



**Resilience and Experience
Unwavering in Challenging Times**

2020 ANNUAL REPORT



PROFILE




REGISTERED NAME

ST. KITTS CO-OPERATIVE CREDIT UNION LIMITED

Date of Registration as the Basseterre Co-operative Credit Union	1 July 1982
Date of Name Change to the St. Kitts Co-operative Credit Union	11 March 1986
Membership as of the end of 31st December 2020	17,921
Share Capital	9,437,345
Total Assets	187,959,134
Total Loans	112,834,034
Total Deposits	148,966,180
Total Comprehensive Income	6,531,739
Number of Employees	46
Insurers	TDC Insurance Co Limited, National Caribbean Insurance Co Ltd, Pan American – Life Insurance Ltd.
Lawyers	Johnson and Associates Law Firm. Dentons Delany. Hobson-Newman & Amritt.
Auditors	Grant Thornton
Software Providers	FedComp and CruiseNet
Bankers	St. Kitts Nevis Anguilla National Bank Limited Republic Bank (EC) Ltd Nevis Co-operative Credit Union Limited Police Co-operative Credit Union Ltd
Regulators	Financial Services Regulatory Commission (FSRC) - The Ministry of Finance

All amounts are expressed in Eastern Caribbean Dollars

P.O. Box 713, Bladen Commercial Development, Wellington Road & New Street, Basseterre, St. Kitts

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VISION

To build generational financial partnerships on the foundation of exceptional customer service.

MISSION

Empowering our members to improve their quality of life through holistic financial engagement.

CREDIT UNION PRAYER

Lord, make me an instrument of Thy peace
Where there is hatred, let me sow love
Where there is injury, pardon
Where there is doubt, faith
Where there is despair, hope
Where there is darkness, light
Where there is sadness, joy.

O Divine Master, grant that I may not
So much seek to be consoled as to console
To be understood as to understand
To be loved as to love
For it is in giving that we receive
It is in pardoning that we are pardoned
And it is in dying that we are born to eternal life.

Prayer of Saint Francis of Assisi



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STANDING ORDERS

A member may only address the meeting through the Chairperson and must stand or raise his/her hand on the virtual platform when addressing the Chairperson.

Speeches are to be clear, concise and relevant to the subject before the meeting.

A member shall only address the meeting when called upon by the Chairperson to do so, after which he shall immediately take a seat or lower his/her hand.

A member shall not speak twice on the same subject except:

- The mover of a motion, who has the right to reply
- In order to object or explain (with the permission of the Chair)

The mover of a procedural motion (adjournment, lay on the table, motion to postpone) has no right to reply.

No speeches are to be made after the "Question" has been put and carried or negated.

A member raising a "Point of Order" must state the point clearly and concisely. (A "Point of Order" must have relevance to the "Standing Order".

A member shall not call the Chair to order and should not "Call" another member "To Order" but may draw the attention of the Chair to a "Breach of Order".

A "Question" should not be put to the vote if a member desires to speak on it or to move an amendment to it, except that a procedural motion may be moved at any time.

Only one amendment should be before the meeting at any given time.

When a motion is withdrawn any amendment to it fails.

The Chairperson has the right to a "Casting Vote."

If there is equality of voting on an amendment and if the Chairperson does not exercise his casting vote the amendment is lost.

Provision is to be made for protection by the Chairperson from vilification (personal abuse).

No member shall impute improper motives against another member.

Special guidelines will be given by the Chairperson to those attending virtually.



NOTICE OF THE 38TH ANNUAL GENERAL MEETING

DEAR MEMBER

Notice is hereby given that the Thirty-eighth (38th) Annual General Meeting of the St. Kitts Co-operative Credit Union Limited (SKCCU) will be held as a combined virtual and physical meeting at the Caribbean Confederation of Credit Unions Conference Room, Fortlands, Basseterre, St Kitts and via the Zoom platform on Thursday, 27 May, 2021 at 5:00 pm.


SONIA EDWARDS (MRS)
SECRETARY

10 MAY 2021

AGENDA

1. Call to Order
2. Invocation
3. National Anthem
4. Welcome Remarks
5. Ascertainment of Quorum
6. Minutes of 37th Annual General Meeting, Amendments, Matters Arising and Adoption
7. Presentation and Acceptance of Reports
8. Auditor's Report and Presentation and Acceptance of Financial Statements
9. Treasurer's Report and Declaration of Dividends
10. Setting Maximum Liability Ceiling
11. Appointment of Auditors
12. Resolution - Resolution to change the par value of shares from \$5 to \$1
13. Question and Answer Session
14. Election of Officers
15. Acknowledgement of Retiring Volunteers
16. Any Other Business
17. Vote of Thanks
18. Adjournment



MINUTES OF 37TH ANNUAL GENERAL MEETING

MINUTES OF 37TH ANNUAL GENERAL MEETING
HELD ON TUESDAY, 28 JULY 2020
AT THE CONFEDERATION OF CREDIT UNIONS CONFERENCE ROOM
FORTLANDS, BASSETERRE

Minutes of 37th Annual General Meeting (AGM) of the St Kitts Co-operative Credit Union (SKCCU) Ltd convened at the Confederation of Credit Unions Conference Room, Fortlands, Basseterre, on Tuesday, 28 July 2020.

The following was the proposed Agenda:

GENERAL SESSION:

1. Call to Order
2. Invocation
3. National Anthem
4. Welcome Remarks
5. Ascertainment of Quorum
6. Minutes of 36th Annual General Meeting held on 25th June 2019, Amendments Matters Arising and Adoption
7. Presentation and Acceptance of Reports
8. Auditor's Report and Presentation and Acceptance of Financial Statements
9. Treasurer's Report and Declaration of Dividends
10. Setting Maximum Liability Ceiling
11. Appointment of Auditors
12. Election of Officers
13. Acknowledgement of Retiring Volunteers
14. Member Presentation
15. Any Other Business
16. Vote of Thanks
17. Adjournment



ITEM 1: CALL TO ORDER

The Annual General Meeting was called to order at 5:03 pm by Alex Straun, President and Chairperson of the meeting.

ITEM 2: INVOCATION

Pastor Linden Elliot of the Seventh Day Adventist Churches of District #2, St Kitts invoked God's blessings on the proceedings, following which Ms Shalloyda Hewlett recited the Credit Union Prayer.

ITEM 3: NATIONAL ANTHEM

An instrumental version of the National Anthem was played.

ITEM 4: WELCOME REMARKS

The Chairperson welcomed all present, both virtually and face-to-face, who came to receive an account of the Board's stewardship for the year ended 31 December 2019.

President Straun reminded members that despite the Annual General Meeting being held virtually there must still be order in place for the meeting. He drew their attention to the Standing Orders in the AGM Booklet which outlines the protocol for the meeting. He highlighted some additional guidelines:

- A member viewing virtually may only address the chair by raising his/her hand.
- Only members who raised their hand will be acknowledged.
- If a member unmutes his/her mike and begins to speak her/she will be muted.
- The meeting has specific time limit. The maximum duration for a member to speak is one (1) minute.
- Members are encouraged to submit their questions in advance and every effort would be made to answer within the allotted time.



President Straun thanked members for their steadfastness, faith in the SKCCU and encouraged members to stay strong.

BUSINESS SESSION

ITEM 5: ASCERTAINMENT OF QUORUM

Mrs Kjellin Rawlins Elliott, Registrar of Credit Unions, checked the register of attendees both face-to-face and virtually and confirmed that the number of members present constituted a quorum for the Annual General Meeting.

ITEM 6: MINUTES OF THE 36TH ANNUAL GENERAL MEETING, MATTERS ARISING AND ADOPTION

The minutes were read into the record by Mr Auren Manners, Secretary. There were no amendments to the minutes.

The minutes were accepted on a motion moved by Claudine Saunders and seconded by Ivor Blake.

ITEM 7: PRESENTATION AND ACCEPTANCE OF REPORTS **'BOARD OF DIRECTORS' REPORT**

Mr Alex Straun, President, presented the Board of Directors Report. He highlighted the achievements over the financial year.

He reported that the Credit Union continued the path of transformation and consolidation over the past year. One of the achievements was the creation of a new Strategic Plan. The planning stage had already begun, and the Board is pleased with its results and is looking forward to its execution over the 2020 to 2022 time frame.

The new vision is *"To build generational financial partnerships on the foundation of exceptional customer service"*. The new mission is *"Empowering our members to improve their quality of life through holistic financial engagement"*.



President Straun highlighted some of the initiatives that the Credit Union would be undertaking over the next three years:

- Rebranding
- Issuance of Debit Card
- Upgrade of ATMs
- Introduction of Smart Machines
- Implementation of a Document Management System
- Online Loan Application with capacity to seamlessly upload applications and documents.
- Construction of homes at Douglas Estate. He reported that due to COVID-19 the project was delayed.
- The Project Manager is already on board.

THREATS

Challenges are faced from multiple sources, including:

Liquidity of commercial banks resulting in targeting the membership of the SKCCU with attractive loan rates, in particular mortgage rates.

Loan sharks pilfering members by offering quick and easy, but expensive and deceiving loans.

A continuing stream of new and harsher regulations from AML & IFRS and worst of all delinquency. As at December 2019, delinquency rate was at 5.92%.

HIGHLIGHTS

SKCCU had a very successful year (2019). Total comprehensive income as at 2019 was \$1,731,855.

Maintained full loan loss provisioning throughout the year, even though it reduced the earnings of the SKCCU.

- Membership grew by 1023 in 2019.
- Members with loans under \$27,000 are enrolled in the Loan Protection Plan offered by CUNA.
- Dividends were paid to members.
- In closing he gave the following advice to members:
 - Be prepared for whatever will come in 2021.
 - Endeavour to save to protect your financial future, pay down on your loans, do not accumulate arrears;
 - spend wisely.



Borrow from your Credit Union. Visit the office and speak to staff when experiencing difficulties in repaying loans before the situation escalates.

President Straun reminded members that the SKCCU is with them through all their financial needs from cradle to the grave.

He thanked the dedicated volunteers and staff for their hard work and the members for their continued support.

SUPERVISORY AND COMPLIANCE COMMITTEE'S REPORT

The Report was presented by Ms Antonette Hodge, Chairperson.

She reported that, among other things, the Committee's responsibility is to ensure reliability and integrity of the SKCCU's financial reporting.

The Committee is comprised of the following:

Ms Antonette Hodge	-	Chairperson
Mrs Juliette Warde	-	Secretary
Mrs Willa R M Liburd	-	Member
Mrs Althea Esdaille	-	Member
Ms Desiree Connor	-	Member

Ms Hodge highlighted some deficiencies found and recommendations made from the Committee's review of the following: Annual General Meeting of July 2019, Corporate Credit Card, Housing Project, Loan Status report for volunteers and staff, Dormant Accounts Report, Compliance Transaction Monitoring Report and Loan Application Review.

In closing, she thanked the members of the Committee for their co-operation during the year, staff members for their assistance and the membership for the confidence in the Committee's oversight.



CREDIT COMMITTEE REPORT

The Report was presented by Mr Sherman Casey, Chairperson.

He reported that the focus of the Committee for the past year was to ensure that the SKCCU met the needs of its members and that they received priority attention in a timely and efficient manner which was evident through the launch of various loan promotions.

The Composition of the Committee is as follows:

Mr Sherman Casey	-	Chairperson
Ms Vernice Morton	-	Secretary
Mrs Jennifer Tross-Clarke	-	Member
Ms Camelita Huggins	-	Member
Mrs Dorietta Fraites	-	Member

Over the last year, 1,600 new loans were granted to members. There was an increase in the total value of new loans to \$36.68M when compared with the total value of \$33.98M in 2018. The total value of loans increased in 2019 due to an increase of 7.65% in total number of loans approved to 1605 when compared to 2018. The increase in the total number of loans in 2019 was a result of an increase in four (4) major categories of loans, namely: Commercial Loans, Vacation/Travel Loans, Mortgages and Promotional loans.

There was a decrease in delinquency from \$9,521,363 in 2018 to \$6,277,616 in 2019, which represents a reduction in the delinquency portfolio of \$3,243,747. Past due loans up to 3 months, declined from \$3,506,536 in 2018 to \$2,716,553 in 2019. Past due loans up to 3-6 months increased from \$619,864 in 2018 to \$1,526,292 while past due loans over 6-12 months decreased from \$1,443,008 to \$964,729.

In closing, Mr Casey called on the membership to keep their commitments to their Credit Union and visit the offices in a timely manner if they are unable to honour their obligations. He emphasized that the SKCCU can only provide members with latitude with their loan requests if they demonstrate commitment to their responsibilities.



He acknowledged the support and commitment of the Management, Staff and Members of the SKCCU as all work together to make the SKCCU, the member-focused Institution that we are seeking to develop

EDUCATION AND MEMBERSHIP COMMITTEES REPORT

The Report was presented by Mr Cleon Bradshaw, Chairperson.

Mr Bradshaw informed the membership that the Education and Membership Committee is mandated to guarantee that the membership of the SKCCU is well informed about the products and services that the Institution offers and that members receive all the benefits to which they are entitled.

The Committee is comprised of the following:

Mr Cleon Bradshaw	-	Chairperson
Mrs Shirmel Woods	-	Secretary
Mrs Marilyn Johnson	-	Member
Ms Julie Charles	-	Member

He highlighted two (2) activities held during the year; a Member Education Forum on the Benefits of the Family Indemnity Plan facilitated by Mr Patrick Thompson, CUNA Insurance Representative and the SKCCU, in conjunction with other Financial Institutions, participated in an Outreach Initiative (gift packages for Seniors) organized by the Eastern Caribbean Central Bank.

In closing, Mr Bradshaw emphasized the Committee's commitment to the continued advancement of the membership and the Institution by ensuring that the members' experience is beyond the extraordinary, and the flow of financial information is constant and consistent.

MOTION FOR THE ACCEPTANCE OF THE REPORTS

The motion for acceptance of all reports was moved by Sherillia Massicott and seconded by Lenar do Christmas. There being no dissent, the motion was carried



ITEM 8: PRESENTATION AND ACCEPTANCE OF FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The Independent Auditor's Report was presented by Ms Raquel Glynn, Partner, BDO Eastern Caribbean. The Auditors expressed the unqualified opinion that the financial statements represented fairly in all material aspects, the financial position of the SKCCU as at 31 December 2019, and its financial performance and cash flows for the year ended, in accordance with International Financial Reporting Standards.

The Financial Statements were accepted on a motion moved by St Clair Tyson and seconded by Samuel Lawrence. There being no dissent, the motion was carried.

ITEM 9: TREASURER'S REPORT AND DECLARATION OF DIVIDENDS

The Treasurer's Report was presented by Mr Ivor K Phillip, Treasurer.

Mr Phillip gave an overview of the financial statements as at 31 December 2019. He indicated that the SKCCU continues to build upon the principle of remaining financially sound. In 2019, the SKCCU maintained close monitoring of the performance indicators as well as the change in International Financial Reporting Standards, laws and regulations that could have financial impact on the Institution. Assets grew by 11.3% (\$17.1m) in 2019 to an amount of \$168m. In the previous year assets grew by 11.7% (\$15.8m). The 2019 growth was due primarily to increase in loans. Total assets over the last five (5) years had an average annual rate of growth of 12.8% and for the current year grew by 54.2% over the past five (5) years. Loans to members grew by 16.1% or \$14.5m compared to 10% or \$8.3m in 2018. Total loans represent 62.4% of total assets. Aggregate loans stood at \$105m.

Liabilities: The ratio of Member Deposits to total assets stood at 80.7%. Member Deposits grew by 12.1% (\$14.6m) when compared to the previous year, when 15.2% growth was experienced. Equity: Member Equity increased by 7.8% in 2019; Member Shares increased by 13.4% (\$1m) compared to an increase in 8% in the previous year. Reserves increased by 5.8% (\$1.2m) compared to a decrease of 3.6% in 2018. The decrease in 2018 was as a result of a reduction in retained earnings as the Institution transitioned to IFRS9. Operating Income increased by 21.6% (\$1.7m) compared to a reduction of 4.1% (412,000) in 2018. Interest Income from loans was the main revenue earner, increasing by 17%. Other Income increased by 54% mainly due to increase in bad debt recovered over the previous year. Operating expenses increased by 27.1% (1.8M) compared to an increase of 9.5% in the previous year. The main contributor was bad debt expense which increased by 204.6% (\$1.2m).



Delinquency: IFRS9 is now fully implemented in the Institution. Though the rate of delinquency reduced from 10% at 31 December 2018 to 6% as at 31 December 2019, the Credit Union continues to face challenges in the area of delinquency. The Institution is aware that the end result of COVID-19 could have adverse effect on its loan portfolio. The situation could render some loans as unrecoverable. The Institution, however, remains vigilant and will work together with members to minimize the adverse effects that may arise.

The Pearls rating was 2.1% out of a possible 5%. Growth in Total Assets 10.82%; Savings Deposits to Total Assets 80.68% and Net Institutional Capital over Total Assets 14.27%.

