (as amended). 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.

ON BEHALF OF THE CREDIT UNION:

CEO:

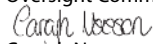


Mark Murphy

Date: 4 Nov. 2016

Member of the Board

Oversight Committee:

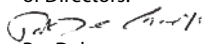


Caragh Neeson

Date: 4 Nov. 2016

Member of the Board

of Directors:



Pat Delaney

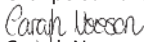
Date: 4 Nov. 2016

BOARD OVERSIGHT COMMITTEE'S RESPONSIBILITIES STATEMENT

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.

ON BEHALF OF THE BOARD OVERSIGHT COMMITTEE:

Chairperson of the Board Oversight Committee:



Caragh Neeson

Date: 4 Nov. 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KILLARNEY CREDIT UNION LIMITED

FOR THE YEAR ENDED 30 SEPTEMBER 2016

We have audited the financial statements of Killarney Credit Union Limited for the financial year ended 30 September 2016 which comprise the Income and Expenditure Account, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Reserves, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is Irish law, including the Credit Union Act, 1997 (as amended) and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland including FRS 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland".

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Credit Union Act, 1997 (as amended). Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Credit Union's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the 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 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the requirements of the Credit Union Act, 1997 (as amended).

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

- We have obtained all the information and explanations which, to the best of our knowledge and belief, we consider 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.

Grant Thornton
Chartered Accountants
& Statutory Audit Firm
Mill House,
Henry Street,
Limerick

Date: 4 Nov. 2016

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Schedule	2016 €	2015 €
INCOME			
Interest on Loans	1	1,893,746	1,612,602
Other Income Receivable and Similar Income	2	878,906	869,991
Net Interest Income		2,772,652	2,482,593
Other Income	3	125,991	94,651
TOTAL INCOME		2,898,643	2,577,244
EXPENDITURE			
Salaries and Staff Costs		852,546	689,149
Other Management Expenses	4	1,418,118	1,289,628
Depreciation		149,575	183,135
Bad Debts Provision		(101,855)	(293,037)
Bad Debts Recovered		(148,575)	(153,829)
Bad Debts Charged Off		291,935	181,345
TOTAL EXPENDITURE		2,461,744	1,896,391
Excess of income over expenditure for the year		436,899	680,853
On behalf of the Credit Union			
CEO:	Member of the Board Oversight Committee:	Member of the Board of Directors:	
<i>Mark Murphy</i>	<i>Caragh Neeson</i>	<i>Pat Delaney</i>	
Mark Murphy	Caragh Neeson	Pat Delaney	
Date: 4 Nov. 2016	Date: 4 Nov. 2016	Date: 4 Nov. 2016	

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	2016 €	2015 €
Excess of income over expenditure for the year	436,899	680,853
Other comprehensive income	-	-
Total comprehensive income for the year	436,899	680,853
On behalf of the Credit Union		
CEO:	Member of the Board Oversight Committee:	Member of the Board of Directors:
<i>Mark Murphy</i>	<i>Caragh Neeson</i>	<i>Pat Delaney</i>
Mark Murphy	Caragh Neeson	Pat Delaney
Date: 4 Nov. 2016	Date: 4 Nov. 2016	Date: 4 Nov. 2016

BALANCE SHEET

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	2016 €	2015 €
ASSETS			
Cash and balances at bank	6	748,598	2,153,560
Deposits and investments – cash equivalents	7	10,670,521	26,156,559
Deposits and investments – other	7	70,681,223	50,217,423
Loans	8	23,505,355	20,212,965
Less: provision for bad debts	9	(2,971,323)	(3,073,178)
Tangible fixed assets	10	2,029,774	2,143,127
Other Assets & prepayments	11	417,272	415,045
Total assets		105,081,420	98,225,501
LIABILITIES			
Members' shares	12	90,940,871	84,373,552
Other liabilities, creditors, accruals and charges	13	510,382	449,118
Other provisions	14	65,693	76,816
Total liabilities		91,516,946	84,899,486
RESERVES			
Regulatory reserve	16	12,801,110	12,801,110
Operational risk reserve	16	452,087	-
OTHER RESERVES			
- Realised reserves	16	251,837	468,528
- Unrealised reserves	16	59,440	56,377
Total reserves		13,564,474	13,326,015
Total liabilities and reserves		105,081,420	98,225,501
On behalf of the Credit Union			
CEO:	Member of the Board	Member of the Board	
	Oversight Committee:	of Directors:	
<i>Mark Murphy</i>	<i>Caragh Neeson</i>	<i>Pat Delaney</i>	
Mark Murphy	Caragh Neeson	Pat Delaney	
Date: 4 Nov. 2016	Date: 4 Nov. 2016	Date: 4 Nov. 2016	
The notes and accounting policies on pages 15 to 27 form part of these Financial Statements.			

