CREDIT UNION

ANNUAL REPORT

2021

CREDIT UNION PRAYER

Saint Francis of Assisi

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

O! Divine Master,
Grant that I may not so much seek
To be consoled as to console.
To be understood as to understand.
To be loved as to love.

For it is in giving that we receive.
It is in pardoning that we are pardoned.
And it is in dying that we are born to eternal life.

Bless, O Lord our deliberations.
And grant that whatever we may say and do will have Your blessings and guidance.
Through Jesus Christ Our Lord,

Amen.

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Credit Union Team

CREDIT UNION

2021 ANNUAL GENERAL MEETING NOTICE

12 November 2021

Dear Member,

Notice is hereby given that the 46th Annual General Meeting of the Cayman Islands Civil Service Association Cooperative Credit Union Limited is scheduled on **Wednesday, 24 November 2021 at 6:00 pm.**
This meeting will not be held in person but will take place online. Members can register online at the Credit Union Website www.creditunion.ky from Wednesday, 17 November to Monday, 22 November 2021.

Agenda

1. Online Registration
2. Call to Order – Chairman
   a. Welcome and Ascertainment of a Quorum
   b. Prayer
   c. Silent Tribute
3. Apologies for Absence
4. a. Minutes of the 45th Annual General Meeting of 25 November 2020
   b. Matters Arising from the Minutes
5. Board of Directors' Report
6. Treasurer and Independent Auditors' Reports
7. Credit Committee Report
8. Supervisory Committee Report
9. Resolutions
10. Elections
11. Any Other Business
12. Adjournment

Please make every effort to attend.

Cooperatively yours,

Zena Merren-Chin
Secretary

Visit our website www.creditunion.ky for updates regarding our AGM.

INTRODUCTION

The Cayman Islands Civil Service Association (CICSA) Co-operative Credit Union Limited (the "Credit Union") was incorporated in the Cayman Islands in 1976 under the provisions of the Cooperative Societies Law and operates as a non-profit organisation receiving savings and making loans to members.

The Credit Union was formed by seven civil servants who were members of the Cayman Islands Civil Service Association (CICSA). The seven founding members, Mr. Gilbert McLean, Mr. Louis Moncrieffe, Mr. John (Lemuel) Hurlston, Mr. Colford Scott, Mr. Ray Miller (deceased), Ms. Rachael Ebanks, and Mr. George McCarthy, assisted by the "Matron" of the Credit Union, Mrs. Cicely Delapenha (deceased), started with $35 ($5 each); their vision, 46 years later with over 16,000 members and assets in excess of $460M, is still shared today.

The Credit Union is governed by the Cooperative Societies Law as well as a set of Rules approved by members at Annual General Meetings ("AGM").

Our governance structure is strengthened internally by:

- The role and functions of an elected Credit Committee;
- The role and functions of an elected Supervisory Committee; and
- The control functions performed by an Internal Auditor and a Chief Risk and Compliance Officer.

Governance of our Credit Union is further enhanced by:

- Annual external audits; and
- Regulation by the Cayman Islands Monetary Authority ("CIMA").

Our Credit Union forms part of the global credit union organisation with membership in the Caribbean Confederation of Credit Unions (CCCU), which in turn is a member of the World Council of Credit Unions (WOCCU). As such, we endeavour to uphold the seven cooperative principles of:

- **Voluntary membership;**
- **Democratic member control;**
- **Member economic participation**;
- **Autonomy and independence;**
- **Financial education, training, information;**
- **Cooperation among cooperatives; and**
- **Concern for the community.**

Eligibility for membership includes employees and their immediate family members as well as pensioners of the:

- The Credit Union;
- The Cayman Islands Government;
- Government owned entities; and
- Utility companies operating in the Cayman Islands.

As a financial institution primarily funded through member deposits, the Credit Union remains very aware that depositors rely on dividends to live and save for the future. However, borrowers are equally faced with the pressure of trying to create security for their families through residential or personal borrowing. As **a member-owned and community-focused organisation**, the Credit Union tries to meet both sets of demands from borrowers and depositors with equal focus.

SEVEN COOPERATIVE PRINCIPLES

1. **Voluntary membership;**
2. **Democratic member control;**
3. **Member economic participation;**
4. **Autonomy and independence;**
5. **Financial education, training, information;**
6. **Cooperation among cooperatives; and**
7. **Concern for the community.**

THE YEAR AT A GLANCE

QUICK FACTS	2021 ($000)	2020 ($000)
Total Membership	**16,460**	15,360
ATM Cards Issued for the Year	**1,412**	1,421
New Members for the Year	**1,617**	1,585
Net Income	**$10.62M**	$10.56M
Total Assets	**$468M**	$410M
Total Loans Disbursed	**$88M**	$67M
Total Loans	**$323M**	$294M
Delinquency Rate	**1.90%**	1.91%
Member Shares	**$403M**	$346M
Dividends Paid to Members	**2.80%**	3.50%
Interest Rebate to Members	**3%**	3%
Educational Grants	**$200K**	$200K
Staff	**64**	59

MISSION, VISION, CORE VALUES

Purpose

To provide our members with easier access to financial services, helping them to improve their quality of life.

Vision

To be the first-choice financial services provider for all eligible members while maximising their returns.

Mission

The mission of our Credit Union is to offer excellent service to our members enabling them to achieve their financial goals while positively impacting the wider community.

Values

Professionalism, Respect, Integrity, Helpfulness and Commitment

KEY PERFORMANCE INDICATORS

KEY RATIOS	2021	2020
Earnings Per Share	**$0.05**	$0.06
Return On Assets	**2.40%**	3%
Return On Equity	**27%**	28%
Efficiency	**43%**	40%

Members Loans	2021	2020	% Change
Homeowners	56	48	17%
Land Owners	160	90	78%
Vehicle Owners	318	180	77%

Michael Nixon Chairman

BOARD OF DIRECTORS REPORT

During the past year, despite the unrelenting challenges of the COVID-19 pandemic, the Cayman Islands has shined as a beacon of resilience as our people and economy quickly adapted to the dynamic situation.

Yes, there has been some difficulty, particularly for those persons who earn a living from our once vibrant tourism sector.

The Economics and Statistics Office has estimated that in 2020, the Cayman Islands economy, measured by Gross Domestic Product (GDP), contracted by some 6.7% in 2020, compared to growth of 3.8% in 2019. Unemployment increased to 5.2% with Caymanian unemployment being 8.1%.

This type of economic shock was felt across the world, with advanced economies experiencing contraction and high rates of unemployment. Closer to home, for some of our Caribbean neighbors the economic disruption was severe. The International Monetary Fund estimated that many economies in the region contracted by more than 10%.

However, despite this disruption, the Cayman Islands has displayed remarkable resilience and our Credit Union has continued to grow and prosper.

For its Annual Conference in June 2021, The Caribbean Confederation of Credit Unions adopted the theme, **"Resilience - Building Resilience through Self-Reliance".** This theme aptly applies to our Credit Union as we have faced many challenging times since our incorporation in 1976, and we continue to be resilient through self-reliance.

Over the years, whether it was managing membership growth, low liquidity, high delinquency, high interest rates, predatory competition, or the aftermath of natural disasters, our Credit Union has demonstrated its resilience through self-reliance by:

- focusing on *members helping members:*
- building a strong membership base;
- practicing the core Co-operative principles of the Credit Union movement;
- helping members to achieve their financial goals by encouraging members to save with and borrow from our Credit Union;
- training and developing competent, experienced employees to serve our members;

- providing service to members at the lowest fees;
- delivering solid financial returns for our members through an annual dividend, loan interest rebates and competitive interest rates on deposits;
- increasing our engagement with members through surveys, emails, social media, focus groups, and events such as International Credit Union Day and the Annual General Meeting;
- helping to uplift and empower our community through educational grants, donations to various charities, school-based programmes and awards, sporting organisations, and other events for our youth;
- continuously improving governance, technology, and risk management; and
- ensuring compliance with increasing regulations.

Our resilience has been reflected in the financial results for the 2020/21 financial year, despite the fact that loan interest rates remained at historical lows, competition for loan growth remained high, and a number of our members who earned their livelihood from tourism were unemployed.

Our Credit Union realised a surplus of $10.62M (2020: $10.56M) which was achieved through our ability to maintain, protect, and grow our loan book by 10% to $323.2M. Member deposits grew by 15%, the **delinquency rate remained below 2%,** and total assets grew by 14%.

CATEGORIES	2021 ($000)	2020 ($000)	% Change
Total Assets	**468,571**	410,445	**14%**
Total Deposits	**426,607**	370,432	**15%**
Loan Portfolio	**323,229**	294,272	**10%**

All of these factors clearly show the confidence our members have in the Credit Union and reflect the success of the strategy of the Board to maintain and protect the loan book and grow the membership.

This year, based on these financial results, I am pleased to inform you that **the Board of Directors is recommending to you, the membership, a dividend of 2.1% and the payment of a loan interest rebate of 2%.**

During the past year the Board of Directors focused its efforts on building the resilience of the Credit Union through:

- **Ongoing implementation of a new Core Banking System**
- **Embracing a culture of Enterprise Risk Management**
- **Business process improvements**
- **Improved governance**
- **Protection of our business**
- **Member engagement**
- **Development and support of our human resources**

Core Banking System-Smart Solution

The implementation of a new core banking system continued throughout the 2020/21 fiscal year with a "go live" date originally scheduled for late July 2021. However, due to a number of factors the Board decided to delay the implementation of the new system until 1 February 2022 to ensure a smooth transition from the legacy system to the new system for employees, but most importantly, to ensure un-interrupted, efficient service for our members.

The new system is critically important to the Credit Union as it represents the first major IT infrastructure upgrade in over 20 years and will allow the Credit Union to leverage technology and provide enhanced services by offering:

- Three new ATMs with locations at the Credit Union Headquarters, Government Administration Building, and Countryside Shopping Plaza in Savannah;
- Improved online banking;
- A new mobile banking app; and
- Improved, more efficient service to members who visit our branches.

Our staff and management have worked tirelessly to bring this important project to fruition. Many of them have had to work a dual role of serving our members as well as configuring, validating, and training on the new banking system. The Board acknowledges the extra effort that was required from our staff and the support that management has given to assist the team. We look forward to the full implementation of the system in February 2022.

RISK AND COMPLIANCE

The Credit Union continues to enhance its risk management framework by implementing policies and procedures to comply with its rules, applicable legislation, regulatory directives, guidance and established best practices.

Enterprise Risk Management

The Board of Directors is committed to ensuring the Credit Unions' strategic and operational risks are appropriately identified and mitigated. We are pleased to report that during the past year we took a major step in building a robust enterprise risk management system. Under the guidance of Pricewaterhouse Coopers (PwC), a detailed risk analysis and development of a risk register was completed by Management. This register will be reviewed and updated by Management quarterly, with regular reporting by the Chief Executive Officer to the Board of Directors for ongoing monitoring.

In the coming months we will continue to strengthen our risk management framework by developing a Risk Management Policy which will define the risk appetite statement for the Credit Union; set out roles and responsibilities for Risk Management; and provide a mechanism for the ongoing monitoring of each main risk category impacting the Credit Union.

We believe that by embedding a structured system of risk management the Credit Union will continue to have strong, resilient operations well into the future.

Compliance

The compliance function is another critical area of Credit Union operations which is closely monitored by the Board of Directors in an effort to ensure that the Credit Union fulfills its obligations under the regulatory framework established by CIMA and the Cooperative Societies Act.

Regulatory and operational compliance is monitored by the Supervisory Committee through the control functions performed by the Chief Risk and Compliance Officer and the Internal Audit Manager. The Board receives and reviews monthly reports from these control functions through the CEO and the Supervisory Committee.

During the past year we have expanded capacity in the Compliance Department by recruiting a Deputy Chief Risk and Compliance Officer. This has allowed for additional staff training, business process improvements and enhanced transaction/account monitoring, thereby strengthening our ability to manage the potential money laundering, terrorist financing, proliferation financing, and data protection risks we face.

MEMBER BENEFITS

On 18 January 1977, the Credit Union's Board of Directors decided to provide an incentive for members to save on a consistent basis and to borrow; this benefit came in the form of "insurance" on their deposits and loan balances which would go to their beneficiaries after their death. The directors noted that this "insurance coverage is given at no costs to members because it is paid from the income earned." The total membership at the time was 85, total deposits were $8.2K, and loans were $3.9K.

Unlike other Caribbean Credit Unions, our Credit Union did not charge a fee/premium to members for this benefit and therefore it remains an expense to this day. The total amount paid in claims to member beneficiaries has substantially increased over the years as our membership has grown to over 16K, with deposits in excess of $400M and loans over $300M. In 2017 claims paid were $201K, $251K in 2018, $289K in 2019, $271K in 2020 and $419K by 2021.

Due to the increasing expense from beneficiary benefits, which are paid before the final surplus is available for distribution to all eligible members, the Board decided to review the way this benefit is applied. As such, an ad hoc sub-committee was appointed by the Board and is comprised of three members, and is chaired by one director.

The members of the Committee recommended that the benefit should not be paid before the final surplus is determined, but instead, a "Benevolent Fund" should be created and funded from a portion of the final audited surplus, subject to member approval at the AGM. This recommendation was supported by the Board, who also streamlined the way the benefit is calculated to reduce the administrative burden. The Board put forward a proposal for approval by the members; see Resolutions on page 31.

CORPORATE SOCIAL RESPONSIBILITY

The Credit Union's signature Educational Grants Programme is one of the primary ways we fulfill our social responsibility to develop our community.

In 2021, our Credit Union provided 167 members and children of members with $200,000 to pursue their educational goals through the Rupert McCoy Education Grants Programme.

During the financial year, the Credit Union assisted charitable entities, events benefitting youth services and older persons, and sponsored educational achievement awards at high schools in our community. See further details on community involvement on pages 26 and 27.

In the coming months we will continue to strengthen our risk management framework by developing a Risk Management Policy which will define the risk appetite statement for the Credit Union.

DELINQUENT LOANS

The Board monitors this very critical credit risk area of the Credit Union on a regular basis and daily oversight is provided through the Debt Collection Department. At the end of the financial year, the delinquency rate stood at 1.90% compared to 1.91% at the end of the 2020 financial year. We continue to monitor delinquency through an enhanced policy and procedures manual which was updated during the financial year.

See more in the Treasurer's Report on pages 13 to 16.

WRITTEN-OFF LOANS

Accounts that were in arrears for a period in excess of 365 days, and for which the accounts reflected a 100% provision for the debts, were recommended to the Board by the Management for write off. As of 31 July 2021, loans with a combined value of $564K (2020: $213K) were approved by the Board of Directors as Written-Off Loans. These loans will continue to be managed for collections but will no longer be included as part of the current loans' portfolio. We, however, will continue with an aggressive procedure to collect as much of these outstanding loans as we can which will go directly towards our surplus.

HUMAN RESOURCES

Total staff complement as of 31 July 2021 was 64 (2020: 59); the increase in staff. A 7% increase in health insurance premiums, and retirement benefits for two long serving employees contributed to the increase in personnel costs for the financial year.

Staff development remains an area of priority with training sessions for all staff of the Credit Union. The Directors and Volunteers also benefitted from training in Governance and an update on Anti-Money Laundering/Combatting the Financing of Terrorism.

See more in About Us on page 22 to 25.

Team Working

CORPORATE GOVERNANCE

The Board of Directors has worked diligently throughout the year on your behalf and met 14 (2020: 14) times to discharge their fiduciary and regulatory duties. The focus areas for the Board continue to be: financial strength, risk management, compliance, strategy and sound governance practice.

To strengthen governance the Board approved the following policies during the financial year:

- Code of Conduct and Conflict of Interest Policy for all Directors and Members of Committees;
- Code of Conduct for Employees (revised 2021); and
- Board Operating Manual.

A governance audit was conducted by Internal Audit under the guidance of the Supervisory Committee. The implementation of recommendations from this audit along with the above policies above will further enhance effective governance of our Credit Union.

Rule 43 requires that at least one **statutory meeting** be held with all directors and committee members during the year. At this meeting attendees were given an overview and update on all Credit Union policies and procedures, an overview of all products and services, and a presentation was made by representatives of the Regulator, CIMA, on the regulatory framework for our Credit Union.

In June 2019, the Board of Directors in accordance with Rule 41 formed an **Executive Committee**, which is a sub-committee of the Board including the Chairman, 1st Vice-Chairman, Treasurer, Secretary, and another director. The role of this Committee is to approve loans referred by the Credit Committee and review the performance of the CEO.

This sub-committee met 3 (2020: 7) times during the financial year.

The IT Steering Committee, which consists of one director, the Chief Information Officer, and 3 members, met 3 (2020: 3) times for the financial year to provide recommendations to the Board on cyber security, IT strategy and IT governance.

The Education Grant Committee, which consists of two directors and two members met once during the financial year to review and approve application for grants under the Rupert McCoy Educational Grant Programme.

Rule 28 requires that one director and a member of the Supervisory Committee are required to attend a **Credit Committee Meeting** whenever a loan application is being considered for a staff member, director, or a member of the Credit or Supervisory Committee. In accordance with Rule 28 there were 3 meetings held for this purpose during the financial year.

The Development Committee which consists of one director, one member of the Supervisory Committee, and two members met 21 times during the financial year along with various experts in architecture, project management, construction, engineering, and property valuation.

In the 2020 Annual Report - The Way Forward - we outlined that we would "develop detailed plans for use of the investment property held by the Credit Union that will provide future income through sales and interest on loans." We also shared, through a power point presentation, architectural renderings of the development site and proposed structures. We are pleased to note the following significant achievements so far:

Contract Signing

- Completion and approval of architectural drawings for a commercial building and townhomes;
- Construction of access to Elroy Arch to enhance access in and out of the site;
- Draft agreement with HSA for the part sale/part lease of the commercial building; and
- Incorporation of investment property holding company of the Development.