The motion for the acceptance of the report was moved by Mr Leonardo Christmas and seconded by Rapha Bailey. There being no dissent, the motion was carried.

The Treasurer reported that the Board of Directors have considered the 2019 financial performance and concluded that the Institution was in a position to pay dividends of 7% which was to be broken down as 3% in shares and 4% in cash.

The motion for acceptance was moved by Leonardo Christmas and seconded by Samuel Lawrence. There being no dissent, the motion was carried.

Question: When dividends are declared at the Annual General Meeting, it is expected that it would be paid at the same time or shortly after. Over the years it has taken months after the AGM before dividends is paid to members.



Response: No matter what the financial position of the Institution, the AGM is where dividends are approved for payment to members. The Institution has endeavoured to call the AGM shortly after the financial year end.

Question: How long will the proposal to pay dividends in shares and cash continue?

Suppose a member does not need any more shares. What amount of shares should a member have to maintain membership in the Credit Union? If a member has 500 or 5,000 shares does the Credit Union have the authority to give more shares if the member does not wish to have any more shares? The matter was brought up at the AGM two (2) years ago. It was said that members could not recoup shares from another member. It was also suggested to get shares back from members who are in financial difficulty to ensure the Institution meets its Share Capital.

Response: The option was used to ensure that the Institution remained strong and has the necessary capital to withstand any difficulty that may arise. By law, shares to total assets should be 10%. Currently, the Institution is at 5%. Members are not volunteering to purchase additional shares. Members prefer to make deposits than to purchase shares. The Institution has to show its regulators that there is some effort being made to meet the share requirement as stated by law, and the distribution of shares as part of the dividends was one of the options. If that decision was not made, the Institutional capital would have been less, and the Institution would have been reprimanded by our regulators.

Question: What other option could be used to meet the requirement in shares as required by law?

Response: The following suggestions were recommended:

When new members join the Institution, the share amount should be increased from 20 shares to 40 shares and current members be encouraged to purchase more shares; Accept shares as security for loans; Revisit the cost of shares from \$5 to \$1.



Response: A member may raise a motion to change the cost of shares from \$5 to \$1. The motion must be carried by 75% of the members present at the AGM (face-to-face and virtually). Once the 75% of membership agrees, the Institution could amend its regulation to \$1 per share.

It was further noted that the Financial Services Regulatory Commission (FSRC) advised that it is more prudent to present the recommendation in a resolution before the AGM. Therefore, a special meeting will be called to pass the resolution.

Question: In order to meet the 10% requirement for shares, could a decision be made for members to purchase at least 500 shares and if a member would like to purchase more, they could do so? Do not automatically add shares for members.

Response: The suggestion is acknowledged, and the matter would be looked at closely to determine an option suitable for all.

It was further clarified that shares are now accepted as security for loans. The By-Laws state that shares could be used as security for loans and the SKCCU has implemented that practice for some time now.

It was brought to the attention of the members that by law if the Share Capital falls below 5%, the Institution would be unable to pay dividends. As a co-operative, it is not only guided by its financial standing but also by the law.

Question: Look at the interest rate for members who have been purchasing shares and accessing loans on a regular basis. 15% promotional rates should not include members who access loan on a regular basis (approximately 4-6 times).

Response: Point noted.



ITEM 10: SETTING MAXIMUM LIABILITY CEILING

The Treasurer reported that in keeping with the recommendation for the past three (3) years, it was proposed that the Maximum Liability Ceiling should be set at EC\$5M for 2020. This is the maximum the Board can borrow without special approval from its members.

The motion was moved by Annick Bedford and seconded by Myrtle Nicholas. There being no dissent, the motion was carried.

HONORARIUM FOR VOLUNTEERS

It has been customary for the Institution to provide a gift to staff and volunteers as a token of appreciation for the work done over the past year. The total amount approved by the Board of Directors each year is in keeping with the amount that can be afforded based on the performance of the Credit Union. The Co-operative Societies Act provides for the payment of an honorarium to Directors, provided that it does not exceed an amount approved from time to time by a general meeting of the members.

Members were therefore, asked to authorize the Board of Directors to continue to approve the Annual Christmas Gift/Honorarium to Directors, Committee members and staff in an amount not exceeding \$75,000 annually.

The motion for acceptance was moved by Samuel Lawrence and seconded by Dehann Henry. There was no dissent, and the motion was carried.

The Treasurer emphasized that the Board of Directors, Management and Staff continue to work together to ensure that the financial stability of their Credit Union is maintained. The SKCCU remains committed to its operating principles and will continue to work hand in hand with, its members.

ITEM 11: APPOINTMENT OF AUDITORS

The Chairman reported that over the last two (2) years, BDO Eastern Caribbean served as Auditors. He expressed thanks for their support and professional performance. Due to the new environment, there were some challenges in terms of the ability for BDO to be physically present due to COVID-19 travel restrictions. It was therefore, recommended that Grant Thornton be appointed as the Auditors for the financial year 2020. Grant Thornton previously served in this capacity for several years.



The motion for the appointment for Grant Thornton to serve as Auditors for the financial year 2020 was moved by Claudine Saunders and seconded by Victor Lake. There being no dissent, the motion was carried.

Question: Is the change from BDO to Grant Thornton due to non-performance by BDO or the cost for doing the job?

Response: Neither, on an annual basis auditors have been rotated for the following reasons:

To ensure a response to the issues at hand in an efficient and timely manner.

Challenges due to COVID-19; It would not have been possible for BDO to travel from Antigua to St Kitts to do due diligence and have the quality assurance that is required.

There being no dissent, the motion was carried.

ITEM 12: ELECTION OF OFFICERS

The Nomination Committee Report was read by Mrs Shirmel Woods. In accordance with Article XIII, section 41 (1) of the By-Laws of the St Kitts Co-operative Credit Union LTD, the Board of Directors appoints a Nominating Committee to nominate and accept nominations for each vacant position on the Board of Directors and Committees, in an effort to ensure continuity once members have retired.

The following persons were approved by the Board to serve on the Committee:

Mrs Shirmel Woods	Director/Chairperson
Mrs Janet Harris	Chief Executive Officer
Ms Joanna Collins	Secretary

Following due diligence by the Nomination Committee, the nominees were approved by the Board for nomination to serve on the various committees as follows:



BOARD OF DIRECTORS

Mr Edward Gift
Mr Keith Phillip

SUPERVISORY AND COMPLIANCE COMMITTEE

Mrs Yvette Pamella Osborne

CREDIT COMMITTEE

Mrs Denise Edwards, Ms Joan Franks and Mr Anthony Wiltshire.

The biographic information of the nominated members was presented by the Chairperson. Thanks was expressed to all retiring volunteers for their unwavering commitment to the continued work of the SKCCU.

The voting process was conducted by Counsel Vadesha John of Johnson & Associates Law Firm.

The motion for Mr Edward Gift and Mr Keith Phillip to serve on the Board of Directors was moved by Leonahrdo Christmas and seconded by Rapha Bailey. There being no dissent, the motion was carried.

Question: Is the statement correct in asking for nominations from the floor? If it is a virtual setting, how would one know who is present?

Response: Given the plan to have a virtual format for the meeting, members were asked to consider persons who are suitable to serve on the various committees and submit nominations three (3) days prior to the AGM. This was to ensure a seamless validation process. Given that there were no nominations submitted within the prescribed deadline and in the interest of time the election had to move forward to ensure a transparent process is conducted.



The motion to cease nomination for members to serve on the Board of Directors was moved by Mr St Clair Tyson and seconded by Auren Manners and Felicia Wattle. There being no dissent, the motion was carried.

It was declared that Mr Edward Gift and Mr Keith Phillip were elected to serve on the Board of Directors.

The motion for Mrs Denise Edwards, Ms Joan Franks and Mr Anthony Wiltshire to serve on the Credit Committee was moved by Leonardo Christmas and seconded by Claudine Saunders. There being no dissent, the motion was carried.

It was declared that Mrs Denise Edwards, Ms Joan Franks and Mr Anthony Wiltshire were elected to serve on the Credit Committee.

The motion for Mrs Yvette Pamella Osborne to serve on the Supervisory and Compliance Committee was moved by Leonardo Christmas and seconded by Albert Edwards. There being no dissent, the motion was carried.

It was declared that Mrs Yvette Pamella Osborne was elected to serve on the Supervisory and Compliance Committee

Comment: In reference to the earlier statement on the nomination, the letter received is totally different to the statement just said. The letter sent to members regarding registration did not indicate to submit names for any committee nor did it provide an avenue for members to indicate their nominee to serve on any committee.

Response: A member would have received a confirmation email which would have clearly stated what would be allowed and what would not. Once you would have gone to the landing page, it would have given you the opportunity to see all nominees and to nominate someone as well as to submit the resume of the person you would like to nominate. Permission was only provided to confirmed persons for the meeting. Maybe you did not peruse the entire email to see that portion. Due to time limit, certain section of the email, including the nomination section, would have been cut off three (3) days in advance of the meeting.



A motion for the re-election of Mr Alex Straun and Mr Cleon Bradshaw to serve on the Board of Directors was moved by Claudine Saunders and seconded by Albert Edwards. There being no dissent, the motion was carried.

A motion for the re-election of Willa Liburd to serve on the Supervisory and Compliance Committee was moved by Keesha Thomas and seconded by Albert Edwards. There being no dissent, the motion was carried.

Elections were declared closed.

ITEM 13: QUESTION AND ANSWER SESSION

THE FOLLOWING QUESTIONS WERE ASKED ONLINE

PRIOR TO THE AGM.

Question: What is the reason for increased expenditure?

Response: A closer look at Note 23 in the audited financials would reveal the following:

- The total staff costs of \$3,120,082 is broken down into three components: Salaries and wages, social security contributions and staff benefits.
- Salaries and wages increased by \$41,426 or 1.77%.
- Social Security contributions increased by \$9,281

Staff benefits

Increased by \$326,776 or 170%. Staff benefits is made up of pension expense which increased by \$7,747 or 16%; travel allowance which increased by \$2,100 or 12%; staff benefit which increased by \$247,011. Included in this amount are end of contract gratuity for both CEO and Internal Auditor \$96,763.80-which is one off. Staff benefits also include the staff Christmas party which totaled \$44,108-there was none in the previous year. The staff Christmas bonus which increased by \$7,498 is also included in this account.



LOAN LOSS PROVISION:

IFRS9 became effective in 2018. This was the first year that it was introduced. The standard allowed for a portion to be charged against retained earnings (\$2,326,192). The actual expense for 2018 would have been \$2,938,779 (\$2,326,192 + \$612,587) had a portion not gone directly to retained earnings.

Insurance

The increase of \$110,627 was due solely to the introduction of Loan Protection Insurance in August 2019 for members with loans under \$27,000.

Committee

Expense relates to all expenses related to Board meetings, Board members' education and Board honorarium.

Finance

Cost is due solely to the charge of 0.235% for cash purchased implemented by National Bank in September.

Question: What, if any allowances are being made for members who do not wish to or are not able to sign up for online banking?

Response: While we would like all of our members to be enrolled, we do recognize that there would be those who may have a challenge in moving towards this and we respect your position. However, we have recently upgraded our Online Banking Platform and members are now able to enroll online at their convenience. This means that there is no need to visit any of our locations to sign up. For persons who may still have doubts in signing up, rest assured that our platform is safe and secure. It also saves much valuable time as it eliminates having to line up in long queues to perform routine transactions. We also have our ATM service available at your convenience.

Signing up for online banking is a choice which we would strongly encourage our members to make so that they can take full advantage of the services offered digitally. But if the members choose not to do so we still welcome the members to our branches where they can conduct business face to face.



Question: In light of the fact that the commercial bank's network was down following the fire at RBC earlier this month, is any back-up in place for smooth operation when most if not all members are being strongly encouraged to sign up for online banking?

Response: SKCCU network is completely different to RBC. SKCCU has put in place a business continuity plan in the event of any disasters. This plan will guide us in making a smooth transition if any such incidents were to occur.

Question: Has consideration been given to having members choose to attend meetings virtually after the COVID-19 regulations have been relaxed?

Response: Not at this point, but it is something we can investigate and get our members' feedback on.

Question: You have recently implemented a new aspect of your Family Indemnity Plan which covers cancer treatment, accidents etc. Why was there no consideration made for those members who have to care for family members who suffer from severe mental illness, who as a result would not be able to attain any form of employment. Are there any plans for the SKCCU to make upgrades to the level of coverage to aid members in this regard?

Response: The FIP is a product offered by CUNA Caribbean Insurance. They decide on what to offer based on demand and other considerations. We can pass your concerns on to their representative.

Question: There has been much chatter and disappointments as to the way the ATMs operate. Is there something being done to solve the issue?

Response: Our ATMs problems are being caused mainly by the change to the new polymer notes. This is a battle that has been happening around the region. Due to the onset of COVID19, maintenance has been hampered because of travel restrictions. We are in the process of making plans to replace our ATMs as a means of providing better service to our members in the near future.

Question: Customer service has always been an issue especially as it relates to the turnaround time from the inside tellers, as well as the drive-thru area. What measures are you proposing to implement to remedy this long cry of your customers? Additionally, can you please explain why the ATM machines are always malfunctioning?



Response: An excellent customer experience for our members is of priority to the Institution and we are constantly working on improving the experience our members receive. As it relates to turn around time, there are many factors that can affect turn-around time on any given day. The type of and number of transactions being conducted, the update of passbooks and staff shortages are some of the factors that may result in a much longer turnaround time. We are currently looking at ways to improve productivity and lessen the time a member spends in line. We have provided on the fly training on time management skills for tellers to aid in a quicker turn-around time. Further, we have upgraded our online banking platform to accommodate your needs and we are encouraging all members to sign up and conduct their banking activities at their convenience. We are also looking at automating some of our processes which will result in less time spent at the teller stations.

The Chairman indicated that additional questions were asked online. He acknowledged the receipt of the questions and advised that a frequently asked question (FAQ) section would be online where these questions would be answered.

Questions were requested from the audience.

Question: I was hoping to hear about hacking. Many commercial banks around Basseterre have been hacked. As you change ATMs you have to be careful of hackers.

Response: Security is of paramount importance to the Credit Union. This is something we will continue to do through technology audit and penetration testing. We will continue to pursue best practices to safeguard our resources that members have entrusted to us.

Question: Is the amount recovered from BAICO (British American Insurance) a one-time payment or another payment is expected?

Response: There is no schedule as to when payment would be made. Payment is ad hoc.



Question: With regard to delinquency, is it the method the Credit Union is using in collecting fees or is that the collection procedures need to be re-visited or salary deductions are not vigorously pursued?

Response: There has been much improvement in delinquency. Delinquency has moved from 17% in 2017, 10% in 2018 and 6% in 2019. Salary deduction orders are in place but there are times when members lose their jobs or change job and they do not put back a salary deduction order in place.

When loans pass 120 days they are sent to the lawyers for collection where members have to pay not only the loan amount but a processing fee to the lawyers. Members are encouraged to pay their loans on time and if they are not able to, visit the office for a restructuring plan.

Question: With the updated online banking service offered would members be able to pay bills online, such as cable or electricity?

Response: We are excited about the new digital platform. With this new feature, members can conduct peer to peer transaction. Currently the Credit Union is looking at arrangements to pay bills online.

Following the question and answer segment. A presentation on the services offered by CUNA Caribbean Insurance OECS Ltd was done by Mr Patrick Thompson, Sales Manager.

A video presentation was also shown on the signing of an agreement with 4Cs regarding the SKCCU Debit Card.

ITEM 14: MEMBER PRESENTATION

It is customary at the AGM to make a scholarship presentation to a Secondary School and Primary School student. The selection is done by raffle. The winners were Rosel Humphrey and Zakiya Maynard.



ITEM 15: ACKNOWLEDGEMENT OF RETIRING VOLUNTEERS

The following retiring volunteers were recognized for their sterling contribution to the SKCCU.

Board of Directors

Ms Sherillia Massicot
Mr Pierre Bowrin
Mrs
Mr Auren Manners

Credit Committee

Mrs Jennifer Tross-Clarke
Mrs Dorietta Fraites
Mr Sherman Casey

Supervisory & Compliance Committee

Mrs Juliette Simmonds-Ward

The Chairman indicated that there will be an online Wall of Fame of Volunteers and staff who have gone beyond the call of duty to serve the members.

ITEM 16: VOTE OF THANKS

The vote of thanks was delivered by Director Cleon Bradshaw.

ITEM 17: ADJOURNMENT

The meeting adjourned at 8:25 pm on a motion moved by Sherillia Massicot and seconded by Ivor Blake.

Alex Straun
President

J Sonia Edwards
Secretary



OPERATING PRINCIPLES OF THE CREDIT UNION

Democratic Structure

- **Open and Voluntary Membership** – The membership of this credit union is voluntary and open to everyone who is a citizen of the Federation of St. Christopher and Nevis who can make use of the institution's services and are willing to accept the responsibilities of being a member.
- **Democratic Control** – Each member of the Credit Union has equal rights to vote meaning one member one vote regardless of the amount of shares owned. It is the right of the member to participate in the decisions affecting the credit union, without regard to the amount of savings or deposit or volume of business. The credit union is self-governing, within the framework of the law and regulation, recognizing that the credit union as a co-operative enterprise will serve and be controlled by its membership.
- **Non-Discrimination** – Credit Unions do not discriminate on any grounds be it race, orientation, nationality, sex, religion or politics.