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Other Reserves		Regulatory Reserve	Operational Risk Reserve	Total
	Realised	Unrealised			
	€	€	€	€	€
As at 1 October 2014	(70,440)	41,102	11,517,730	-	11,488,392
Surplus for the year	539,675	32,977	108,201	-	680,853
Transfer to/(from) unrealised	17,702	(17,702)	-	-	-
Transfer of engagements	(18,409)	-	1,175,179	-	1,156,770
As at 1 October 2015	468,528	56,377	12,801,110	-	13,326,015
Surplus for the year	433,836	3,063	-	-	436,899
Dividend paid	(198,440)	-	-	-	(198,440)
Transfer to the operational risk reserve	(452,087)	-	-	452,087	-
As at 30 September 2016	251,837	59,440	12,801,110	452,087	13,564,474

On behalf of the Credit Union

CEO:

Mark Murphy

Mark Murphy

Date: 4 Nov. 2016

Member of the Board

Oversight Committee:

Caragh Neeson

Caragh Neeson

Date: 4 Nov. 2016

Member of the Board

of Directors:

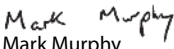
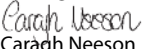
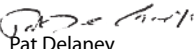
Pat Delaney

Pat Delaney

Date: 4 Nov. 2016

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	2016 €	2015 €
Opening Cash and Cash Equivalents	28,310,119	31,982,038
CASH FLOWS FROM OPERATING ACTIVITIES		
Loans repaid	9,614,145	7,976,493
Loans granted	(13,198,470)	(8,646,325)
Interest on loans	1,893,746	1,612,602
Investment income	878,906	869,991
Other receipts	125,991	94,651
Bad debts recovered	148,575	153,829
Dividends paid	(198,440)	-
Operating expenses	(2,270,664)	(1,977,027)
Increase/(decrease) in prepayments/accruals	47,912	(87,017)
Net Cash Flows from Operating Activities	(2,958,299)	(2,803)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets additions	(36,220)	(80,920)
Cash and investments introduced from transfer of engagements	-	9,442,789
Net cash flow from other investing activities	(20,463,800)	(18,514,767)
Net Cash Flow from Investing Activities	(20,500,020)	(9,152,898)
CASH FLOWS FROM FINANCING ACTIVITIES		
Members' Shares Received	67,650,456	49,788,894
Members' Shares Withdrawn	(61,083,137)	(44,305,112)
Net Cash Flow from Financing Activities	6,567,319	5,483,782
Net (decrease)/increase in cash and cash equivalents	(16,891,000)	(3,671,919)
Closing cash and cash equivalents Note 6	11,419,119	28,310,119
On behalf of the Credit Union		
CEO:	Member of the Board	Member of the Board
	Oversight Committee:	of Directors:
		
Mark Murphy	Caragh Neeson	Pat Delaney
Date: 4 Nov. 2016	Date: 4 Nov. 2016	Date: 4 Nov. 2016

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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.

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 except for the modification to a fair value basis for certain financial instruments as specified in the following accounting policies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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). These are the first financial statements that comply with FRS 102. Information on the impact of first-time adoption of FRS 102 is set out in note 26.

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 Interest on loans

Interest on Loans is recognised on an accruals basis. An adjustment is made to the year-end amount receivable for any irrecoverable amounts. The Directors have made a decision to transfer accrued interest receivable on loans at the year end to an Unrealised Reserve.

2.5 Investments

Investment income is recognised on an accruals basis.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**2.6 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Credit Union adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Credit Union. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Income and Expenditure Account during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold Premises	2% SL per annum
Leasehold Premises	20% SL per annum
Office Equipment	15 % RB per annum
Computer Hardware	33% SL per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains' or 'other losses' in the Income and Expenditure Account.

