Cayman Islands
Civil Service Association Co-operative
Credit Union Limited

ANNUAL REPORT
2020

CREDIT UNION UNIVERSAL PRAYER

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

TABLE OF CONTENTS

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, 45 years later with over 15,000 members and assets in excess of $400M, 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 general meetings.

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.
- The control functions performed by an Internal Auditor and a Chief Risk & Compliance Officer.

Our Credit Union makes a donation to the C.I. Netball Association

Governance of our Credit Union is further enhanced by:

- Annual external audits performed by a "Big Four" accounting firm.
- 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 cooperative principles of:

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

Membership in the Credit Union includes employees and their immediate family members as well as pensioners of:

- The Credit Union.
- The Cayman Islands Government.
- Government owned entities.
- 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.

STRATEGIC PLAN

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

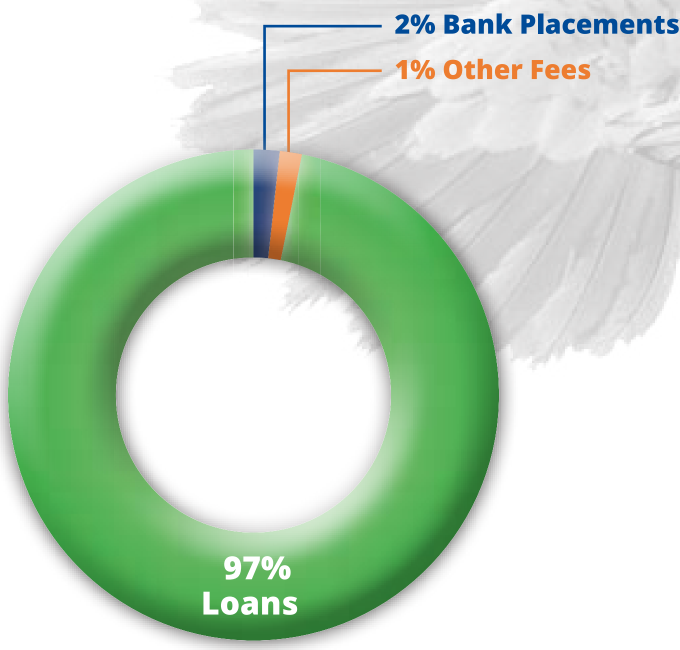
OBJECTIVES
- Improve member financial education and appreciation
- Motivate our employees
- Strengthen risk management
- Improve technology
- Emphasise community involvement
- Deepen member relations and cross sell
- Penetration and retention of market
- Maintain financial health

THE YEAR AT A GLANCE

QUICK FACTS

Total membership	15,360
ATM cards issued for the year	1,421
New members for the year	1,585
Net income	$10.56M
Total assets	$410M
Total loans disbursed 2019	$67M
Total loans	$294M
Member shares	$370M
Dividends paid to members in 2019	3.50%
Interest rebate to members in 2018	3%
Educational grants	$200K
Staff	59

REVENUE SOURCES



KEY PERFORMANCE INDICATORS

48 Home Purchase & Construction

90 Land Purchase

179 Vehicle Purchase

3276 Within Share Loans

RATIO	2020	2019	2018	2017	2016
Earnings Per Share	$0.06	$0.08	$0.06	$0.07	$0.06
Return On Assets	3%	4%	3%	3%	3%
Return On Equity	28%	33%	24%	27%	24%
Efficiency	40%	36%	45%	42%	49%

OUR LEADERS

Board of Directors: *(L-R)* Michael Nixon, Chairman; Zena Merren-Chin, Secretary; James Watler, 1st Vice Chairman; Deanna Look Loy, Director; Jose Hernandez, Director
Missing from photo: Christopher Goddard, Director; Shakira Gourzong, Treasurer; Oneisha Richards, 2nd Vice Chairman

MICHAEL NIXON - CHAIRMAN

Mr. Michael Nixon is the Senior Assistant Financial Secretary in the Ministry of Finance and Economic Development. A career civil servant with over 25 years of experience in various aspects of public sector financial management, he has a Bachelor of Business Administration degree from the University of Miami.

Mr. Nixon currently has management responsibility within the Ministry for the preparation of the Government's Annual Budget; the Economics and Statistics Office; Corporate Unit; and the Risk Management Unit. In addition, he serves as the Ministry of Finance representative on the Board of Directors of the Port Authority of the Cayman Islands and The Cayman Turtle Conservation and Education Centre Ltd.