Attendance by directors at Board and Sub-Committee Meetings are outlined in the table:

Name	Michael Nixon **Chairman**	James Watler **1st Vice Chairman**	Corinne Glasgow[1] **2nd Vice Chairman**	Shakira Gourzong **Treasurer**	Zena Merren-Chin **Secretary**	Deanna Look Loy[2] **Director**	Chris Goddard **Director**	Jose Hernandez **Director**	Oneisha Richards[2] **Director**	Suzanne Bothwell[1] **Director**	Nichelle Scott [1] **Director**
Director Since	**2010**	**2011**	**2020**	**2015**	**2011**	**2006**	**2010**	**2018**	**2018**	**2020**	**2020**
Attendance	**17**	**19**	**11**	**10**	**16**	**2**	**34**	**17**	**2**	**9**	**13**
Monthly & Special Meetings	13	14	10	6	12	2	10	13	2	8	10
Executive Meetings	3	2		3	3						2
IT Steering Committee Meetings								3			
Development Committee							21				
Credit Committee		1					2				
Statutory Meeting	1	1	1	1	1			1		1	1
Educational Grants		1					1				

[1] Mrs. Bothwell, Ms. Glasgow and Mrs. Scott joined the Board of Directors in November 2020

[2] Mrs. Richards resigned, and Mrs. Look Loy retired from the Board of Directors in November 2020

As approved by Members at the 2019 AGM, directors are paid a per meeting fee as follows: Chairman of the Board $400, Directors $250, Chairman of Committees $125, Committee Members $100.

THE WAY FORWARD

This year we refreshed our brand with an updated logo, which still maintains the hands and the globe, but now reflects a modern, colorful, and eye-catching concept of our Credit Union as we move to transform manual processes and attract the future generation of members who will save and borrow to maximise return for all.

In 2022 we will continue to strengthen our risk and compliance framework and transform our management and information systems. We will:

- Continue with our strategy to protect and grow our loan book despite the increased competition and reduction in interest rates;
- Transform the way in which we manage and leverage data to enhance efficiency and reduce costs as we migrate from a legacy banking system to a system that will meet our current and future needs;
- Increase and enhance delivery of service channels through three new ATMs (two additional locations), along with improved online services, and a mobile app;
- Continue to enhance risk management through regularly updating risk registers and adopting a risk management framework which includes a risk appetite statement;
- Complete a strategic plan for the Credit Union to guide us through the next three years;
- Continue to the next phase of the Development Project; the phase of commitment and construction. In this phase we will:
    - Secure the formal contract from our anchor tenant for the commercial property
    - Award the contract to a contractor and break ground on Phase 1 before June 2022.
    - Award the contract to a contractor and break ground on Phase 2 after June 2022.
    - Review applications and confirm commitments from our members purchasing the apartments
- Progress to the stage of completion and future development in 2023. As the Development Committee is a standing committee, Millennium Square (the Commercial Building) and Verdant Terraces (the Apartments) are the first of many developments for our Credit Union. Upon successful completion of this project, we will seek other opportunities that benefit our members and our Credit Union as we strive to make your dreams a reality.

APPRECIATION

We look forward to a better future with you, our members, as we work together through self-reliance under the umbrella of the cooperative movement; we will continue to be resilient and grow from strength to strength.

We wish to record our appreciation to our loyal volunteers, directors and committee members, management, and staff, and all who have assisted the Credit Union in the conduct of its affairs over the past year. We thank you, our members, for your dedication and support as well as the confidence you have placed in us as we strive to serve The Cayman Islands Civil Service Co-operative Credit Union Limited.

For, and on behalf of the Board of Directors,

Michael Nixon, Chairman

Shakira Gourzong, Treasurer

TREASURER'S REPORT

I am pleased to report another profitable financial year ending 31 July 2021. The Credit Union is strong and profitable despite challenges faced during the year.

The low interest rate environment continued throughout the financial year and resulted in a loss of some existing loans to predatory pricing by other financial institutions. However, the Credit Union was able to reduce the outflow by being flexible with interest rates to members, and by emphasising our low borrowing fees and interest rebate to our members.

During the financial year, the first six months were impacted by uncertainty as members held off on borrowing to build/buy homes and lending was primarily for vehicles and land purchases as well as within-share-loans for consumer purposes.

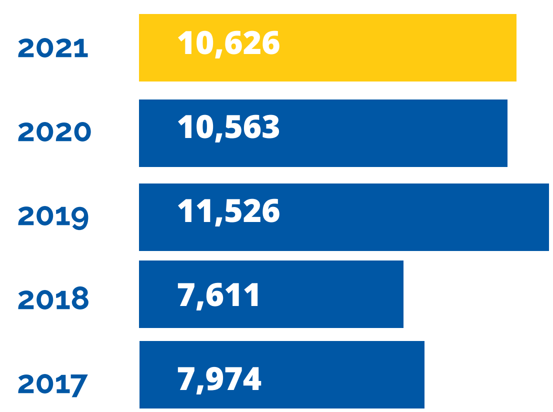
The second half of the financial year saw a significant increase in mortgage applications to build and purchase homes. While the quantity of loans was not as high as the previous year, the amount per loan for home purchase and home construction increased materially due to the robust seller's real estate market and cost of construction materials.

Our strong Credit Policy and Procedures aided in keeping delinquency below 2%, at 1.90% (2020:1.91%) and our strong liquidity facilitated the disbursement of loans, resulting in a 10% growth in the loan book.

PERFORMANCE SUMMARY

Our Credit Union achieved a Net Income of $10.62M (2020: $10.56M), which was just above results from the previous year by 1%.

Net Income ($000)



Net Income was mainly impacted by:

- 14% increase (2020: 12%) in total expenses mainly due to:
  - 11% increase in personnel expenses as a result of additional staff, 7% increase in health insurance premiums, and retirement benefits for two long serving employees.
  - 54% increase in beneficiary benefits paid to deceased members beneficiaries.
- Net interest income declined by 2% (2020: down 9%) which was due to the impact of lower interest rates for the financial year, offset by the 10% growth in the loan book;

  Interest on fixed deposits with banks declined by 52% due to low interest rates at banks; the yield on fixed deposits declined from 1% to 0.4% over the previous year;
- 19% increase (2020: 43% down) in other income due mainly to an increase in loan application fees in the second half of the financial year.
- The recovery of bad debt expense of $453.5K as the assumptions used in calculating bad debt provision in 2020 were revised after a robust assessment;
- A -$97K unrealised loss on repossessed collateral (2020: -$212K) which represents a 54% improvement in the decline of the fair value of repossessed collateral over the previous year; and,
- A -$44K loss (2020: -$232K) in fair value of securities which represents an 81% improvement over the previous year.

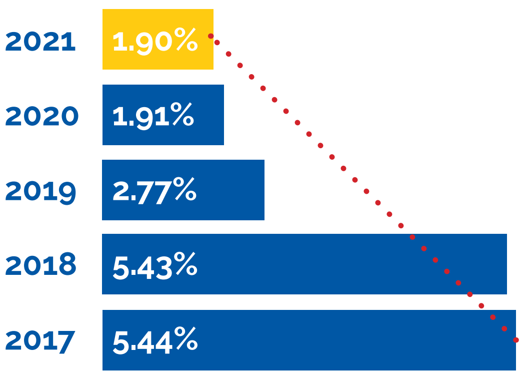
See Table of Analysis of Change in Income and Expenditure 2021 vs 2020.

ANALYSIS OF CHANGES IN INCOME & EXPENSES	($000)		
	2021	**2020**	**%**
INTEREST INCOME			
Members' loans	**17,570**	17,834	-2%
Deposits	**273**	414	-52%
TOTAL INTEREST INCOME	**17,843**	**18,248**	**-2%**
INTEREST EXPENSE			
Members' deposits	**58**	96	40%
Lease liability	**6**	2	-200%
TOTAL INTEREST EXPENSE	**64**	**98**	**35%**
NET INTEREST INCOME	**17,779**	**18,150**	**-2%**
NON-INTEREST INCOME			
Fees			
Dividends on equity investments	**126**	119	6%
Realised loss on repossessed collateral	**-32**	0	
Change in unrealised loss in fair value of securities	**-44**	-232	81%
Unrealised loss in fair value of repossessed collateral	**-97**	-212	54%
Other income	**583**	474	19%
TOTAL NON-INTEREST INCOME	**536**	**149**	**72%**
Gross margin before provision and expenses	**18,315**	18,299	0.1%
Less operating expenses	**8,143**	7134	-14%
SURPLUS FOR THE YEAR BEFORE PROVISION	**10,172**	**11,165**	**-9%**
Provisions:			
Allowance for loan losses	**454**	-602	175%
TOTAL SURPLUS	**10,626**	**10,563**	**1%**

DELINQUENCY MANAGEMENT

The delinquency ratio of 1.90% (2020: 1.91%) improved by 0.5% due to the continued efforts of our Team. See graph below:

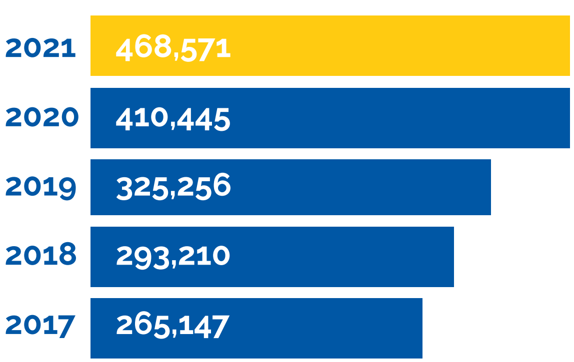
Delinquency Rate



ASSETS

Total assets of $468M (2020: $410M), increased by 14% (2020: 26%). Total assets increased due to a 28% increase in cash and cash at banks and 10% growth in loans to our members, which was driven by 15% increase in member deposits.

Total Assets ($000)



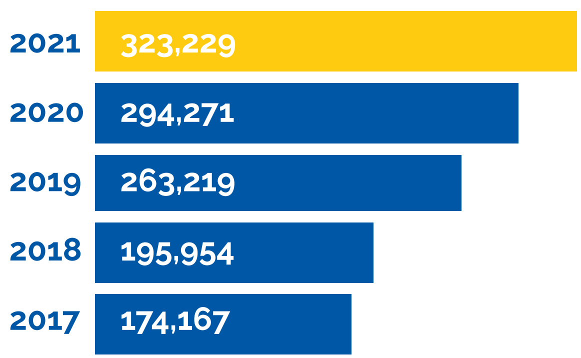
LOANS

Total loans, net of provisioning of $323M (2020: $294M) increased by 10% (2020: 12%).

Loans disbursed for the financial year of $88M (2020: $69M), increased by 73% mainly due to the increased demand for land, home, vehicle, and within-share loans.

Gross loans approved (internally and by the Credit Committee) for the year was $97M (2020: $59M); loans committed, but not disbursed as of 31 July 2021 of $20.5M (2020: $20M) will be booked in the financial year 2021/22.

Total loans ($000)



PROVISIONS

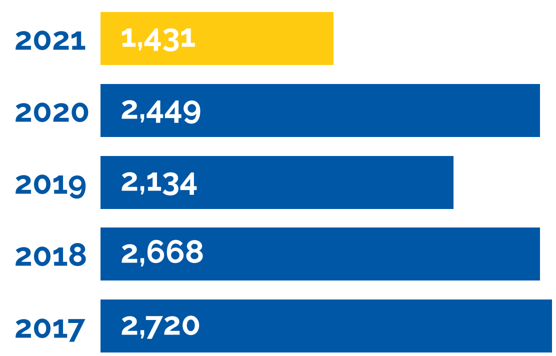
Total loan provision of $1.43M (2020: $2.44M) reduced by recovery of provision of $454K (2020: increased by $602K) and decreased further by $564K (2020: $213K) for loans written-off as of 31 July 2021.

Total provisions include a specific provision and an expected credit loss provision based on IFRS9. The specific loan loss provision on non-performing loans decreased by 38% bringing the total specific provision to $1.2M (2020: $1.9M). The expected credit loss on the performing loan book decreased by 49% to $260K (2020: $506K) mainly due to revised assumptions based on the nature and complexity of the loan book.

Loans written-off totaled $564K (2020: $213K). These loans were written off after careful consideration by the Board of Directors because they had been delinquent for a significant period, and all efforts to secure repayment were exhausted and proved unsuccessful. The members involved have been recorded in the Register of Loans Written Off, and these members may not avail of future lending facilities of the Credit Union, until such time as their previous outstanding debt is repaid.

See graph below on loan provisions:

Loan Provisions ($000)

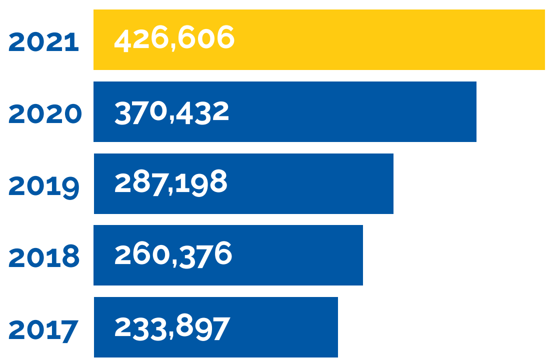


SHARES AND DEPOSITS

Total member deposits of $426M (2020: $370M) grew by 15%.

Members' continued confidence in our Credit Union is shown in the growth in member deposits; members' shares grew by 16% (2020: 29%) or $57M. Member deposits (savings and term deposits) declined by 6% (2020: up 71%) as members transferred term deposits to shares.

Total Member Deposits ($000)



THE WAY FORWARD

We expect the 2021/22 financial year will be impacted as follows:

- **No change in the Prime Interest Rate;**
- **Ongoing competition for new lending; and**
- **Moderately increased non-interest income due to implementation of revised lending and transaction fees, ensuring that we maintain the lowest fees.**

The strategic objectives for the 2021/22 financial year are:

Crisis Centre Donation

- Book the un-disbursed loans as of 31 July 2021;
- Protect and grow our loan book;
- Manage credit risk and monitor the delinquency rate to remain below 3%;
- Maintain liquidity ratio above 15%;
- Implement new banking software; and
- Commence plans for a development project to utilise the investment property currently held by the Credit Union.

The Credit Union remains committed to providing financial solutions to our members in a cost effective, sustainable and efficient manner. We are a safe repository for savings and investments and, despite the fragile and challenging economic environment in which we currently operate, we remain very positive in our ability to play an important part in enabling our members to achieve their financial goals.

Our purpose is to help our members to improve their quality of life. We pledge to continue providing those opportunities so that you, our valued members, can achieve your goals for years to come.

I wish to thank the management and staff of our Credit Union for remaining diligent in their duties to the organisation. It is never easy to operate in a dynamic and ever-changing financial environment.

Thanks to our auditors, EY, who conducted and completed their audit in a timely manner.

Finally, as Treasurer I am grateful to you, our valued members, for your continued support of our Credit Union and for the opportunity to have served in this capacity.

Shakira Gourzong, Treasurer

Matthew Tibbetts, Committee Chairman

CREDIT COMMITTEE REPORT

OVERVIEW

The Credit Committee approved loans totalling $97M (2020: $59M). All loans in excess of the limit for the Committee as set out in the Credit Policy were submitted to the Board of Directors for final review and decision. All loans below the limit for the Credit Committee were approved by the Internal Credit Committee and the loan officers in accordance with the Credit Policy.

The table below shows a 65% increase in total loans approved compared to the previous year.

OUT OF SHARE LOANS ($000)				
	2021		2020	
Type of Loans	**Qty.**	**$ Amount**	**Qty.**	**$ Amount**
Land & Building Purchase	**216**	**33,155**	121	16,544
Debt Consolidation/Refinance	**51**	**8,630**	53	7,671
Construction	**35**	**13,166**	17	7,365
Motor Vehicle Purchase	**318**	**10,572**	180	5,894
Property / Home Repairs	**18**	**1,019**	16	792
Personal	**10**	**585**	6	226
Business Investment	**4**	**1,231**	4	1,166
Education	**5**	**186**	5	197
Boat Purchase	**1**	**35**	-	0
Medical Expenses	**1**	**7**	2	35
Furniture/Appliances	**-**	**0**	2	65
TOTAL	**659**	**68,586**	**406**	**39,955**
Total Unsecured Loans		**5,775**		5,971
Total Within Share Loans		**22,776**		12,926
GRAND TOTAL		**97,137**		**58,852**

The increase in total loans approved was mainly due to:

- **100% increase in land and home purchases;**
- **79% increase in construction of homes;**
- **79% increase in new vehicle purchases; and**
- **76% increase in within-share-loans.**

As noted in the Chairman's Report, despite the closed borders, the demand for home ownership boosted the real estate and construction industry. In addition, members used their pension withdrawals as collateral for consumer within-share-loans.

The Credit Committee annoted the trend of increased costs to build and purchase homes. The amount of an individual loan proposal increased such that many loans were being referred to the Board by the Committee for final approval based on established limits in the Credit Policy. Therefore, the Committee recommended that the Board increase the approval limit for the Credit Committee, which by extension, reduced the number of loans referred to the Board for approval.

The Credit Committee also reviews other credit risk reports which monitor:

- Credit risk asset classification;
- Delinquency rate;
- Delinquency by loan type and age group;
- Loan payment waivers;
- Restructured loans;
- Repossessed properties;
- Loans for write-off;
- Recoveries on loans written-off;
- Large exposures;
- Related party loans (staff and volunteers); and
- Loan provision and expected credit loss.

