St. Kitts Co-operative Credit Union Limited

Financial Statements
December 31, 2023
(expressed in Eastern Caribbean dollars)

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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 as at December 31, 2023, and 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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 Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the Eastern Caribbean, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 IFRS Accounting 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 auditor's 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.

Grant Thornton

Chartered Accountants
April 19, 2024
Basseterre, St. Kitts

St. Kitts Co-operative Credit Union Limited
Statement of Financial Position
As at December 31, 2023

(expressed in Eastern Caribbean dollars)

	Notes	2023 $	2022 $
Assets			
Cash and cash equivalents	**9**	**44,021,048**	35,718,194
Loans to members	**10**	**154,834,225**	146,070,776
Other assets	**11**	**5,616,402**	3,855,716
Investment securities	**12**	**22,758,909**	20,870,505
Property and equipment	**13**	**16,499,544**	15,046,708
Intangible assets	**14**	**3,347**	4,686
Total assets		**243,733,475**	221,566,585
Liabilities and members' equity			
Liabilities			
Members' deposits	**15**	**188,361,649**	174,794,404
Accounts payable and other liabilities	**16**	**9,718,100**	5,113,046
Total liabilities		**198,079,749**	179,907,450
Members' equity			
Members' shares	**17**	**13,475,806**	11,905,714
Reserves	**18**	**21,967,591**	21,203,624
Retained earnings		**10,210,329**	8,549,797
Total members' equity		**45,653,726**	41,659,135
Total liabilities and members' equity		**243,733,475**	221,566,585

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

Approved for issue by the Board of Directors on April 19, 2024.

President

Treasurer

St. Kitts Co-operative Credit Union Limited

Statement of Comprehensive Income

For the year ended December 31, 2023

(expressed in Eastern Caribbean dollars)

	Notes	2023 $	2022 $
Interest income on loans to members		**12,683,945**	12,624,564
Interest income on investment securities		**726,054**	715,570
Total interest income		**13,409,999**	13,340,134
Interest expense	**19**	**(3,790,451)**	(3,524,834)
Net interest income		**9,619,548**	9,815,300
Other income, net	**20**	**3,307,063**	3,119,836
Operating income		**12,926,611**	12,935,136
Operating expenses			
Staff costs	**21**	**(3,496,034)**	(2,984,336)
General and administrative expenses	**22**	**(3,514,196)**	(2,617,936)
Provision for expected credit losses	**10**	**(1,750,186)**	(4,638,060)
Depreciation and amortisation	**23**	**(490,738)**	(659,020)
Marketing and promotional expenses		**(236,960)**	(227,184)
Total operating expenses		**(9,488,114)**	(11,126,536)
Profit for the year before finance costs		**3,438,497**	1,808,600
Finance costs		**(244,069)**	(263,048)
Profit for the year		**3,194,428**	1,545,552
Other comprehensive income			
Unrealised fair value gain on financial assets at fair value through other comprehensive income (FVOCI)	**12,18**	**–**	12,500
Total comprehensive income for the year		**3,194,428**	1,558,052

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, 2023

(expressed in Eastern Caribbean dollars)

	Notes	Members' shares $	Reserves $	Retained earnings $	Total $
Balance at January 1, 2022		**10,478,570**	**20,874,123**	**8,224,640**	**39,577,333**
Transactions with members					
Issuance of shares	**17**	1,436,844	–	–	1,436,844
Withdrawal of shares	**17**	(9,700)	–	–	(9,700)
Entrance fees	**18(ii)**	–	7,075	–	7,075
Dividends paid	**26**	–	–	(795,369)	(795,369)
		1,427,144	**7,075**	**(795,369)**	**638,850**
Reserves movements					
Transfer to statutory reserve	**18(ii)**	–	386,388	(386,388)	–
Transfer to development fund reserve	**18(v)**	–	38,638	(38,638)	–
Use of development fund reserve	**18(v)**	–	(115,100)	–	(115,100)
		–	**309,926**	**(425,026)**	**(115,100)**
Total comprehensive income					
Profit for the year		–	–	1,545,552	1,545,552
Unrealised fair value gain on financial assets at FVOCI	**18(iv)**	–	12,500	–	12,500
		–	**12,500**	**1,545,552**	**1,558,052**
Balance at December 31, 2022		**11,905,714**	**21,203,624**	**8,549,797**	**41,659,135**
Transactions with members					
Issuance of shares	**17**	1,570,092	–	–	1,570,092
Entrance fees	**18(ii)**	–	6,166	–	6,166
Dividends paid	**26**	–	–	(655,428)	(655,428)
		1,570,092	**6,166**	**(655,428)**	**920,830**
Reserves movements					
Transfer to statutory reserve	**18(ii)**	–	798,607	(798,607)	–
Transfer to development fund reserve	**18(v)**	–	79,861	(79,861)	–
Use of development fund reserve	**18(v)**	–	(120,667)	–	(120,667)
		–	**757,801**	**(878,468)**	**(120,667)**
Total comprehensive income					
Profit for the year		–	–	3,194,428	3,194,428
Unrealised fair value gain on financial assets at FVOCI	**18(iv)**	–	–	–	–
		–	**–**	**3,194,428**	**3,194,428**
Balance at December 31, 2023		**13,475,806**	**21,967,591**	**10,210,329**	**45,653,726**