Mr. Nixon has been a member of the Credit Union since 1996 and has served previously as Member and Chairman of the Credit and Supervisory Committees.

JAMES WATLER - 1st VICE CHAIRMAN

Mr. James Watler has a Master of Education degree from the University of Bristol which qualifies him as a counsellor/therapist, and a post-graduate certificate from the University of London School of Education where he received a Certificate in 'Leading Change and Management in the Cayman Islands'. He is the author of a book entitled 'The Islands Time Forgot: Stories of the Cayman Islands', published in 2000 at University of London School of Education.

Mr. Watler has been a member of the Credit Union's Board of Directors for the past 10 years and holds the post of 1st Vice Chairperson. He also served on the Credit Committee for 15 years and held the position of Chairperson for that body. Mr. Watler is a current Director on the Public Service Pension Board and past President of the Cayman Islands Civil Service Association (CICSA). As a civil servant, he has held a number of positions within the Department of Education Services. Over the years, he was a teacher, principal, Education Officer with responsibilities to develop curriculum, Complaints Officer, FOI Manager and finally Senior Customer Service Manager.

Mr. Watler retired from the Service on 6 July 2020, having served for some 43 years throughout his journey in education. He has a passion for service to his community and has over the years demonstrated this through his commitment to reaching out and helping those that are in need. He has been a member of the Credit Union since 1978.

CHRISTOPHER GODDARD - DIRECTOR

Mr. Christopher Goddard has been a member of the Credit Union since 1995, a member of the Board of Directors from 2010 and served as the Treasurer since 2013. He has a Bachelor of Economics and Finance degree from Barry University and is qualified as a Member of the Society of Trust & Estate Practitioners (STEP).

A former employee of the Cayman Islands Monetary Authority, Mr. Goddard is a past Chairman and member of the Credit Committee, former manager of the Loans Department and a past Anti-Money Laundering trainer for Credit Union staff. He has also been instrumental in the review of various Credit Union policy documents in the past few years and served on several Government committees.

Mr. Goddard is a successful young Caymanian businessman and owner/director of Winner's Circle, a retail sporting goods store.

DEANNA LOOK LOY - DIRECTOR

Ms. Deanna Look Loy has held several positions on the Board including Chairperson. She is a retired civil servant with over 33 years of service. Before her retirement, she was the Director of Children & Family Services (formerly Department of Social Services). She has a Bachelor of Arts degree and a diploma in Education from the University of West Indies, a post-graduate certificate and diploma in Human Resource Management, and Master of Science in Human Resource Management from Portsmouth University.

She is a qualified Spanish teacher and taught the subject at schools in Jamaica, Grand Cayman and Trinidad. She has spent much of her spare time volunteering for a number of clubs in the Cayman Islands including the Catholic Women's League, Business and Professional Women's Club, Cayman Garden Club, Big Brothers Big Sisters of the Cayman Islands, and Rotary Club of Grand Cayman. She has been a member of the Credit Union since 1983.

ZENA MERREN-CHIN - SECRETARY

Ms. Zena Merren-Chin has been a member of the Credit Union since 1987. She is the Clerk of the Cayman Islands Legislative Assembly, a position she has held since 2009. Ms. Merren-Chin has a Bachelor of Science in Law Enforcement and Police Science and a Bachelor of Law (LLB). She also attended Liverpool University in 1995 and went on to Belfast University in 1996 where she completed the Professional Practice Course (PPC).

Ms. Merren-Chin was employed with the Police Service from 1986 to 1990, and then went on to employment as the Deputy Clerk of Courts from 1997 to 1998. She then moved on to Appleby as an Attorney at Law from 1998 to 2009.

Ms. Merren-Chin is a member of the Board Directors for the Cayman Islands Crisis Centre.

Our Credit Union supporting the work of Meals on Wheels

SHAKIRA GOURZONG - TREASURER

Ms. Shakira Gourzong is a former Senior Client Relationship Officer at Intertrust Corporate Services (Cayman) Limited. She earned a Bachelor of Science degree in Business Administration with a concentration in Economics from UCCI in 2006. She is also a founding member of the UCCI Alumni Board and was in the first group to complete the CeMBA at UCCI in 2008.