SERVICE TO MEMBERS

- **Distribution to Members** – The aim of the Credit Union is to encourage financial prudence through savings and provide loans and other products and services; a fair rate of interest is paid on savings and deposits, within the capability of the credit union. The surplus generated from the operations of the Credit Union after covering the cost of finance, operating costs, provision for loan losses and ensuring appropriate capital reserve levels, will belong to and benefits all members without exception. This surplus may be distributed among members as dividends on shares owned, or other means permitted by the Act as well as additional services beneficial to the members.
- **Building Financial Stability** – A prime concern of the Credit Union is to build the financial strength, including adequate reserves and internal controls that will ensure continued service to membership.
- **Service to Members** – The Credit Union services are directed to improve the economic and social well-being of all members.

SOCIAL GOALS

- **On-Going Education** – The Credit Union actively promotes the education of its members, volunteers, and employees, along with the public in general in the economic, social, democratic, and mutual self-help principles of credit unions worldwide. The promotion of saving and the wise use of credit as well as education on the rights and responsibilities of members are essential to the dual social and economic character of credit unions in serving members' needs.
- **Cooperation among Cooperatives** – In keeping with the credit union philosophy and the pooling of practices of co-operatives, credit unions within their capability actively cooperate with other credit unions, co-operatives, and their associations at local, regional, and international levels in order to best service the interests of the membership and the community.
- **Social Responsibility** – Continuing the ideals and beliefs of the credit union pioneers, this institution seeks to bring about human and social development. The vision of social justice extends both to the individual members and to the larger community in which they work and reside. The credit union ideal is to extend service to all who need and can use it. Every person is either a member or a potential member and appropriately part of the credit union sphere of interest and concern. Decisions should be taken with full regards for the interest of the broader community within which the credit union and its members reside.



BOARD OF DIRECTORS REPORT

“You never know how strong you are, until being strong is your only choice”.

The emergence of the Coronavirus, COVID-19, and the pandemic which ensued presented unprecedented challenges for our Credit Union. The foregoing quotation by Bob Marley very aptly sums up our chief takeaway for 2020.

Pandemic restrictions lead to significant changes in our operations. The conditions caused an increase in the adoption by our members of digital applications which has allowed the St Kitts Co operative Credit Union Ltd (SKCCU) to maintain the level its core services to members.

The Board of Directors would like to acknowledge the commitment and flexibility of our staff during these challenging times. Staff went above and beyond the call of duty to ensure that you were served. We would also like to recognize our members for your patience, understanding and allegiance over the past year 2020.

Despite the impact of COVID-19, we are thankful that we can report that 2020 was overall a year of growth and one in which we realized a commendable operational surplus despite the odds. The Audited Financial Statements will present our very commendable performance. Treasurer will highlight noteworthy accomplishments and also areas where we need to grow in his presentation.

Some of the fundamental issues that the Board had to confront in 2020 included:

- Creating a pandemic response policy as an amendment to the Business Continuity Plan.
- Extending a moratorium on loan principal repayment to members impacted by the COVID-19 fall out.
- Expanding payment options for our members by adding the peer-to-peer payment option to the online banking platform,
- Becoming involved in the ECCB DXCD project
- Continuing the pursuit of the Debit card solution.
- The successful hosting of our first ever virtual Annual General Meeting.
- Selecting suitable software to enhance the administration and services of the SKCCU. This included the HR software and Document Management software.
- Approving a new organization structure to support our new strategic plan, vision, mission and core values.



BOARD OF DIRECTORS REPORT

We are very proud of our 2020 accomplishments which demonstrate the resilience of your Credit Union in the face of adversities. In the area of operations, the staff sought to improve the services by being more interactive and showing appreciation to members. The product knowledge sessions and cross training conducted internally bore fruit in the confidence staff gained in making referrals and cross selling services. I am also pleased to report that we continued our goal to keep our Credit Union in the forefront of technology by investing in new Human Resource software and the Document Management System. Our surplus of \$4 million, in spite of the economic challenges faced by our nation and the entire world, demonstrates deep commitment to managing your resources well.

Notwithstanding the ongoing challenges, the Board intends to continue to vigorously pursue the new Strategic Plan which was unveiled in 2020. These plans include a rebranding project to increase our members' awareness of our brand and commitment to our core values, and to conduct several marketing campaigns to promote our services and expand our influence. We will also complete our Human Resource Audit and restructuring of the organization to position it to meet the upcoming challenges and carry out our new vision and mission in a more efficient manner.

The other major planned undertakings include the Scenic View Homes Project which has already started and is at the stage where the infrastructure is being built and the ground breaking ceremony has taken place. It is anticipated that the first phase, which consists of twenty (20) homes, will be built out in 2021/2022. The Debit Card Project was delayed as a result of the pandemic and the closure of our borders. However, we hope to bring this back on stream by August 2021.





You would have heard that our Credit Union is the only financial institution in St Kitts and Nevis participating in the Eastern Caribbean Central Bank (ECCB) DCash Pilot Project. Even though others will join later, the experience that we have gained from taking on this pioneering role will continue to be beneficial to us for a long time. The fact that we were able to remain committed to this project through all of the delays in its development also affirms our capacity to remain buoyant notwithstanding ups and downs. These words of the Apostle James from the scriptures appropriately describes the attitude that your Credit Union has adopted, and this is what keeps us grounded knowing that we are building up resilience to face any challenges which we may encounter.

“Count it all joy, my brothers, when you meet trials of various kinds, for you know that the testing of your faith produces steadfastness. And let steadfastness have its full effect, that you may be perfect and complete, lacking in nothing.

“Resilience is the quality that gives us the ability to adapt to stressful situations and allows us to “bounce back” from hardship. We have had more than our share of challenges over the past thirty-nine years. The wealth of experience that we have gained and the resilience that we have built up as an institution at the threshold of our 40th Anniversary is what gives our members the confidence that you and generations yet unborn can continue to trust your credit union over another four decades and beyond. Let us continue to adapt, innovate and change so that when the next test comes our way, we will be ready to respond from a position that is anchored in resilience and experience.

The Board would like to take the opportunity to thank all members, volunteers, committee members and directors for their support over the past very difficult year and we look forward to working together to deliver equitable and affordable financial services in the years ahead.

Alex Straun
President



BOARD OF DIRECTORS MEETINGS AND ATTENDANCE 2020

Name of Director	Position	Meetings Scheduled	Meetings Attended	% Meetings Attended
Alex Straun	President	9	9	100%
Cleon Bradshaw	Vice President	9	9	100%
Ivor Keithley Phillip	Treasurer	9	8	89%
J. Sonia Edwards	Secretary	9	9	100%
Patricia Welsh	Asst. Secretary	9	8	89%
Shirmel Woods	Director	9	7	78%
Tashna Powell Williams	Director	9	8	89%
Edward Gift	Director	9	6	67%
Keith Phillip	Phillip	5	0	0%



FINANCIAL HIGHLIGHTS

YEAR ENDED 31 DECEMBER 2020

	2020	2019	% Change
Total Assets	187,959,134	168,259,702	11.7
Cash and Cash Equivalents	39,304,454	29,730,647	32.2
Loans Members	112,834,034	105,013,669	7.4
Members' Deposits	148,966,180	135,754,419	9.7
Members' Shares	9,437,345	8,572,080	10.1
Reserves	20,139,822	16,551,260	21.7
Retained Earnings	7,963,278	5,594,327	42.3
Operating Income	10,491,457	9,417,909	11.4
Operating Expenses	6,242,689	7,525,951	-17.1
Staff Costs	2,772,408	3,120,082	-11.1
Total Comprehensive Income	6,531,739	1,731,855	277.2
Loan Loss Allowance/Delinquency > 12 months	164%	206%	-20.3
Loans/Total Assets	60.9%	63.6%	-4.3
Members' Shares/ Total Assets	5.0%	5.1%	-1.4



SUPERVISORY AND COMPLIANCE COMMITTEE REPORT

The duties, functions and powers of the Supervisory and Compliance Committee (the Committee) are legally authorized in Section 66 of the Co-Operative Societies Act, No.31 of 2011. As mandated in the said Act, one of the functions of the Committee is to ensure the reliability and integrity of the SKCCU's financial reporting. Other responsibilities include:

- Ensuring compliance with laws, regulations, policies and procedures.
- Evaluating the effectiveness and efficiency of operations.
- Reviewing the Internal Auditor's and Compliance Officer's engagement reports.
- Overseeing corrective action for deficiencies noted by the Internal Auditor and Compliance Officer and
- Ensuring that the Board of Directors (the Board) holds the members of Senior Management accountable for their function(s) in the institution.

The Committee comprised five (5) individuals to assist the institution in achieving its strategic objectives
The Committee Members are:

Antonette R Hodge – Chairperson
Willa M R Liburd – Deputy Chairperson
Althea Esdaille – Secretary
Desiree Connor – Member
Pamella Osborne – Member
Juliette Ward (past member retired July 2020)

INTERNAL CONTROL AND RISK MANAGEMENT OVERSIGHT

The Committee reviewed reports from the Compliance Officer which included the 'Compliance and Transaction Monitoring' Report.

The Committee reviewed the Internal Audit Activity's Work Schedule 2020 and found it was adequate to assist with mitigating risks and the enhancing of the internal control capacity of the Institution.

In addition to the Auditor's Monthly Risk Assessment Reports, other reports/documents reviewed by the Committee for the past year included:

- Minutes of the Board of Directors meetings
- Bank Reconciliation – December 2020
- ATM Cash Count Report
- Surprise Teller Cash Count Reports
- End of Year Cash Count Report
- Vault Cash (US and EC Dollar) Count Reports
- Share Certificate Report
- Stock Evaluation Report
- Proposed Robbery Manual and
- Security Report on Panic Buttons



The risk ratings for most of the reports were assessed as LOW; there were no 'high' risk assessments. The Committee members opined that there were opportunities for improvement and therefore forwarded specific recommendations to the Board to assist with efficiency and effectiveness of the operations. Other recommendations included encouraging the Board to:

- Provide ongoing departmental training on specific Policies and Procedures.
- Embark on more informational sessions for members and prospective members on various functions, services and member requirements of the SKCCU.
- Hasten the revision and approval of certain manuals.
- Hold management accountable for maintaining the timely updating of files.
- One Committee member was assigned to represent the Committee on the SKCCU Scenic View Homes Project Committee to assist with the steering and preparatory processes of the homes.

MEMBER TRAINING

The Compliance Unit of the SKCCU has implemented a full training schedule for the Board, the Committees, and staff members. Every Committee member is required to seize the opportunity for professional growth and to participate in the capacity building exercises to ensure that the SKCCU remains current and is equipped to respond to emerging risks.

In 2020 - 2021, the Board and Committee members, participated in a series of compliance training which focused on 'Anti-Money Laundering and Terrorist Financing', 'Know Your Customer(s)' and 'Customer Due Diligence'.

Other training sessions attended by the Committee included 'Identifying and Mitigating Threats' and 'Virtual Currency: Uses, Benefits and Risks'. Those training sessions were facilitated by the Compliance Officer.

In addition to those courses, the Committee members successfully completed a Certified Supervisory Certificate Programme in 2020 and one Committee member completed an online Audit Technique Workshop in 2021.



CONCLUSION

It will be remiss of me as Chairperson, not to recognize my committed, dedicated, resourceful and supportive Committee members without whom my task as Chairperson would be challenging. To all of you, I say THANK YOU! Board of Directors, Credit Committee, Internal Auditor, Compliance Officer, Senior Management and staff we all have the collective responsibility to work closely with each other to sustain the mission and vision of the SKCCU.

On behalf of the Supervisory and Compliance Committee I take this opportunity to thank all of you for your co-operation during our course of work.

To the members, thank you for your confidence in our oversight.

Antonette R Hodge
Chairperson



CREDIT COMMITTEE REPORT

INTRODUCTION

The year 2020 was noteworthy, and your Credit Committee is pleased to report on our activities for the year. The society continued to embrace our vision “to build generational financial partnerships on the foundation of exceptional customer service.”



Our focus for the past year was to ensure that we meet the needs of our members and that they receive priority attention in a timely and efficient manner. We have allowed that focus to guide our decision making throughout the year.

This was evident through the launch and upgrade of various loan promotions such as Small Business, Line of Credit, Work Study, Emergency and Christmas Loans.

COMPOSITION AND ATTENDANCE OF THE CREDIT COMMITTEE

For the year under review, the Credit Committee was made up of four members and attendance as follows:

Names of Directors	Position	Number of Meetings Scheduled	Number of Meetings Attended	% of Meetings Attended
Vernice Morton	Chairperson	15	14	93%
Camelita Huggins	Secretary	15	9	60%
Joan Franks	Secretary	15	12	80%
Anthony Wiltshire	Member	15	7	47%

ANALYSIS

Our stewardship over the last year has resulted in the approval of 1,453 new loans to our members. The following provides details of the loans granted and our current position as at the end of December 2020. The charts and graphs below make a visual comparison over a three-year period from 2018 to 2020. The charts illustrate the growth patterns in several loan categories, which is a positive testament to the hard work and dedication of the Loans Department.

In 2020, there was an increase in the total value of new loans to \$38.66M when compared with the total value of \$36.68M in 2019 and \$33.98M in 2018, respectively. The total number of loans approved in 2020 marked a reduction of 152 loans or 9.47% when compared to the total number of loans approved of 1605 in 2019 and 38 loans or 2.55% decrease when compared with 2018. The decrease in the total number of loans in 2020 was as a result of a decrease in most of the loan categories. (See Tables 1 & 2 and Figures 1 & 2).



Table 1: Total Number of Loans Granted by Category (2018 - 2020)

Loan Category	2018	2019	2020	Change (2018/2019)		Change (2019/2020)	
				#	%	#	%
Commercial Loans	13	59	49	46	353.85	(10)	(16.95)
Consumer Loans	1084	790	842	(294)	(27.12)	52	6.58
Vacation/travel	66	90	16	24	36.36	(74)	(82.22)
Education	20	38	21	18	90.00	(17)	(44.74)
Medical	10	21	8	11	110.00	(13)	(61.90)
Bill Consolidation	25	2	2	(23)	(92.00)	0	0.00
Mortgages	65	132	102	67	103.08	(30)	(22.73)
Promotional Loans	186	443	370	257	138.17	(73)	(16.48)
Rescheduled	13	24	43	11	84.62	19	79.17
Investment	9	6	0	(3)	0.00	(6)	-
TOTAL	1491	1605	1453	114	10.19	(152)	(9.47)

FIGURE 1: TOTAL NUMBER OF LOANS GRANTED BY CATEGORY (2018 -2020)