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, 2023

(expressed in Eastern Caribbean dollars)

	Notes	2023 $	2022 $
Cash flows from operating activities			
Profit for the year		**3,194,428**	1,545,552
Items not affecting cash:			
Interest expense	**19**	**3,790,451**	3,524,834
Provision for expected credit losses	**10**	**1,750,186**	4,638,060
Depreciation and amortisation	**23**	**490,738**	659,020
Loss on disposal of property and equipment	**20**	**384**	–
Dividend income	**20**	**(101,434)**	(15,087)
Interest income		**(13,409,999)**	(13,340,134)
Operating loss before changes in working capital		**(4,285,246)**	(2,987,755)
Changes in loans to members		**(11,012,974)**	(18,346,357)
Changes in other assets		**(1,760,686)**	(309,858)
Changes in accounts payable and other liabilities		**4,605,054**	2,544,294
Changes in members' deposits		**13,556,794**	12,352,285
Cash generated from/(used in) operations		**1,102,942**	(6,747,391)
Interest received on loans to members		**13,183,284**	12,469,295
Interest paid on members' deposits		**(3,780,000)**	(3,516,056)
Net cash from operating activities		**10,506,226**	2,205,848
Cash flows used in investing activities			
Interest received on investments		**722,921**	712,894
Purchase of investment securities	**12**	**(1,885,271)**	(373,769)
Purchase of property and equipment	**13**	**(1,942,619)**	(385,957)
Dividend received		**101,434**	15,087
Net cash used in investing activities		**(3,003,535)**	(31,745)
Cash flows from financing activities			
Proceeds from issuance of shares	**17**	**1,570,092**	1,436,844
Entrance fees	**18(ii)**	**6,166**	7,075
Withdrawal of shares	**17**	**–**	(9,700)
Use of development fund reserve	**18(v)**	**(120,667)**	(115,100)
Dividends paid	**26**	**(655,428)**	(795,369)
Net cash from financing activities		**800,163**	523,750
Net change in cash and cash equivalents		**8,302,854**	2,697,853
Cash and cash equivalents at beginning of year		**35,718,194**	33,020,341
Cash and cash equivalents at end of year	**9**	**44,021,048**	35,718,194

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

(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 the provision of loans and other financial products and services to its members.

2 General information and statement of compliance with IFRS accounting standards 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 Cayon Street and the head office at Bladen Commercial Development.

The financial statements of the Credit Union have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). They have been prepared under the assumption the Credit Union operates on a going concern basis, which assumes the Credit Union will be able to discharge its liabilities as they fall due.

The Credit Union's financial statements have been prepared on an accruals basis and under the historical cost convention except for the revaluation of land and buildings and financial assets at fair value through other comprehensive income (FVOCI). The measurement bases are fully described in the material accounting policy information.

(expressed in Eastern Caribbean dollars)

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, 2023

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. These standards, interpretations and amendments have been adopted and do not have a significant impact on the Credit Union's financial results or position.

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 authorisation 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 Material accounting policy information

4.1 Overall considerations

The material accounting policy information 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
- 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.

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information *…continued*

4.2 Revenue recognition *…continued*

(i) Interest income …continued

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.

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, net

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.

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information *…continued*

4.2 Revenue recognition *…continued*

(ii) Other income, net …continued

- 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.

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 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.

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information *...continued*

4.4 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 and subsequently measures at amortised cost and/or FVOCI 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.

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information *...continued*

4.4 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 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.

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 4.4 (d) and Derecognition of financial assets in note 4.5 (g).

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information *...continued*

4.4 Financial instruments *...continued*

(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.

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.

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information *…continued*

4.4 Financial instruments *…continued*

(c) Impairment of financial assets …continued

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, 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
- 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 (Stage 1); or
- full lifetime ECL, i.e., lifetime ECL that result from all possible default events over the life of the financial instrument (Stage 2 and Stage 3).

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information *…continued*

4.4 Financial instruments *…continued*

(c) Impairment of financial assets …continued

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 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;
- 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.

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information *…continued*

4.4 Financial instruments *…continued*

(c) Impairment of financial assets …continued

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 unlikeliness 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.

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information *…continued*

4.4 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.

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information *...continued*

4.4 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 the 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.

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information *...continued*

4.4 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, including accounts payable and other liabilities and members' deposits, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost.

Financial liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or as a result of terms as determined by contractual obligations. Financial 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.