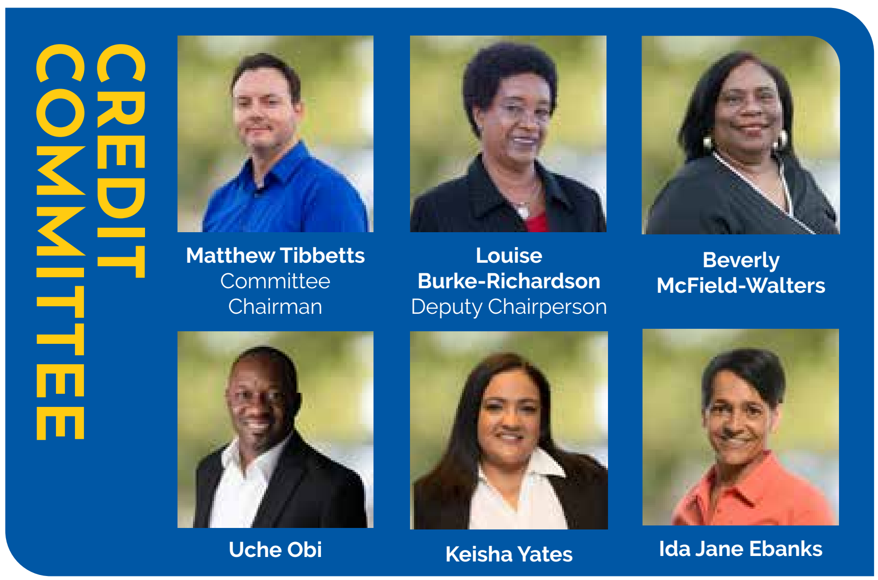
MEMBERSHIP AND ATTENDANCE

The Credit Committee held 36 (2020: 21) meetings during the financial year to review and adjudicate loan proposals for our members. During the year the Chairman and Deputy Chair of the Credit Committee also attended 9 (4 and 5, respectively) of the Board Meetings.

Members	Position	Credit Commitee	Board	Statutory	TOTAL
		36	**14**	**1**	**51**
Matthew Tibbetts	Committee Chairman	30	4	1	35
Louise Burke-Richardson	Deputy Chairperson	36	5	1	42
Uche Obi	Member	18	-	1	19
Ida Jane Ebanks	Secretary	28	-	-	28
Keisha Yates[2]	Member	21	-	1	22
Beverley McField-Walters	Member	31	-	1	32
George Fullerton[1]	Member	10	-	-	10

[1]George Fullerton retired from the Credit Committee in November 2020. [2]Keisha Yates and Uche Obi were elected to serve in November 2020.

Matthew Tibbetts, Committee Chairman



Kim France, Committee Chairperson

SUPERVISORY COMMITTEE REPORT

INTRODUCTION

2020/2021 has been another successful financial year for our Credit Union despite the continuing challenges in dealing with COVID-19. Given the challenges within the local and global economies we continue to support and provide guidance and oversight to our Credit Union whilst keeping abreast of the challenging environment, mitigating the accompanied risks and enhancing the systems of internal controls.

The success of our Credit Union is due to the commitment and collaboration of our members, volunteers, staff, management, and the leadership and guidance of the Board of Directors and the Credit and Supervisory Committees.

ACTIVITIES

Under Article XI, Section 54 of the Credit Union Rules, the Supervisory Committee is charged with the responsibility of examining the affairs of the Credit Union including auditing the books and investigating complaints from members affecting its proper running. We remain committed to this task and operate independently of all entities of the Credit Union. We are dedicated, constantly working to ensure that all policies, practices, and procedures are compliant with the applicable laws and regulations. For this, I thank the diligent membership of the Supervisory Committee for their hard work and wealth of experience they bring in executing our mandate.

The Supervisory Committee continued to focus on reviewing the internal audits conducted by the Internal Audit Manager along with increasing assessments conducted by the Risk and Compliance Manager. These Managers continue to strengthen their reporting to the Supervisory Committee with relevant, timely and topical audits, and due diligence assessments on various aspects of the operations. With the demands of and on their respective areas, the competency and staffing resources are continually being assessed and enhanced with training and other support.

INTERNAL AUDIT

Notwithstanding the resignation of the Internal Audit Manager (IAM) in December 2020 and the hiring of a replacement in June 2021, Internal Audit issued seven (7) audit reports relating to Death Benefits, End of Day Review, Loans, Ethics, IT Security, IT Governance and Cash Management during 2020/2021.

We noted no material breaches in our policies and procedures in these areas relating to the Internal Audit function; however, recommendations were made for improvement in the control environment. Management signified its commitment to improvements which would result in increased effectiveness and stronger internal controls. The Board and external auditor have sight of these reports.

RISK AND COMPLIANCE

Anti-money Laundering ("AML"), Counter Financing of Terrorism ("CFT") and Counter Proliferation Financing ("CPF")

The Risk and Compliance team continues to ensure that the Credit Union is in compliance with the various laws and regulations which govern its operations. The Credit Union's AML Compliance programme is governed through a 4-pillar approach - policies and procedures, risk assessment, AML compliance training, and the compliance audit function.

AML Policies and Procedures

The Credit Union continues to enhance its policy and procedure framework through the updates and creation of additional policies and procedures. During the past financial year, the Risk and Compliance department created four new procedures namely:

- **Risk Assessment procedure**
- **Existing Due Diligence procedure**
- **Politically Exposed Person procedure**
- **Ongoing procedure**

Risk Assessment

During 2020/2021 the Credit Union completed its remediation of existing members who met the criteria for "high risk" in accordance with the Credit Union's Risk Based Methodology. The review of existing members is ongoing and through this programme, the Credit Union continues to request updated due diligence from its members, when it is determined to be outdated.

AML training

During the 2020/2021 financial year the Risk and Compliance hosted various training sessions on topics such as updated policies and procedures, source of funds, transaction processing, politically exposed persons and updating due diligence for existing members.

Compliance Audits

During 2020/2021, the Credit Union's compliance audit programme focused on the onboarding of new accounts to ensure they were in line with regulatory obligations, the Credit Union Rules, and established policies and procedures.

Data Protection Act ("DPA")

The DPA came into effect in September 2019. In order to ensure compliance, the Credit Union continues to enhance its policies and procedures, amend its internal processes to ensure it is balancing its obligations under the DPA and provide ongoing training for its employees. During the 2020/2021 financial year the Credit Union enhanced its risk management framework to ensure compliance with the DPA through the following initiatives:

- Update to internal policies, procedures and processes;
- Introduction of transaction slips;
- Drafting terms and conditions to govern member relationships; and
- Selection of a platform to host board packets.

Enterprise Risk Management ("ERM")

As the Credit Union continues to grow in pursuit of its strategic goals, it is committed to ensuring its risk are appropriately mitigated. To enhance the ERM programme, in 2020/2021, the Credit Union with the assistance of an external service provider completed risk registers for all departments. The completion of these risk registers form the foundation of the Credit Union's risk management framework which will be further enhanced in 2021/2022.

Management of complaints process for members

Complaints received by members continues to be managed by the Risk and Compliance Department. The management of complaints is now enhanced through the use of technology, namely centralising all complaints received from members through a ticketing system. Information received from the complaints are communicated to the various business lines. The Risk and Compliance Department completed an analysis of complaints received with the intention of providing the business lines with meaningful information to reduce member complaints for 2021/2022.

The Risk and Compliance function remains committed to supporting the business lines in mitigating risks and for the 2020/2021 financial year, did not incur any financial penalties.

THE WAY FORWARD

As the Credit Union increasingly develops as a significant financial entity with many members' financial interests, we will continue to ensure appropriate enterprise risk management and internal controls are developed to preserve its assets and ensure compliance in line with the ever increasing requirements.

With our commitment of continuously checking the internal control environment within the Credit Union, the audit plan for the financial year 2021/2022 will include an evaluation of the compliance programme, assessment of the governance framework, operations audit of the Human Resources Department, review of the adequacy of the Business Continuity Plan, loans processes and accounting functions. There is also planned training for the Supervisory Committee.

MEMBERSHIP AND ATTENDANCE

Following our election in November 2020, the Supervisory Committee noted some changes to the membership. We thank the outgoing member and welcome the new volunteer as we see a sustained high level of experience, commitment and professionalism. The Committee held a number of meetings to review the reports of the Internal Audit and the Risk and Compliance Managers. In addition, representatives from the Supervisory Committee attended monthly Board of Directors' meetings as well as a number of meetings held by the Credit Committee. Below we disclose the attendance at Supervisory Committee' meetings and attendance at the Board of Directors' meetings.

We wish to record our sincere thanks to the Board of Directors, Management, Internal Audit Manager, Risk and Compliance Manager and the staff for their cooperation throughout the year. We would also like to thank the members for the opportunity given to us to serve on the Supervisory Committee during the past fiscal year in support of our mandate.

Kim France, Committee Chairperson

Members	Supervisory Committee	Board	Credit Committee	Statutory	Educational Grants	Development Committee
	8	**14**	**3**	**1**	**1**	**21**
Kim France	7	3	2			
Marco Archer	6	1				13
Ravi Persad	8	3		1		
Deirdre Carmela	7	1			1	
Golda Tatum-Carter	8	2				
Olivaire Watler	3	-				
Jessica Anderson	7	1				
Andrew Thomas	1	1				

SUPERVISORY COMMITTEE

Kim France
Committee Chairperson

Marco Archer
Deputy Chairman

Jessica Anderson

Deirdre Carmola

Golda Tatum-Carter

Ravi Persad

Olivaire Watler

ABOUT US

Our Members

Board of Directors

Executive Management

Patricia Estwick
Chief Executive Officer (CEO)

Enola Reid
Chief Operating Officer (COO)

Josephine Sambula
Chief Financial Officer (CFO)

Daniel Powery
Interim Chief Information Officer

Emilita Clifford
Human Resources Manager (HRM)

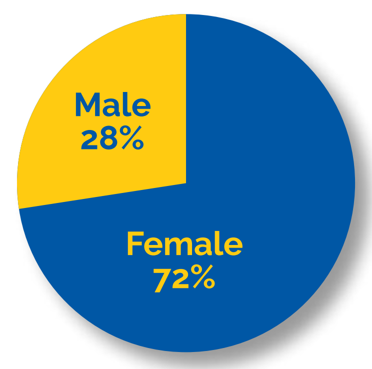
The Credit Union employed 64 (2020: 59) team members, consisting of 18 males and 46 females as of 31 July 2021. **Our Team** is committed to continuous improvement to meet and exceed the expectations of our members within the rules, policies, and procedures of the Credit Union.

The team's years of service, loyalty, and commitment to training and development have enabled them to enhance relationships with our members and provide excellent and professional service.

The table below shows 13 out of 64 employees, 20%, have maintained their working relationship for more than 10 years:

YEARS OF SERVICE		
RANGE	NUMBER OF EMPLOYEES	
	2021	2020
0-5	**40**	31
6-10	**11**	13
11-15	**6**	7
16-20	**6**	5
21-25	**1**	3
TOTAL	64	59

GENDER



STAFF AND DEPARTMENTS

Accounts & Finance
Josephine Sambula
Sade Wood
Kassia Webb
Tinicia Tibbetts
Gegofrey Brown
Nicholas Roberts

Internal Audit
Celia Paz Gomez

Credit Risk
Michael Gocul
Rita Needham
Jarita Walters Harding
Jason Hydes
Jordan Seymour-Hodgson

Cayman Brac Branch
Sidney Ebanks
Jannie Powery-Paz

Debt Collections
Basil Scott
Mayra Swaby-Lara
Lilly Bodden

Executive Offices
Patricia Estwick
Enola Reid
Danielle Ebanks Lee

Human Resources
Emilita Clifford
Carla Martin
Suzette Watler-Galeano

IT
Daniel Powery
David Wood

Loans Department
Tasha McKenzie
Yolanda Ebanks
Angelita Small
Autrey Rolle
Brittny Rose
Jeniece Powell
Karlene Minzett
Osiris Ramos-Zelaya
Renee Ferron
Rosita Harper
Shirley Chambers

Marketing & Promotions
Nancy Whittaker
Geordan Banks

Member Services
Thelma Badal
Daniel Wilson
Christopher Ebanks
Annissa Sheow-Clarke
Chrissie Chollette
De'Andre Morgan
Elisa Smith
Gisela Santos-Reid
Nigel Maitland-Ebanks
Patricia Dixon
Renika Rankine
Sherene Morgan

New Accounts & Support Services
Lisa Galbraith
Sherene Jackson
Tiffany Ebanks
Vito Welcome
Yaimary Clarke
Karen Smith
Theodora Bodden
Zandria Ebanks
Anneta Twinn

Risk & Compliance
Onassia Miller
Susan Conolly
Megan Anderson

Security & Operations
Harrison Bothwell
Bridgette Powery
Adrian Rowe, Jr.
Darley Powery

Data Verification
Tonylee Orellana Cruz
Deloris Wood

Staff Meeting

TRAINING AND DEVELOPMENT


Human Resources Team

The Credit Union has a responsibility to train and develop its employees as well as its directors and volunteers so that they are equipped to carry out their respective duties. Annual training for employees, directors and volunteers was provided through webinars, local and overseas conferences, and in-house training during 2020/2021 which included areas such as Excellence in Service, Leadership, Operations, Risk Management and Wellness.

Due to the COVID-19 Pandemic, the 63rd CCCU Annual Conference was held online, and the theme was "Resilience - Building Resilience Through Self-Reliance."

The year remained a very hectic one for the Human Resources Department. The Human Resources Manager worked assiduously to maintain staff morale, engagement, and development during the year.

An important area of focus included the new Employee Recognition Programme which has been well received by all team members as they recognise their colleagues for excellence in service to members and each other. Recognition of each other is done as the service occurs and not at the end of the year. In addition, each employee is recognised on their birthday and anniversary date with our Credit Union.

Staff engagement is fundamental to our culture at our Credit Union. We hold quarterly staff meetings, interim staff huddles as needed, invite staff to participate through surveys, celebrate special holidays, and highlight achievements in our monthly newsletter, "Staying Connected".

Staff development through training in functional areas as well as in wellness continued to be the focus despite the additional duties for most team members on the implementation of the new Core Banking System.

The team completed risk registers for their respective areas through training exercises coordinated by the Chief Risk & Compliance Officer as well as an external service provider. The team also received continued training in data protection and detailed training on the revised Employee Code of Conduct.

Excellence in Service
CCCU 63rd Annual International Convention
Coaching for Employee Engagement & Performance
Managing Customer Service
Motivating & Engaging Your Team
PROMISES (The PRIDE Programme)
The Art of Delegation
The Demand for Employee Experience 2021 - Engage
Time Management & Productivity

Leadership
Developing Team Leaders
Essentials of Supervision
Essentials of Supervision: Developing Your Leadership Styles
First 90 Days as a New Manager
Preparing New & Potential Managers for Success

Operations
Advanced Excel Workshop Training
Effective Debt Collection
Essentials of HRM
Immigration 101 Training
Labour Law Training
Understanding Financial Statements

Risk Management
Financial Counselling Training
ACAMS Anti- Financial Crime Virtual Symposium
Enterprise Risk Management
Loans Securities Documentation
operational Risk Management
Valuators Forum on Real Estate

Wellness
Do You Need to Refuel After a Tough Year? (Executive Team)
Managing Time & Stress in the Workplace
The Development of Vaccines and How it Prevents Disease

Staff turnover during the year included the movement of members of management as follows:

- Mrs. Valerie Powery, Manager of Accounts Department, retired 31 December 2020;
- Mrs. Bridgette Christian, Assistant Manager Delinquency Department, retired 31 December 2020;
- Ms. Yulanda Williams, Internal Auditor, demitted office on 14 January 2021;
- Mrs. Ingrid Simms, Manager of New Accounts and Support Services, demitted office on 31 May 2021; and
- Mr. William Webster, Chief Information Officer, demitted office on 30 June 2021.

We thank them for their service and wish them well on their new journeys.

Staff who joined or who were promoted to management during the year:

- Sade Wood, Assistant Manager, Accounts Department, joined in July 2021;
- Basil Scott, Assistant Manager Delinquency Department, was promoted in August 2021;
- Ms. Celia Gomez Paz joined us on 1 June 2021 as the Internal Audit Manager;
- Lisa Galbraith, Acting Manager New Accounts and Supports Services, was promoted August 2021; and
- Shane Mascal, Chief Information Officer, accepted the role and will join 4 January 2022.

VOLUNTEERS

We pay tribute to all our volunteers who continue to contribute their time, skills, and knowledge on the Board, sub-committees, Credit and Supervisory Committees to ensure that the Credit Union remains a viable, efficient, and compliant Cooperative.

ACKNOWLEDGEMENT

Our Credit Union employees are a dynamic, experienced, loyal and dedicated team of individuals. They continue to thrive in a changing environment in order to continue to give excellent service to you, our members. They represent our Credit Union in and outside of the workplace. They are not just employees, they are "members helping members."

We sincerely thank the directors and members for the allocation of additional training funds from the annual surplus.

Employee Exchange Day

Community Involvement

OUR COMMUNITY

Community support is a very important aspect of what Credit Unions do. Our Credit Union supports the community in various ways but in particular through educational grants, sponsorship of various charitable events, sports, and school programmes and celebrating with our members on International Credit Union Day ("ICU Day"). In 2020/2021, a total of $230K was given to support our community, locally and regionally.

During the financial year, our Credit Union's core principle of members helping members was demonstrated:

- $200,000 in grants from the Rupert McCoy Educational Grant programme was provided to 167 members to assist with expenses in pursuit of their educational goals. 74% of the courses are being studied overseas, 15% online, and 11% local. 62% of the 167 applicants are pursuing a bachelor's degree, 18% Masters, 8% Associates, 5% certificates, 3% A levels, and 4% PhDs. The Credit Union takes pride in providing this financial assistance and wish the recipients every success in their future endeavours.
- The Credit Union also donated $27,895 to various charities, sports, school programmes, and special events; the staff assisted these efforts with personal donations of $1,741.