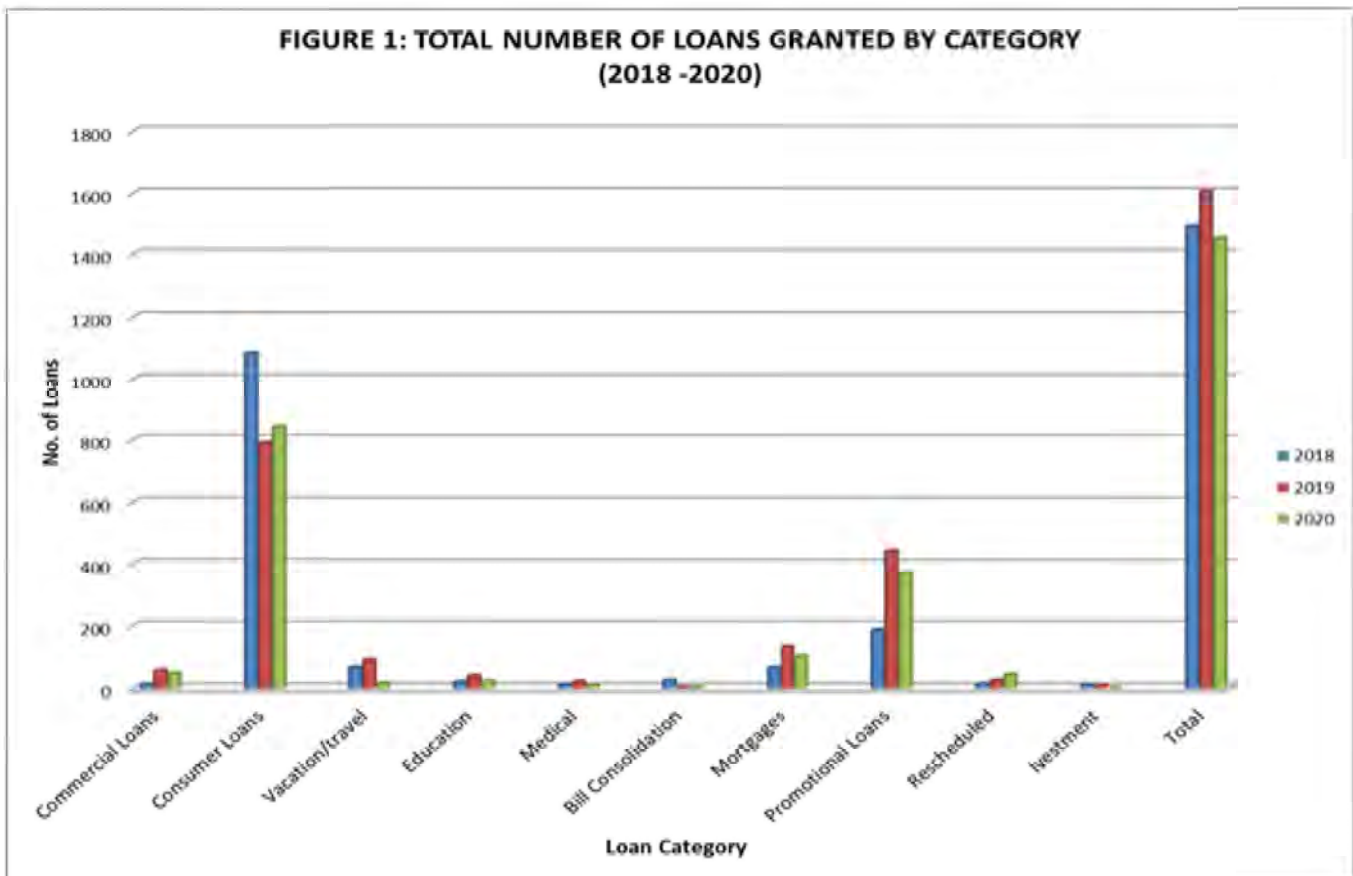
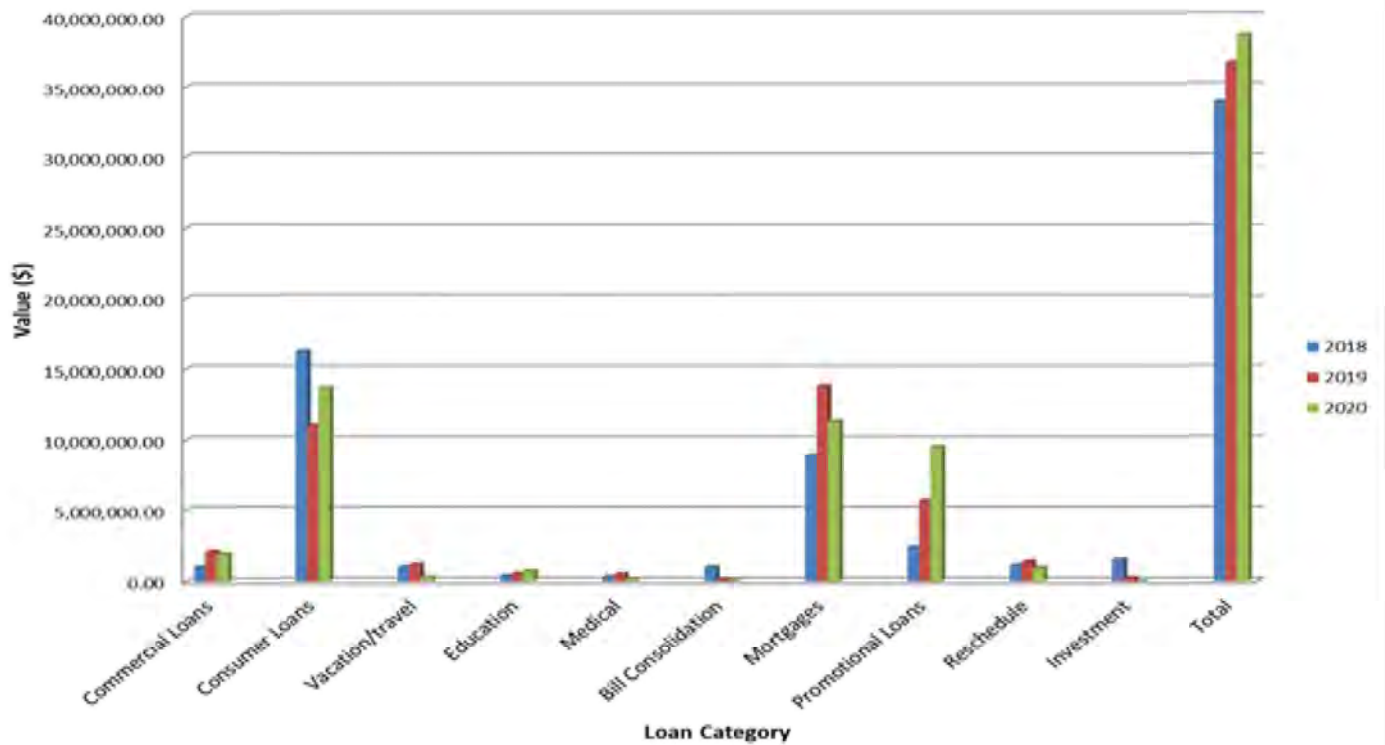




Table 2: Total Value of Loans Granted by Category (2018 - 2020)

Loan Category	2018	2019	2020	Change (2018/2019)		Change (2019/2020)	
				#	%	#	%
Commercial Loans	1,023,350	2,096,818	1,914,000	1,073,468	104.90	(182,818)	(8.72)
Consumer Loans	16,261,556	11,062,851	13,689,020	(5,198,705)	(31.97)	2,626,169	23.74
Vacation/travel	1,013,400	1,170,289	287,000	156,889	15.48	(883,289)	(75.48)
Education	401,000	578,739	727,300	177,739	44.32	148,561	25.67
Medical	311,000	512,410	137,000	201,410	64.76	(375,410)	(73.26)
Bill Consolidation	1,000,400	92,867	65,000	(907,533)	(90.72)	(27,867)	(30.01)
Mortgages	8,906,630	13,817,954	11,334,550	4,911,324	55.14	(2,483,404)	(17.97)
Promotional Loans	2,391,000	5,690,884	9,564,200	3,299,884	138.01	3,873,316	68.06
Reschedule	1,127,640	1,404,544	944,332	276,904	24.56	(460,212)	(32.77)
Investment	1,539,500	257,366	0	(1,282,134)	0.00	(257,366)	-
TOTAL	33,975,476	36,684,722	38,662,402	2,709,246	7.97	1,977,680	5.39

FIGURE 2: TOTAL VALUE OF LOANS GRANTED BY CATEGORY (2018 -2020)

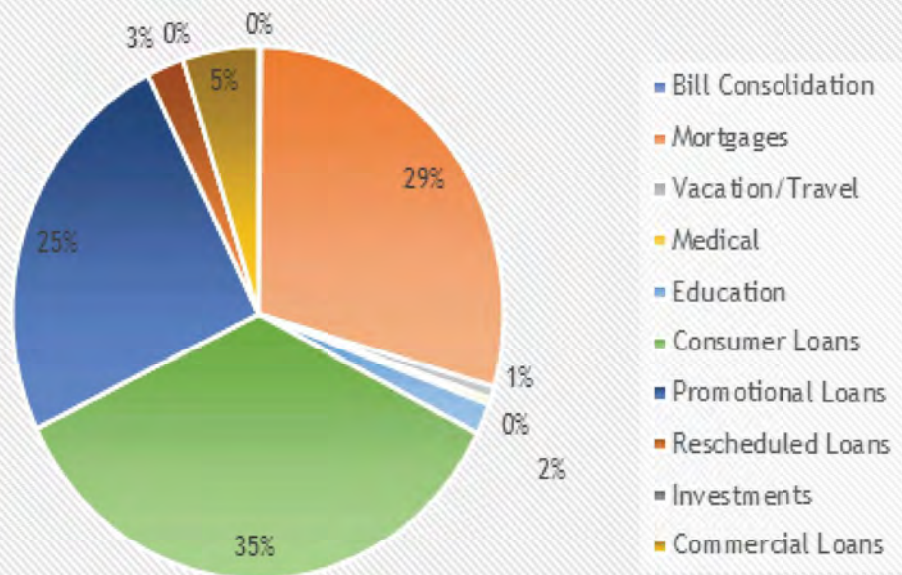




SKCCU LOANS GRANTED REPORT 2020

LOAN CATEGORY	NUMBER	NUMBER AS %	VALUE (\$)	VALUE AS %
Bill Consolidation	2	0.14%	\$65,000	0.17%
Mortgages	102	7.02%	\$11,334,550	29.32%
Vacation/Travel	16	1.10%	\$287,000	0.74%
Medical	8	0.55%	\$137,000	0.35%
Education	21	1.45%	\$727,300	1.88%
Consumer Loans	842	57.95%	\$13,689,020	35.41%
Promotional Loans	370	25.46%	\$9,564,200	24.74%
Rescheduled Loans	43	2.96%	\$944,332	2.44%
Investments	0	0.00%	\$0	0.00%
Commercial Loans	49	3.37%	\$1,914,000	4.95%
TOTALS	1,453	100%	\$ 38,662,402	100%

Loans Value Granted For 2020

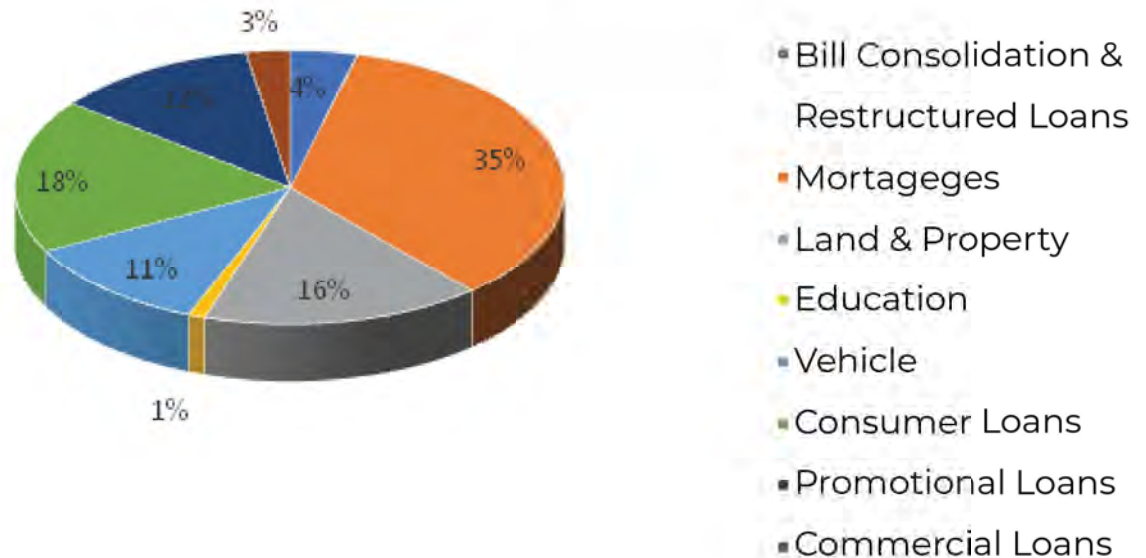




**SKCCU TOTAL LOAN PORTFOLIO continued TO GROW
AT THE END OF 2020.
TOTAL LOANS STOOD AS FOLLOWS:
SKCCU LOANS REPORT 2020**

LOANS CATEGORY	VALUE (\$)
Bill Consolidation & Restructured Loans	\$4,458,288
Mortgages	\$39,309,517
Land & Property	\$18,640,072
Education	\$1,103,887
Vehicle	\$12,891,916
Consumer Loans	\$20,528,919
Promotional Loans	\$13,594,291
Commercial	\$2,918,187
TOTALS	\$113,445,077

SKCCU LOANS REPORT 2020 VALUE





The table below shows the percentage change in total loans granted for the period 2019 and 2020.

SKCCU TOTAL LOANS REPORT 2019/2020

LOANS CATEGORY	2019	2020	Change	% Change
Bill Consolidation & Restructured Loans	\$6,218,746	4,458,288	(1,760,458)	-28%
Construction	\$37,863,261	39,309,517	1,446,256	4%
Land & Property	\$16,959,301	18,640,072	1,680,771	10%
Education	\$1,100,136	1,103,887	3,751	0%
Vehicle	\$11,679,995	12,891,916	1,211,921	10%
Consumer Loans	\$22,327,060	20,528,919	(1,798,141)	-8%
Promotional Loans	\$8,158,305	13,594,291	5,435,986	67%
Commercial	\$2,420,819	2,918,187	497,368	21%
TOTALS	\$106,727,623	113,445,077	6,717,454	6%

COMPARISON OF THE DELINQUENCY PORTFOLIO (2019-2020)

The delinquency portfolio categorizes loans that are past due within four categories namely: up to 3 months; 3 to 6 months; 6 to 12 months and over 12 months. The delinquency portfolio at the end of 2020 stood at \$3,854,324 which marked a reduction of \$2,435,292 when compared to 2019 delinquency of \$6,277,616.

The table below provides detailed information on the delinquency portfolio as of December 2020. Past due loans up to 3 months, declined from \$2,716,553 in 2019 to \$1,642,033. Past due loans 3-6 months decreased from \$1,526,292 in 2019 to \$887,021 while 6-12 months decreased from \$964,729 in 2019 to \$322,062.

The 12 months and over impaired loans category also saw a decrease from \$1,070,042 in 2019 to \$1,003,208. As of December 2020, the delinquency rate stood at 3.42% to SKCCU loan portfolio.

Past due loans Category Period	2019	2020
Past due up to 3 mths	\$2,716,553	\$1,642,033
Past due 3-6 mths	\$1,526,292	\$887,021
Past due 6-12 mths	\$964,729	\$322,062
Over 12 mths	\$1,070,042	\$1,003,208
Total	\$6,277,616	\$3,854,324



The Board of Directors as well as the Credit Committee recognizes that 2020 was a very challenging year given the economic fallout due to the COVID19 pandemic. Notwithstanding these challenges, the Loan Officers, Delinquency Officers, the Management, Credit Committee and the Board of Directors have all committed to adhere to sound lending practices and to be more aggressive in collecting outstanding loans. We recognize that these are challenging times, but we are calling on the membership to keep their commitments to the Credit Union and to visit us in a timely manner if at any time they are unable to honor their obligations. We can only provide members more latitude with the loan requests if they demonstrate commitment to their responsibilities. Our relationship is a mutually beneficial one and we look forward to reaping the benefits as we work together.

ACKNOWLEDGEMENTS

The Committee wishes to acknowledge the support and commitment of the Management and Staff of the SKCCU, but more specifically the Lending Department and the delinquency team. We also acknowledge the support of the Board of Directors and the Supervisory Committee. Together, we can make the SKCCU, the member focused institution that we are seeking to develop.

CONCLUSION

The Credit Committee is pleased with the confidence reposed in it by the membership. We have endeavored to be diligent in our efforts and will continue to do so in the ensuing year. The SKCCU continues to forge ahead in meeting the needs of its members for provident and productive loans. We as a Committee continue to make our contribution to that effort. We would like to thank the Management and Staff for their continued cooperation. Special thanks also to the Board and Supervisory Committee and the general membership for their continued confidence in us.

Vernice Morton (Ms)
Chairperson



EDUCATION AND MEMBERSHIP COMMITTEE REPORT 2020

INTRODUCTION

The Education and Membership Committee was born out of the need to educate members to manage their finances. This responsibility is mandated by the establishment of a development fund in the Co-operative Societies Act 2011 Section 126 (3) to be used for strengthening capacity and growth and human resource development.

The Committee's responsibilities include:

- The ongoing financial education of the membership that would empower them to make informed financial decisions for the betterment of their lives and the lives of their families.
Ensuring the delivery of exceptional services through all service channels
- The implementation of active outreach initiatives that would seek to promote and provide education on the products and services of the credit union.
- The publicity of initiatives that would aid in the further advancement of the society and its membership.
- The Committee is made up of two representatives from the Board of Directors, one staff and two members of SKCCU, totaling five (5) members.
- In 2020, the Committee concentrated on developing its Charter. The Mission Statement that came out of this exercise was "To ensure that the membership of SKCCU is educated and stable financially for the betterment of themselves and their families."
- During 2020 the physical activities of the Committee were limited due to the impact of the COVID19 pandemic and its requirements for social distancing. However, the Committee used creative means to continue to get its message across.