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).

4.5 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.

4.6 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.

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information *…continued*

4.7 Property and equipment

(a) Initial measurement

Property and equipment are initially stated at cost. Cost includes expenditure that is directly attributed to the acquisition of items.

(b) Subsequent measurement land and buildings

After initial recognition, land and buildings 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 initial recognition, an item of furniture and fittings, equipment and motor vehicles 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

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information *…continued*

4.7 Property and equipment *…continued*

(c) Depreciation …continued

Land is not subject to depreciation.

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, net.

4.8 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.

4.9 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.

(expressed in Eastern Caribbean dollars)

4 Material accounting policy information *...continued*

4.9 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.

4.10 Employee benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

4.11 Operating expenses

Operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or as incurred.

4.12 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 reserve comprises gains and losses from the revaluation of land and buildings (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
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.

(expressed in Eastern Caribbean dollars)

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 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.

(expressed in Eastern Caribbean dollars)

5 Significant management judgements in applying accounting policies and estimation uncertainty *…continued*

5.3 Valuation of stage 3 loan facilities

The proposed cash flows were 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 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.

6 Financial risk management

Risk management objectives and policies

The Credit Union is exposed to the following risks arising from its use of financial instruments:

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

(expressed in Eastern Caribbean dollars)

6 Financial risk management *…continued*

Risk management objectives and policies *…continued*

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 as well as 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.

(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.

(expressed in Eastern Caribbean dollars)

6 Financial risk management *...continued*

6.1 Credit risk analysis *...continued*

(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:

	2023	**2022**
	$	**$**
On-balance sheet		
Cash at banks and cash equivalents	**38,779,058**	30,234,954
Loans to members	**154,834,225**	146,070,776
Investment securities	**19,720,644**	19,332,240
Other receivables	**244,445**	173,894
	213,578,372	195,811,864
Off-balance sheet		
Loan commitments and other credit related facilities	**6,888,445**	5,672,229
	220,466,817	201,484,093

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.

(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	148,198,007	(1,479,485)	146,718,522
Stage 2	3,652,571	(762,789)	2,889,782
Stage 3	6,718,296	(1,492,375)	5,225,921
As at December 31, 2023	**158,568,874**	**(3,734,649)**	**154,834,225**
Stage 1	139,048,050	(1,801,188)	137,246,862
Stage 2	4,442,641	(820,235)	3,622,406
Stage 3	7,417,899	(2,216,391)	5,201,508
As at December 31, 2022	**150,908,590**	**(4,837,814)**	**146,070,776**

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.

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 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.

(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

Stage 3 loans …continued
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.

Loss allowance
The following tables explain 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 $
December 31, 2023				
Balance at beginning of the year	**1,801,188**	**820,235**	**2,216,391**	**4,837,814**
Transfers:				
Transfer from Stage 1 to Stage 2	(36,670)	36,670	–	–
Transfer from Stage 1 to Stage 3	(559,158)	–	559,158	–
Transfer from Stage 2 to Stage 3	–	(378,702)	378,702	–
Transfer from Stage 2 to Stage 1	6,627	(6,627)	–	–
Transfer from Stage 3 to Stage 1	8,545	–	(8,545)	–
Transfer from Stage 3 to Stage 2	–	9,181	(9,181)	–
New financial assets	557,861	69,208	37,018	664,087
Financial assets fully derecognised	(350,961)	(147,212)	(460,444)	(958,617)
Changes to inputs used in ECL calculation	52,053	360,036	1,632,627	2,044,716
Total net charge during the year	(321,703)	(57,446)	2,129,335	1,750,186
Write-offs	–	–	(2,853,351)	(2,853,351)
Balance at end of the year	**1,479,485**	**762,789**	**1,492,375**	**3,734,649**

(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

Loss allowance ...continued

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
December 31, 2022				
Balance at beginning of the year	**1,408,266**	**390,689**	**854,395**	**2,653,350**
Transfers:				
Transfer from Stage 1 to Stage 2	(30,758)	30,758	–	–
Transfer from Stage 1 to Stage 3	(1,923,796)	–	1,923,796	–
Transfer from Stage 2 to Stage 3	–	(418,758)	418,758	–
Transfer from Stage 2 to Stage 1	87,874	(87,874)	–	–
Transfer from Stage 3 to Stage 1	26,416	–	(26,416)	–
New financial assets	863,675	128,927	93,781	1,086,383
Financial assets fully derecognised	(298,006)	(55,671)	(150,670)	(504,347)
Changes to inputs used in ECL calculation	1,667,517	832,164	1,556,343	4,056,024
Total net charge during the year	392,922	429,546	3,815,592	4,638,060
Write-offs	–	–	(2,453,596)	(2,453,596)
Balance at end of the year	**1,801,188**	**820,235**	**2,216,391**	**4,837,814**