See table below showing summary and details of support to our community:

COMMUNITY DEVELOPMENT	AMOUNT
Rupert McCoy Educational Grants	**$200,000**
2021 Education Grants	$200,000
Members Helping Members	**$5,973**
CCCU Foundation	$2,483
Special asistance for members	$1,840
COVID-19 pandemic assistance to members	$1,650
Charities	**$11,125**
The Breast Cancer Foundation	$2,000
Good Samaritan Cayman Food Bank	$3,375
ALS Cayman	$2,000
Wind of Hope	$500
Cayman Islands Crisis Centre	$1,500
CI Veterans Association	$500
Lions Club of Tropical Gardens	$750
Cayman Brac Veterans & Seamen Association	$500
Special Events	**$7,410**
COVID Vaccine Cash Prize Winner	$500
Childrens Festival of the Arts- Musical Ensemble	$3,000
Dept of Counselling Services	$3,250
Family Resource Center- Stood Up	$660
Sports	**$700**
Cayman Islands Flag Football Association	$700
School Programmes	**$2,687**
Graduation Awards	$1,400
Supplies for Northside Primary School	$287
Triple C Top Student Award	$500
InterSchool /InterVarsity Christian Fellowship (Christian Ministry)	$500
Grand Total	**$227,895**
Donations From Members/ Staff	$1,741
Staff donations for Food Bank	$875
General staff donation to charities	$423
Special assistance for members	$443

INSPIRING HOPE FOR A GLOBAL COMMUNITY™

INTERNATIONAL CREDIT UNION DAY

Due to the pandemic, we did not celebrate ICU Day on 15 October 2021 in the usual way, with a large gathering in the parking lot at Headquarters. In 2020, we were mindful of large gatherings and their potential impact, and therefore, a week of celebration was held mostly virtually. Our Credit Union enhanced member engagement through quizzes, and various competitions, along with surprise door prizes at the Credit Union's headquarter and Brac Branch. 2,919 members participated in the three quizzes which enhanced their knowledge about the Credit Union Movement and our Credit Union. Over 400 members participated in competitions, which included videos on how the Credit Union had a positive impact on members' lives, colouring and essay competitions for school children, and referral of friends and family to join the Credit Union.

The 2020 ICU Day theme of "Inspiring Hope for A Global Community" reflected how credit unions contribute to a brighter future by providing financial empowerment to people all over the world through financial services, education, and support.


FOR A
GLOBAL
COMMUNITY


Reduce the Risk of the Coronavirus
Wash Your Hands
When Sneezing or Coughing
Avoid Anyone With


INSPIRING
HOPE
FOR A


TAKE NOTES

NOMINATING COMMITTEE REPORT

In accordance with the provision of Article XIII, rule 65(1) of the CICSA Credit Union Ltd Rules, the Board of Directors appointed a director, whose term is not expiring at the AGM, to chair the 3-member Nomination Committee. The members of the Nomination Committee are:

Suzanne Bothwell- Chairperson
Jenesha Simpson
Samantha Bennett

The Committee met and reviewed all nominations against the purview of the Director and Committee Members' Nomination Package. The Committee confirmed that all nominators and nominates are 18 years of age and in good standing and that the nominees possess the necessary skill to serve on the Board of Directors, Credit Committee or Supervisory Committee. All serving members shall also be subject to Cayman Islands Monetary Authority's Regulatory Policy and Procedure on fitness and propriety.

BOARD OF DIRECTORS

Under Article VIII, Rule 32(i) directors shall be elected for two-year terms. The Rules dictate that at least half of all directors' terms must expire in different years thus the need for election of some directors to a one-year term and others for a two-year term in order to comply with Rule 32(i).

The Nomination Committee hereby presents the following members as nominees to be elected under Rule 31 (1) to serve as Directors on the Board for the stated term:

1. Deirdre Carmola	2 year term
2. Ryan Rajkumarsingh	2 year term
3. Jose Hernandez	2 year term
4. James Watler	2 year term
5. Corinne Glasgow	2 year term

The following Directors have agreed to serve the second year of a two-year term:

1. Suzanne Bothwell
2. Michael Nixon
3. Christopher Goddard
4. Nichelle Scott

CREDIT COMMITTEE

Under Article X, Rule 44(iii) Credit Committee Members can be elected for two years. Rule 44(ii) states that the term of office of not more than the bare majority shall expire at the same AGM.

The Nomination Committee hereby presents the following members as nominees to be elected under Rule 44 (i) to serve as Members on the Credit Committee for the stated term:

1. Louise Burke-Richardson	2 Years
2. Ida Jane Ebanks	2 Years
3. Asaph Scott	2 Years

The following Credit Committee Members have agreed to serve the second year of a two-year term:

1. Matthew Tibbetts
2. Colin Obi
3. Keisha Yates

SUPERVISORY COMMITTEE

Under Article XI, Rule 52(ii) Credit Committee Members can be elected for one year.

The Nomination Committee hereby presents the following members as nominees to be elected under Rule 52(ii) to serve as Members of the Supervisory Committee for a one-year term:

1. Ravi Persad
2. Kim France
3. Marco Archer
4. Golda Tatum-Carter
5. Jessica Anderson
6. Johnae Moss
7. Mervyn Conolly

Suzanne Bothwell
Chairperson

Jenesha Simpson
Member

Samantha Bennett
Member

RESOLUTIONS TO THE 46TH AGM

RESOLUTION NO. 1

WHEREAS the Annual General Meeting of Members has both the right and responsibility to sanction the appropriation and distribution of any surplus; and

WHEREAS the surplus of the Credit Union, after statutory reserve, shall be utilised as the Annual General Meeting may decide to, among other things, pay to members a dividend not exceeding 6% per annum on fully paid shares; and

WHEREAS the undistributed surplus of the Credit Union as ascertained by the Audit at 31 July 2021 is CI$10,625,884; and

WHEREAS the payment of the Statutory Reserve shall be CI$2,125,177 representing 20% of the audited Net Income; and

WHEREAS the undistributed surplus, before dividends, and after deduction of the required statutory reserve of the Credit Union, as ascertained by the Audit as of 31 July 2021 is CI$8,500,707; and

BE IT RESOLVED that this Annual General Meeting approve the payment of a dividend of 2.1% and thereafter the following distribution of CI$8,500,707, after payment to the Statutory Reserve.

(a)	Payment of Dividend	2.1%	$7,744,225
(b)	Educational Grants to members for July 2022		$300,000
(c)	Benevolent Fund (member beneficiaries)		$250,000
(d)	Remaining balance to training of members, volunteers and staff		$206,482

Proposed by: **The Board of Directors**

RESOLUTION NO. 2

As a requirement of the Cooperative Societies Law ® and Article XVI of the Credit Union Rules (2012 Revision) (the "Rules"), **BE IT RESOLVED** that this Annual General Meeting of CICSA Cooperative Credit Union Limited, approve the maximum liability of CI$5,000,000.00 for the financial year 1 August 2021 to 31 July 2022.

Proposed by: **The Board of Directors**

FINANCIAL STATEMENTS

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA) CO-OPERATIVE CREDIT UNION LIMITED

Year Ended July 31, 2021

With Report of Independent Auditors

Ernst & Young Ltd.

Building a better working world

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA) CO-OPERATIVE CREDIT UNION LIMITED

FINANCIAL STATEMENTS

Year Ended July 31, 2021

Contents

Ernst & Young Ltd.
62 Forum Lane
Camana Bay
P.O. Box 510
Grand Cayman KY1-1106
CAYMAN ISLANDS

Main tel: +1 345 949 8444
Fax: +1 345 949 8529
ey.com

Independent Auditor's Report

The Board of Directors
The Cayman Islands Civil Service Association (CICSA) Co-operative Credit Union Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Cayman Islands Civil Service Association (CICSA) Co-operative Credit Union Limited (the "Credit Union") which comprise the statement of financial position as at July 31, 2021, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at July 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Credit Union's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

This report is made solely to the Board of Directors, as a body. Our audit work has been undertaken so that we might state to the Board of Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Board of Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Building a better working world

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 the Board of Directors 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.

Ernst & Young Ltd.

November 12, 2021

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF FINANCIAL POSITION

(Expressed in Cayman Islands Dollars)

	July 31 2021	July 31 2020
ASSETS		
Cash on hand and at bank *(Note 3)*	$ 46,060,135	$ 50,996,069
Fixed deposits *(Note 3)*	87,670,602	54,213,478
Securities at fair value through profit or loss *(Note 4)*	2,781,773	2,704,215
Mortgage and personal loans including interest receivable, net of loan loss provision *(Note 5)*	323,228,957	294,271,188
Receivable and other assets *(Note 25)*	205,465	334,426
Repossessed collateral *(Note 5)*	403,315	167,400
Fixed assets *(Note 6)*	6,308,109	5,869,135
Right-of-use asset *(Note 6)*	79,292	55,209
Investment property *(Note 7)*	1,833,496	1,833,496
Total assets	$ 468,571,144	$ 410,444,616
LIABILITIES AND RESERVES		
Liabilities:		
Members' deposits *(Note 8)*	$ 22,703,631	$ 24,175,030
Members' shares *(Note 9)*	403,902,700	346,256,528
Accounts payable and accrued expenses *(Note 26)*	1,391,228	1,700,262
Lease obligations *(Note 6)*	82,550	56,318
Total liabilities	428,080,109	372,188,138
Reserves:		
Statutory reserve *(Note 10)*	30,061,503	27,920,266
Permanent shares *(Note 10)*	395,950	353,050
Mortgage/Information technology Fund *(Note 11)*	904,974	904,974
Development fund *(Note 12)*	627,904	627,904
Undistributed surplus	8,500,704	8,450,284
Total reserves	40,491,035	38,256,478
Total liabilities and reserves	$ 468,571,144	$ 410,444,616

Approved for issue on behalf of The Cayman Islands Civil Service Association (CICSA) Co-operative Credit Union Limited's Board of Directors by:

Michael Nixon and Christopher Goddard
) Directors

November 12, 2021) Date

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

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Cayman Islands Dollars)

	Year Ended July 31 2021	2020
Interest income		
Interest on loans *(Note 24)*	$ 17,302,524	$ 17,494,684
Bank deposit interest *(Note 3)*	273,086	414,007
Service fees – cash advances *(Note 16)*	267,620	338,901
Total interest income	17,843,230	18,247,592
Interest expense		
Interest expense on member deposits *(Note 8)*	(57,888)	(95,658)
Interest expense on lease liability *(Note 6)*	(5,794)	(2,480)
Net interest income	17,779,548	18,149,454
Decrease/(increase) in provision for loan losses and interest receivables *(Note 5)*	453,519	(601,701)
Net interest income after provision for loan losses	18,233,067	17,547,753
Non-interest income		
Change in unrealized loss of securities *(Note 4)*	(44,266)	(231,746)
Realized loss on repossessed collateral *(Note 5)*	(31,600)	–
Unrealized loss on repossessed collateral *(Note 5)*	(97,159)	(212,352)
Dividend income *(Note 4)*	125,837	118,525
Recovery of loans previously written off *(Note 5)*	77,291	66,131
Other	505,868	408,724
Total non-interest income	535,971	149,282
Non-interest expenses		
Salaries and other personnel costs *(Notes 18 and 19)*	5,656,949	5,110,266
Member beneficiary benefits *(Note 17)*	418,871	271,322
General and administrative	653,570	588,523
Depreciation on assets *(Note 6)*	357,867	332,457
Depreciation on right of use assets *(Note 6)*	30,792	7,292
Premises costs *(Note 20)*	470,943	365,424
Audit fees	103,984	98,900
CCCU & WOCCU convention	12,872	3,259
Annual general meeting	38,011	44,655
Computer expenses	358,897	265,855
Bank charges	19,814	12,576
International Credit Union Day	20,584	33,647
Total non-interest expenses	8,143,154	7,134,176
Net income for the year, being net comprehensive income for the year	$ 10,625,884	$ 10,562,859

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

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CHANGES IN RESERVES

(Expressed in Cayman Islands Dollars)

	Statutory Reserve & Permanent Shares	Information Technology Fund	Development Fund	Undistributed Surplus	Total Reserves
Balance at August 1, 2019	$ 25,792,184	$ 904,974	$ 627,904	$ 9,817,226	$ 37,142,288
Net income for the year	–	–	–	10,562,859	10,562,859
Transfer to Statutory Reserve *(Note 10)*	2,112,572	–	–	(2,112,572)	–
Scholarship grants *(Note 13)*	–	–	–	(300,000)	(300,000)
Training *(Note 13)*	–	–	–	(311,947)	(311,947)
Dividends 2019 *(Note 14)*	–	–	–	(8,871,432)	(8,871,432)
Permanent shares 2019 (*Note 10)*	333,850	–	–	(333,850)	–
Permanent shares 2020 (*Note 10)*	19,200	–	–	–	19,200
Entrance fees *(Note 10)*	15,510	–	–	–	15,510
Balance at July 31, 2020	$ 28,273,316	$ 904,974	$ 627,904	$ 8,450,284	$ 38,256,478
Net income for the year	$ –	$ –	$ –	$ 10,625,884	$ 10,625,884
Transfer to Statutory Reserve *(Note 10)*	2,125,177	–	–	(2,125,177)	–
Scholarship grants *(Note 13)*	–	–	–	(200,000)	(200,000)
Training *(Note 13)*	–	–	–	(102,803)	(102,803)
Dividends 2020 *(Note 14)*	–	–	–	(8,147,484)	(8,147,484)
Permanent shares 2021 (*Note 10)*	42,900	–	–	–	42,900
Entrance fees *(Note 10)*	16,060	–	–	–	16,060
Balance at July 31, 2021	$ 30,457,453	$ 904,974	$ 627,904	$ 8,500,704	$ 40,491,035

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

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS

(Expressed in Cayman Islands Dollars)

	Year Ended July 31 2021	2020
Cash flows from operating activities		
Dividends received	$ 4,014	$ 2,007
Interest received	20,895,600	14,499,066
Interest paid	(74,658)	(78,102)
Interest on lease liabilities	(5,794)	(2,480)
Loan originations, net of principal collected on loans to members	(32,195,955)	(28,341,630)
Recoveries on loans previously written off	77,291	66,131
Net increase in members' shares	49,498,689	64,325,320
Net (decrease)/increase in members' deposits	(1,471,400)	10,037,416
Cash payments for non-interest expenses	(8,478,321)	(6,851,995)
Fees, premium refunds and charges received	693,786	147,048
Service fees – cash advances	267,620	338,902
Fixed deposit placements, original terms greater than 3 months	(55,770,353)	5,185,380
Net cash flows (used in)/ provided by operations	(26,559,481)	59,327,063
Cash flows from investing activities		
Purchase of fixed assets *(Note 6)*	(796,841)	(173,756)
Proceeds from sale of repossessed collateral *(Note 5)*	135,800	–
Net cash flows used in investing activities	(661,041)	(173,756)
Cash flows from financing activities		
Payment of lease liabilities	(28,642)	(6,183)
Net cash flows used in financing activities	(28,642)	(6,183)
Net increase (decrease) in cash and cash equivalents	(27,249,164)	59,147,124
Cash and cash equivalents, beginning of year	103,946,669	44,799,545
Cash and cash equivalents, end of year	76,697,505	103,946,669
Cash and cash equivalents include:		
Cash on hand and at bank *(Note 3)*	46,060,135	50,996,069
Fixed deposits (original term less than 3 months) *(Note 3)*	30,637,370	52,950,600
	$ 76,697,505	$ 103,946,669
Investment of dividend income *(Note 4)*	(121,824)	(116,518)
Increase/(decrease) in fair value of securities *(Note 4)*	44,266	(231,746)

Dividends on members shares of $7,744,226 (2020: $8,871,432) (Note 14) are credited directly to members' shares accounts. Loan interest rebate on members loans of $350,000 (2020: $363,059) (Note 15) are credited directly to member's shares. Repossessed collateral held for sale has been listed as an asset in the amount of $403,315 (Note 5).

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

1. Incorporation and activities

The Cayman Islands Civil Service Association (CICSA) Co-operative Credit Union Limited (the "Credit Union") was incorporated in the Cayman Islands in 1976 under the provisions of the Cooperative Societies Act (the "Act") and operates as a non-profit organization making loans to and receiving savings from members.

The Credit Union's registered office is 58 Huldah Ave., George Town, Grand Cayman, Cayman Islands.

Membership in the Credit Union has historically been limited to persons who have attained 18 years of age and are employed by the Government of the Cayman Islands (including all Statutory Boards/Bodies of Government) and/or their immediate family members. At the Annual General Meeting ("AGM") held July 25, 2001, the persons eligible for membership were extended to include employees of Utility Companies operating in the Cayman Islands and/or immediate relations thereof.

The number of persons employed by the Credit Union as of July 31, 2021, is 64 (2020: 59).

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost basis, except for the financial assets at fair value through profit or loss that have been measured at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates.

Functional and presentation currency

Items included in the financial statements of the Credit Union are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Cayman Islands Dollars, which is the Credit Union's functional and presentation currency.

2.2 Significant accounting judgments and estimates

The preparation of the Credit Union's financial statements requires management to make certain significant estimates and judgments that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Other disclosures relating to the Credit Union's exposure to risks and uncertainties includes:

- Capital management Note 21
- Financial risk management and policies Note 22
- Sensitivity analysis disclosures Note 22

2.2 Significant accounting judgments and estimates (continued)

The estimates and judgments that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i) Going concern

The Credit Union's management has made an assessment of the Credit Union's ability to continue as a going concern and is satisfied that the Credit Union has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Credit Union's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

ii) Impairment losses on loans and advances

The Credit Union reviews its loan portfolio to assess impairment at least on a quarterly basis or when an indicator of impairment is present. In determining whether an impairment loss should be recorded in the statement of comprehensive income on these loans, the Credit Union makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the discounted collateral and 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 local economic conditions that correlate with defaults on assets in the Credit Union.