ACTIVITIES UNDERTAKEN:

Following are some of the activities in which the Committee was engaged or over which it had oversight during the period:



- In January 2020 Participants of a bookkeeping workshop held at SKCCU'S Conference room benefitted from a session on savings and loans presented by the Member Services Department.
- On the 22nd of February 2020, the SKCCU was invited by the Small Business Centre to promote its products and services at their annual Fair. 50 persons visited our booth and were informed about SKCCU and what it does.
- A Member Service Representative promoted the products and services of the SKCCU at the Jenkins Leadership Course. There were 38 persons in attendance.
- As part of the institution's proactive program to update the membership of the services implemented to assist them during the Corona virus crisis, both Freedom radio and ZIZ radio were used to highlight the out of branch services such as the Online Banking, Mobile Banking, the ATM and the only Drive Thru Teller in the Federation. Answers were also provided on the COVID19 Loan Moratorium.
- SKCCU participated in a series of activities for Financial Information Month including a discussion centered around "Using the Internet as a Tool in the New Normal". SKCCU used this opportunity to educate the public on its online/digital services.
- During Credit Union Week in October a Health Drive was organized to encourage members to adopt a healthy lifestyle. Locally grown produce was displayed and sold by farmers, a fitness trainer was on the compound to answer questions about exercise and weight issues and a dentist to provide advice on dental hygiene.
- Our virtual forum "Adapting to the Virtual Learning Experience" took place on 13th October. Members were able to familiarise themselves with the in-depth benefits of web-based schooling and explore SKCCU's Work-Study Loan financing option as well as dialogue with Mrs. Gaile Gray-Phillip, Head of the University of the West Indies (UWI) Open Campus, St. Kitts and Nevis.
- The Member Services Department assisted the Department of Co-operatives with radio visits to Freedom and Winn. Fm Radio Station to speak on the Agro Strip Fair. SKCCU participated in this annual fair to promote its goods and services as well as provide general information on the institution.
- The Christmas Savings Account was promoted at Horsford Valu, Mart, Basseterre High School and Beach Allen Primary School.



CONCLUSION:

The Committee remains committed to the continued advancement of the membership and the institution by ensuring that the flow of financial information and education is constant and consistent.

Thank you to the members of the St. Kitts Co-operative Credit Union Limited for their support and devotion to our growth as an institution.

Thanks to the volunteers and employees without whose dedication and hard work the Committee would not have been able to operate during these difficult times.

Let us continue to strive to provide superior quality services so that our members can reap the financial rewards.

Cleon Bradshaw
Chairperson





 St. Kitts Co-operative
 (in) Union (SKCCU) Ltd

MEMBER EDUCATION FORUM
 ADAPTING TO THE VIRTUAL LEARNING EXPERIENCE

Guest Speaker: Mrs. Gaille Gray-Phillip
 Head of Site, University of the West Indies (UWI) Open Campus,
 St. Kitts and Nevis.

STREAMING ON OUR FACEBOOK AND YOUTUBE PAGES
 TUESDAY 13TH OCTOBER, 2020 | 5:30 P.M.








NOMINATING COMMITTEE REPORT

The 2021 SKCCU Nominating Committee was appointed by the Board of Directors in accordance with Article XII, section 41(1) of the SKCCU By-laws.

The approved members are:

Ms. Joanna Collins – Chairperson

Mrs. Janet Harris – CEO

Mrs. Shirmel Woods - Director

The Nominating Committee's role is to recommend and/or accept recommendations on potential candidates for each vacancy that exists on the Board of Directors and the Committees.

Currently, there is one vacancy each on the Board of Directors, the Supervisory and Compliance Committee, and the Credit Committee. While the vacancy on the Supervisory and Compliance Committee resulted from the expiry of two terms of volunteer, Ms. Antonette Hodge, the vacancy on the Credit Committee resulted from the resignation of volunteer, Mrs. Denise Edwards and the vacancy on the Board resulted from the resignation of Director, Keith Phillip.

On behalf of the Board and Committees, the Nominating Committee thanks Ms. Hodge for her dedication to the Supervisory & Compliance Committee as she retires. We also thank Mr. Keith Phillip for his brief stint of service to the Board. We express sincerest condolences to past Director, Mr. Albert Edwards and his family, on the passing of his wife, Mrs. Denise Edwards, while articulating appreciation for her short-lived service.

The Nominating Committee is happy to present the following candidates for election:

MRS. IKEISHIA ESDAILLE-TURO



Mrs. Esdaille-Turo, a business professional, has a passion for accounting. Her passion for accounting was developed in third form, and further enhanced at the Clarence Fitzroy Bryant College all the way to the University of the West Indies, St. Augustine Campus where she earned A Bachelor's degree with honors, Specializing in Accounting in 2002.

She is a Certified Public Accountant and is also currently pursuing ACCA certification. In addition to being an Accountant, Mrs. Esdaille-Turo has held positions in Internal Auditing and Compliance.

MR. WILLIAM V. A. HODGE



Mr. Hodge has had a distinguished career in Education, which spans many decades. He is currently the Permanent Secretary in the Ministry of Education. Mr. Hodge has a Bachelor's degree with First Class Honors in Education from the University of the West Indies.

He also has the honor of being the first past student to become the principal at the Sandy Point High School, which is renamed the Charles E. Mills Secondary School. Mr. Hodge has a very keen interest in the education of the children of our nation.

MR. DAMON N. K. BACCHUS



Mr. Bacchus, who is a teacher by profession, holds a Bachelor's degree in Business Management and a Master's degree in Education. He is part of the Senior Management Team of the Basseterre High School and Faculty Advisor for the Rotary Interact Club. He has been the recipient of several awards and certificates including The Rotaract Club President's award and IAAF CECF – Level 1 youth Coach. Outside of the school environment, Mr. Bacchus commits time to community involvement as noted from his work with the Boys Brigade locally and regionally and with the St. Kitts & Nevis Athletics as the General secretary. Notwithstanding the selection of these three (3) volunteers by the Nominating Committee, the members present at this Annual General Meeting can nominate any suitable candidate from the floor.

If this occurs, then a vote by ballot or show of hands will follow. The SKCCU continues to operate by the democratic co-operative principle of one member one vote.

Additionally, three (3) volunteers have presented themselves for re-election after serving one (1) term of three (3) years.



They are Director Ivor Keithroy Phillip, Mrs. Janice Althea Esdaille from the Supervisory & Compliance Committee and Ms. Vernice Morton from the Credit Committee.

The voting process will be conducted by the Registrar of Credit Unions or the designated representative. The Nominating Committee expresses appreciation to all retiring volunteers for their dedicated work and commitment through their voluntary service.


Joanna Collins
Chairperson



BOARD AND COMMITTEE MEMBERS

Volunteers	Positions	Current Period	Status	Term	Retiring Year	Nominee
Alex Straun	President	4 Years	Serving	2	2023	
Edward Gift	Director	1 year	Serving	1	2023	
Ivor Keithley Phillip	Treasurer	3 years	Reelection	1	2021	
Keith Phillip	Director	1 year	Resigned	1	Resigned	Ikeishia Esdaille-Turo
Sonia Edwards	Secretary	2 years	Serving	1	2022	
Cleon Bradshaw	Vice President	4 Years	Serving	2	2023	
Patricia Welsh	Assistant Secretary /Treasurer	5 years	Serving	2	2022	
Tashna Powel-Williams	Director	2 years	Serving	1	2022	
Shirmel Woods	Director	2 years	Serving	1	2022	

CREDIT COMMITTEE

Denise Edwards	Member	1 year	Resigned	1	Resigned	Damon N. K. Bacchus
Camelita Huggins	Member	5 years	Serving	2	2022	
Vernice Morton	Member	3 years	Reelection	1	2021	
Joan Franks	Chairperson	1 year	Serving	1	2023	
Anthony Wiltshire	Member	1 year	Serving	1	2023	

SUPERVISORY COMMITTEE

Antonette Hodge	Chairperson	6 years	Retiring	2	2021	William V. Hodge
Yvette P. Osbourne	Member	1 year	Serving	1	2023	
Willa Liburd	Member	4 years	Serving	2	2023	
Desiree Connor	Member	2 years	Serving	1	2022	
Janice Althea Esdaille	Member	3 years	Reelection	1	2021	

Grant Thornton
Corner Bank Street and West
Independence Square
P.O. Box 1038
Basseterre, St. Kitts
West Indies

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INDEPENDENT AUDITOR'S REPORT

To the Members of St. Kitts Co-operative Credit Union Limited

Opinion

We have audited the financial statements of **St. Kitts Co-operative Credit Union Limited** ("the Credit Union"), which comprise the statement of financial position at December 31, 2020, the statements of other comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is 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, management is 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 management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

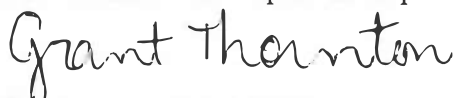
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 management.
- Conclude on the appropriateness of management's 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 fair presentation.

We communicate 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 we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter

The financial statements of the Credit Union for the year ended December 31, 2019, were audited by another auditor who expressed unqualified opinion on those statements on June 10, 2020.



Chartered Accountants
May 5, 2021
Basseterre, St. Kitts


St. Kitts Co-operative Credit Union Limited
Statement of Financial Position
As at December 31, 2020

(expressed in Eastern Caribbean dollars)

	Notes	2020 \$	2019 \$
Assets			
Cash and cash equivalents	9	39,304,454	29,730,647
Loans to members	10	112,834,034	105,013,669
Investment securities	11	19,632,786	19,266,294
Other assets	12	2,761,952	2,838,566
Property and equipment	13	13,128,887	10,962,243
Intangible assets	14	297,021	448,283
Total assets		187,959,134	168,259,702
Liabilities and members' equity			
Liabilities			
Members' deposits	15	148,966,180	135,754,419
Accounts payable and other liabilities	16	1,452,509	1,787,616
Total liabilities		150,418,689	137,542,035
Members' equity			
Members' shares	17	9,437,345	8,572,080
Reserves	18	20,139,822	16,551,260
Retained earnings		7,963,278	5,594,327
Total members' equity		37,540,445	30,717,667
Total liabilities and members' equity		187,959,134	168,259,702

The accompanying notes are an integral part of these financial statements.

Approved for issue by the Board of Directors on May4, 2021.



 President



 Treasurer

St. Kitts Co-operative Credit Union Limited
Statement of Comprehensive Income
For the year ended December 31, 2020

(expressed in Eastern Caribbean dollars)

	Notes	2020 \$	2019 \$
Interest income on loans to members		10,202,082	9,501,950
Interest income on investment securities		704,081	568,178
Total interest income		10,906,163	10,070,128
Interest expense	19	(2,883,509)	(2,646,688)
Net interest income		8,022,654	7,423,440
Other income	20	2,468,803	1,994,469
Operating income		10,491,457	9,417,909
Operating expenses			
Staff costs	21	(2,772,408)	(3,120,082)
General and administrative expenses	22	(1,783,290)	(1,744,187)
Provision for credit losses	10	(891,307)	(1,866,150)
Depreciation and amortisation	23	(625,168)	(647,816)
Marketing and promotional expenses		(170,516)	(147,716)
Total operating expenses		(6,242,689)	(7,525,951)
Profit for the year before finance costs		4,248,768	1,891,958
Finance costs		(216,853)	(122,603)
Profit for the year		4,031,915	1,769,355
Other comprehensive income/(loss)			
Revaluation of property	18	2,487,324	–
Unrealised fair value gain/(loss) on financial assets at fair value through other comprehensive income (FVOCI)	11	12,500	(37,500)
Total comprehensive income for the year		6,531,739	1,731,855

The accompanying notes are an integral part of these financial statements.

St. Kitts Co-operative Credit Union Limited

Statement of Changes in Members' Equity

For the year ended December 31, 2020

(expressed in Eastern Caribbean dollars)

	Notes	Members' shares \$	Reserves \$	Retained earnings \$	Total \$
Balance at December 31, 2018		7,555,220	16,078,970	4,858,109	28,492,299
Transactions with members					
Issuance of shares	17	1,016,860	–	–	1,016,860
Entrance fees	18(ii)	–	8,534	–	8,534
Dividends paid	26	–	–	(506,862)	(506,862)
		1,016,860	8,534	(506,862)	518,532
Reserves movements					
Transfer to statutory reserve	18(ii)	–	482,041	(482,041)	–
Transfer to development fund reserve	18(v)	–	44,234	(44,234)	–
Use of development fund reserve	18(v)	–	(25,019)	–	(25,019)
		–	501,256	(526,275)	(25,019)
Total comprehensive income					
Profit for the year		–	–	1,769,355	1,769,355
Unrealised fair value loss on financial assets at FVOCI	18(iv)	–	(37,500)	–	(37,500)
Balance at December 31, 2019		8,572,080	16,551,260	5,594,327	30,717,667
Transactions with members					
Issuance of shares	17	865,265	–	–	865,265
Entrance fees	18(ii)	–	6,837	–	6,837
Dividends paid	26	–	–	(554,187)	(554,187)
		865,265	6,837	(554,187)	317,915
Reserves movements					
Transfer to statutory reserve	18(ii)	–	1,007,979	(1,007,979)	–
Transfer to development fund reserve	18(v)	–	100,798	(100,798)	–
Use of development fund reserve	18(v)	–	(26,876)	–	(26,876)
		–	1,081,901	(1,108,777)	(26,876)
Total comprehensive income					
Profit for the year		–	–	4,031,915	4,031,915
Revaluation of property	18(i)	–	2,487,324	–	2,487,324
Unrealised fair value gain on financial assets at FVOCI	18(iv)	–	12,500	–	12,500
Balance at December 31, 2020		9,437,345	20,139,822	7,963,278	37,540,445

The accompanying notes are an integral part of these financial statements.

St. Kitts Co-operative Credit Union Limited

Statement of Cash Flows

For the year ended December 31, 2020

(expressed in Eastern Caribbean dollars)

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Profit for the year		4,031,915	1,769,355
Items not affecting cash:			
Interest income		(10,906,163)	(10,070,128)
Interest expense	19	2,883,509	2,646,688
Provision for credit losses	10	891,307	1,866,150
Depreciation and amortisation	23	625,168	647,816
Dividend income	20	(17,410)	(34,307)
Operating loss before changes in working capital		(2,491,674)	(3,174,426)
Increase in loans to members		(8,018,270)	(16,379,687)
Decrease in other assets		85,468	725,913
(Decrease)/increase in accounts payable and other liabilities		(335,107)	310,260
Increase in members' deposits		13,709,459	14,178,633
Cash generated from/(used in) operations		2,949,876	(4,339,307)
Interest received on loans to members		9,508,680	9,491,202
Interest paid on members' deposits		(3,381,207)	(2,217,673)
Net cash from operating activities		9,077,349	2,934,222
Cash flows from investing activities			
Interest received on investments		700,354	540,528
Purchase of investment securities		(350,265)	(5,580,268)
Purchase of property and equipment	13	(162,080)	(71,661)
Dividend received		17,410	34,307
Net cash from/(used in) investing activities		205,419	(5,077,094)
Cash flows from financing activities			
Proceeds from issuance of shares	17	865,265	1,016,860
Dividends paid	26	(554,187)	(506,862)
Use of development fund reserves	18(v)	(26,876)	(25,019)
Entrance fees	18(ii)	6,837	8,534
Net cash from financing activities		291,039	493,513
Increase/(decrease) in cash and cash equivalents		9,573,807	(1,649,359)
Cash and cash equivalents at beginning of year		29,730,647	31,380,006
Cash and cash equivalents at end of year	9	39,304,454	29,730,647

The accompanying notes are an integral part of these financial statements.

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

1 Nature of operations

The principal activity of the St. Kitts Co-operative Credit Union Limited (the “Credit Union”) is to encourage financial prudence through savings and provide loans and other financial products and services to its members.

2 General information and statement of compliance with International Financial Reporting Standards (IFRS) and going concern assumption

On July 1, 1982, the Credit Union was registered under the name Basseterre Co-operative Credit Union Limited under and in accordance with the provisions of the amended Co-operative Ordinance No. 20 of 1956 and Ordinance No. 19 of 1957 and the statutory rules and Order No. 32 of 1968. On March 11, 1986, the Credit Union was re-registered under the name St. Kitts Co-operative Credit Union Limited under and in accordance with the provisions of the amended Co-operative Societies Ordinance No. 20 of 1956 and Ordinance No. 19 of 1957 and the statutory rules and Order No. 32 of 1968.

The Credit Union was re-registered on October 20, 1998 under Section 241 of the Co-operative Society Act, No. 2 of 1995.

On October 4, 2011, the Parliament of St Kitts-Nevis passed the Co-operative Societies Act, No. 31 of 2011. This Act supersedes the former Act of 1995. The Credit Union is regulated by the Financial Services Regulatory Commission – St. Christopher Branch.

The Credit Union’s registered office is located at New Street, Basseterre, St. Kitts and it conducts business from two locations: the branch office at New Street and the head office at Bladen Commercial Development.

The accompanying financial statements are the financial statements of the Credit Union and have been prepared in accordance with IFRS and International Financial Reporting Standards Interpretations Committee (IFRIC) interpretations as issued by the International Accounting Standards Board (IASB) under the historical cost convention, as modified by the revaluation of land and building and financial assets at fair value through other comprehensive income (FVOCI). The measurement bases are fully described in the summary of accounting policies.

3 Changes in accounting policies

The Credit Union has adopted the new accounting pronouncements which have become effective this year, and are as follows:

New and revised standards that are effective for annual periods beginning on or after January 1, 2020

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Credit Union has assessed the relevance of all such new interpretations and amendments as follows:

- Amendments to IAS 1 and IAS 8, *Definition of Material*;
- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IFRS 3, *Definition of a Business*;

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies ...continued

*New and revised standards that are effective for annual periods beginning on or after January 1, 2020
...continued*

- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*; and,
- Amendments to IFRS 16, *Covid-19-Related Rent Concessions*.