(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

Gross carrying amount
The following table further explains changes in the gross carrying amount of the loans to members to explain their significance to the changes in the loss allowance as discussed above:

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
December 31, 2023				
Balance at beginning of the year	**139,048,050**	**4,442,641**	**7,417,899**	**150,908,590**
Transfers:				
Transfers from Stage 1 to Stage 2	(3,105,310)	3,105,310	–	–
Transfers from Stage 1 to Stage 3	(1,291,967)	–	1,291,967	–
Transfers from Stage 2 to Stage 3	–	(1,619,509)	1,619,509	–
Transfers from Stage 2 to Stage 1	396,682	(396,682)	–	–
Transfers from Stage 3 to Stage 1	1,904,726	–	(1,904,726)	–
Transfers from Stage 3 to Stage 2	–	22,168	(22,168)	–
New financial assets	42,123,503	193,944	47,018	42,364,465
Financial assets derecognised	(29,070,243)	(1,760,871)	(520,377)	(31,351,491)
Changes in interest receivable	(1,807,434)	(334,430)	1,642,525	(499,339)
Financial assets write-offs	–	–	(2,853,351)	(2,853,351)
Balance at end of the year	**148,198,007**	**3,652,571**	**6,718,296**	**158,568,874**
December 31, 2022				
Balance at beginning of the year	**130,696,636**	**1,505,220**	**2,658,704**	**134,860,560**
Transfers:				
Transfers from Stage 1 to Stage 2	(4,038,953)	4,038,953	–	–
Transfers from Stage 1 to Stage 3	(6,354,106)	–	6,354,106	–
Transfers from Stage 2 to Stage 1	313,529	(313,529)	–	–
Transfers from Stage 2 to Stage 3	–	(844,973)	844,973	–
Transfers from Stage 3 to Stage 1	204,918	–	(204,918)	–
New financial assets	47,429,159	358,672	581,330	48,369,161
Financial assets derecognised	(29,358,402)	(301,702)	(362,700)	(30,022,804)
Changes in interest receivable	155,269	–	–	155,269
Financial assets write-offs	–	–	(2,453,596)	(2,453,596)
Balance at end of the year	**139,048,050**	**4,442,641**	**7,417,899**	**150,908,590**

(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) 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, 2023 or 2022.

(c) Repossessed collateral
The Credit Union had no repossessed collateral in its statement of financial position as at December 31, 2023 (2022: nil).

Debt investment securities

There is no formal rating of the credit quality of bonds and treasury bills. 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. Debt 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. Management considers the investments to be low credit risk as these instruments are held with counterparties with high credit ratings, or operating in territories with satisfactory credit risk and no history of default. All investment securities were considered to be performing and so were classified as Stage 1 (2022: Stage 1, 100%).

Cash and cash equivalents and other receivables

Cash and cash equivalents and other receivables are measured at amortised cost and are also subject to the impairment requirement of IFRS 9, the identified impairment loss is deemed immaterial to the financial statements.

(expressed in Eastern Caribbean dollars)

6 Financial risk management *...continued*

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.

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 $	Over 5 years $	Total $
Liabilities				
Members' deposits	188,361,649	183,459,281	5,091,673	188,550,954
Accounts payable and other liabilities	8,922,089	8,922,089	–	8,922,089
As at December 31, 2023	**197,283,738**	**192,381,370**	**5,091,673**	**197,473,043**
Liabilities				
Members' deposits	174,794,404	170,228,729	5,091,673	175,320,402
Accounts payable and other liabilities	4,408,684	4,408,684	–	4,408,684
As at December 31, 2022	**179,203,088**	**174,637,413**	**5,091,673**	**179,729,086**

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 at bank;
- Unimpaired loans;
- Investment securities; and
- Other receivables.

(expressed in Eastern Caribbean dollars)

6 Financial risk management *...continued*

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.

(expressed in Eastern Caribbean dollars)

6 Financial risk management *...continued*

6.3 Market risk analysis *...continued*

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

As at December 31, 2023

	Interest rate %	Up to 1 year $	1 – 5 years $	Over 5 years $	Non-interest bearing $	Total $
Assets						
Cash and cash equivalents	0 – 3	38,779,058	–	–	5,241,990	44,021,048
Loans to members	5 – 18	24,987,368	65,507,872	63,271,580	1,067,405	154,834,225
Investment securities	2.5 – 3.85	19,594,702	–	–	3,164,207	22,758,909
Other receivables	–	–	–	–	244,445	244,445
Total financial assets		**83,361,128**	**65,507,872**	**63,271,580**	**9,718,047**	**221,858,627**
Liabilities						
Members' deposits	0 – 3	183,269,976	–	–	5,091,673	188,361,649
Accounts payable and other liabilities	–	–	–	–	8,922,089	8,922,089
Total financial liabilities		**183,269,976**	**–**	**–**	**14,013,762**	**197,283,738**
Total interest repricing gap		**(99,908,848)**	**65,507,872**	**63,271,580**	**(4,295,715)**	**24,574,889**