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. If the fair value of collateral held in respect of loans classified as past due by 90 days (2020: 90 days) and not specifically provided for were to decrease by 5% an additional impairment provision of approximately $49,563 (2020: $1,503) would have been recorded at July 31, 2021.

Additionally, the Credit Union periodically reviews its provisions for losses incurred in the performing loan portfolio but not specifically identifiable at year end. In determining the provision for loan losses management makes certain judgments regarding the extent to which historical loss trends and current economic circumstances impact their best estimate of losses that exist in the performing loan portfolio at the statement of financial position date.

The measurement of impairment losses across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Credit Union's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Credit Union's internal credit grading model, which assigns a probability of default (PD) to the individual grades
- The Credit Union's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit losses (LTECL) basis and the qualitative assessment

2.2 Significant accounting judgments and estimates (continued)

- The segmentation of financial assets when their expected credit loss (ECL) is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, exposure at default (EAD) and loss given default (LGD)
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

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

2.3 Changes in accounting policies and disclosures

Standards in issue not yet effective

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Credit Union's financial statements. These standards and interpretations will be applicable to the Credit Union at a future date and will be adopted when they become effective. The Credit Union is currently assessing the impact of adopting these standards and interpretations.

IAS 16 Property, Plant and Equipment - Amendments to IAS 16 (effective January 1, 2022)

The amendment prohibits entities from deducting from the cost of an item of property plant, and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

2.3 Changes in accounting policies and disclosures (continued)

The amendments are intended to provide clarity and help ensure consistent application of the standard. Entities that previously applied the incremental cost approach will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognized contract loss provisions using the guidance from the former standard, IAS 11 Construction Contracts, will be required to exclude the allocation of indirect overheads from their provisions. Judgement will be required in determining which costs are “directly related to contract activities”, but we believe that guidance in IFRS 15 Revenue from Contracts with Customers will be relevant.

IAS 1 Presentation of Financial Statements - Amendments to IAS 1 (effective January 1, 2023)

The IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Replacement of the term ‘significant’ with ‘material’ In the absence of a definition of the term ‘significant’ in IFRS, the IASB decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in IFRS and is widely understood by the users of financial statements, according to the IASB. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.

2.3 Changes in accounting policies and disclosures (continued)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments to IAS 8 (effective January 1, 2023)

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the IASB.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

2.4 Summary of accounting policies

Recognition of income and expenses

Interest income and expense

Interest income and expense are recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost, financial instruments designated at FVPL.

The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. When calculating the EIR, we estimate future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. 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. Interest on loans is recognised over the term of the loan and is calculated using the effective yield method, interest ceases to be recognised on loans that are over 90 days in arrears.

Service fees

Service fees arising on cash advances are recognised on a time proportion basis over the period (of up to one month) of the cash advance.

2.4 Summary of accounting policies (continued)

Financial instruments: Initial recognition

Date of recognition

Financial assets and liabilities, with the exception of mortgage and personal loans and customer deposits, are initially recognised on the settlement date, which is the date that an asset is delivered to or by the Credit Union. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognised when funds are transferred to the customers' accounts.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, Credit Union accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, Credit Union recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

From August 1, 2018, the Credit Union classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

The Credit Union classifies and measures its equity securities at FVPL as explained in summary of accounting policies. Credit Union may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition.

Financial liabilities, other than loan commitments, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

2.4 Summary of accounting policies (continued)

Financial assets and liabilities

Debt instruments are those that contain contractual obligations to pay the instrument holder certain cash flows. Cash, fixed deposits, mortgages and personal loans, and receivables are classified as debt instruments. The classification and subsequent measurement of debt instruments depend on the assessment of business model and characteristics of cash flow.

Business model reflects the objective of holding different assets. That is, whether the Credit Union's objective is to collect the contractual cash flows from the assets or is to collect the cash flows arising from the sale of the assets, or both. The cash flow test considers whether interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Based on these factors, the Credit Union classifies and measures its debt instruments at amortized cost, as they are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured.

Equity instruments are those that do not contain contractual obligations to pay the instrument holder and that evidence residual interests in the issuer's net assets. The Credit Union measures all equity investments at fair value through profit or loss. Impairment losses are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Credit Union's right to receive payments is established.

All loans are originated by the Credit Union and are initially recognised at fair value, which is the cash consideration to originate the loan, and then subsequently measured at amortised cost using the effective interest rate method less, where applicable, a provision for loan losses.

iv. Reclassification of financial assets and liabilities

The Credit Union does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Credit Union acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

v. Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

Derecognition due to substantial modification of terms and conditions Credit Union derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired (POCI).

2.4 Summary of accounting policies (continued)

When assessing whether or not to derecognise a loan to a customer, amongst others, the Credit Union considers the following factors:

- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, Credit Union records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. Credit Union also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

Credit Union has transferred the financial asset if, and only if, either:

- Credit Union has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby Credit Union retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- Credit Union has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- Credit Union cannot sell or pledge the original asset other than as security to the eventual recipients
- Credit Union has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, Credit Union is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

2.4 Summary of accounting policies (continued)

A transfer only qualifies for derecognition if either:

- Credit Union has transferred substantially all the risks and rewards of the asset

Or

- Credit Union has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Credit Union considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When Credit Union has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of Credit Union's continuing involvement, in which case, Credit Union also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Credit Union has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration Credit Union could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value Credit Union would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

vi. Impairment of Financial Assets

Overview of the ECL principles

As described in Note 1, the adoption of IFRS 9 has fundamentally changed the Credit Union's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From August 1, 2018, the Credit Union has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

2.4 Summary of accounting policies (continued)

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 2. The Credit Union's policies for determining if there has been a significant increase in credit risk are set out in Note 22. The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Credit Union's policy for grouping financial assets measured on a collective basis is explained in Note 22.

The Credit Union has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 22.

The Credit Union has established a policy on how it groups its loans. IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition. Based on the above process, Credit Union groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- A loan that is not credit-impaired on initial recognition is classified in 'Stage 1'. Loans in Stage 1 have their expected credit losses ('ECL') measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the loan is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Loans in Stages 2 have their ECL measured based on expected credit losses on a lifetime basis.
- If the loan is credit-impaired, it is then moved to 'Stage 3'. Loans in Stages 3 have their ECL measured based on expected credit losses on a lifetime basis.
- Purchased or originated credit-impaired loans are those that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

Delinquency status is utilized as the main indicator for changes in credit risk. Credit management actions are triggered by movements in days past due. Other qualitative factors are considered, which include but are not limited to:

- Early signs of cash flow/liquidity problems
- Known adverse change in financial conditions
- Known adverse changes in business or economic conditions in which the borrower operates

2.4 Summary of accounting policies (continued)

Default is defined as delinquency of 90 days past due or more. Other qualitative criteria are also considered such as:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenants

The Credit Union assesses on a forward-looking basis the ECL associated with its loans and with the exposure arising from loan commitments. The Credit Union recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- 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 estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The Credit Union measures credit risk using Probability of Default ('PD'), Exposure at Default ('EAD') and Loss Given Default ('LGD').

PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months, or over the remaining lifetime of the obligation. PD is generated based on historical default data.

EAD is based on the amounts the Credit Union expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. EAD is assessed based on contractual terms of the loan.

LGD represents the Credit Union's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, availability of collateral or other credit support.

ECL is determined by projecting the PD, LGD and EAD for future period and for each individual exposure or collective segment. These three components are multiplied together and discounted. For expected credit loss provisions modelled on a collective basis, a group of exposures is assessed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

When incorporating forward looking information, such as macroeconomic forecasts, into determination of ECL, the Credit Union considers the relevance of macroeconomic indicators for the loans, which include but are not limited to unemployment rate. In addition to the base scenario, the Credit Union also incorporated upside and downside scenarios along with scenario weightings. The attributes of scenarios are reassessed at each reporting date. The scenario weightings take account of the range of possible outcomes each chosen scenario is representative of.

2.4 Summary of accounting policies (continued)

Collateral repossessed

Credit Union's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Credit Union's policy.

Write-offs

Financial assets are written off either partially or in their entirety only when the Credit Union has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

There were no other such standards, interpretations or amendments to existing standards that are expected to have a significant impact on the Credit Union.

Investment in securities

All investments in securities are initially recognized at fair value and are classified as securities at fair value through the profit and loss. Such investments are subsequently re-measured at fair value with gains and losses arising in the year included in the Statement of Comprehensive Income. Securities which are listed are fair valued by reference to the price as quoted on the principal exchange on which they are traded. The Credit Union has elected to recognize the gains and losses through the Statement of Comprehensive Income as they arise. Dividends are recognized on the ex-dividend date and recorded as dividend income in Statement of Comprehensive Income.

Purchases and sales of investments are accounted for on a trade date basis. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Credit Union has transferred substantially all the risks and rewards of ownership. Realized gains or losses arising from the sale of investments are calculated using on gross proceeds less the average cost of securities sold. Unrealized gains or losses are included in other non-operating income.

Investment property

Property that is held for capital appreciation or which the Credit Union has an undetermined purpose is classified as investment property. Investment property comprises principally of land which is not depreciated. Investment properties are measured initially at cost, including transaction costs and are subsequently measured at depreciated cost less any accumulated impairment losses. Valuations will be performed every three years for disclosure purposes with any impairment losses being recognized in the Statement of Comprehensive Income.

2.4 Summary of accounting policies (continued)

Fixed assets

Fixed assets are carried at historical cost less accumulated depreciation and are depreciated on the straight-line basis at the following rates and estimated useful lives:

Building	2.5%	(40 years)
Computer equipment	25%	(4 years)
Furniture and fittings	12.5% to 20%	(8 years to 5 years)
Motor vehicles	20%	(5 years)

Freehold land is not depreciated.

Assets under construction relate to assets which are in the process of being constructed or developed and are currently not in use. No depreciation is charged on such assets. Upon completion, these assets will be transferred to their appropriate asset category and depreciation will commence on the first day that the assets become available for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Dividends on members' shares

Dividends on members' shares are discretionary. Dividends, if any, are proposed by the Board of Directors and are subject to ratification by the members at their AGM at which time an accrual is recognized. The obligation to pay the dividend arises on ratification by the members and accordingly no provision for dividends in respect of the results for the year ended July 31, 2021, has been made in these financial statements.

Employee benefit plans

The Credit Union's employees participate in a defined contribution pension plan. The cost of Credit Union's contributions to the defined contribution pension plan is expensed as incurred. The Credit Union has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and at bank and fixed deposits with original maturities of three months or less.

2.4 Summary of accounting policies (continued)

Leases

The Credit Union assesses at contract inception whether a contract is, or contains a lease. This is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Credit Union as a lessee

The Credit Union applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Credit Union recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use-assets

Credit Union recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

The right-of-use assets are presented within Note 6 Fixed Assets and Right-of-Use.

Members' shares

Member shares are generally redeemable at the option of the holder of the shares, subject to certain conditions. As a result, member shares are presented as financial liabilities and are not reclassified to equity as all reclassification criteria within IAS 32 and IFRIC ("International Financial Reporting Interpretations Committee") 2 are not met.

Other provision

Provisions for legal claims costs are recognized when the Credit Union has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.4 Summary of accounting policies (continued)

Fair value measurement

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

Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into Cayman Islands dollars at the exchange rate prevailing on the balance sheet date. Revenue and expense items denominated in foreign currencies are translated into Cayman Islands dollars at the exchange rate prevailing on the transaction date. Gains and losses on translation are included in the Statement of Comprehensive Income.

The Credit Union translates its United States dollars to Cayman Islands dollars at a fixed rate of CI$0.82 to US$1.00.

3. Cash on hand and at bank and fixed deposits

The composition of cash on hand and at bank is as follows:

	2021	2020
Cash on hand	$ 2,571,356	$ 1,549,454
Cash at bank	43,488,779	49,446,615
	$ 46,060,135	$ 50,996,069

The composition of fixed deposits is as follows:

	2021	2020
Fixed deposits:		
Original terms to maturity of 3 months or less	$ 30,637,370	$ 52,950,600
Original terms to maturity of greater than 3 months	57,033,232	1,262,878
	$ 87,670,602	$ 54,213,478

During the financial year ending July 31, 2021, interest was earned on fixed deposits held in the amount of $273,086 (2020: $414,007).

4. Securities at fair value through the profit or loss

The Credit Union's investments are carried at fair value through profit or loss as described in Note 2.

The Credit Union ranks its investment securities based on the hierarchy of valuation techniques required by IFRS, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Credit Union's market assumptions. These two types of inputs lead to the following fair value hierarchy:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date;

Level 2: Inputs other than quoted prices that is observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3: Inputs that are unobservable.

The investment in securities as at July 31, 2021 and 2020, are as follows:

	2021	2020
Level 2		
Caribbean Utilities Company, Ltd.	$ 2,637,784	$ 2,565,710
Cayman National Corporation, Ltd.	143,989	138,505
	$ 2,781,773	$ 2,704,215

There were no transfers between levels during the year.

On an annual basis the investment in the Caribbean Utilities Company Ltd declares and pays dividends. Credit Union's dividends are automatically reinvested. In 2021 the reinvestment of dividend income was $121,824 (2020: $116,518).

	2021	2020
Level 2		
Opening balance at August 1	$ 2,704,215	$ 2,819,443
Additions	121,824	116,518
Sale of Investment	–	–
Change in unrealized loss	(44,266)	(231,746)
Closing balance at July 31	$ 2,781,773	$ 2,704,215

5. Mortgages and personal loans

The composition of loans to members is as follows:

	2021	2020
Mortgage loans	$ 226,605,706	$ 204,364,345
Personal loans	97,149,706	88,131,171
Total loans	323,755,412	292,495,516
Loan interest receivable	904,724	4,224,709
Total loans including interest receivable	324,660,136	296,720,225
Less: Provision for loan losses:		
- Specific provision	(1,171,536)	(1,942,799)
- Expected credit loss	(259,643)	(506,238)
	(1,431,179)	(2,449,037)
Total	$ 323,228,957	$ 294,271,188

Term and interest rates

Generally, the maximum repayment period of mortgage loans is up to 35 years (2020: up to 35 years) and personal loans is less than 10 years (2020: less than 10 years) and all assets held as security for such loans are located in the Cayman Islands. Loans attract interest at rates which are fixed at the time of credit origination. For the year ended July 31, 2021, the effective yield on the loan portfolio is 5.57% (2020: 6.34%).

Loans to related parties

All loans to employees and elected volunteers are subject to the same terms and conditions as those applicable to other members of the Credit Union. Interest rates for employees and elected volunteers vary between 3.5% and 12% (2020: 3.5% and 12%).

Included in mortgage and personal loans are loans of $15,233,219 (2020: $12,995,155) to directors, employees and committee members of the Credit Union (Note 19), of which the scheduled repayments on none of the loans were past due at July 31, 2021 (2020: none).

5. Mortgages and personal loans (continued)

A summary of the gross loan portfolio by nature of loan product is as follows:

	July 31 2021	July 31 2020
Personal loans		
Out-of-share loans	$ 32,495,997	$ 30,391,504
Within-share loans	50,923,015	42,146,889
Unsecured:		
Overdrafts and cash advances	13,730,694	15,592,778
Total personal loans	$ 97,149,706	$ 88,131,171
Mortgage loans		
Out-of-share loans:		
less than 10-year loans	$ 25,744,013	$ 14,463,281
10 to 15-year loans	50,785,338	53,186,633
15 to 35-year loans	150,076,355	136,714,431
Total mortgage loans	226,605,706	204,364,345
Total loans	$ 323,755,412	$ 292,495,516

The following tables contain the analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The gross carrying amount including accrued interest receivable of financial assets below also represents the Credit Union's maximum exposure to credit risk on these assets.

	2021				
	ECL Staging				
Mortgage loans	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Originated credit-impaired**	**Total**
Performing loans	$ 220,513,932	$ 4,579,532	$ –	$ –	$ 225,093,464
Impaired loans	–	–	2,132,505	–	2,132,505
Gross carrying amount	220,513,932	4,579,532	2,132,505	–	227,225,969
Loss allowance	(64,419)	(43,778)	(380,243)	–	(488,440)
Carrying amount	220,449,513	4,535,754	1,752,262	–	226,737,529

5. Mortgages and personal loans (continued)

	2020				
	ECL Staging				
Mortgage loans	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Originated credit-impaired**	**Total**
Performing loans	$ 203,652,559	$ –	$ –	$ –	$ 203,652,559
Impaired loans	–	–	3,518,960	–	3,518,960
Gross carrying amount	203,652,559	–	3,518,960	–	207,171,519
Loss allowance	(294,900)	–	(878,304)	–	(1,173,204)
Carrying amount	203,357,659	–	2,640,656	–	205,998,315

	2021				
	ECL Staging				
Personal loans	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Originated credit-impaired**	**Total**
Performing loans	$ 95,025,140	$ 1,207,060	$ –	$ –	$ 96,232,200
Impaired loans	–	–	1,201,967	–	1,201,967
Gross carrying amount	95,025,140	1,207,060	1,201,967	–	97,434,167
Loss allowance	(65,443)	(86,003)	(791,293)	–	(942,739)
Carrying amount	94,959,697	1,121,057	410,674	–	96,491,428

	2020				
	ECL Staging				
Personal loans	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Originated credit-impaired**	**Total**
Performing loans	$ 87,663,380	$ 69,216	$ –	$ –	$ 87,732,596
Impaired loans	–	–	1,816,110	–	1,816,110
Gross carrying amount	87,663,380	69,216	1,816,110	–	89,548,706
Loss allowance	(203,215)	(2,460)	(1,070,158)	–	(1,275,833)
Carrying amount	87,460,165	66,756	745,952	–	88,272,873

The allowance for ECL is recognized in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial assets experiencing significant movement in credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the movement between 12-month and life-time ECL.