These amendments do not have significant impact on these financial statements and therefore the disclosures have not been made.

Standards, amendments, and interpretations to existing standards that are not yet effective and have not been adopted early by the Credit Union

At the date of authorization of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Credit Union. Management anticipates that all relevant pronouncements will be adopted in the Credit Union's accounting policies for the first period beginning after the effective date of the pronouncement. These new standards and interpretations are not expected to have a material impact on the Credit Union's financial statements.

4 Summary of significant accounting policies

4.1 Overall considerations

The significant accounting policies set out below and in the succeeding pages have been applied consistently by the Credit Union to all years presented in these financial statements, except as otherwise stated.

4.2 Revenue recognition

Revenue arises from the rendering of services. The Credit Union recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for the Credit Union's activities. It is measured at the fair value of consideration received or receivable. Revenue is recognised as follows:

(i) *Interest income*

Interest income is recorded using the effective interest rate (EIR) method for all financial assets measured at amortised cost.

The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset. The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies ...continued

4.2 Revenue recognition ...continued

(i) Interest income ...continued

The Credit Union recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

The Credit Union calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset. When a financial asset becomes credit-impaired (and is therefore regarded as 'Stage 3'), the Credit Union calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Credit Union reverts to calculating interest income on a gross basis.

(ii) Other income

The Credit Union earns fee and commission income from financial services it provides to its members. Fee and commission income is recognised at an amount that reflects the consideration to which the Credit Union expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Credit Union's revenue contracts do not typically include multiple performance obligations. When the Credit Union provides a service to its members, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Credit Union has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the member.

The following are recognised in the statement of financial position arising from revenue from contracts with customers:

- 'Fees and commissions receivables' included under 'Other assets', which represent the Credit Union's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortised cost and subject to the impairment provisions of IFRS 9.
- 'Unearned fees and commissions' included under 'Accounts payable and other liabilities', which represent the Credit Union's obligation to transfer services to a member for which the Credit Union has received consideration (or an amount of consideration is due) from the member. A liability for unearned fees and commissions is recognised when the payment is made or the payment is due (whichever is earlier). Unearned fees and commissions are recognised as revenue when (or as) the Credit Union performs the service.

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies ...continued

4.3 Foreign currency translation

Functional and presentation currency

These financial statements are presented in Eastern Caribbean Dollars, which is the Credit Union's functional and presentation currency. All financial information presented in Eastern Caribbean Dollars has been rounded to the nearest dollar.

Foreign currency transactions and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Eastern Caribbean Dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Eastern Caribbean Dollars at foreign exchange rates ruling at the dates the values were determined.

4.4 Leases

Credit Union as a lessor

Leases in which the Credit Union does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4.5 Financial instruments

The Credit Union recognises a financial asset or a liability in the statement of financial position when it becomes party to the contractual provision of the instruments.

(a) Initial recognition and measurement of financial instruments

At initial, recognition, the Credit Union measures its financial assets and financial liabilities at their fair values plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability such as fees and commissions.

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4 Summary of significant accounting policies ...continued

4.5 Financial instruments ...continued

(a) Initial recognition and measurement of financial instruments ...continued

If the Credit Union determines that the fair value of its financial assets and liabilities at initial recognition differs from the transaction price, the difference is recognised as follows:

- If that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss.
- In all other cases, the difference between the fair value at initial recognition and the transaction price is deferred. After initial recognition, the Credit Union recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

(b) Classification and subsequent measurement of financial assets

The Credit Union classifies the financial assets as subsequently measured at amortised cost, FVOCI or fair value through profit or loss on the basis of both:

- (i) the Credit Union's business model for managing the financial assets; and
- (ii) the contractual cash flow characteristics of the financial assets.

Based on these factors, the Credit Union classifies its financial assets into one of the following three measurements:

Financial assets at amortised cost

A financial asset is measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

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4 Summary of significant accounting policies ...continued

4.5 Financial instruments ...continued

(b) Classification and subsequent measurement of financial assets ...continued

Financial assets at amortised cost ...continued

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Credit Union estimates the expected cash flows by considering all the contractual terms of the financial instrument, but does not consider the expected credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

The Credit Union's financial assets measured at amortised cost include loan to members, investment in fixed deposits, corporate bonds and treasury bills, other receivables and cash and cash equivalents.

Financial assets at fair value through other comprehensive income (FVOCI)

A financial asset is measured at FVOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Undrawn loan commitments

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Credit Union is required to provide a loan with pre-specified terms to the member. These contracts are in the scope of the expected credit losses (ECL) requirements. The nominal contractual value of letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

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4 Summary of significant accounting policies ...continued

4.5 Financial instruments ...continued

(b) Classification and subsequent measurement of financial assets ...continued

Reclassifications

If the business model under which the Credit Union holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Credit Union's financial assets. During the current financial year and previous accounting period, there were no changes in the business models under which the Credit Union holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on *Modification of loans to members* in note 4.5 (d) and *Derecognition of financial assets* in note 4.5 (g).

(c) Impairment of financial assets

The Credit Union recognises a loss allowance for ECL on financial assets measured at amortised cost and the exposure arising from loan commitments and financial guarantee contracts. The expected credit losses are assessed on a forward-looking basis. The Credit Union's measurement of ECL reflects:

- a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b) the time value of money; and
- c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD – The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD – The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD – The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

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4 Summary of significant accounting policies ...continued

4.5 Financial instruments ...continued

(c) Impairment of financial assets...continued

The financial assets are grouped on the basis of shared credit risk characteristics to determine the average credit losses for each group of assets. The Credit Union considers this approach to be a reasonable estimate of the probability – weighted amount. The lifetime expected credit losses for the non-performing financial assets are assessed on an individual basis. The Credit Union considers if there have been significant increases in credit risk since initial recognition - whether assessed on an individual or collective basis - considering all reasonable and supportable information, including that which is forward-looking. At each reporting date, the Credit Union measures the loss allowance at an amount equal to the lifetime expected credit losses, if the credit risk on that financial instrument has increased significantly since initial recognition.

The Credit Union considers the following factors in assessing changes in credit risk since initial recognition:

- significant changes in internal price indicators of credit risk;
- changes in the rates or terms of an existing instrument that would be significantly different if the instrument was newly issued (e.g., more stringent covenants);
- significant increases in credit risk on other financial instruments from the same borrower;
- an actual or forecast significant adverse changes in the business, financial or economic conditions that are expected to significantly affect the borrower's ability to meet its debt obligations (e.g., increase in interest rates and unemployment rates);
- an actual or expected significant change in the financial instrument's external credit rating;
- an actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally;
- an actual or expected significant change in the operating results of the borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of guarantees or credit enhancements reductions in financial support from a parent entity that are expected to reduce the borrower's incentive to make scheduled contractual payments; and
- expected breaches of contract that may, for example, lead to covenant waivers or amendments, or interest payment holidays.

The Credit Union considers the following factors in assessing changes in credit risk since initial recognition:

- existing or expected adverse changes in the regulatory, economic, or technological environment that significantly affect, or are expected to affect, the borrower's ability to meet its debt obligations;
- changes in the Credit Union's credit management approach in relation to the financial instrument (e.g., specific intervention with the borrower, more active or close monitoring of the instrument by the Credit Union);
- significant changes in the expected performance and behaviour of the borrower including changes in the payment status of borrowers in the Credit Union (e.g., expected increase in delayed contractual payments); and

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4 Summary of significant accounting policies ...continued

4.5 Financial instruments ...continued

(c) Impairment of financial assets...continued

- past due information, including the rebuttable presumption of more than 30 days past due.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e., lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e., lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Credit Union under the contract and the cash flows that the Credit Union expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Credit Union if the holder of the commitment draws down the loan and the cash flows that the Credit Union expects to receive if the loan is drawn down; and
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Credit Union expects to receive from the holder, the debtor or any other party.

The Credit Union measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

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4 Summary of significant accounting policies ...continued

4.5 Financial instruments ...continued

(c) Impairment of financial assets...continued

- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit impaired. The Credit Union assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Credit Union considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikelihood to pay indicators and a backstop if amounts are overdue for 90 days or more.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Credit Union considers the following as constituting an event of default:

- the borrower is past due for more than 90 days on any material credit obligation to the Credit Union; or
- the borrower is unlikely to pay its credit obligations to the Credit Union in full.

This definition of default is used by the Credit Union for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

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4 Summary of significant accounting policies ...continued

4.5 Financial instruments ...continued

(c) Impairment of financial assets...continued

Definition of default ...continued

When assessing if the borrower is unlikely to pay its credit obligation, the Credit Union considers both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Credit Union uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired.

Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

(d) Modification of loans to members

When the Credit Union renegotiates or otherwise modifies, the contractual cash flows of its customer loans, the Credit Union assesses whether or not the new terms are substantially different from the original terms of the agreement. The Credit Union derecognises the original loan if the terms are substantially different and recognises the new loan at its fair value. The Credit Union also recalculates the new effective interest rate for the loan. The date of the modification is considered to be the date of initial recognition of the new loan when applying the impairment requirements and also assessing whether a significant increase in credit risk has occurred. The Credit Union also considers whether there may be evidence that the modified loan is credit-impaired at initial recognition. In this situation, the loan is recognised as an originated credit-impaired financial asset. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset as a result of the borrower being unable to make the originally agreed payments. Differences in the carrying amount are recognised as a gain or loss on derecognition in the profit or loss.

If the new terms are not substantially different the original loan is not derecognised. The Credit Union recalculates the gross carrying amount of the loan and recognises a modification gain or loss in the profit and loss.

The gross carrying amount of the loan is recalculated as the present value of the renegotiated contractual cash flows discounted at the loan's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified loan and are amortised over the remaining term of the modified financial asset.

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4 Summary of significant accounting policies ...continued

4.5 Financial instruments ...continued

(e) Write offs

The Credit Union directly reduces the gross carrying amount of a financial asset when the Credit Union has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. This is the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. The Credit Union may apply enforcement activities to financial assets written off. Recoveries resulting from the Credit Union's enforcement activities will result in impairment gains, which will be presented in 'Other Income' in the statement of comprehensive income.

(f) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(g) Derecognition of financial assets

The Credit Union derecognises financial assets when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to receive the cash flows of the financial asset are retained but the contractual obligation to pay the cash flows to one or more recipients is assumed in an arrangement where:

- (i) The Credit Union has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition;
- (ii) The Credit Union is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- (iii) The Credit Union has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

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4 Summary of significant accounting policies ...continued

4.5 Financial instruments ...continued

(h) Forward looking information

In its ECL models, the Credit Union relies on a range of forward-looking information as economic inputs, such as:

- GDP growth; and
- Central Bank base rates.

(i) Financial liabilities

Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost. Accounts payable and other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and other liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer).

If not, they are presented as non-current liabilities. Other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e., when the obligation specific in the contract is discharged, cancelled or expires).

4.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Credit Union in the management of its short-term commitments.

Cash and cash equivalents are measured at amortised cost.

4.7 Investment property

Property held for sale, which comprises of land and land development costs is classified under Other Assets and is carried at cost less any impairment in value. Investment property is derecognised when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in the statement of comprehensive income in the period of retirement or disposal.

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4 Summary of significant accounting policies ...continued

4.8 Property and equipment

(a) Initial measurement

Property and equipment are initially stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributed to the acquisition of items.

(b) Subsequent measurement land and building

After recognition, land and building whose fair value can be measured reliably are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in members' equity under the heading of property revaluation reserve (note 18). However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the property revaluation reserves in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in members' equity under the heading of property revaluation reserve.

When a building is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Furniture and fittings, equipment and motor vehicles

After recognition, an item of property and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

(c) Depreciation

Depreciation is calculated on the straight-line method to write down the cost less estimated residual value of the asset. The following depreciation rates are applied:

Buildings	25 years
Equipment	10 years
Furniture and fittings	5 years
Office equipment	5 years
Computer equipment	5 years
Telephone equipment	5 years
Motor vehicles	5 years

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4 Summary of significant accounting policies ...continued

4.8 Property and equipment ...continued

(c) Depreciation ...continued

Land is not depreciated.

The assets' residual values and estimated useful lives are reviewed and adjusted, if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit or loss under other income.

4.9 Impairment of non-financial assets

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use.

To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed only to the extent that the asset's or cash-generating unit's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.10 Provisions

Provision for legal disputes or other claims are recognised when the Credit Union has a present or legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Credit Union to settle the obligation and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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4 Summary of significant accounting policies ...continued

4.10 Provisions ...continued

Any reimbursement that the Credit Union can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

4.11 Employee benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or losses incurred.

4.12 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

4.13 Equity, reserves and dividend payments

a) *Members' shares*

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability.

b) *Reserves*

Statutory reserve and development fund reserve comprise amounts required to be set aside as stipulated by the Co-operative Societies Act (see note 18).

Property revaluation reserves comprise gains and losses from the revaluation of land and building (see note 13).

Financial assets revaluation reserve comprises unrealised gains or losses from financial assets at FVOCI.

Other reserve comprises amounts set aside as stipulated by the Credit Union's By-laws (see note 18).

c) *Retained earnings*

Retained earnings include all current and prior period retained profits, net of dividends.

d) *Dividends*

Shares that contain redemption features subject to the Credit Union maintaining adequate regulatory capital are accounted for using the partial treatment requirements of IFRIC 2, *Members' Shares in Cooperative Entities and Similar Instruments*.

Dividends paid are recognised in equity in the period in which they are approved by the Credit Union's members at the Annual General Meeting.

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5 Significant management judgements in applying accounting policies and estimation uncertainty

In the application of the Credit Union's accounting policies, which are described in note 4, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that have the most significant effect on the amounts recognised on the financial statements are described in the succeeding pages.

5.1 Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Credit Union determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Credit Union monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Credit Union's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5.2 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for the financial assets measured at amortised cost and FVOCI is an area that requires the use of modeling and assumptions about future economic conditions and credit behaviors (e.g., the likelihood of customers defaulting and the resulting losses). A number of significant judgement are also required in applying the account requirements for measuring ECL, such as:

- Determining credit for significant increase in credit risk;
- Choosing appropriate model and assumptions for the measurement of proportional loss;
- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Recovery rates on unsecured exposures;
- Drawdown of approved facilities;
- Determination of macroeconomic drivers (management overlay);
- Determination of life of revolving credit facilities; and
- Models and assumptions used.

It is the Credit Union's policy to regularly review its models in the context of an actual loss experience and adjust when necessary.

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5 Significant management judgements in applying accounting policies and estimation uncertainty

...continued

5.3 Valuation of stage 3 loan facilities

The proposed cash flow was discounted using the yield of the facilities. The Credit Union makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

5.4 Fair value measurement of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

5.5 Effective interest rate (EIR) method

The Credit Union's EIR method recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life cycle of the instruments, as well as expected changes to the Credit Union's base rate and other fee income/expense that are integral parts of the instrument.

5.6 Fair value measurement of land and building

Management uses valuation techniques to determine the fair value of its non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the asset. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 13). Additional information is disclosed in note 7(c).

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6 Financial risk management

Risk management objectives and policies

The Credit Union has exposure to the following risks arising from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

This note presents information about the Credit Union's exposure to each of the above risks, the Credit Union's objectives, policies and processes for measuring and managing risk, and the Credit Union's management of capital.

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's finance function.

The Board of Directors receives monthly reports from the Credit Union's Management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Credit Union's risk management processes are essentially those mandated by the Board of Directors and are structured to facilitate identification of risks in its various business activities and to formulate risk management strategies, policies and procedures. Risks are maintained within established limits. The Credit Union's risk management policies entail diversification of risk in its portfolios, the establishment of risk rating indicators for individual members and lines of credit and continuous review of risk profiles for its members and portfolios. Risk limits are also set in relation to groups of borrowers and industry and geographical segments. The policies also include review, analysis and valuation of all risk-taking activities.

6.1 Credit risk analysis

Credit risk is the risk of financial loss to the Credit Union if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Credit Union is exposed to this risk for various financial instruments, for example, granting loans to members, placing deposits and investing in bonds.

(i) *Loans to members*

The Credit Union's exposure to credit risk is influenced mainly by the individual characteristics of each member. The demographics of the Credit Union's member base, including the default risk of the country in which members operate, has less of an influence on credit risk. Geographically there is concentration of credit risk as all members are located in St. Kitts and Nevis.

(ii) *Cash and cash equivalents*

Cash and cash equivalents are held with established and reputable financial institutions, which represent minimum risk of default.

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

6 Financial risk management ...continued

6.1 Credit risk analysis ...continued

(iii) *Investment securities*

There was no historical credit loss experience from the counterparties. The counterparties have low credit risk and strong financial position, and sufficient liquidity to settle its obligations to the Credit Union once they become due.