(expressed in Eastern Caribbean dollars)

6 Financial risk management *…continued*

6.3 Market risk analysis *…continued*

(iii) Interest rate risk*…continued*

As at December 31, 2022

	Interest rate %	Up to 1 year $	1 – 5 years $	Over 5 years $	Non-interest bearing $	Total $
Assets						
Cash and cash equivalents	0 – 3	30,234,954	–	–	5,483,240	35,718,194
Loans to members	5 – 18	23,561,510	64,858,809	56,083,713	1,566,744	146,070,776
Investment securities	2.5 – 3.85	19,209,431	–	–	1,661,074	20,870,505
Other receivables	–	–	–	–	173,894	173,894
Total financial assets		**73,005,895**	**64,858,809**	**56,083,713**	**8,884,952**	**202,833,369**
Liabilities						
Members' deposits	0 – 3	169,702,731	–	–	5,091,673	174,794,404
Accounts payable and other liabilities	–	–	–	–	4,408,684	4,408,684
Total financial liabilities		**169,702,731**	**–**	**–**	**9,500,357**	**179,203,088**
Total interest repricing gap		**(96,696,836)**	**64,858,809**	**56,083,713**	**(615,405)**	**23,630,281**

(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 financial assets and financial liabilities held by the Credit Union have fixed rates over the life of the instruments and so the sensitivity analysis is not required.

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 program 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.

(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**	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	**44,021,048**	35,718,194	**44,021,048**	35,718,194
Loans to members	**154,834,225**	146,070,776	**154,834,225**	146,070,776
Financial assets at amortised cost	**19,720,644**	19,332,240	**19,720,644**	19,332,240
Other receivables	**244,445**	173,894	**244,445**	173,894
	218,820,362	201,295,104	**218,820,362**	201,295,104
Financial liabilities				
Members' deposits	**188,361,649**	174,794,404	**188,361,649**	174,794,404
Accounts payable and other liabilities	**8,922,089**	4,408,684	**8,922,089**	4,408,684
	197,283,738	179,203,088	**197,283,738**	179,203,088

(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 assets which are held to maturity to collect contractual cash flows 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.

(expressed in Eastern Caribbean dollars)

7 Fair value of financial assets and liabilities *...continued*

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, 2023 and 2022.

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, 2023				
Financial assets at FVOCI	**–**	**654,165**	**2,384,100**	**3,038,265**
December 31, 2022				
Financial assets at FVOCI	–	654,165	884,100	1,538,265

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.

(expressed in Eastern Caribbean dollars)

7 Fair value of financial assets and liabilities *...continued*

c) Fair value 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, 2023 and December 31, 2022.

	Level 1 $	Level 2 $	Level 3 $	Total $
December 31, 2023				
Land and freehold building at Cayon and Church Streets	–	3,024,830	–	3,024,830
Land and freehold building at Bladen Commercial Development	–	9,434,222	–	9,434,222
Land and freehold buildings at New Street	–	2,271,440	–	2,271,440
	–	**14,730,492**	**–**	**14,730,492**
December 31, 2022				
Land and freehold building at Cayon and Church Streets	–	2,517,307	–	2,517,307
Land and freehold building at Bladen Commercial Development	–	9,538,080	–	9,538,080
Land and freehold buildings at New Street	–	2,352,960	–	2,352,960
	–	**14,408,347**	**–**	**14,408,347**

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.

(expressed in Eastern Caribbean dollars)

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	**2023 %**	**2022 %**
Net loans/total assets	70% to 80%	**63.50%**	65.90%
Institutional capital/total assets	10% minimum	**8.60%**	8.40%
Total delinquency/total loans	5% maximum	**9.55%**	12.90%

9 Cash and cash equivalents

	2023 $	**2022 $**
Cash at banks	**30,574,495**	22,110,882
Short-term deposits	**8,204,563**	8,124,072
Cash on hand	**5,241,990**	5,483,240
	44,021,048	35,718,194

The Credit Union's bank balances are held at St. Kitts-Nevis-Anguilla National Bank Limited, Nevis Co-operative Credit Union Limited, Police Co-operative Credit Union Limited and Republic Bank (EC) Limited. These accounts earn interest at a rate of 0% – 3% (2022: 0% – 3%).

Short term deposits are held with St Kitts-Nevis-Anguilla National Bank Limited. These deposits earn interest at a rate of 1% (2022: 1%) and mature on January 15, 2024.