2.7 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.

2.8 Financial assets – loans

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

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

2.9 Bad debt provision

Killarney Credit Union Limited 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 quarterly basis.

Any bad debts/impairment losses are recognised in the Income and Expenditure Account.

Killarney Credit Union Limited has identified three categories for assessing impairment losses on loans. They are Rescheduled Loans, Top 100 Loans and All Other Loans.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**Rescheduled loans**

The provision applied to Rescheduled Loans is the greater of provision identified following an individual assessment of each loan or any provision required under Regulatory Requirements issued by Central Bank of Ireland.

Top 100 loans

Each loan in this category is individually assessed. Credit risk is identified, assessed and measured with emphasis on weeks in arrears and other observable credit risk metrics resulting in the raising of specific provisions on individual loans where there is doubt about their recoverability.

All other loans

Loans in this category are collectively assessed. Credit risk is identified, assessed and measured with emphasis on weeks in arrears and other observable credit risk metrics resulting in the raising of specific provisions on these loans where there is doubt about their recoverability.

2.10 Financial liabilities – members' shares

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

2.11 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.

2.12 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). 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. There is an agreed funding plan in respect of the Pension Scheme as a result of a Minimum Funding Standard deficit certified by the Scheme's Actuary in 2009. Consequently, Killarney Credit Union Limited recognises a liability at each balance sheet date for its outstanding contributions payable under the agreed funding plan to the extent that they relate to committed funding in respect of the deficit to which the funding plan relates.

A defined benefit pension scheme is operated for some employees of the Credit Union.

The contributions to both schemes 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.

2.13 Creditors

Short term Other Liabilities, Creditors, Accruals and Charges are measured at the transaction price.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**2.14 Distribution policy**

Killarney Credit Union Limited's policy is to pay a reasonable rate of dividend subject to covering operating expenses and meeting reserve requirements as set out in the Credit Union's Reserve Management Policy.

2.15 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.

2.16 Operational Risk Reserve

Section 45(5)(a) of the Credit Union Act, 1997 (as amended) requires each credit union to maintain an additional reserve that it has assessed is required for operational risk having regard to the nature, scale and complexity of the credit union. Credit Unions are required to maintain a minimum operational risk reserve having due regard for the sophistication of the business model.

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

2.17 Other Reserves

Other Reserves are the accumulated surpluses to date and Reserves arising on the Transfer of Engagements 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. 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".

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

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

Impairment of buildings

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss. If an impairment loss subsequently reverses, the carry 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 Accounts.

Bad debt provision

Killarney Credit Union Limited's accounting policy for impairment of loans is set out in the accounting policy in Note 2.9. 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.

Operational risk reserve

The directors have considered the requirements of the Credit Union Act, 1997 (as amended) and have considered an approach to the calculation of the operational risk reserve. Killarney Credit Union Limited uses the Basic Indicator Approach as set out in the operational risk measurements techniques proposed under Basel II capital adequacy rules for banking institutions in calculating the minimum operational risk reserve.

4. Rates of Interest Charged on Loans

The rates of interest charged on Members' Loans per annum on a reducing balance basis were as follows:

	Monthly	APR
	%	%
Personal Loan	10.50%	0.88%
Car Loan	7.80%	0.65%
Annual Bills Loan	8.50%	0.71%
1 Year Loan	8.50%	0.71%
Education Loan	6.20%	0.52%
Secured Loan	5.64%	0.47%
Home Improvements Loan	8.30%	0.69%
Home Loan	5.64%	0.47%
Bridging Loan	10.50%	0.88%

5. Key management personnel compensation

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

	2016	2015
	€	€
Short term employee benefits paid to key management	395,677	276,061
Payments to pension schemes	43,059	32,201
Total key management personnel compensation	438,736	308,262

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. CASH AND CASH EQUIVALENTS	2016 €	2015 €
Cash and balances at bank	748,598	2,153,560
Deposits & investments	81,351,744	76,373,982
Less: Deposit & investment amounts maturing after three months	(70,681,223)	(50,217,423)
Total cash and cash equivalents	11,419,119	28,310,119