(iv) *Other receivables*

Other receivables are financial assets measured at amortised cost. Due to the short-term nature of settlement and a lack of evidence of historical credit losses, these assets are considered to have low credit risk.

(v) *Maximum exposure to credit risk*

The maximum on-balance sheet and off-balance sheet exposure to credit risk at the reporting date was :

	2020	2019
	\$	\$
On-balance sheet		
Cash and cash equivalents	35,946,524	25,174,844
Loans to members	112,834,034	105,013,669
Investment securities	18,761,188	18,407,196
Other receivables	189,337	139,883
	<hr/>	
	167,731,083	148,735,592
Off-balance sheet		
Loan commitments and other credit related facilities	3,485,001	3,075,000
	<hr/>	
	171,216,084	151,810,592
	<hr/>	

Credit risk in respect of financial assets is limited as these balances are shown net of allowance for impairment.

Loans to members

(a) *Expected credit loss on loans to members*

The expected credit loss, commonly referred to as ECL, represents the amount the Credit Union is likely to lose in the event of a default. The Credit Union is required to categorise the loans in their respective stages as outlined in IFRS 9.

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

6 Financial risk management ...continued

6.1 Credit risk analysis ...continued

(v) *Maximum exposure to credit risk ...continued*

Loans to members ...continued

(a) *Expected credit loss on loans to members ...continued*

Expected credit loss on loans to members are analysed as follows:

	Gross amount \$	ECL \$	Net amount \$
Stage 1	111,439,815	(928,126)	110,511,689
Stage 2	825,653	(153,906)	671,747
Stage 3	2,212,292	(561,694)	1,650,598
As at December 31, 2020	114,477,760	(1,643,726)	112,834,034
	Gross amount \$	ECL \$	Net amount \$
Stage 1	102,491,072	(831,298)	101,659,774
Stage 2	1,014,769	(136,088)	878,681
Stage 3	3,561,063	(1,085,849)	2,475,214
As at December 31, 2019	107,066,904	(2,053,235)	105,013,669

Stage 1 loans

Loans placed in this stage include loans for which there is no evidence of a significant increase in credit risk since the origination date and loans that are due to mature within 12 months of the reporting date providing that such loans were not in a state of default.

Stage 2 loans

Loans placed in this stage include loans past due for 31 to 90 days and loans that experienced a significant increase in credit risk even if past due days threshold is not met.

Stage 3 loans

Loans placed in this stage are loans that are past due over 90 days and loans that show evidence of impairment even if the 90 days threshold is not met.

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

6 Financial risk management ...continued

6.1 Credit risk analysis ...continued

(v) *Maximum exposure to credit risk ...continued*

Loans to members ...continued

(b) *Expected credit loss on loans to members ...continued*

One of the crucial requirements of IFRS 9 is for the Credit Union to determine whether there is a significant increase in credit risk (SICR) from the date of loan origination to the current or the reporting date. In the event of a SICR, the loan must be placed in Stage 2 and will require a lifetime provision. The loan should remain in this Stage until there is evidence that the event(s) that resulted in the increase in the credit risks have been satisfactorily cured. It is only then that these loans should be transitioned back to Stage 1. SICR is determined by observing to the extent to which adverse changes in one or more of the credit risk drivers could increase the likelihood of the default since the origin of the loan.

A change in members' employment arrangement, payment method, industry or personal conditions could be deemed significant enough to trigger a migration of loans to Stage 2 even if the past due days quantitative SICR threshold is not met.

The following table explains the changes in the loss allowance between the beginning and the end of the year due to these factors:

	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Allowance for impairment as at December 31, 2018	520,177	156,656	3,164,559	3,841,392
Transfers:				
Transfer from Stage 1 to Stage 2	(5,783)	5,783	–	–
Transfer from Stage 1 to Stage 3	(10,038)	–	10,038	–
Transfer from Stage 2 to Stage 3	–	(40,337)	40,337	–
Transfer from Stage 2 to Stage 1	61,102	(61,102)	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated during the year	350,689	–	280,593	631,282
Financial assets fully rerecognised during the year	419,507	130,304	1,244,629	1,794,440
Changes to inputs used in ECL calculation	(504,356)	(55,216)	–	(559,572)
Total net P & L charge during the year	311,121	(20,568)	1,575,597	1,866,150
Write-offs	–	–	(3,654,307)	(3,654,307)
Allowance of impairment as at December 31, 2019	831,298	136,088	1,085,849	2,053,235

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

6 Financial risk management ...continued

6.1 Credit risk analysis ...continued

(iii) Maximum exposure to credit risk...continued

Loans to members ...continued

(b) Expected credit loss on loans to members ...continued

	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Allowance for impairment as at December 31, 2019	831,298	136,088	1,085,849	2,053,235
Transfers:				
Transfer from Stage 1 to Stage 2				
Transfer from Stage 1 to Stage 3	(273,241)	–	273,241	–
Transfer from Stage 2 to Stage 3		(248,744)	248,744	–
Transfer from Stage 2 to Stage 1	50,288	(50,288)	–	–
Transfer from Stage 3 to Stage 1	78,512	–	(78,512)	–
Transfer from Stage 3 to Stage 2	–	3,926	(3,926)	–
New financial assets originated during the year	388,775	48,172	29,119	466,066
Financial assets fully rerecognised during the year	410,550	53,636	515,578	979,764
Changes to inputs used in ECL calculation	(558,056)	211,116	(207,583)	(554,523)
Total net P & L charge during the year	96,828	17,818	776,661	891,307
Write-offs	–	–	(1,300,816)	(1,300,816)
Allowance of impairment as at December 31, 2020	928,126	153,906	561,694	1,643,726

(c) Loans to members re-negotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferred payments. Following restructuring, a previously overdue account is reset to normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators of criteria which, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continual review. Restructuring is most commonly applied to term loans, in particular customer finance loans. There were no renegotiated loans which were impaired at December 31, 2020 or 2019.

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

6 Financial risk management ...continued

6.1 Credit risk analysis ...continued

(iii) *Maximum exposure to credit risk...continued*

Loans to members ...continued

(c) *Repossessed collateral*

The Credit Union had no repossessed collateral in its statement of financial position as at December 31, 2020 (2019: nil).

Bonds and equity investments

There is no formal rating of the credit quality of bonds, treasury bills and equity investments. A number of qualitative and quantitative factors are considered in assessing the risk associated with each investment; however, there is no hierarchy of ranking. There are no external ratings of the securities. None of the securities are pledged as collateral.

External rating such as Standard & Poor's rating or their equivalents are used by the Credit Union for managing the credit risk exposures. Bonds and equity investments are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

6.2 Liquidity risk analysis

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Credit Union's liquidity risk is subject to risk management controls and is managed within the framework of regulatory requirements, policies and limits approved by the Board. The Board receives reports on liquidity risk exposures and performance against approved limits. Management provides the Board with information on liquidity risk for Board oversight purposes through its monthly meetings.

The key elements of the Credit Union's liquidity risk management framework include:

- liquidity risk measurement and management limits, including limits on maximum net cash outflow over a specified short-term horizon;
- holdings of liquid assets to support its operations, which can generally be converted to cash within a reasonable time;
- liquidity stress testing PEARLS-specific ratios; and
- liquidity contingency planning.

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

6 Financial risk management ...continued

6.2 Liquidity risk analysis ...continued

The table below presents the cash flows payable by the Credit Union under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual and undiscounted cash flows.

	Carrying amount \$	Up to 1 year \$	1-5 years \$	Over 5 years \$	Total \$
Liabilities					
Members' deposits	148,966,180	144,288,465	—	5,091,673	149,380,138
Accounts payable and other liabilities	763,380	763,380	—	—	763,380
As at December 31, 2020	149,729,560	145,051,845	—	5,091,673	150,143,518
	Carrying amount \$	Up to 1 year \$	1-5 years \$	Over 5 years \$	Total \$
Liabilities					
Members' deposits	135,754,419	131,009,556	—	5,091,673	136,101,229
Accounts payable and other liabilities	698,811	698,811	—	—	698,811
As at December 31, 2019	136,453,230	131,708,367	—	5,091,673	136,800,040

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

6 Financial risk management ...continued

6.2 Liquidity risk analysis ...continued

Assets held for managing liquidity risk

The Credit Union holds a diversified portfolio of cash and high-quality highly liquid securities to support payment obligations and contingent funding in a stressed market environment. The Credit Union's assets held for managing liquidity risk comprise:

- Unrestricted cash in bank
- Certificates of deposit
- Loans and receivables investment securities
- Unimpaired loans

6.3 Market risk analysis

The Credit Union is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

(i) *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Credit Union does not face any such risk since its transactions are substantially in Eastern Caribbean Dollars, which is its functional currency. The United States Dollar, in which the Credit Union also transacts business, is fixed in relation to the Eastern Caribbean Dollar.

(ii) *Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market. To manage this price risk arising from investments in equity securities, the Credit Union diversifies its investment portfolio.

(iii) *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest earning assets and interest-bearing liabilities, which are subject to interest rate adjustments within a specified period.

The Credit Union actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances. Interest rate risk arising from the Credit Union's funding and investment activities is managed in accordance with Board-approved policies.

The table in the succeeding pages summarises the Credit Union's exposure to interest rate risks. Included in the table are the Credit Union's assets and liabilities at carrying amounts categorised by the earlier of contractual repricing and maturity dates.

St. Kitts Co-operative Credit Union Limited
Notes to the Financial Statements
December 31, 2020

(expressed in Eastern Caribbean dollars)

6 Financial risk management ...continued

6.3 Market risk analysis ...continued

(iii) *Interest rate risk...* continued

As of December 31, 2020

	Interest rate %	Up to 1 year \$	1 to 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Assets						
Cash and cash equivalents	—	35,946,524	—	—	3,357,930	39,304,454
Loans to members	5 – 18	21,119,868	32,065,299	58,616,185	1,032,682	112,834,034
Investment securities	2.5 – 3.85	18,761,188	—	—	871,598	19,632,786
Other receivables	—	—	—	—	189,337	189,337
Total financial assets		75,827,580	32,065,299	58,616,185	5,451,547	171,960,611
Liabilities						
Members' deposits	0 – 3	143,874,507	—	—	5,091,673	148,966,180
Accounts payable and other liabilities	—	—	—	—	763,380	763,380
Total financial liabilities		143,874,507	—	—	5,855,053	149,729,560
Total interest repricing gap		(68,046,927)	32,065,299	58,616,185	(403,505)	(22,231,052)

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

6 Financial risk management ...continued

6.3 Market risk analysis ...continued

(iii) Interest rate risk...continued

As of December 31, 2019

	Interest rate %	Up to 1 year \$	1 to 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Assets						
Cash and cash equivalents	–	25,174,844	–	–	4,555,803	29,730,647
Loans to members	5 – 18	16,641,200	26,052,175	61,981,013	339,281	105,013,669
Investment securities	2.5 – 3.85	18,407,196	–	–	859,098	19,266,294
Other receivables	–	–	–	–	139,883	139,883
Total financial assets		60,223,240	26,052,175	61,981,013	5,894,065	154,150,493
Liabilities						
Members' deposits	0 – 3	130,662,746	–	–	5,091,673	135,754,419
Accounts payable and other liabilities		–	–	–	698,811	698,811
Total financial liabilities		130,662,746	–	–	5,790,484	136,453,230
Total interest repricing gap		(70,439,506)	26,052,175	61,981,013	103,581	17,697,263

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

6 Financial risk management ...continued

6.3 Market risk analysis ...continued

(iii) Interest rate risk...continued

Fair value interest rate sensitivity analysis

The Credit Union does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow interest rate sensitivity analysis

The Credit Union is not exposed to any cash flow interest rate risk as it has no variable rate financial instruments.

6.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Credit Union's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Credit Union's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for development and implementation of controls to address operational risk is assigned to management within the Credit Union. This responsibility is supported by the development of overall Credit Union standards for the management of operational risk by establishing requirements for:

- appropriate segregation of duties, including the independent authorisation of transactions;
- the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with the Credit Union's standards is supported by a programme of periodic reviews undertaken by the Supervisory Committee. The results of the Supervisory Committee reviews are discussed with management, with summaries to the Board of Directors.

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

7 Fair value of financial assets and liabilities

a) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of the Credit Union's financial assets and liabilities not presented on the statement of financial position at their fair values.

	Carrying value		Fair value	
	2020	2019	2020	2019
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	39,304,454	29,730,647	39,304,454	29,730,647
<i>Investment securities:</i>				
Financial assets at amortised cost	18,761,188	18,407,196	18,761,188	18,407,196
Loans to members	112,834,034	105,013,669	112,834,034	105,013,669
Other assets	189,337	139,883	189,337	139,883
	171,089,013	153,291,395	171,089,013	153,291,395
Financial liabilities				
Members' deposits	148,966,180	135,754,419	147,753,127	134,465,315
Accounts payable and other liabilities	763,380	698,811	763,380	698,811
	149,729,560	136,453,230	148,516,507	135,164,126

(i) Loans to members

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(ii) Investment securities

The fair value of held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated for debt investment securities based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and remaining maturity.

(iii) Members' deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new deposits with similar remaining maturity.

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

7 Fair value of financial assets and liabilities

b) Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at December 31, 2020 and December 31, 2019.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into the following levels of the fair value hierarchy.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
December 31, 2020				
Financial assets				
Financial assets at FVOCI	–	687,498	184,100	871,598
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
December 31, 2019				
Financial assets				
Financial assets at FVOCI	–	674,998	184,100	859,098

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

7 Fair value of financial assets and liabilities

b) Fair value measurement of financial instruments ... continued

Measurement of fair value of financial instruments

The Credit Union's finance team performs valuations of financial items for financial reporting purposes. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information. The finance team reports directly to the Chief Executive Officer and to the Board of Directors. Valuation processes and fair value changes are discussed among the Board of Directors and the valuation team at least every year, in line with the Credit Union's reporting dates. The valuation techniques used for instruments categorised in Level 3 are described below:

Financial assets at FVOCI

The fair value is generally on broker/dealer price quotations. Where these are not available, the Credit Union applies valuation techniques to determine the fair value of financial instruments.

c) Measurement of non-financial assets

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at December 31, 2020 and December 31, 2019.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
December 31, 2020				
Property and equipment				
Land and freehold building at Bladen Commercial Development	–	9,900,000	–	9,900,000
Land and freehold buildings at New Street	–	2,516,001	–	2,516,001
	–	12,416,001	–	12,416,001

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

7 Fair value of financial assets and liabilities

c) Measurement of non-financial assets ... continued

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
December 31, 2019				
Property and equipment				
Land and freehold building at Bladen Commercial Development	–	8,496,441	–	8,496,441
Land and freehold buildings at New Street	–	1,679,997	–	1,679,997
	–	10,176,438	–	10,176,438

Fair value of the Credit Union's main property assets is estimated based on appraisals performed by independent, professionally qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors at each reporting date.

8 Capital management policies and procedures

The Credit Union has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. This capital management process aims to achieve three major objectives:

- exceed regulatory thresholds;
- meet long-term internal capital targets; and
- provide the Credit Union's members with a source of finance.

Capital is managed in accordance with the Board-approved Capital Management Policy which is based on regulatory requirements of the Co-operative Societies Act and the PEARLS regulations. Management and the Board of Directors develop the capital strategy and oversee the capital management processes of the Credit Union. The Credit Union's management and Supervisory Committee are key in implementing the Credit Union's capital strategy and managing capital. Capital is managed using both regulatory capital measures and internal metrics.

The three primary regulatory capital ratios used to assess capital adequacy are as follows:

	Regulatory requirement	2020 %	2019 %
Net loans/total assets	70% to 80%	60.0	62.4
Institutional capital/total assets	10% minimum	8.95	8.1
Total delinquency/total loans	5% maximum	3.42	5.9

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

9 Cash and cash equivalents

	2020	2019
	\$	\$
Cash on hand	3,357,930	4,555,803
Cash at banks	27,981,073	17,294,015
Short-term deposits	7,965,451	7,880,829
	<u>39,304,454</u>	<u>29,730,647</u>

The Credit Union bank balance are held at St. Kitts-Nevis-Anguilla National Bank Limited, Nevis Co-operative Credit Union, Police Co-operative Credit Union and Republic Bank (EC) Limited. These accounts earn interest at a rate of 0% - 3% (2019: 0% - 3%).

Short term deposits are held with St Kitts-Nevis-Anguilla National Bank and matures on January 31, 2021. This deposit earns interest at a rate of 1% (2019: 1%).

10 Loans to members

	2020	2019
	\$	\$
Construction	39,309,517	37,863,261
Consumer	20,528,919	22,327,060
Land and property	18,640,072	16,959,301
Vehicle	12,891,916	11,679,995
Restructured loans and consolidated bills	4,458,288	6,218,746
Promotional	13,594,291	8,158,305
Commercial	2,918,187	2,420,819
Education	1,103,887	1,100,136
	<u>113,445,077</u>	<u>106,727,623</u>
Interest receivable	1,032,683	339,281
	<u>114,477,760</u>	<u>107,066,904</u>
Allowance for impairment	(1,643,726)	(2,053,235)
Total loans to members	<u>112,834,034</u>	<u>105,013,669</u>
Current	22,152,550	33,627,128
Non-current	90,681,484	71,386,541
	<u>112,834,034</u>	<u>105,013,669</u>

As at December 31, 2020, interest rates charged on loans ranged from 5.0% to 18.0% (2019: 5.0% to 18.0%). The weighted average effective interest rate on productive loans to members at amortised cost as at December 31, 2020 is 9.55% (2019: 9.96%).