(expressed in Eastern Caribbean dollars)

10 Loans to members

	2023 $	2022 $
Promotional	**46,002,573**	42,725,667
Construction	**43,676,683**	43,099,451
Consumer	**23,075,555**	20,764,060
Land and property	**22,417,027**	21,973,090
Vehicle	**10,840,193**	9,949,412
Restructured loans and consolidated bills	**6,982,953**	6,422,274
Commercial	**3,040,100**	3,063,368
Education	**1,466,385**	1,344,524
	157,501,469	149,341,846
Interest receivable	**1,067,405**	1,566,744
	158,568,874	150,908,590
Provision for expected credit losses	**(3,734,649)**	(4,837,814)
Total loans to members	**154,834,225**	146,070,776
Current	**26,054,773**	25,128,254
Non-current	**128,779,452**	120,942,522
	154,834,225	146,070,776

As at December 31, 2023, interest rates charged on loans ranged from 4.75% – 18.0% (2022: 5.0% – 18.0%). The weighted average effective interest rate on productive loans to members at amortised cost as at December 31, 2023 is 8.67% (2022: 9.26%)

The movement in provision for expected credit losses is as follows:

	2023 $	2022 $
Balance at beginning of the year	**4,837,814**	2,653,350
Provision for expected credit losses for the year	**1,750,186**	4,638,060
Amounts written off during the year	**(2,853,351)**	(2,453,596)
Balance at end of the year	**3,734,649**	4,837,814

During the year, the Credit Union recovered previously written-off bad debts amounting to $787,662 (2022: $744,634) which is recognised as part of "Other income, net" (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-operative Societies Act, No. 31 of 2011. As of December 31, 2023, the provision for credit losses in accordance with the PEARLS methodology amounted to $1,674,367 (2022: $3,035,191).

(expressed in Eastern Caribbean dollars)

11 Other assets

	2023 $	2022 $
Deposit on purchase of land	**1,817,957**	1,817,957
Land development costs	**2,318,094**	1,025,016
Prepayments	**1,128,973**	699,280
Other receivables	**244,445**	173,894
Office supplies	**106,933**	139,569
	5,616,402	3,855,716
Current	**1,480,351**	1,012,743
Non-current	**4,136,051**	2,842,973
	5,616,402	3,855,716

According to management's estimate of the value of the project as at December 31, 2023, the residential housing development is assessed to have an estimated fair market value of $5,120,154 (2022: $3,827,076).

12 Investment securities

	2023 $	2022 $
Financial assets at FVOCI		
Listed equities	**654,165**	654,165
Unlisted equities	**2,384,100**	884,100
Total financial assets at FVOCI	**3,038,265**	1,538,265
Financial assets at amortised cost		
Fixed deposits	**10,190,719**	9,870,448
Bonds	**5,552,000**	5,487,000
Treasury bills	**4,021,075**	4,021,075
	19,763,794	19,378,523
Interest receivable	**125,942**	122,809
	19,889,736	19,501,332
Provision for expected credit losses	**(169,092)**	(169,092)
Total financial assets at amortised cost	**19,720,644**	19,332,240
Total investment securities	**22,758,909**	20,870,505
Current	**19,720,644**	19,332,240
Non-current	**3,038,265**	1,538,265
	22,758,909	20,870,505

(expressed in Eastern Caribbean dollars)

12 Investment securities *…continued*

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

	Note	FVOCI $	Amortised cost $	Total $
Balance at December 31, 2021		**1,525,765**	**18,955,795**	**20,481,560**
Additions		–	373,769	373,769
Unrealised fair value gain	18	12,500	–	12,500
Movement in interest receivable		–	2,676	2,676
Balance at December 31, 2022		**1,538,265**	**19,332,240**	**20,870,505**
Additions		1,500,000	385,271	1,885,271
Movement in interest receivable		–	3,133	3,133
Balance at December 31, 2023		**3,038,265**	**19,720,644**	**22,758,909**

Financial assets at FVOCI

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

Unlisted equities
The SKCCU has equity instruments 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 nil% – 3.5% (2022: nil% – 3.5%) with maturity dates ranging from February 26, 2024 to December 30, 2024.

Bonds
Bonds denominated in Eastern Caribbean Dollars are held with the Eastern Caribbean Home Mortgage Bank and yield interest rates of 2.5% (2022: 2.5%) with maturity dates ranging from October 25, 2024 to November 28, 2024.

Treasury bills
The treasury bills have a maturity period of six months and are held with the local Government and earn interest at a rate of 3.85 % (2022: 3.85%). The treasury bills mature on April 28, 2024.