7. DEPOSITS AND INVESTMENTS	2016 €	2015 €
Deposits and investments – cash equivalents		
Accounts in authorised credit institutions (Irish and Non-Irish based)	5,640,560	25,114,504
Equities	63,079	82,936
Collective investments schemes	4,966,882	959,119
Total deposits and investments – cash equivalents	10,670,521	26,156,559

Deposits and investments – other		
Accounts in authorised credit institutions (Irish and Non-Irish based)	61,023,825	45,933,312
Irish and EEA state securities	1,989,175	2,037,614
Bank bonds	6,768,259	1,422,022
Central bank deposits	899,964	824,475
Total deposits and investments – other	70,681,223	50,217,423

8. FINANCIAL ASSETS – LOANS	2016 €	2015 €
As at 1 October	20,212,965	17,950,410
Loans arising on transfer of engagements	-	1,774,068
Loans granted during the year	13,198,470	8,646,325
Loans repaid during the year	(9,614,145)	(7,976,493)
Gross loans and advances	23,797,290	20,394,310

Bad debts		
Loans written off during the year	(291,935)	(181,345)
As at 30 September	23,505,355	20,212,965

9. PROVISION FOR BAD DEBTS	2016 €	2015 €
As at 1 October	3,073,178	3,183,630
Provisions arising from Transfer of Engagements	-	182,585
Other Transfers	-	(250,000)
Net Movement in Bad Debts Provision during the year for Loans currently outstanding	(101,855)	(43,037)
As at 30 September	2,971,323	3,073,178

The current provision for bad debts in the financial statements is €2,971,323 (2015: €3,073,178) representing 12.64% (2015: 15.20%) of the total loan book. The provision for bad debts is analysed as follows:

	2016 €	2015 €
Individually significant loans	470,086	778,079
Other impaired loans	380	39,626
Collectively assessed loans	2,500,857	2,255,473
Provision for bad debts	2,971,323	3,073,178

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. TANGIBLE FIXED ASSETS

	Freehold Premises	Leasehold Premises	Office Equipment	Computer Hardware	Total
COST	€	€	€	€	€
At 1 Oct 2015	4,844,189	19,829	1,214,944	882,103	6,961,065
Additions	-	-	9,432	26,790	36,222
At 30 Sept 2016	4,844,189	19,829	1,224,376	908,893	6,997,287
DEPRECIATION					
At 1 October 2015	2,988,419	9,936	985,823	833,760	4,817,938
Charge for the Year	37,898	3,977	76,355	31,345	149,575
At 30 Sept 2016	3,026,317	13,913	1,062,178	865,105	4,967,513
NET BOOK VALUE					
At 30 Sept 2015	1,855,770	9,893	229,121	48,343	2,143,127
At 30 Sept 2016	1,817,872	5,916	162,198	43,788	2,029,774

11. OTHER ASSETS AND PREPAYMENTS

	2016	2015
	€	€
Other assets and prepayments	228,711	375,115
Other Debtors	188,561	39,930
Total Other Assets and Prepayments	417,272	415,045

12. MEMBER SHARES

	2016	2015
	€	€
Special Share Accounts	90,940,871	84,373,552
Total Member Shares	90,940,871	84,373,552

13. OTHER CREDITORS, ACCRUALS AND CHARGES

	2016	2015
	€	€
Other Creditors & Accruals	510,382	449,118
Total Other Creditors, Accruals and Charges	510,382	449,118

14. OTHER PROVISIONS

	2016	2015
	€	€
Holiday pay accrual		
At 1 October	16,988	15,000
Charged to the income and expenditure account	8,820	1,988
At 30 September	25,808	16,988
Pension provision		
At 1 October	59,828	76,134
Charged to the income and expenditure account	(19,943)	(16,306)
At 30 September	39,885	59,828
Total other provisions		
At 1 October	76,816	91,134
Charged to the income and expenditure account	(11,123)	(14,318)
At 30 September	65,693	76,816

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. FINANCIAL INSTRUMENTS

15a. Financial instruments – measured at amortised cost

	2016 €	2015 €
Financial assets		
Financial assets measured at amortised cost	100,514,297	97,488,383

	2016 €	2015 €
Financial liabilities		
Financial liabilities measured at amortised cost	91,516,946	84,899,486

Financial assets measured at amortised cost comprise of cash and balances at bank, deposits and investments, loans and debtors.