5. Mortgages and personal loans (continued)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Mortgage loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Originated credit-impaired	Total
Loss allowance as at August 1, 2020	$ 294,900	$ –	$ 878,304	$ –	$ 1,173,204
Transfers:					
Transfer from Stage 1 to Stage 2	(11,213)	11,213	–	–	–
Transfer from Stage 1 to Stage 3	(2,535)	–	2,535	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Transfer from Stage 3 to Stage 2	–	50,844	(50,844)	–	–
Transfer from Stage 3 to Stage 1	33,867	–	(33,867)	–	–
New financial assets originated or purchased	15,684	2,275	–	–	17,959
Financial assets fully derecognized during the period	(24,056)	–	(28,011)	–	(52,067)
Loans fully written off	–	–	(216,488)	–	(216,488)
Changes to inputs used in ECL calculation	(242,228)	(20,554)	(171,386)	–	(434,168)
Loss allowance as at July 31, 2021	64,419	43,778	380,243	–	488,440

Mortgage loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Originated credit-impaired	Total
Loss allowance as at August 1, 2019	$ 140,681	$ 17,103	$ 664,133	$ –	$ 821,917
Transfers:					
Transfer from Stage 1 to Stage 2					
Transfer from Stage 1 to Stage 3	(760)	–	760	–	–
Transfer from Stage 2 to Stage 1	15,383	(15,383)	–	–	–
Transfer from Stage 2 to Stage 3	–	(1,720)	1,720	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–	–
New financial assets originated or purchased	60,308	–	–	–	60,308
Financial assets fully derecognized during the period	(8,614)	–	(7,549)	–	(16,163)
Loans fully written off	–	–	(26,414)	–	(26,414)
Changes to inputs used in ECL calculation	87,902	–	245,654	–	333,556
Loss allowance as at July 31, 2020	294,900	–	878,304	–	1,173,204

5. Mortgages and personal loans (continued)

Personal loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Originated credit-impaired	Total
Loss allowance as at August 1, 2020	$ 203,215	$ 2,460	$ 1,070,158	$ –	$ 1,275,833
Transfers:					
Transfer from Stage 1 to Stage 2	(7,572)	7,572	–	–	–
Transfer from Stage 1 to Stage 3	(4,362)	–	4,362	–	–
Transfer from Stage 2 to Stage 1	999	(999)	–	–	–
Transfer from Stage 2 to Stage 3	–	(694)	694	–	–
Transfer from Stage 3 to Stage 1	22,035	–	(22,035)	–	–
Transfer from Stage 3 to Stage 2	–	14,042	(14,042)	–	–
New financial assets originated or purchased	11,670	13,058	16,480	–	41,208
Financial assets fully derecognized during the period	(33,937)	(245)	(76,783)	–	(110,965)
Loans fully written off	–	–	(347,774)	–	(347,774)
Changes to inputs used in ECL calculation	(126,605)	50,809	160,233	–	84,437
Loss allowance as at July 31, 2021	65,443	86,003	791,293	–	942,739

Personal loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Originated credit-impaired	Total
Loss allowance as at August 1, 2019	$ 126,520	$ 53,570	$ 1,132,417	$ –	$ 1,312,507
Transfers:					
Transfer from Stage 1 to Stage 2	(103)	103	–	–	–
Transfer from Stage 1 to Stage 3	(1,346)	–	1,346	–	–
Transfer from Stage 2 to Stage 1	9,705	(9,705)	–	–	–
Transfer from Stage 2 to Stage 3	–	(21,463)	21,463	–	–
Transfer from Stage 3 to Stage 1	19,652	–	(19,652)	–	–
New financial assets originated or purchased	26,068	537	17,167	–	43,772
Financial assets fully derecognized during the period	(20,291)	(7,049)	(68,529)	–	(95,869)
Loans fully written off	(30)	–	(140,808)	–	(140,838)
Changes to inputs used in ECL calculation	43,040	(13,533)	126,754	–	156,261
Loss allowance as at July 31, 2020	203,215	2,460	1,070,158	–	1,275,833

5. Mortgages and personal loans (continued)

The following tables explain the changes in the carrying value between the beginning and the end of the period due to these factors. The gross carrying amounts including accrued interest receivable of financial assets below represent the Credit Union's maximum exposure to credit risk on these assets.

Mortgage loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Originated credit-impaired	Total
Gross carrying amount as at August 1, 2020	$ 203,652,559	$ –	$ 3,518,960	$ –	$ 207,171,519
Transfers:					
Transfer from Stage 1 to Stage 2	(4,204,966)	4,204,966	–	–	–
Transfer from Stage 1 to Stage 3	(797,558)	–	797,558	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Transfer from Stage 3 to Stage 2	–	240,429	(240,429)	–	–
Transfer from Stage 3 to Stage 1	847,909	–	(847,909)	–	–
New financial assets originated or purchased	47,926,772	217,352	–	–	48,144,124
Financial assets fully derecognized during the period	(18,129,281)	–	(200,169)	–	(18,329,450)
Loans fully written off	–	–	(216,488)		(216,488)
Changes in principal and interest	(8,781,503)	(83,215)	(679,018)	–	(9,543,736)
Gross carrying amount as at July 31, 2021	220,513,932	4,579,532	2,132,505	–	227,225,969

Mortgage loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Originated credit-impaired	Total
Gross carrying amount as at August 1, 2019	$ 173,766,611	$ 1,372,955	$ 3,779,971	$ –	$ 178,919,537
Transfers:					
Transfer from Stage 1 to Stage 2	–	–	–	–	–
Transfer from Stage 1 to Stage 3	(704,850)	–	704,850	–	–
Transfer from Stage 2 to Stage 1	1,194,734	(1,194,734)	–	–	–
Transfer from Stage 2 to Stage 3	–	(178,221)	178,221	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–	–
New financial assets originated or purchased	45,993,475	–	–	–	45,993,475
Financial assets fully derecognized during the period	(13,488,669)	–	(365,890)	–	(13,854,559)
Loans fully written off	(106)	–	(45,031)	–	(45,137)
Changes in principal and interest	(3,108,636)	–	(733,161)	–	(3,841,797)
Gross carrying amount as at July 31, 2020	203,652,559	–	3,518,960	–	207,171,519

5. Mortgages and personal loans (continued)

Personal loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Originated credit-impaired**	**Total**
Gross carrying amount as at August 1, 2020	$ 87,663,380	$ 69,216	$ 1,816,110	$ –	$ 89,548,706
Transfers:					
Transfer from Stage 1 to Stage 2	(983,305)	983,305	–	–	–
Transfer from Stage 1 to Stage 3	(423,626)	–	423,626	–	–
Transfer from Stage 2 to Stage 1	16,617	(16,617)	–	–	–
Transfer from Stage 2 to Stage 3	–	(18,046)	18,046	–	–
Transfer from Stage 3 to Stage 1	23,263	–	(23,263)	–	–
Transfer from Stage 3 to Stage 2	–	14,714	(14,714)	–	–
New financial assets originated or purchased	24,082,804	230,039	43,102	–	24,355,945
Financial assets fully derecognized during the period	(12,302,355)	(24,816)	(93,249)	–	(12,420,420)
Loans fully written off			(347,774)		(347,774)
Changes in principal and interest	(3,051,638)	(30,735)	(619,917)	–	(3,702,290)
Gross carrying amount as at July 31, 2021	95,025,140	1,207,060	1,201,967	–	97,434,167

Personal loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Originated credit-impaired**	**Total**
Gross carrying amount as at August 1, 2019	$ 84,104,544	$ 380,204	$ 1,948,673	$ –	$ 86,433,421
Transfers:					
Transfer from Stage 1 to Stage 2	(62,998)	62,998	–	–	–
Transfer from Stage 1 to Stage 3	(240,631)	–	240,631	–	–
Transfer from Stage 2 to Stage 1	55,725	(55,725)	–	–	–
Transfer from Stage 2 to Stage 3	–	(114,166)	114,166	–	–
Transfer from Stage 3 to Stage 1	19,748	–	(19,748)	–	–
New financial assets originated or purchased	16,006,719	2,841	17,495	–	16,027,055
Financial assets fully derecognized during the period	(11,508,901)	(60,847)	(224,788)	–	(11,794,536)
Loans fully written off	(26,838)	–	(141,515)	–	(168,353)
Changes in principal and interest	(683,988)	(146,089)	(118,804)	–	(948,881)
Gross carrying amount as at July 31, 2020	87,663,380	69,216	1,816,110	–	89,548,706

5. Mortgages and personal loans (continued)

The most significant period-end assumptions used for the ECL estimate for the non-core loans portfolio are set out below. Unemployment rate was not factored into the core loans portfolio, due to stability of the Government employment history.

Cayman Islands unemployment rate	Scenarios	2019/2020	2020/2021
	Base	10%	5.2%
	Upside	2.8%	2.8%
	Downside	10%	6.3%

The scenario weightings assigned to each economic scenario were as follows.

Non-Core	Base	Upside	Downside
Mortgage and Personal loans	80%	10%	10%

Core	Base	Upside	Downside
Mortgage and Personal loans	90%	7%	3%

Impact on ECL measured on collective basis		
Collateral haircut	Change in threshold	Change in ECL
Loans	(+ 5) %	$28,781

Set out above are the changes to the ECL as at July 31, 2021, that would result from reasonably possible variations in the most significant assumption affecting the ECL allowance:

An estimate of the fair value of the collateral held against individually impaired loans is as follows:

	July 31 2021	July 31 2020
Mortgage loans	$ 651,373	$ 1,994,593
Personal loans	228,581	745,390
	$ 879,954	$ 2,739,984

5. Mortgages and personal loans (continued)

Repossession of collateral

During the year ended July 31, 2021, the Grand Court made an Order for Possession of property which can now be sold to the public. As at July 31, 2021, the Credit Union had sought to execute and enforce this repossession order, and accordingly, assets held for sale of $403,315 are recorded on the Statement of Financial Position.

During the year ended July 31, 2021 repossessed property held of $167,400 as of July 31, 2020, was sold for $135,800, resulting in a loss on sale of $31,600 which is recorded in the Statement of Comprehensive Income.

Loans written off

During the year ended July 31, 2021, the Board approved to write off $564,262 (2020: $213,236) of loans which related to loans due from 65 (2020: 31) members. These loans were written off after careful consideration by the Board of Directors because they had been delinquent for a significant period of time, and all efforts to secure repayment were exhausted and proved unsuccessful. The members involved have been recorded in the Register of Loans Written Off, and these members may not avail of future lending facilities of the Credit Union, until such time as their previously outstanding indebtedness is repaid.

Loans renegotiated that would otherwise be past due or impaired

Loans may be renegotiated at the request of the Credit Union or the member for commercial purposes, where there is evidence of the continuing ability of the member to meet renegotiated payment obligations. The Credit Union will generally only issue a new loan to a member if the previous indebtedness has been cleared and the member can present sufficient collateral in accordance with the standard terms and considerations in line with the established credit policy. Members who are in arrears are not eligible to avail of additional lending facilities until the passage of specified period of time during which the member must have demonstrated his repayment capacity and fulfilled his obligations in line with the contractual agreement. It is not the practice of the Credit Union to extend credit to members where the repayment capacity is in doubt. Notwithstanding this, the Credit Union, in limited circumstances may agree to temporarily revised repayment schedules on loans which are past due. Where loans that are past due or impaired are renegotiated, it is the Credit Union's standard practice to retain these loans in the past due or impaired classifications until the member has brought his account up to date.

Limitations on lending to one borrower and significant loans

The maximum amount that the Credit Union may lend to one single member/borrower may not exceed a 3% of the Credit Union's total gross loans to all members; currently 3% is a maximum of $9.7M. As at July 31, 2021, gross carrying value of the largest loan issued to a member is $2,092,000 (2020: $3,613,742). The total value of loans held by members who hold total loans in excess of $300,000 as at July 31, 2021 is $71M in 288 loans (2020: $75M in 310 loans).

6. Fixed assets and Right-of-Use assets

As at July 31, 2021:

	Freehold Land	Building	Assets Under Construction	Computer Equipment	Furniture and Fittings	Motor Vehicles	Right of Use Assets	Total
Cost								
Balance July 31, 2020	$ 227,775	$ 7,221,979	$ 9,986	$ 1,343,896	$ 1,194,940	$ 19,205	$ 62,501	$ 10,080,282
Additions	–	–	653,690	72,241	70,910	–	54,875	851,716
Transfers	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–
Balance July 31, 2021	$ 227,775	$ 7,221,979	$ 663,676	$ 1,416,137	$ 1,265,850	$ 19,205	$ 117,376	$ 10,931,998
Depreciation								
Balance July 31, 2020	$ –	$ 2,051,081	$ –	$ 1,147,375	$ 930,985	$ 19,205	$ 7,292	$ 4,155,938
Charge for the year	–	186,324	–	84,747	86,796	–	30,792	388,659
Disposals	–	–	–	–	–	–	–	–
Balance July 31, 2021	$ –	$ 2,237,405	$ –	$ 1,232,122	$ 1,017,781	$ 19,205	$ 38,084	$ 4,544,597
Net book value								
July 31, 2021	$ 227,775	$ 4,984,574	$ 663,676	$ 184,015	$ 248,069	$ –	$ 79,292	$ 6,387,401
Net book value								
July 31, 2020	$ 227,775	$ 5,170,898	$ 9,986	$ 196,521	$ 263,955	$ –	$ 55,209	$ 5,924,344

As at July 31, 2020:

	Freehold Land	Building	Assets Under Construction	Computer Equipment	Furniture and Fittings	Motor Vehicles	Right of Use Assets	Total
Cost								
Balance July 31, 2019	$ 227,775	$ 7,221,979	$ 41,899	$ 1,260,657	$ 1,072,510	$ 19,205	$ –	$ 9,844,025
Additions	–	–	65,174	68,074	40,508	–	62,501	236,257
Transfers	–	–	(97,087)	15,165	81,922	–	–	–
Disposals	–	–	–	–	–	–	–	–
Balance July 31, 2020	$ 227,775	$ 7,221,979	$ 9,986	$ 1,343,896	$ 1,194,940	$ 19,205	$ 62,501	$ 10,080,282
Depreciation								
Balance July 31, 2019	$ –	$ 1,864,758	$ –	$ 1,071,119	$ 861,106	$ 19,205	$ –	$ 3,816,188
Charge for the year	–	186,323	–	76,256	69,879	–	7,292	339,750
Disposals	–	–	–	–	–	–		
Balance July 31, 2020	$ –	$ 2,051,081	$ –	$ 1,147,375	$ 930,985	$ 19,205	$ 7,292	$ 4,155,938
Net book value								
July 31, 2020	$ 227,775	$ 5,170,898	$ 9,986	$ 196,521	$ 263,955	$ –	$ 55,209	$ 5,924,344
Net book value								
July 31, 2019	$ 227,775	$ 5,357,221	$ 41,899	$ 189,538	$ 211,404	$ –	$ –	$ 6,027,837

6. Fixed assets and Right-of-Use assets (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2021	2020
Opening balance at August 1, 2020	$ 56,318	$ –
Additions	54,874	62,501
Accretion of interest	5,794	2,480
Payments	(34,436)	(8,663)
Closing balance at July 31, 2021	$ 82,550	$ 56,318

As of July 31, 2021, total gross carrying amount of fully depreciated fixed assets still in use is at $1,685,330 (2020: $1,815,553).

7. Investment property

During the year ended December 31, 1999, at two separate Special General Meetings the membership approved both an amendment of the Credit Union Rules (the “Rules”) to allow for the investment of funds in real estate and the purchase of two parcels (at a cost of $1,175,870) of land adjoining the Credit Union’s current premises at 58 Huldah Ave. The Cayman Islands Government completed a road widening project on Smith Road in 2017 and this resulted in the Credit Union having to sell a small portion of this property. The Credit Union received $24,289 for the property recorded at cost of $4,196 (net of impairment) which resulted in a gain of $20,093 in the year 2017. As of July 31, 2021, this property was valued at $3,944,000 (2020: $3,946,000).

During the year ended July 31, 2005, the Credit Union purchased land in Cayman Brac at a cost of $126,308. This land was valued based on market data, by an independent appraiser with a relevant and recognized professional qualification as of July 20, 2021 at $190,000 (2020: $182,000).

During the year ended July 31, 2010, the Credit Union purchased additional land on Smith Road, Grand Cayman, at a total cost (including acquisition costs) of $455,297. A building that was situated on the property was demolished during the year ended July 31, 2012, leading to the fall in value of the property and as a result an impairment loss of $215,297 was recognized in the Statement of Comprehensive Income for the year ended July 31, 2012. As of July 20, 2018, this property was valued at $229,000, as a result an impairment loss of $11,000 has been recognized in the Statement of Comprehensive Income for the year 2017. The Cayman Islands Government completed a road widening project on Smith Road in 2017 and this resulted in the Credit Union having to sell a small portion of this property. The Credit Union received $10,542 for the property recorded at cost of $10,286 (net of impairment) which resulted in a gain of $255. As at July 31, 2021, this property was valued at $366,000 (2020: $364,000).

During the year ended July 31, 2014, the Credit Union purchased land on Huldah Avenue for $376,401. This land was valued based on market data, by an independent appraiser with a relevant and recognized professional qualification as of May 3, 2015, at $316,000, as a result an impairment loss of $60,401 has been recognized in the Statement of Comprehensive Income for the year 2015. As at July 31, 2021, this property was valued at $632,000 (2020: $505,000).

7. Investment property (continued)

In accordance with IAS 40 Revised "*Investment Property*", management have determined it appropriate to account for these investments in land at cost less impairment, as the land is currently being held for an 'undetermined future use'.