(expressed in Eastern Caribbean dollars)

13 Property and equipment

	Land $	Buildings $	Equipment $	Furniture and fittings $	Office equipment $	Computer equipment $	Telephone equipment $	Motor vehicles $	Total $
Cost or valuation									
At December 31, 2021	**2,210,326**	**12,555,675**	**1,289,598**	**487,955**	**390,944**	**1,065,404**	**122,147**	**196,920**	**18,318,969**
Additions	–	224,866	40,092	9,169	34,350	77,480	–	–	385,957
Disposals	–	–	–	(24,813)	(1,935)	–	(8,369)	–	(35,117)
At December 31, 2022	**2,210,326**	**12,780,541**	**1,329,690**	**472,311**	**423,359**	**1,142,884**	**113,778**	**196,920**	**18,669,809**
Additions	–	622,262	788,061	35,111	164,033	333,152	–	–	1,942,619
Disposals	–	–	–	–	(26,282)	–	–	–	(26,282)
At December 31, 2023	**2,210,326**	**13,402,803**	**2,117,751**	**507,422**	**561,110**	**1,476,036**	**113,778**	**196,920**	**20,586,146**
Accumulated depreciation									
At December 31, 2021	**–**	**289,897**	**1,005,702**	**469,439**	**321,699**	**760,264**	**119,222**	**181,177**	**3,147,400**
Charge for the year (note 23)	–	292,623	52,807	11,917	28,953	105,850	2,925	15,743	510,818
Write-back on disposals	–	–	–	(24,813)	(1,935)	–	(8,369)	–	(35,117)
At December 31, 2022	**–**	**582,520**	**1,058,509**	**456,543**	**348,717**	**866,114**	**113,778**	**196,920**	**3,623,101**
Charge for the year (note 23)	–	300,117	60,822	6,796	27,589	94,075	–	–	489,399
Write-back on disposals	–	–	–	–	(25,898)	–	–	–	(25,898)
At December 31, 2023	**–**	**882,637**	**1,119,331**	**463,339**	**350,408**	**960,189**	**113,778**	**196,920**	**4,086,602**
Carrying values									
At December 31, 2023	**2,210,326**	**12,520,166**	**998,420**	**44,083**	**210,702**	**515,847**	**–**	**–**	**16,499,544**
At December 31, 2022	**2,210,326**	**12,198,021**	**271,181**	**15,768**	**74,642**	**276,770**	**–**	**–**	**15,046,708**

(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 on March 10, 2021. The excess of the appraised value over cost amounted to $2,487,324, which was credited to the revaluation reserve in the year ended December 31, 2020. Subsequently, additional land and buildings were purchased and are carried at fair value. The Credit Union assessed that purchase price of the land and building to be its fair value given that the transaction occurred at arm's length between willing and knowledgeable parties.

The following are the historical cost carrying amounts of land and buildings carried at revalued amounts:

	Land $	Buildings $	Total $
December 31, 2023			
Cost	1,094,096	7,262,409	8,356,505
Accumulated depreciation	–	(2,555,156)	(2,555,156)
Net book value	**1,094,096**	**4,707,253**	**5,801,349**
December 31, 2022			
Cost	1,094,096	6,640,147	7,734,243
Accumulated depreciation	–	(2,264,660)	(2,264,660)
Net book value	**1,094,096**	**4,375,487**	**5,469,583**

14 Intangible assets

	Note	2023 $	2022 $
Cost at beginning and end of the year		**963,770**	963,770
Accumulated amortisation			
Balance at beginning of the year		**959,084**	810,882
Charge for the year	**23**	**1,339**	148,202
Balance at end of the year		**960,423**	959,084
Carrying value at end of the year		**3,347**	4,686

(expressed in Eastern Caribbean dollars)

15 Members' deposits

	2023 $	2022 $
Regular savings	**143,050,423**	130,925,373
Term deposits	**44,947,034**	43,515,290
	187,997,457	174,440,663
Interest payable	**364,192**	353,741
Total members' deposits	**188,361,649**	174,794,404
Current	**183,269,976**	169,702,731
Non-current	**5,091,673**	5,091,673
	188,361,649	174,794,404

The weighted average effective interest rate on members' deposits as at December 31, 2023 is 2.09% (2022: 2.09%).

16 Accounts payable and other liabilities

	2023 $	2022 $
Due to Caribbean Credit Card Corporation	**7,706,978**	3,415,913
Deferred loan fees	**796,011**	704,362
Accrued expenses and other payables	**675,771**	578,068
Accounts payable	**539,340**	414,703
Total accounts payable and other liabilities	**9,718,100**	5,113,046

17 Members' shares

	2023 $	2022 $
Balance at beginning of the year	**11,905,714**	10,478,570
Issued during the year	**1,570,092**	1,436,844
Withdrawals during the year	**–**	(9,700)
Balance at end of the year	**13,475,806**	11,905,714

(expressed in Eastern Caribbean dollars)

18 Reserves

	2023 $	2022 $
Property revaluation reserve	**10,664,775**	10,664,775
Statutory reserve	**8,770,518**	7,965,745
Other reserve	**2,025,969**	2,025,969
Financial assets revaluation reserve	**361,665**	361,665
Development fund reserve	**144,664**	185,470
	21,967,591	21,203,624

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 $12,416,001 based on the independent valuation of a qualified valuer.

ii) *Statutory reserve*

Part VII, Section 125 of the Co-operative Societies Act, No. 31 of 2011 provides for a Reserve Fund to be established and maintained. The Act requires the Credit Union, after the annual audit and if a net surplus exists, to transfer not less than 25% to its statutory reserve fund until the reserve equals to 10% of total assets. The reserve fund may be applied, with the approval of the Registrar, in the business of the society, unforeseen losses, unexpected shortfalls in liquid cash, capital retention, improved earnings, financing of non-earning assets, repairs and maintenance and the avoidance of external borrowing. Entrance fees are credited to the statutory reserve.