Financial liabilities measured at amortised cost comprise member savings, creditors and accruals and provisions.

15b. 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 2016	Total €	Level 1 €	Level 2 €	Level 3 €
Account in Authorised Credit Institutions	250,000	-	250,000	-
Equities	63,079	63,079	-	-
Collective Investment Scheme	4,966,882	-	4,966,882	-
Total	5,279,961	63,079	5,216,882	-

At 30 September 2015	Total €	Level 1 €	Level 2 €	Level 3 €
Account in Authorised Credit Institutions	250,000	-	250,000	-
Equities	82,935	82,935	-	-
Collective Investment Scheme	959,119	-	959,119	-
Total	1,292,054	82,935	1,209,119	-

Financial asset measured at fair value comprise of 4 investments (2015: 4 investments).

The fair value adjustment recognised in the income and expenditure account was as follows.

	2016 €	2015 €
Fair value adjustment	(19,856)	(22,716)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. RESERVES

	Balance 01/10/15 €	Payment of dividend & rebate €	Appropriation of current year surplus €	Transfers between reserves €	Balance 30/09/16 €
Regulatory reserve	12,801,110	-	-	-	12,801,110
Operational risk reserve	-	-	-	452,087	452,087
OTHER RESERVES					
Realised					
General Reserve	288,395	-	389,836	(470,394)	207,837
Reserves arising on TOE	(18,409)	-	-	18,409	-
Special Reserve: Proposed Dividend	198,542	(198,440)	44,000	(102)	44,000
Total realised reserves	468,528	(198,440)	433,836	(452,087)	251,837
Unrealised					
Interest on loans reserve	55,855	-	(1,330)	-	54,525
Investment income reserve	522	-	4,393	-	4,915
Total unrealised reserves	56,377	-	3,063	-	59,440
Total reserves	13,326,015	(198,440)	436,899	-	13,564,474

The regulatory reserve at 30 September 2016 represents 12.18% of total assets at that date.

The operational risk reserve at 30 September 2016 represents 0.46% of total assets at that date.

17. CREDIT RISK DISCLOSURES

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

- restricts the concentration of lending by the Credit Union within certain sectors or to connected persons or groups (concentration limits);
- restricts the absolute amount of lending to certain sectors to a set percentages of the regulatory reserve (large exposure limit)
- restricts the loan duration of certain loans to specified limits (maturity limits)
- requires specified lending practices to be in place where loans are made to certain sectors such as commercial loans, community loans or loans to another Credit Union.

The carrying amount of the loans to members represents Killarney Credit Union Limited's maximum exposure to credit risk. The following provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2016 €	%	2015 €	%
LOANS NOT IMPAIRED				
Total Loans Not Impaired	18,406,416	78.31%	15,046,880	74.44%
IMPAIRED LOANS:				
Not Past Due	48,337	0.21%	125,150	0.62%
Up to 9 Weeks Past Due	3,046,961	12.96%	2,493,281	12.34%
Between 10 and 18 Weeks Past Due	394,514	1.68%	311,828	1.54%
Between 19 and 26 Weeks Past Due	61,999	0.26%	150,475	0.74%
Between 27 and 39 Weeks Past Due	105,800	0.45%	164,241	0.81%
Between 40 and 52 Weeks Past Due	112,534	0.48%	93,690	0.46%
53 or More Weeks Past Due	1,328,794	5.69%	1,827,420	9.04%
Total Impaired Loans	5,098,939	21.69%	5,166,086	25.56%
TOTAL LOANS	23,505,355		20,212,965	

18. RELATED PARTY TRANSACTIONS

	No. of Loans	€
Loans advanced to Related Parties during the year	6	188,480
Total Loans Outstanding to Related Parties at the year end	12	220,337
Total Provisions for Loans Outstanding to Related Parties		-
Total Provision charge during the year for Loans Outstanding to Related Parties		-

The Related Party Loans stated above comprise of loans to members of the Board of Directors, the Management Team and members of the family of a member of the Board of Directors and the Management Team of Killarney Credit Union Limited.

Total Loans Outstanding to Related Parties represent 0.98% of the total loans outstanding at 30 September 2016.

19. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES

19a. Financial risk management

Killarney Credit Union Limited manages its members' shares and loans so that it earns income from the margin between interest receivable and interest payable. The main financial risks arising from Killarney Credit Union Limited's activities are credit risk, market risk, liquidity risk and interest rate risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Credit risk: Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to Killarney Credit Union Limited, resulting in financial loss to the Credit Union. In order to manage this risk the Board of Directors approves Killarney Credit Union Limited's Credit Policy, and all changes to it. All loan applications are assessed with reference to the Credit 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 generally comprised of interest rate risk, currency risk and other price risk. Killarney Credit Union Limited conducts all its transactions in Euro and does not deal in derivatives or commodity markets. Therefore Killarney Credit Union Limited is not exposed to any form of currency risk or other price risk.

Liquidity risk: Killarney Credit Union Limited'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 objective of the Credit Union's Liquidity Policy is to smooth the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

Interest rate risk: Killarney Credit Union Limited's main interest rate risk arises from adverse movements in interest rates receivable which would affect investment income. Killarney Credit Union Limited reviews any potential new investment product carefully to ensure that minimum funds are locked in low yielding long term investments yet at the same time maximising investment income receivable.

19b. Liquidity risk disclosures

All Killarney Credit Union Limited's financial liabilities are repayable on demand with the exception of certain term share accounts and pledged shares. The Credit Union retains, at all times, liquid assets amounting to a minimum of 20% of unattached savings.

19c. Interest rate risk disclosures

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

	2016		2015	
	Average interest Rate	Average interest Rate	Average interest Rate	Average interest Rate
	€	%	€	%
Loans	<u>23,505,355</u>	8.80%	<u>20,212,965</u>	9.01%

The dividend payable is at the discretion of the Directors and is therefore not a financial liability of the Credit Union until declared and approved at the AGM.

20. DIVIDENDS

The following distribution was made during the year:

	2016		2015	
	%	€	%	€
Dividend on shares	0.25%	<u>198,440</u>	0%	<u>-</u>

The directors are proposing a dividend in respect of the year ended 30 September 2016 of €44,000 (0.05%) (2015: €198,542 (0.25%)) subject to agreement by the membership at the AGM.

21. POST BALANCE SHEET EVENTS

There have been no significant events affecting the Credit Union since the year end.

22. INSURANCE AGAINST FRAUD

The Credit Union has Insurance against fraud in the amount of €5,200,000 in compliance with Section 47 of the Credit Union Act, 1997 (as amended).

23. CONTINGENT LIABILITIES

There are no contingent liabilities in existence at 30 September 2016 that would impact on the financial statements.

24. COMPARATIVE INFORMATION

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

26. TRANSITION TO FRS 102

This is the first financial year that Killarney Credit Union Limited has presented financial statements complying with FRS 102. The last financial statements under Irish GAAP were for the financial year ended 30 September 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Killarney Credit Union Limited's date of transition to FRS 102 is 1 October 2014. Set out below are the changes in accounting policies which reconcile the excess of income over expenditure for the financial year ended 30 September 2015 and Other Reserves as at 1 October 2014 and 30 September 2015 between Irish GAAP as previously reported and FRS 102.

Reconciliation of Excess of Income over Expenditure from previous accounting standards to FRS 102

	Note	2015 €
Excess of income over expenditure as previously reported		588,642
Bad debt provision	(a)	43,037
Accruals basis for income recognition	(b)	14,753
Investments	(c)	3,115
Short term employee benefits	(d)	15,000
Pension Provision	(e)	16,306
Excess of Income over Expenditure (in accordance with FRS 102)		680,853

Reconciliation of Other Reserves from previous accounting standards to FRS 102

	Note	2015 €	2014 €
Other reserves as previously reported		13,263,142	11,517,730
Bad debt provision	(a)	59,407	16,370
Accruals basis for income recognition	(b)	55,855	41,102
Investments	(c)	7,439	4,324
Short term employee benefits	(d)	-	(15,000)
Pension Provision	(e)	(59,828)	(76,134)
Other Reserves (in accordance with FRS 102)		13,326,015	11,488,392

The adjustments are:

(a) Bad Debt Provision

FRS 102 does not allow general provisions for bad debts, thereby resulting in the add back of any General Bad Debt Provision at 30 September 2014 and 30 September 2015.