	Investment Property	
	2021	**2020**
Balance, beginning of year	$ 1,833,496	$ 1,833,496
Additions/(Disposals)	–	–
Impairment charge	–	–
Balance, end of year	$ 1,833,496	$ 1,833,496

8. Members' deposits

Members' deposits comprise the following:

	2021	**2020**
Regular savings	$ 20,936,002	$ 21,522,094
Term deposits	1,767,629	2,652,936
	$ 22,703,631	$ 24,175,030

Included in members' deposits are deposits of $167,748 (2020: $247,214) placed by directors, employees and committee members of the Credit Union (Note 19).

Interest of $57,888 (2020: 95,658) was paid to members holding term deposits during the financial year ended July 31, 2021.

9. Members' shares

The members' equity in the Credit Union is unlimited and is divided into shares of a par value of $2 each. The liability of each member, in case of liquidation, is limited to the value of the shares held by the member at the par value. Per Article III, Rule 17, the maximum amount of shares which may be held by any one member shall not exceed 3% of total members' shares. Unless provided as collateral for loans, money paid in on shares, or instalments of shares, may be withdrawn in whole or in part on any day when the Credit Union is open for business. However, the Board of Directors have the right to require a member to give up to six months' notice of intention to withdraw.

Members' shares are non-interest bearing but may attract a dividend. Article XIV of the Rules provides that a dividend may be paid to members out of the net surplus of the Credit Union after the transfer to the Statutory Reserve (Note 10). However, the Cooperative Societies Act prescribes that the dividend paid to each member may not exceed six percent per annum on the lowest balance of fully paid shares outstanding during each month (Note 14).

Included in members shares are shares of $5,455,801 (2020: $4,696,909) placed by directors, employees and committee members of the Credit Union (Note 19).

10. Statutory reserve

The Act and Article XIV, Rule 68 require that 20% of the net surplus (before dividends on member shares) (Note 20) of each financial year be set aside to the Statutory Reserve. During the year ended July 31, 2021, Credit Union transferred 20% (2020: 20%) or $2,125,177 (2020: $2,112,572) of the Statutory Reserve from the Undistributed Surplus.

Article XIII of the Rules also requires that all entrance fees ($10 per member) and transfer fees be credited to this reserve. During the year ended July 31, 2021, the total entrance fees credited to this reserve was $16,060 (2020: $15,510).

The Statutory Reserve is the property of the Credit Union and may not be distributed, except on liquidation or in accordance with the Act and Rules. It may be applied, with the sanction of the Registrar of Cooperative Societies, to meet losses on loans to members and such other losses as authorised in accordance with the Act and Rules.

Permanent Shares

At the AGM held November 2019, it was approved to pay a permanent share dividend to 13,354 active members at July 31, 2019, in the amount of $333,850. This was classified as part of the reserves. New members joining after August 1, 2019 will be required to pay $25 as a permanent share that will be held until their account is closed. During the year ended July 31, 2021, the total permanent shares credited to this reserve was $42,900.

11. Information technology fund

The Credit Union established this fund in 1993 by appropriation from the Undistributed Surplus to enable the Credit Union to set aside funds to provide longer-term mortgage loans to members. At the AGM on November 28, 2018, the members agreed to transfer $693,400 from the Mortgage Fund to supplement the dividend. Members resolved that the remaining balance of $904,974 is now designated for Information Technology ("IT Fund") purposes. During the current financial year there were no changes made to the IT Fund.

12. Development fund

The Credit Union established this fund in 1992 by appropriation from Undistributed Surplus for future development of the Credit Union.

13. Scholarship/training fund

On November 25, 2020 at the AGM in respect of the year ended July 31, 2020, the members resolved to transfer an amount of $200,000 (2020: $300,000) to the Scholarship fund and $102,803 (2020: $311,948) to training of the volunteers and staff. This was satisfied by way of appropriation of funds from the Undistributed Surplus in accordance with Article XIV of the Rules (Note 21).

14. Dividends paid/payable

On November 25, 2020, at the AGM in respect of the year ended July 31, 2020, the members resolved to pay a dividend of 2.8% or $8,147,484 (2019: 3.5% or $8,871,432) This was satisfied by way of appropriation of funds from the Undistributed Surplus and was recorded in the financial statements for the year ended July 31, 2021.

15. Loan interest rebate/payable

In 2021 a 2% (2020: 3%) loan interest rebate was accrued in amount of $350,000 (2020: $330,000) and is recorded as a debit to loan interest income and a credit in accounts payable and accrued expenses.

16. Services fees – cash advances

The Credit Union offers cash advances to members whereby members can obtain an unsecured payroll advance, which are repayable in full within one month from date of grant. Subject to certain qualifying criteria and conditions, the members are permitted to obtain a cash advance up to 50% of their monthly salary less any loan payments to be repaid in the following month.

The Credit Union does not charge any interest on cash advances, but levies a service fee of 10% (2020: 10%) of the total value of the sum advanced. During the year ended July 31, 2021, the cash advance fees earned was $267,620 (2020: $338,901) and is included within interest income – service fees cash advances, in the Statement of Comprehensive Income.

17. Member beneficiary benefits

Until May, 2018, the Credit Union paid for life insurance coverage at a rate of US$0.37 per US$1,000 per month on member savings (shares and deposits) ("Life Savings"), up to a maximum of US$20,000 held in members savings per member, and loans ("Loan Protection") up to a maximum of US$40,000 in loans per member, through the Credit Union National Association Mutual Insurance Society ("CUNA"), based in the United States of America. Subject to qualifying criteria and terms and conditions, the maximum value of the insurance on member's savings is US$20,000 or equivalent, and the maximum value of the insurance on loans is US$40,000 or equivalent. The Credit Union will continue to provide the same Life Savings and Loan Protection benefits based on profitability and as approved by the Board on a case by case basis. During the year, the Credit Union paid $418,871 (2020: $271,322) in beneficiary benefits. The program with CUNA was discontinued at end of June 2018.

18. Pension plan

The Credit Union and its employees make contributions (7% and 3% respectively) to a defined contribution pension plan regulated in the Cayman Islands. During the year, the Credit Union made $278,018 (2020: $231,827) in pension contributions and this amount is included in salaries and other personnel costs in the Statement of Comprehensive Income.

19. Related-party transactions and balances

As a co-operative society the Credit Union only receives deposits from and lends money to members (Note 1). All staff and individuals involved with the governance structures of the Credit Union are members. The Credit Union has considered this fact pattern in the light of relevant accounting standards and has determined that related parties include directors, employees and committee members. All transactions with related parties are subject to the same terms and conditions and rates as those applicable to other members of the Credit Union.

Total remuneration earned by key management during the year was as follows:

	Year ended July 31	
	2021	**2020**
Salaries and other short-term benefits	$ 196,396	$ 198,162
Defined contributions pension costs	12,146	12,146
	$ 208,542	$ 210,308

During the November 2019 AGM, it was approved in accordance with Rule 36, that all directors and committee member are eligible for a fixed honorarium where a fixed per meeting fee will be paid in the amounts of: $400 for chairman of the board, $250 for all other directors, $125 for chairman of committees and $100 for members of committees. As such an amount of $75,000 was accrued for the payments due to directors for the year ending July 31, 2021.

Related-party balances are disclosed in Notes 5, 8, and 9.

20. Commitments

As at July 31, 2021, the Credit Committee had approved a number of commitments for undrawn loans to a value of $20,554,540 (2020: $20,046,314). The ECL on these undrawn loans is $6,684, the below table reflects the breakdown of the ECL:

	2021	**2020**
Stage 1 – Mortgage loans	$ 4,303	$ 18,606
Stage 1 – Personal loans	2,381	4,557
	$ 6,684	$ 23,163

The Credit Union leases premises for its storage. The lease term is one year and expired at November 30, 2021. The Credit Union currently pays $2,448 (2020: $2,100) per month. The Credit Union continued to occupy this leased premises through the date of approval of these financial statements.

Credit Union entered into a lease agreement in January 2020 for its branch in Cayman Brac which will mature after three years and renewable for another two years. The future lease payment for this non-cancellable lease contract is $14,850 within one year and $59,400 within five years.

21. Capital management

The Credit Union's objective when managing capital is to safeguard the Credit Union's ability to continue as a going concern in order to provide a return in the form of dividends to members. The Credit Union accepts deposits and shares from members for various periods, and seeks to earn reasonable interest margins by investing these funds in loans to members. In addition, the Credit Union seeks to maintain sufficient liquidity by investing excess funds in cash deposits and short-term fixed deposits in order to meet all claims that might fall due in the ordinary course of operations.

As per Article XIV of the Rules, the net surplus of the Credit Union shall be applied as follows:

i. at least 20% of net income shall be carried to the Reserve Fund in accordance with Article XIV (Note 10);

ii. the remainder shall be utilized as the AGM may decide in any one or more of the following ways:

- to pay to members a dividend not exceeding what is prescribed by Act (at present 6% per annum) on fully paid shares provided that fully paid shares for any one month may include payment received within the first seven days of that month;
- to promote co-operative education among members; and for any social, charitable or cultural purposes, subject to Section 36 of the Act;
- to create any Special Reserve;
- agreed to pay fees;
- to create and maintain a Share Transfer Fund to be used as prescribed in Rule 15 and the By-Laws.

In order to maintain or adjust the capital structure, the Credit Union may, by way of resolution of the members at the AGM, adjust any of the matters specified in (ii) above.

Management consider that the Credit Union has complied with these requirements during the years ended July 31, 2020 and 2021.

The capital of the Credit Union is defined as the Reserves as shown on the Statement of Financial Position.

22. Financial risk management

The Credit Union's activities expose it to a variety of financial risks including credit risk, liquidity risk, market risk and geographic concentration risk.

i. Introduction and overview

The business of the Credit Union is overseen by the Board of Directors. The Board along with independently elected committees (Supervisory and Credit) is responsible for the adherence with the Act, the Rules, and established policies and procedures. All committees report regularly to the Board on their activities. The Board has the general direction and control of the affairs of the Credit Union and more particularly, act for the Credit Union and provide for the management and development of the Credit Union. The Board meets as often as the business of the Credit Union may require, and in any case not less frequently than once per month.

22. Financial risk management (continued)

The Supervisory Committee is responsible for the monitoring of any deviations from the Rules, established policies and procedures via Internal Audit and Risk and Compliance. The activities of the Supervisory Committee include the inspections of securities, cash and accounts of the Credit Union, examination of the affairs of the Credit Union and investigating any complaints made by members affecting the proper running of the Credit Union. In the process of its examinations and audits, the Supervisory Committee can examine all applications for loans made during the period under examination and satisfy itself that the loans have been issued in accordance with the established policies and procedures. The Supervisory Committee is required to send a report of its activities to the Board quarterly. These responsibilities are substantively carried out by an Internal Audit Manager and Chief Risk and Compliance Officer who report directly to the Supervisory Committee with administrative line to the CEO.

The Credit Committee is given the responsibility for the oversight of the Credit Union's credit risk and the development of credit policies. The Credit Committee through the Loans Officer shall enquire into the character and financial position of each applicant for loan and sureties, if any, to ascertain the member's ability to repay fully and promptly the obligations incurred and to determine whether the loan sought is for a provident or productive purpose and will be of probable benefit to the member. The Credit Committee shall also determine the amount of each loan and the period of repayment based on the form and value of the security. The Credit Committee shall endeavour diligently to assist applicants in solving their financial problems.

The Credit Committee shall hold meetings as the business of the Credit Union may require, and not less frequently than once per month. Presently, the Credit Committee meets on a weekly basis. The Credit Committee records the actions of each meeting through minutes which are forwarded to the Chief Executive Officer. The Chief Executive Officer sends a report of the activities of the Credit Committee to the Board of Directors each month.

All Committee members are elected at the AGM of the Credit Union, where the supreme authority of the Credit Union is vested in the General Meeting of members at which every member has a right to attend and vote on all issues. All Board and Committee members come from a wide range of highly experienced positions within the Government, Statutory bodies and the private sector.

ii. Credit risk

Financial assets that potentially expose the Credit Union to credit risk consist principally of cash at bank, fixed deposits, and loans.

The extent to which the Credit Union is exposed to credit risk in respect of these financial assets approximates their carrying value as reflected in the Statement of Financial Position.

Cash at bank and fixed deposits

The Credit Union seeks to mitigate its credit risk by placing its cash at banks and fixed deposits with reputable financial institutions. At July 31, 2021, all of the cash at bank and fixed deposits are placed with two unrated financial institutions, being Cayman National Bank and Butterfield Bank (Cayman) Limited and one rated bank CIBC First Caribbean Bank Limited. All Banks hold Class A banking licenses, which in the opinion of management, are stable financial institutions and in addition are regulated by the Cayman Islands Monetary Authority.

22. Financial risk management (continued)

Loans to members

All of the Credit Union's business activity is with its members, who are employees or former employees, or relations thereof, of the Government of the Cayman Islands and Statutory Authorities/Boards or Utility Companies operating in the Cayman Islands, which gives rise to a concentration of risk in respect of geographical area, as both members and assets pledged as security are based exclusively in the Cayman Islands.

All members are eligible for loans provided they meet the conditions specified in the Rules and the Credit Policy. However, to meet the interest of individual members as well as that of total membership as a whole, the ability to repay, type of security offered and the availability of funds (management of liquidity risk) assume paramount significance.

The management of credit risk in respect of loans to members is executed by the management of the Credit Union. All significant loan applications and credit terms are reviewed and authorised respectively by the Internal Credit Committee and the Credit Committee. The Credit Union follows lending policies and guidelines approved by the Board of Directors, as set out in the Credit Policy, which guides the Credit Union's credit process. The amount of other collateral obtained is based on the Credit Committee's credit evaluation of the member.

The Credit Union does not make use of an automated credit scoring or rating system. It is the Credit Union's policy to extend borrowing facilities to members that are within the member's capacity to repay and not to rely exclusively on security pledged or offered.

The granting of loans to members is based on a number of criteria generally including, *inter alia,* the following:

- Loan be made to members only, for provident and productive purposes only;
- Satisfactory proof of employment or income to support members repayment capacity;
- Limit of debt service ratio to generally 50% of members income for regular out of share loan products;
- Completion of the required loan application forms and approval by Manager of Loans, Internal Credit Committee and Credit Committee;
- Loans to officers, members of the Board or Committees require approval by the Board of Directors and Supervisory Committee in conjunction with the Credit Committee;
- Certain repayment requirements on pre-existing loans prior to approval for additional loans;
- Loans are not granted to delinquent members, or only to former delinquent members after a period of 6 – 12 months during which time their accounts must have been maintained satisfactorily;

22. Financial risk management (continued)

- Completion of satisfactory credit checks at all local financial institutions for any amount at Credit Union's discretion;

- Significant loans in excess of $400,000 (2020: $400,000) require the formal approval of the Board of Directors, in addition to that of the Credit Committee;

- The period of the loan shall generally not exceed 35 years (2020: 35 years);

- The extension of credit is generally limited to 80% of the value of the collateral obtained (in the case of land and structure) or 100% in the case of raw land, in addition to the other conditions of lending as discussed above.

Collateral required for loans

The Credit Union holds collateral against loans to members in a variety of forms, including, but not limited to mortgage interests over property, lien over motors vehicles, other registered securities over assets, hypothecation of shares, other savings held in the Credit Union and guarantees. Estimates of fair values are based on values of collateral assessed (by approved and recognized qualified appraisers) at the time of borrowing and are generally not updated except when a loan is individually assessed as impaired.

The amount of other collateral obtained is based on the Credit Committee's credit evaluation of the member. However, the extension of credit is generally limited to 80% of the value of collateral obtained (with the exception of raw land which is 100%) in addition to other conditions of lending as described above.

In order to ensure continued safeguard of the value of the collateral offered, buildings and motor vehicles are required to hold valid comprehensive insurance policies in order to ensure that the collateral is not compromised after the initial grant of the loan. For all insurances at the time of credit origination, the Credit Union registers its interest in the property with the insurance provider.

The Credit Union only accepts collateral in the form of assets located in the Cayman Islands.

Notwithstanding the requirement for collateral, the Credit Union does offer loans to members which are unsecured, which are termed "Xpress or Overdraft Loans."

These loans are only granted to members subject to the satisfaction of strict lending criteria including assessment of borrower's past credit history, ability to repay, confirmation of employment status. The maximum value of the unsecured element on any one loan is limited to $15,000.

In addition to the "Xpress or Overdraft Loans", the Credit Union also offers cash advances to members which are also unsecured. Cash advances are issued for a period of one month. In February 2017, the repayment term for overdraft loans were extended, by Board approval, to 36 months. These lending products are only offered to members after careful consideration of the members' repayment ability and assessment of credit status.

22. Financial risk management (continued)

Management of credit risk, post credit origination

Loans to members constitute the Credit Union's principal asset and source of income and as such must always be protected against loss, by firm, decisive and quick action. The prompt identification of delinquent loans and quantification of credit risk, coupled with a detailed action plan, are essential to ensure full collection and to ensure the Credit Union is maintaining adequate reserves for possible credit and settlement losses.

The Board has established effective Delinquency Control and Collections policies in order to minimize the risk associated with default. The application and implementation of these policies affect the cash receipts and ultimately the amount of cash available for new loans and other purposes including undistributed surplus from which dividends are paid. By establishing and enforcing a firm credit and delinquency policy the Credit Union teaches members to respect both their obligations and the founding principle of the Credit Union. Failure to apply these policies would significantly increase the risk of default and could lead to serious financial problems for the Credit Union, and therefore its membership as a whole.

The Credit Union has established a number of different functions in order to manage the level of delinquent loans, including, a Debt Collection Department ("DCD") and a team of debt collection officers (collectively, the "debt collection team").

The debt collection officer will make collection strategy recommendations based on the facts as they are verified and developed, in order to return the loan to a current status as soon as possible. Loans lacking a defined strategy, for whatever reason or, credit relationships where the borrower is not fully cooperating, are referred to the DCD for further action. The supervision of the DCD is controlled by the Senior Credit Risk Manager.