	2023 $	2022 $
Balance at beginning of the year	**7,965,745**	7,572,282
Entrance fees	**6,166**	7,075
Transfer from retained earnings during the year	**798,607**	386,388
Balance at end of the year	**8,770,518**	7,965,745

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's risk management. Other reserve represents a non-distributable reserve and this is not available for the payment of dividends.

(expressed in Eastern Caribbean dollars)

18 Reserves *…continued*

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 2023 amounted to $nil (2022: $12,500) (see note 12).

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.

The Board of Directors approved the allocation of 2.5% of net surplus for the year (2022: 2.5%) to the Development fund reserve.

	2023 **$**	**2022** **$**
Balance at beginning of the year	**185,470**	261,932
Allocation for the year	**79,861**	38,638
Use of development fund	**(120,667)**	(115,100)
Balance at end of the year	**144,664**	185,470

19 Interest expense

	2023 **$**	**2022** **$**
Savings deposits	**2,711,658**	2,477,034
Term deposits	**1,078,793**	1,047,800
	3,790,451	3,524,834

(expressed in Eastern Caribbean dollars)

20 Other income, net

	Note	2023 $	2022 $
Fees and commissions		**1,844,309**	1,824,673
Bad debt recovered	**10**	**787,662**	744,634
Credit card fees		**330,917**	205,387
Chequing account fees		**220,723**	235,774
Dividend income		**101,434**	15,087
Foreign exchange differences, net		**14,243**	11,193
Miscellaneous		**6,359**	80,688
Rental income		**1,800**	2,400
Loss on disposal of property and equipment		**(384)**	–
		3,307,063	3,119,836

21 Staff costs

	2023 $	2022 $
Salaries and wages	**2,958,345**	2,520,499
Staff benefits	**302,149**	246,870
Social security contributions	**235,540**	216,967
	3,496,034	2,984,336

The number of employees as at December 31, 2023 was 50 (2022: 45).

(expressed in Eastern Caribbean dollars)

22 General and administrative expenses

	2023 $	2022 $
Debit and credit card processing fees	**1,321,142**	575,815
Insurance	**512,434**	502,638
Repairs and maintenance	**416,556**	450,468
Utilities	**299,132**	289,220
SKCCU Committee	**184,525**	100,578
Professional fees	**164,758**	105,698
Meeting and convention	**158,741**	80,422
Security services	**146,493**	164,740
Subscriptions and dues	**143,805**	142,218
Postage and stationery	**78,825**	122,450
Annual general meeting	**44,418**	25,880
Transportation and travel	**13,012**	29,060
Registration fee	**10,250**	10,100
Property tax	**10,209**	10,387
Miscellaneous	**9,896**	8,262
	3,514,196	2,617,936

23 Depreciation and amortisation

	Notes	2023 $	2022 $
Depreciation of property and equipment	**13**	**489,399**	510,818
Amortisation of intangible assets	**14**	**1,339**	148,202
		490,738	659,020

(expressed in Eastern Caribbean dollars)

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.

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	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Board of Directors	**261,197**	285,495	**510,983**	498,286
Credit committee	**95,238**	80,325	**80,945**	49,013
Supervisory committee	**8,440**	498,503	**142,561**	281,639
Key management personnel	**1,350,610**	793,044	**686,807**	490,315
Total related party balances	**1,715,485**	1,657,367	**1,421,296**	1,319,253

(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.

	2023 $	2022 $
Interest income on loans	**92,127**	89,305
Interest expense on deposits	**29,419**	28,217

Interest rates on related party deposits range from 0% – 3% (2022: 0% – 3%). Interest rates on related party loans range from 5% – 15% (2022: 5% – 15%).

Key management personnel compensation

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

	2023 $	2022 $
Salaries and allowances	**1,183,961**	1,041,775
Other staff costs	**245,268**	389,028
	1,429,229	1,430,803

26 Dividends

In 2023, the Credit Union declared and paid a dividend of $655,428 in respect of the 2022 financial year (2022: $795,369 in respect of the 2021 financial year) to its members.

27 Commitments

As at reporting date, the Credit Union had contractual commitments to extend credit to customers, guarantee and other facilities as follows:

	2023 $	2022 $
Loan commitments	**6,496,936**	5,208,823
Overdraft commitments	**391,509**	463,406
	6,888,445	5,672,229