Ms. Gourzong also completed and received the Society of Trust and Estate Practitioners (STEP) Diploma in September 2010 and earned a Master of Business Administration from ICCI in February 2014.

She has been a member of the Credit Union since 2006 and previously served on the Credit Committee. She has been serving on the Board of Directors for the past five years, two years to present as the Treasurer. Within that period she has represented the Credit Union at various international conferences and has also obtained the Caribbean Development Educator (CaribDE) designation.

JOSE HERNANDEZ - DIRECTOR

Mr. Jose Hernandez is Manager, IP & TV Services at OfReg. He has responsibility for internet protocol (IP) and Television (TV) services across the ICT sector.

From 2010 to 2016, Mr. Hernandez was an independent consultant who provided information technology leadership and worked on a number of projects in the public and private sectors. Areas of focus included information technology strategy, infrastructure development, business solutions architecture, business process management and project management.

Before that time, he spent 19 years at Cable and Wireless (Cayman Islands) Limited, joining the organisation in 1991 after completing university where he studied Computer Science. During his tenure, Mr. Hernandez held several leadership roles, including Information Technology Manager, Information Technology Architect - Caribbean, Vice President Information Technology, and Senior Vice President Information Technology – Caribbean.

Mr. Hernandez has been a member of the Credit Union since 2017.

ONEISHA RICHARDS - 2nd VICE CHAIRMAN

Ms. Oneisha Richards is currently the Chief Internal Communications Officer with the Cayman Islands Government based in the Cabinet Office. She has over 22 years' experience in strategic marketing, communications, and tourism policy development.

As Chief Internal Communications Officer, Mrs. Richards supports senior leaders across the Cayman Islands Government in delivering effective communications programmes. Her role focuses on supporting the implementation of the 5-Year Strategic Plan to become a World-Class Civil Service with a passionate, highly engaged, and motivated workforce. Additionally, she develops coordinated communications which showcase internal and external delivery of the Civil Service purpose "to make the lives of those we serve better".

Previous roles held by Mrs. Richards are Deputy Director of Tourism, Business Development Manager with Walkers Global and Deputy Chief Officer for Tourism with the Ministry of Tourism and Transport.

She possesses a bachelor's degree in Tourism & Travel Management from Florida International University and a master's degree in Marketing and E-Commerce from the University of Maryland. She is currently pursuing a Certificate in Leadership from Northwestern University in Chicago.

BOARD OF DIRECTORS' REPORT

FINANCIAL AND OPERATING PERFORMANCE

I take this opportunity on behalf of the Board and other elected and appointed Committees to commend our founders, pioneers and all the members who have supported and continue to support the Credit Union by taking advantage of its products and service offerings. I appeal to you to be ambassadors of your Credit Union by promoting the high quality of member services you have received.

The financial year 2019/20 has been particularly challenging for our Credit Union. In the first seven months of the financial year we had to balance maintaining required liquidity ratios while managing demand for our loan products. In addition, during the final five months, as "essential workers" we had to cope with the COVID-19 pandemic and continue to provide vital financial services to our members. This meant implementing the necessary protective measures for our employees and members whilst continuously communicating with our members to verify their employment status and the impact on our loan provisioning.

Despite the above obstacles, our Credit Union made a profit of $10.56M (2019:$11.5M), a decrease of 8%. This is a solid result but one that was primarily impacted by the reduced lending and further exacerbated by the measures taken during the last five months of the financial year, the height of the pandemic. In the best interest of our members and to remain competitive, a decision was taken in April 2020 to reduce interest rates. Furthermore, due to current economic conditions, estimates for additional loan provisioning were increased. More details can be found in the Treasurer's Report on page 13.

On behalf of your Board of Directors, I present to you our Annual Report and Accounts for the year ended 31 July 2020. Our Credit Union continues to make a positive difference in the lives of our members and in our community.

This year, I am pleased to tell you that despite the decline in net income, we are recommending a dividend of 2.8% while maintaining a loan interest rebate of 3%. These results reflect the success of the Board's strategy to maintain and protect the loan book and the membership.