On a monthly basis, the DCD prepares a report on all delinquent loans in excess of 15 days delinquent, which in turn is presented to the Chief Executive Officer, Board of Directors, and the Chairpersons for the Credit and Supervisory Committees. This report summarizes the totals of the various delinquency classes, the delinquency rate and the current exposure. The Board, Chairpersons of the two committees and the various other functions established review the reports and ascertain whether satisfactory effort is being made on all delinquent accounts.

A review of the schedule of delinquent loans is essential to the Board in making certain that its policies and procedures are being carried out. It is an invaluable aid to the Treasurer and the Chief Executive Officer as they cannot carry out their responsibilities and take appropriate action unless they know what loans are delinquent for how long and what efforts have been made to collect them.

The debt collection team regularly monitor a variety of sources of information in assessing the credit worthiness of the borrower, including reference to court judgements and information available in the public domain.

The collection efforts include making initial contact with the member to regularize their accounts, followed by up to three reminder letters, up to and including legal action in the event of significant default.

22. Financial risk management (continued)

During and after the reminders are sent to delinquent borrowers and their co-makers or guarantor(s), every effort is made to collect the debt. In the event of significant default, where the loan is secured by securities such as a Bill of Sale or mortgage (charge on property) the Credit Union can take the necessary action so that the security maybe realised. If efforts to regularise the members' loans fail, the ultimate action is referral of the matter to the Credit Union's attorney, in respect of loans secured on property, who in turn take legal proceedings against the member. These proceedings can include action for foreclosure, and possession of property served as security for the loan. With respect to consumer loans, the loan may be referred for further collection efforts to the Cayman Islands National Credit Bureau.

Any dividends earned on delinquent members' shares must be credited against his outstanding obligations, first to the outstanding interest, then towards reducing the outstanding principal.

Upon initial recognition for loans and advances, the fair value of collateral is based on valuation techniques commonly used for corresponding assets and include valuations provided by reputable local property valuation specialists. In subsequent periods, the fair value is updated periodically from time to time depending on market conditions and/or when collateral values approximate the carrying value of the loan.

The carrying value of impaired loans is generally determined by reference to the fair value of collateral held in respect of such loans. Accordingly, any change in the fair value of collateral held in respect of impaired loans will have a direct impact on the carrying value of impaired loans. In addition, the assessment if whether a loan is classified as past due but not impaired is also generally made by reference to the fair value of collateral held.

iii. Market risk

The market risk to which the Credit Union's financial assets are exposed to include currency risk, equity price risk and interest rate risk.

iv. Currency risk

The Credit Union is exposed to currency risk in relation to monetary assets and liabilities denominated in foreign currencies. The Credit Union holds an insignificant amount of its cash at bank and fixed deposits denominated in United States dollars, in addition to the two securities held as investments (Note 4), which are also denominated in United States dollars. The value of such monetary assets will fluctuate because of changes in the exchange rates at which these are converted into Cayman Islands dollars. Management considers this risk to be minimal as all foreign currency holdings are denominated in the United States dollar, which has a fixed rate of exchange to the Cayman Islands dollar.

v. Equity price risk

The Credit Union's investment in securities exposes it to equity price risk. The investments consist of publicly traded shares of Caribbean Utilities Company, Ltd. and Cayman National Corporation Ltd. The primary goal of the Credit Union is to achieve capital growth and dividend income from these investments. Management considers that equity price risk is not material as this risk is mitigated by restricting the value of funds invested to two different holdings, which management consider are relatively stable over time. Management regularly monitors the movements in the share prices of these equities in order to minimize the risk of significant loss to the Credit Union.

22. Financial risk management (continued)

The table below illustrates the sensitivity of the Credit Union's net income of a reasonably possible +/-10% change in equity prices for the investments held at the year-end:

		2021		2020
Change in equity price of investments				
+ 10%	$	278,177	$	270,422
- 10%	$	(278,177)	$	(270,422)

vi. Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Cash at bank, fixed deposits, members' deposits and loans are subject to interest rate risk. To mitigate this risk, the Credit Union places funds on fixed deposits for periods of less than one year at prevailing rates of interest. The Credit Union manages its cash flow interest rate risk on its loan book, by issuing all loans at fixed rates of interest. The Credit Union's overall exposure to interest rate risk is low due to the fact that its 'Members' shares' liabilities are non-interest bearing (Note 9) but may attract a discretionary periodic dividend proposed by the Board of Directors based on the income of the Credit Union. The maximum dividend level is limited as described in Note 9.

The table below illustrates the sensitivity of the Credit Union's net income of reasonably possible changes in interest rates for loans, deposits placed with banks, and members' deposits (comprising regular saving and term deposits). Since loans to members are issued at fixed rates, the sensitivity to interest rates on loans are based on the variation in the composition of the loan book as the Credit Union issues different types of loans based on collateral specific criteria, rather than variations in interest rates.

		2021		2020
Interest earned on loans				
+ 0.05%	$	160,858	$	143,646
- 0.05%	$	(160,858)	$	(143,646)
Interest earned on fixed deposits				
+ 0.10%	$	87,671	$	54,213
- 0.10%	$	(87,671)	$	(54,213)
Interest paid on member deposits:				
+ 0.50%	$	113,518	$	121,003
- 0.50%	$	(113,518)	$	(121,003)

22. Financial risk management (continued)

The tables below summarize the Credit Union's exposure to interest rate risk, as of July 31, 2021 and 2020.

Included in the tables are the financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity date.

July 31, 2021	**Under Six Months**	**Six Months to one Year**	**One Year to Four Years**	**Five Years to ten Years**	**Over ten Years**	**Non-Interest Bearing**	**Total**
Assets							
Cash on hand and at bank	$ 46,060,135	$ –	$ –	$ –	$ –	–	$ 46,060,135
Fixed deposits	87,670,602	–	–	–	–	–	87,670,602
Securities at fair value through P&L	–	–	–	–	–	2,781,773	2,781,773
Mortgages and personal loans	19,190,031	13,315,804	90,895,209	79,337,868	121,921,224	–	324,660,136
	$ 152,920,768	$ 13,315,804	$ 90,895,209	$ 79,337,868	$ 121,921,224	$ 2,781,773	$ 461,172,646
Liabilities							
Accounts payable and accrued expenses	$ –	$ –	$ –	$ –	$ –	$ 1,391,228	$ 1,391,228
Members' shares	–	–	–	–	–		
Members' deposits:						403,902,700	403,902,700
- Regular savings	20,936,002	–	–	–	–	–	20,936,002
- Term deposits	1,487,716	279,913	–	–	–	–	1,767,629
	$ 22,423,718	$ 279,913	$ –	$ –	$ –	$ 405,293,928	$ 427,997,559

July 31, 2020	**Under Six Months**	**Six Months to one Year**	**One Year to Four Years**	**Five Years to ten Years**	**Over ten Years**	**Non-Interest Bearing**	**Total**
Assets							
Cash on hand and at bank	$ 49,458,665	$ –	$ –	$ –	$ –	$ 1,537,404	$ 50,996,069
Fixed deposits	52,950,600	1,262,878	–	–	–	–	54,213,478
Securities at fair value through P&L	–	–	–	–	–	2,704,215	2,704,215
Mortgages and personal loans	19,706,541	12,757,784	84,431,150	72,896,664	106,928,086	–	296,720,225
	$ 122,115,806	$ 14,020,662	$ 84,431,150	$ 72,896,664	$ 106,928,086	$ 4,241,619	$ 404,633,987
Liabilities							
Accounts payable and accrued expenses	$ –	$ –	$ –	$– –	$ –	$ 1,700,262	$ 1,700,262
Members' shares	–	–	–	–	–	346,256,528	346,256,528
Members' deposits:							
- Regular savings	21,522,094	–	–	–	–	–	21,522,094
- Term deposits	205,061	220,924	2,226,951	–	–	–	2,652,936
	$ 21,727,155	$ 220,924	$ 2,226,951	$ –	$ –	$ 347,956,790	$ 372,131,820

22. Financial risk management (continued)

vii. Liquidity risk

Liquidity risk is that the Credit Union will not be able to meet its financial obligations as they fall due. The Credit Union's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Credit Union's reputation.

The Credit Union's liquidity management process includes the following:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by members;
- Maintaining a minimum level of cash on hand and at bank, and placement of term deposits for varying periods of time which can be easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of loan maturities.

The Credit Union also monitors unmatched medium-term assets, the level and type of undrawn lending commitments and the usage of overdraft facilities.

On a monthly basis, the Chief Financial Officer prepares a liquidity report, which compares total loans to total deposits (including shares) placed by members, cash on hand and cash at bank, including the funds placed on term deposits with other financial institutions. This report is shared with the Chief Executive Officer and to the Board of Directors. Furthermore, on a daily basis, management regularly reviews the total funds drawn down under loans, including loan commitments compared to available funds to ensure that sufficient liquid resources are available. An important element of the credit policies is a review of funds available to ensure that loan applications are not approved without first considering the level of liquid resources available prior to entering into that commitment with the member. The report also includes a summary of those members with significant amounts placed on deposit (balances in excess of $100,000). As at July 31, 2021, approximately 10% (2020: 10%) of the member shares are held by 25 (2020: 25) members.

Of these 25 members, only a small portion of the funds on deposit (in the form of members' shares) approx. 0.51% (2020: 0.55%) of total loans serve as collateral against those members' loans. This represents a significant concentration of liquidity risk arising from monies from these members.

The Credit Union is exposed to daily demands on its available cash resources from members' shares and deposit accounts. The Credit Union does not maintain cash resources to meet all of these needs, as experience has shown that trends for withdrawals can be predicted with a high level of certainty. If withdrawals are significantly in excess of expectations and available resources, then this can increase the liquidity risk of operations.

22. Financial risk management (continued)

The Credit Union seeks to minimize the level of cash on hand and at bank (in the form of call accounts), through effective budgeting and cash flow monitoring processes. Excess funds are placed with banks on term deposits at higher yields of interest in order to maximize the return to the Credit Union. The terms of placement of the fixed deposits vary and are staggered to ensure that the funds mature or roll over at varying dates to minimize the mismatching of cash flows arising from loan repayments, future loan disbursements, taking into consideration anticipated withdrawals from member's deposits.

The loan portfolio comprises loans, issued at varying terms from 3 months to 35 years (2020: 3 months to 35 years). As outlined above, all loans generally require a minimum level of members shares (loan to share ratio). For some members with loans, access to members' shares is generally restricted where the loan balance exceeds the members share balance. The members' shares available for withdrawal are limited to the amount of shares in excess of that members' loan. Notwithstanding this, there are a significant number of members with no loans, which represents the most significant risk from a liquidity perspective. In the normal course of business these funds are available on demand. However, as described in Note 9 the Board of Directors have the right to require members to provide up to six months notice prior to withdrawal of those funds.

The table below presents the undiscounted cash flows payable and receivable by the Credit Union from the financial instruments by remaining contractual maturities at the year-end.

July 31, 2021	Under Six Months	Six Months to One Year	One Year to Four Years	Five Years to Ten Years	Over Ten Years	Non-Fixed Maturity	Total
Cash inflows							
Cash on hand and at bank	$ –	$ –	$ –	$ –	$ –	$ 46,060,135	$ 46,060,135
Fixed deposits	87,670,602	–	–	–	–	–	87,670,602
Securities at fair value through P&L	–	–	–	–	–	2,781,773	2,781,773
Mortgages and personal loans	27,405,760	21,652,216	144,154,744	122,314,522	164,551,354	–	480,078,596
	$ 115,076,362	$ 21,652,216	$ 144,154,744	$ 122,314,522	$ 164,551,354	$ 48,841,908	$616,591,106
Cash outflows							
Accounts payable and accrued expenses	$ 1,391,225	$ –	$ –	$ –	$ –	$ –	$ 1,391,225
Members' shares	324,185,988	3,848,374	24,826,251	20,373,435	30,668,652	–	403,902,700
Members' deposits:							
- Regular savings	20,936,002	–	–	–	–	–	20,936,002
- Term deposits	1,487,716	279,913	–	–	–	–	1,767,629
	$ 348,000,931	$ 4,128,287	$ 24,826,251	$ 20,373,435	$ 30,668,652	$ –	$ 427,997,556
Off-balance sheet cash outflows							
Loan commitments	$ 20,554,540	$ –	$ –	$ –	$ –	$ –	$ 20,554,540
Net exposure	$ (253,479,109)	$ 17,523,929	$ 119,328,493	$ 101,941,087	$ 133,882,702	$ 48,841,908	$ 168,039,010

22. Financial risk management (continued)

July 31, 2020	Under Six Months	Six Months to One Year	One Year to Four Years	Five Years to Ten Years	Over Ten Years	Non-Fixed Maturity	Total
Cash inflows							
Cash on hand and at bank	$ 49,458,665	$ –	$ –	$ –	$ –	$ 1,537,404	$ 50,996,069
Fixed deposits	52,950,600	1,262,878	–	–	–	–	54,213,478
Securities at fair value through P&L	–	–	–	–	–	2,704,215	2,704,215
Mortgages and personal loans	29,257,893	22,163,796	132,733,442	111,434,884	141,882,433	–	437,472,448
	$ 131,667,158	$ 23,426,674	$ 132,733,442	$ 111,434,884	$ 141,882,433	$ 4,241,619	$ 545,386,210
Cash outflows							
Accounts payable and accrued expenses	$ 1,700,261	$ –	$ –	$ –	$ –	$ –	$ 1,700,261
Members' shares	272,380,678	3,810,676	24,229,013	19,196,471	26,639,690	–	346,256,528
Members' deposits:							
- Regular savings	21,522,094	–	–	–	–	–	21,522,094
- Term deposits	205,098	221,031	2,252,399	–	–	–	2,678,528
	$ 295,808,131	$ 4,031,707	$ 26,481,412	$ 19,196,471	$ 26,639,690	$ –	$ 372,157,411
Off-balance sheet cash outflows							
Loan commitments	$ 20,046,314	$ –	$ –	$ –	$ –	$ –	$ 20,046,314
Net exposure	$ (184,187,287)	$ 19,394,967	$ 106,252,030	$ 92,238,413	$ 115,242,743	$ 4,241,619	$ 153,182,485

23. Financial instruments and other – fair values

Fair values approximate amounts at which financial assets and liabilities could be exchanged between willing parties and are determined using judgement and after consideration of uncertainties. Therefore, the aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The main assumptions and valuation techniques used at arriving at fair values are outlined below.

The carrying value of cash and cash equivalents approximates their carrying value as they are placed for periods of three months or less. Securities at fair value through profit and loss are held at market value on the Statement of Financial Position. Mortgage and personal loans are at fixed rates of interest. The directors consider that the carrying value of loans approximate fair value as the fixed interest rates on these loans approximate current market rates, and due to the inherent characteristics of the loan book and the linkage of certain members shares which act as collateral against those members' loans. However, the lack of any formal secondary market for these types of assets means that in practice, it may not be feasible to liquidate or exchange such assets for consideration which approximates carrying value.

23. Financial instruments and other – fair values (continued)

As noted in Note 9 members shares are non-interest bearing, however, they may attract dividends. The directors consider that the carrying value of members' shares approximate their fair value due to the inherent characteristics of the instruments for the years ending July 31, 2021 and 2020. As outlined above, members shares are non-interest bearing, may attract a dividend and an element of those members shares act as collateral against members' loans. Members' savings accounts are available on demand. Members' term deposits are at rates that re-price on each roll over date.

IFRS 13 requires the Credit Union to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgment by the Credit Union. The Credit Union considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by sindependent sources that are actively involved in the relevant market. The carrying amounts of the Credit Union's financial assets and liabilities at the balance sheet date approximated their fair value due to the relative short-term nature of the balances and/or fact that interest rates on loans reflect rates for new similar loans. Per the fair value hierarchy of IFRS 13, all financial assets and liabilities are classified as Level 2. The fair value of the investment property is disclosed in Note 7, and is based upon prices for similar properties, and is considered a Level 2 fair value.

24. Interest income

Interest income comprises of the following:

	Year Ended July 31	
	2021	**2020**
Mortgage loans	$ 11,351,558	$ 10,966,828
Personal loans	5,950,966	6,527,856
Total interest on loans	$ 17,302,524	$ 17,494,684

25. Receivable and other assets

Receivables and other assets are comprised of prepayments and other miscellaneous assets. Included under receivables are cash advances of $48,968 as of July 31, 2021. During the financial year receivables of Nil (2020: $70,500) were written off as uncollectible after being outstanding for more than 365 days.

26. Accounts payable and accrued expenses

The Credit Union regular accounts payable for 2021 was recorded at $1,072,589 (2020: $1,110,665). Additionally, amounts were accrued for staff training and scholarships in the amount of $302,803. Also recorded as an accrued expense for 2021 are unposted incoming member funds of $139,950 awaiting outstanding documentation for posting.

27. Contingent liabilities

The Credit Union is intermittently involved in a number of claims or potential claims arising from its operations. Where appropriate, management establishes provisions after taking into consideration the advice of attorneys and other specialists. It is management's policy to rigorously assert its position in such cases. Management has assessed that there is no requirement for a provision for year ending July 31, 2021 and 2020.

28. Taxation

The Cayman Islands Government does not currently levy taxes on income or capital gains; consequently, no tax liability or expense has been recorded in these financial statements.

29. Subsequent events

During the September 30, 2021, the Board of Directors recommended a dividend payment of 2.1% which is subject to approval at the Annual General Meeting in November 2021.

The Credit Union has been granted planning approval to begin construction of a development project consisting of a 30,000 sq ft commercial building and approximately 63 townhomes for sale. Ground-breaking is expected in early 2022.

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- Government Administration Building
- Credit Union Headquarters

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