(b) Accruals basis for income recognition

Credit Unions historically account for interest income on loans on a cash receipts basis. FRS 102 requires that income be accounted for on an accruals basis. Interest earned as at 30 September but not received until after September is now accrued at 30 September. The adjustment is retrospective.

(c) Investments

Investments accounted for under the old "cost model" rules have been restated to amortised cost/fair value resulting in an adjustment applied retrospectively to both the income recognised from these investments and in their carrying amount.

(d) Employee benefits

FRS 102 requires the cost of short-term compensated absences to be recognised when employees render the service that increases their entitlement. Killarney Credit Union Limited had not made an accrual for short-term employee benefits at 30 September 2014 resulting in an adjustment to the Other Reserves at 30 September 2014 and the excess of income over expenditure For the Financial Year Ended 30 September 2015.

(e) Pension provision

FRS 102 requires a provision to be recognised where an agreement has been entered into with a multi-employer plan that determines how the deficit will be funded. The provision is measured based on the contributions payable that arise from the agreement with the multi-employer pension plan to the extent that they relate to the deficit.

SCHEDULES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 September 2016

The following Schedules do not form part of the Statutory Financial Statements which are the subject of the Independent Auditor's Report on pages 10 to 11.

SCHEDULE 1 – INTEREST ON LOANS	2016	2015
	€	€
Loan interest income received	1,839,221	1,556,747
Movement in loan interest income receivable	54,525	55,855
Total per Income and Expenditure Account	1,893,746	1,612,602

SCHEDULE 2 – OTHER INTEREST INCOME AND SIMILAR INCOME	2016	2015
	€	€
Investment income received/receivable within 1 year	874,513	869,469
Investment income receivable outside of 1 year	4,393	522
Total per Income and Expenditure Account	878,906	869,991

SCHEDULE 3 – OTHER INCOME	2016	2015
	€	€
Commission	55,027	59,038
Fees and Other Income	70,964	35,613
Total per Income and Expenditure Account	125,991	94,651

SCHEDULE 4 – OTHER MANAGEMENT EXPENSES	2016	2015
Other management expenses	€	€
Rent	36,500	36,250
Rates and Service Charge	47,347	42,764
Lighting and Heating	34,361	33,787
Repairs and Maintenance	28,846	23,512
Printing and Stationery	40,111	36,611
Postage	9,353	3,593
Telephone	15,360	12,598
Education and Subscriptions	13,538	8,638
Chapter, Social and Seminar Expenses	43,015	27,878
Regulatory Levies	86,660	86,965
Motor and Travel	21,096	9,986
Security	35,537	23,952
Bank Interest and Charges	61,150	48,613
Audit Fee	24,293	24,292
Promotions, Advertising and Sponsorship	130,475	78,757
General Insurance	36,415	33,831
Key man insurance	915	-
Share Loan Insurance	351,197	332,168
Consultancy Fees	20,020	37,639
Pension	92,348	84,526
Legal and Professional Fees	53,810	102,263
Maintenance Contracts	142,242	76,535
Office General Expenses	8,577	5,142
Uniforms	8,514	-
Affiliation Fees	75,094	80,170
Loss on Disposal of Fixed Assets	-	1,750
Cash Short	1,344	237
Merger Costs	-	37,171
Total other management expenses	1,418,118	1,289,628

Deposit Guarantee Scheme – Depositor Information Sheet

Basic information about the protection of your eligible deposits

Eligible deposits in Killarney Credit Union are protected by:	The Deposit Guarantee Scheme ("DGS") ⁽¹⁾
Limit of protection:	€100,000 per depositor per credit institution ⁽²⁾
If you have more eligible deposits at the same credit institution:	All your eligible deposits at the same credit institution are 'aggregated' and the total is subject to the limit of €100,000 ⁽²⁾
If you have a joint account with other person(s):	The limit of €100,000 applies to each depositor separately ⁽³⁾
Reimbursement period in case of credit institution's failure:	20 working days ⁽⁴⁾
Currency of reimbursement:	Euro or, for branches of Irish banks operating in another member state of the EEA, the currency of that member state.
To contact Killarney Credit Union Limited for enquiries relating to your account.	Killarney Credit Union Limited, Beech Rd., Killarney, Co. Kerry Tel: 064 6631344 Email: info@killarneycu.ie
To contact the DGS for further information on compensation:	Deposit Guarantee Scheme Central Bank of Ireland, PO BOX 11517 Spencer Dock, North Wall Quay, Dublin 1 Tel: 1890-777777 Email: info@depositguarantee.ie
More information:	www.depositguarantee.ie

Additional Information

(1) Scheme responsible for the protection of your deposit

Your deposit is covered by a statutory deposit guarantee scheme. If insolvency should occur, your eligible deposits would be repaid up to €100,000.