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

10 Loans to members...continued

The movement in allowance for impairment is as follows:

	2020	2019
	\$	\$
Balance at beginning of the year	2,053,235	3,841,392
Provision for credit losses for the year	891,307	1,866,150
Amounts written off during the year	(1,300,816)	(3,654,307)
Balance at end of year	1,643,726	2,053,235

During the year, the Credit Union recovered debts amounting to \$355,243 (2019: \$538,878) which is recognised as part of Other income (see note 20).

The Credit Union's loan loss provision has been made in accordance with the requirements of IFRS 9. Under the PEARLS methodology, the Credit Union provides for loan losses at the rate of thirty-five percent (35%) on balances less than twelve (12) months old and one hundred (100%) percent on balances more than twelve (12) months old on the net amount of delinquent loans according to the policy set by the Board of Directors. The PEARLS methodology is the basis of provision required by the Co-operatives Societies Act, No. 31 of 2011. As of December 31, 2020, the provision for credit losses in accordance with the PEARLS methodology amounted to \$580,965 (2019: \$1,903,970).

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

11 Investment securities

	2020	2019
	\$	\$
Financial assets at FVOCI		
Listed equities	687,498	674,998
Unlisted equity	184,100	184,100
Total financial assets at FVOCI	871,598	859,098
Financial assets at amortised cost		
Fixed deposits	9,261,069	8,970,804
Bonds	5,360,000	5,300,000
Treasury bills	4,021,075	4,021,075
	18,642,144	18,291,879
Interest receivable	119,044	115,317
Total financial assets at amortised cost	18,761,188	18,407,196
Total investment securities	19,632,786	19,266,294
	2020	2019
	\$	\$
Current	18,761,188	18,407,196
Non-current	871,598	859,098
	19,632,786	19,266,294

The movement of investment securities during the year are as follow:

	FVOCI	Amortised cost	Total
	\$	\$	\$
Balance at beginning of year	859,098	18,407,196	19,266,294
Additions	–	350,265	350,265
Unrealised fair value gain	12,500	–	12,500
Interest receivable	–	3,727	3,727
Balance at end of year	871,598	18,761,188	19,632,786

Management assessed that all debt security investments are considered to be low credit risk, and thus, the impairment during the year using 12-month expected credit losses was considered negligible and so was not recognised in the financial statements. Management consider low credit risk to be performing investments with counterparties with high credit ratings, or operating in territories with satisfactory credit risk and no history of default.

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

11 Investment securities ...continued

Financial assets at FVOCI

Listed equities

The SKCCU has equity instruments in two (2) financial institutions within St. Kitts and Nevis.

Unlisted equity

The SKCCU has an equity instrument in the Eastern Caribbean Home Mortgage Bank.

Financial assets at amortised cost

Fixed deposits

The SKCCU has various fixed deposits ranging from six months to one-year. Term deposits are held with various financial institutions in St. Kitts and Nevis and earn interest ranging from 2.5% – 3.5% (2019: 2.5% – 3.5%) with maturity dates ranging from February 4, 2021 to December 30, 2021.

Bonds

Bonds denominated in Eastern Caribbean Dollars are held with the Eastern Caribbean Home Mortgage Bank and yield interest rates of 2.5% (2019: 2.5%) with maturity dates ranging from October 22, 2021 to November 26, 2021.

Treasury bills

The treasury bills have a maturity period of 182 days and are held with the local Government and earn interest at a rate of 3.85% (2019: 3.85%). The treasury bills mature on May 3, 2021.

12 Other assets

	2020	2019
	\$	\$
Residential housing development:		
Deposit on purchase of land	1,817,957	1,817,957
Land development costs	282,626	274,826
Model homes	–	403,114
Prepayments	254,428	126,030
Office supplies	217,604	76,756
Other receivables	189,337	139,883
	<u>2,761,952</u>	<u>2,838,566</u>
Current	661,369	342,669
Non-current	<u>2,100,583</u>	<u>2,495,897</u>
	<u>2,761,952</u>	<u>2,838,566</u>

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

13 Property and equipment

	Land \$	Building \$	Equipment	Furniture and fittings \$	Office equipment \$	Computer equipment \$	Telephone equipment \$	Motor vehicle \$	Total \$
Cost or valuation									
At December 31, 2018	1,095,128	10,065,382	1,298,448	468,406	314,226	725,627	122,147	196,920	14,286,284
Additions	—	—	—	9,821	33,397	28,443	—	—	71,661
At December 31, 2019	1,095,128	10,065,382	1,298,448	478,227	347,623	754,070	122,147	196,920	14,357,945
Additions	—	—	—	9,728	17,585	134,767	—	—	162,080
Revaluation surplus	582,873	1,904,451	—	—	—	—	—	—	2,487,324
Effect of elimination of accumulated depreciation	—	(1,231,833)	—	—	—	—	—	—	(1,231,833)
Disposals	—	—	(8,850)	—	(758)	(15,971)	—	—	(25,579)
At December 31, 2020	1,678,001	10,738,000	1,289,598	487,955	364,450	872,866	122,147	196,920	15,749,937
Accumulated depreciation									
At December 31, 2018	—	740,212	773,105	424,675	257,819	533,855	75,294	94,536	2,899,496
Charge for the year	—	243,860	82,965	16,240	18,710	80,419	14,640	39,372	496,206
At December 31, 2019	—	984,072	856,070	440,915	276,529	614,274	89,934	133,908	3,395,702
Charge for the year	—	247,761	82,228	14,678	24,479	66,482	14,644	23,634	473,906
Reversal of accumulated depreciation	—	(1,231,833)	—	—	—	—	—	—	(1,231,833)
Write-back on disposals	—	—	—	—	(758)	(15,967)	—	—	(16,725)
At December 31, 2020	—	—	938,298	455,593	300,250	664,789	104,578	157,542	2,621,050
Carrying values:									
At December 31, 2020	1,678,001	10,738,000	351,300	32,362	64,200	208,077	17,569	39,378	13,128,887
At December 31, 2019	1,095,128	9,081,310	442,378	37,312	71,094	139,796	32,213	63,012	10,962,243

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

13 Property and equipment...continued

Revaluation reserve

Revaluation reserve represents the excess of appraised values over the cost of the Credit Union's land and building as a result of a professional valuation which has been adopted by the Credit Union. The Credit Union's property valuation was performed by an independent professional valuator as at December 31, 2020. The excess of the appraised value over cost amounted to \$2,487,324, which was credited to the revaluation reserve.

The following are the historical cost carrying amounts of land and building carried at revalued amounts as of December 31.

	2020		
	Land \$	Buildings \$	Total \$
Cost	561,821	4,597,556	5,159,377
Accumulated depreciation	–	(1,815,152)	(1,815,152)
Net book values	561,821	2,782,404	3,344,225

	2019		
	Land \$	Buildings \$	Total \$
Cost	561,821	4,597,556	5,159,377
Accumulated depreciation	–	(1,700,214)	(1,700,214)
Net book values	561,821	2,897,342	3,459,163

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

14 Intangible assets

	Computer software \$
Cost	
As at December 31, 2018, 2019 and 2020	<u>957,076</u>
Amortisation	
As at December 31, 2018	357,183
Charge for the year	<u>151,610</u>
As at December 31, 2019	508,793
Charge for the year	<u>151,262</u>
As at December 31, 2020	<u>660,055</u>
Carrying values	
As at December 31, 2020	<u>297,021</u>
As at December 31, 2019	<u>448,283</u>

15 Members' deposits

	2020 \$	2019 \$
Regular savings	110,666,570	98,249,469
Term deposits	37,978,952	36,686,594
	<u>148,645,522</u>	<u>134,936,063</u>
Interest payable	320,658	818,356
Total members' deposits	<u>148,966,180</u>	<u>135,754,419</u>
Current	143,874,507	130,662,746
Non-current	5,091,673	5,091,673
	<u>148,966,180</u>	<u>135,754,419</u>

The weighted average effective interest rate on members' deposits as at December 31, 2020 is 2.12% (2019: 2.17%).

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

16 Accounts payable and other liabilities

	2020	2019
	\$	\$
Deferred loan fees	689,129	1,088,805
Accounts payable	227,272	197,909
Accrued expenses and other payables	466,835	346,304
Accounts payable to Caribbean Credit Card Corporation	69,273	154,598
	<hr/>	<hr/>
Total accounts payable and other liabilities	1,452,509	1,787,616
	<hr/>	<hr/>
Current	897,797	700,055
Non-current	554,712	1,087,561
	<hr/>	<hr/>
	1,452,509	1,787,616
	<hr/>	<hr/>

17 Members' shares

	2020	2019
	\$	\$
Balance at beginning of the year	8,572,080	7,555,220
Issued during the year	865,265	1,016,860
	<hr/>	<hr/>
Balance at end of year	9,437,345	8,572,080
	<hr/>	<hr/>

18 Reserves

	2020	2019
	\$	\$
Property revaluation reserve	10,664,776	8,177,452
Statutory reserve	6,839,928	5,825,112
Other reserve	2,025,968	2,025,968
Financial assets revaluation reserve	394,998	382,498
Development fund reserve	214,152	140,230
	<hr/>	<hr/>
	20,139,822	16,551,260
	<hr/>	<hr/>

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

18 Reserves ...continued

i) Property revaluation reserve

On March 10, 2021, the Credit Union revalued its properties at New Street and Bladen Commercial Development. The revalued amount was \$12,416,000 based on the independent valuation of a qualified valuer, where a revaluation surplus of \$2,487,324 was recognised in the statement of changes in members' equity. After revaluation, total revaluation reserve aggregated to \$10,664,776 as at December 31, 2020.

ii) Statutory reserve

	2020	2019
	\$	\$
Balance at beginning of year	5,825,112	5,334,537
Entrance fees	6,837	8,534
Transfer from retained earnings during the year	1,007,979	482,041
Balance at end of year	6,839,928	5,825,112

iii) Other reserve

Other reserve represents cumulative amounts appropriated from retained earnings based on the discretion of the Board of Directors and guidance from the Regulators. It is the policy of the Board of Directors to periodically transfer amounts from retained earnings to other reserve as part of the Credit Union risk management. Other reserve represents a non-distributable reserve and this is not available for the payment of dividends.

iv) Financial assets revaluation reserve

The Credit Union opted to recognise its equity securities as financial assets at FVOCI with unrealised gains or losses being recognised in revaluation reserve in the statement of changes in members' equity. Unrealised fair value gain in 2020 amounted to \$12,500 (2019: unrealised fair value loss, \$37,500).

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

18 Reserves ...continued

v) Development fund reserve

Part VII, Section 126 of the Co-operatives Societies Act, No. 31 of 2011 provides for a Development Fund to be established and maintained. The Act requires the Credit Union, after the annual audit and if a net surplus exists, to make an annual contribution to its development fund, as determined and approved by the Board of Directors, not exceeding ten percent (10%) of that surplus and such fund shall be used for strengthening the capacity and growth of the Credit Union and for human resource development.

On March 19, 2021, the Board of Directors approved the allocation of 2.5% of net surplus for the year ended December 31, 2020 which amounted to \$100,612 (2019: \$44,234).

	2020	2019
	\$	\$
Balance at beginning of year	140,230	121,015
Allocation for the year	100,798	44,234
Use of development fund	(26,876)	(25,019)
	<hr/>	<hr/>
Balance at end of year	214,152	140,230
	<hr/>	<hr/>

19 Interest expense

	2020	2019
	\$	\$
Savings deposits	2,020,709	1,803,012
Term deposits	862,800	843,676
	<hr/>	<hr/>
	2,883,509	2,646,688
	<hr/>	<hr/>

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

20 Other income

	Note	2020 \$	2019 \$
Fees and commissions		1,672,133	944,974
Bad debt recovered	10	355,243	538,878
Chequing account fees		206,710	213,456
Miscellaneous		109,887	87,913
Credit card fees		107,251	106,491
Dividend income		17,410	34,307
Rental income		12,000	48,100
Foreign exchange gains		6,283	18,907
Loss on sale of Scenic View Homes unit		(18,114)	(153,708)
BAICO investment recovery		—	155,151
		<u>2,468,803</u>	<u>1,994,469</u>

21 Staff costs

	2020 \$	2019 \$
Salaries and wages	2,282,893	2,375,103
Staff benefits	269,311	518,674
Social security contributions	220,204	226,305
	<u>2,772,408</u>	<u>3,120,082</u>
Total staff costs		
	<u>46</u>	<u>48</u>

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

22 General and administrative expenses

	2020	2019
	\$	\$
Repairs and maintenance	428,079	459,269
Insurance	403,237	171,840
Utilities	272,740	264,913
Professional fees	187,917	91,667
Postage and stationery	127,430	192,480
Security services	109,407	114,425
Subscriptions and dues	100,600	100,600
SKCCU Committee	96,479	85,938
Annual general meeting	27,752	65,369
Transportation and travel	12,600	10,556
Registration fee	10,100	10,100
Property tax	6,254	6,329
Miscellaneous	401	7,024
Meeting and convention	294	163,677
	<u>1,783,290</u>	<u>1,744,187</u>

23 Depreciation and amortisation

	2020	2019
	\$	\$
Depreciation of property and equipment (note 13)	473,906	496,206
Amortisation of intangible assets (note 14)	151,262	151,610
	<u>625,168</u>	<u>647,816</u>

24 Income tax

Under the Income Tax Act of St. Kitts and Nevis, the Credit Union is classified as a non-profit organisation and is therefore exempt from the payment of income tax.

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

25 Related party balances and transactions

Related parties

A related party is a person or entity that is related to the Credit Union:

a) A person or a close member of that person's family is related to the Credit Union if that person:

- i) has control or joint control over the Credit Union;
- ii) has significant influence over the Credit Union; or
- iii) is a member of the key management personnel of the Credit Union, or of a parent of the Credit Union.

b) An entity is related to the Credit Union if any of the following conditions applies:

- i) The entity and the Credit Union are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii) Both entities are joint ventures of the same third party.
- iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v) The entity is a post-employment benefit plan for the benefit of employees of either the Credit Union or an entity related to the Credit Union.
- vi) The entity is controlled, or jointly controlled by a person identified in (a).

A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Related party balances

	Total loans		Total deposits	
	2020	2019	2020	2019
	\$	\$	\$	\$
Board of Directors	178,947	652,996	374,846	160,753
Credit committee	28,754	373,392	115,391	309,302
Supervisory committee	115,514	130,096	227,651	185,711
Key management personnel	256,824	1,471,648	333,444	248,382
Total related party balances	580,039	2,628,132	1,051,332	904,148

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

25 Related party balances and transactions ...continued

Related party transactions

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and conditions.

	2020	2019
	\$	\$
Interest income on loans	31,412	166,633
Interest expense on deposits	28,949	36,620

Interest rates on related party deposits range from 0% to 3% (2019: 0% to 3%). Interest rates on related party loans range from 5% to 15% (2019: 5% to 15%).

Key management personnel compensation

Salaries and related benefits paid to key members of management are as follow:

	2020	2019
	\$	\$
Salaries and allowances	915,540	1,085,739
Other staff costs	135,722	99,199
	<u>1,051,262</u>	<u>1,184,938</u>

26 Dividends

In 2020, the Credit Union declared and paid a dividend of \$554,187 in respect of the 2019 financial year (2019: \$506,862 in respect of the 2018 financial year) to its members.

27 Impact of coronavirus (Covid-19)

Management has assessed subsequent events through to the date of approval of these financial statements, which is the date the financial statements were available to be issued.

St. Kitts Co-operative Credit Union Limited

Notes to the Financial Statements

December 31, 2020

(expressed in Eastern Caribbean dollars)

27 Impact of coronavirus (Covid-19) ...continued

COVID-19 Pandemic

Since December 31, 2019, the spread of a novel strain of coronavirus, COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

The Government of St. Kitts and Nevis and the ECCB have responded with monetary and fiscal interventions to stabilise economic conditions in the Federation. This included a loan repayment deferral programme (moratorium) in conjunction with the Eastern Caribbean Currency Union Bankers Association. Accordingly, as of December 31, 2020, the Credit Union had a total of \$17,090,828 loans that were included in the moratorium programme. As at February 28, 2021, the loans amounted to \$10,249,799. The moratoriums were issued for a period of 3 months and then extended by two subsequent 3-month periods with further extensions possible in light of changes in the economic outlook brought about by the pandemic.

The Credit Union considered the impact of the COVID-19 pandemic in the forward-looking information used to derive the expected credit losses on its financial assets. The duration and impact of the COVID-19 pandemic remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Credit Union for future periods.