(2) General limit of protection

If a covered deposit is unavailable because a credit institution is unable to meet its financial obligations, depositors are repaid by the DGS. This repayment covers at maximum €100,000 per person per credit institution. This means that all eligible deposits at the same credit institution are added up in order to determine the coverage level. If, for instance, a depositor holds a savings account with €90,000 and a current account with €20,000, he or she will only be repaid €100,000.

(3) Limit of protection for joint accounts

In case of joint accounts, the limit of €100,000 applies to each depositor. However, eligible deposits in an account to which two or more persons are entitled as members of a business partnership, association or grouping of a similar nature, without legal personality, are aggregated and treated as if made by a single depositor for the purpose of calculating the limit of €100,000.

In some cases eligible deposits which are categorised as "temporary high balances" are protected above €100,000 for six months after the amount has been credited or from the moment when such eligible deposits become legally transferable. These are eligible deposits relating to certain events which include:

- certain transactions relating to the purchase, sale or equity release by the depositor in relation to a private residential property;
- sums paid to the depositor in respect of insurance benefits, personal injuries, disability and incapacity benefits, wrongful conviction, unfair dismissal, redundancy, and retirement benefits;
- the depositor's marriage, judicial separation, dissolution of civil partnership, and divorce;
- sums paid to the depositor in respect of benefits payable on death; claims for compensation in respect of a person's death or a legacy or distribution from the estate of a deceased person.

More information can be obtained at www.depositguarantee.ie

(4) Reimbursement

The responsible deposit guarantee scheme is:

Deposit Guarantee Scheme, Central Bank of Ireland, PO Box 11517, Spencer Dock, North Wall Quay, Dublin 1. Tel: 1890-777777. Email: info@depositguarantee.ie. Website: www.depositguarantee.ie.

It will repay your eligible deposits (up to €100,000) within 20 working days until 31 December 2018; within 15 working days from 1 January 2019 until 31 December 2020; within 10 working days from 1 January 2021 to 31 December 2023; and within 7 days from 1 January 2024 onwards, save where specific exceptions apply.

Where the repayable amount cannot be made available within seven working days depositors will be given access to an appropriate amount of their covered deposits to cover the cost of living within five working days of a request. Access to the appropriate amount will only be made on the basis of data provided by the credit institution. If you have not been repaid within these deadlines, you should contact the deposit guarantee scheme.

Other important information

In general, all retail depositors and businesses are covered by the Deposit Guarantee Scheme. Exceptions for certain deposits are stated on the website of the Deposit Guarantee Scheme. Your credit institution will also inform you on request whether certain products are covered or not. If deposits are eligible, the credit institution shall also confirm this on the statement of account.

Member Communications

Let's keep in touch

Win a €100 Shopping
Voucher from

SuperValu
Killarney & Kenmare

Please fill in the form and return by the 6th January 2017

Account No:

Account Name (s)

From time to time, the credit union, or third parties selected by the credit union may use your details to inform you of goods and/or services which may be of interest to you.

Opt-In: *I agree to Killarney Credit Union keeping me informed by:*

Phone: Yes No

Letter: Yes No

Email: Yes No

Email address:

Text Message: Yes No

Mobile No:

NOTES: You can opt out from member communications at any time by completing the unsubscribe box on communications you receive. Please refer to the Data Protection Notice & Privacy Statement on the website www.killarneycu.ie on how we use your data.

Members Signature:

Date:

Joint Signature:

Date:

Return:

By Post: Killarney Credit Union, Beech Road, Killarney, Co. Kerry.

By Hand: To any of the 3 offices – Beech Road / Park Road / Kenmare

Digitally: Scan or take a photo on your phone and email to marketing@killarneycu.ie

Online: Visit www.killarneycu.ie

WHERE MEMBERS MATTER MOST



Killarney
Credit Union

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