HIGHLIGHT OF KEY OPERATING STATISTICS

Total Assets
$410,445
UP 26%

Total Deposits
$370,432
UP 29%

Loan Portfolio
$294,272
UP 12%

New Members
1585
UP 15%

CATEGORIES	2020	2019	% Change
Total Assets	410,445	325,256	26%
Total Deposits	370,432	287,198	29%
Loan Portfolio	294,272	263,219	12%
New Members	1,585	1,379	15%

We have maintained double digit growth in our key statistics despite the challenges faced during the financial year. From April to July we attracted a high number of new members as they sought an alternative financial institution in which to place the funds that were withdrawn from Pensions based on the COVID-19 Emergency Amendment to the National Pension Law.

CORE BANKING SYSTEM-SMART SOLUTION

In February 2020, the CEO signed the contract with Smart Solutions. This was after almost two years of searching for a core system that would meet our current and future needs. The Smart Solution software, Universa, will transition our Credit Union from the Ovation software which was in use since 2000. The estimated date for implementation is 1 August 2021, and the new software will generate significant savings in costs and allow for greater information gathering which will enable the management of our members' data more effectively and efficiently to expand our products and services.

RISK & COMPLIANCE

The Credit Union continues to enhance its risk management framework by implementing policies and procedures to comply with laws and regulations.

Prevention of Money-Laundering, Terrorist Financing, and Proliferation Financing

During the financial year there were changes and enhancements in the legal framework as it relates to the prevention of money laundering, terrorist financing and proliferation financing. The changes in the legal framework led to a significant revision of the Credit Union's Policy for the Prevention of Money-Laundering, Terrorist Financing, and Proliferation Financing ("AML, CFT, CFP").

The Credit Union continues to implement its AML compliance program through development of supplemental AML procedures, ongoing training, ongoing monitoring of member transactions and due diligence and compliance audits.

Risk Based Methodology ("RBM")

In fulfilling the requirements by the Regulator, the Credit Union developed a risk-based approach to the management of its AML, CFT, CFP risk. A risk-based approach is the identification, assessment, and understanding of the money laundering/ terrorist financing/weapons proliferation risks to which a financial institution is exposed and ensuring appropriate measures are in place to mitigate those risks.

In October 2019, the Board approved the RBM for the Credit Union. This document supplements the AML, CFT, CFP framework in outlining the Credit Union's risk profile. See further details in the Supervisory Report on page 18.

Data Protection

The Data Protection Law came into effect in September 2019. In order to ensure compliance, the Credit Union continues to enhance its policies and procedures and provide ongoing training for its employees. The Credit Union also continues to amend its internal processes to ensure it is balancing its obligations under the Data Protection Law.

During the financial year, the Board approved the Data Protection Policy and Data Handling and Classification policy. These policies set the foundation for the implementation of the Credit Union's roadmap to compliance with the Data Protection Law.

Regulatory Requirements

In fulfilling the requirements by the Regulator, the following policies were approved by the Board and implemented by management: Cyber Security Policy, Record Management Policy, Remuneration Policy and enhancement of the Member Services Policy.

The majority of regulatory requirements were fulfilled in the financial year. However, there are three requirements that are outstanding and require the Credit Union Rules to be amended:

1. Ensure the Credit Union's credit granting policies and procedures are consistent with the Credit Union Rules; this relates to Rule 49 on loan approval. See Resolution 2
2. Update the Credit Union Rules to provide appropriate guidance to the Board and all Committees with regards to their detailed roles and responsibilities, which should be reflective of the Authority's requirements as outlined in section 5.4 of the Statement of Guidance on Corporate Governance; this requirement reflects the Regulator's authority to approve directors elected by members (in accordance with the revised Cooperative Societies Law) and to ensure compliance with the Regulatory Policy on Fitness and Propriety for directors. See Resolution 3
3. Update the Credit Union Rules to reflect the changes in the evolving financial landscape; rules are prescriptive and do not reflect current policy and procedure framework. A Special General Meeting will be called to address the revision of the Credit Union Rules.

Reputational Risk

The Credit Union is committed to providing quality services to its members and will take any feedback seriously. We are determined to resolve member complaints in a consistent and systemic manner, ensuring that there is a documented and readily available information process which allows members to provide feedback. As such we formalised our commitment to members in a Member Feedback Policy. The main objectives of the Policy are:

- A mechanism to give feedback whether electronically, written or verbal
- Escalation of complaints where appropriate
- Acknowledgement of feedback whether in the form of complaint, compliment, or suggestion
- A means of mediation should the need arise
- A commitment to investigating complaints in a confidential and non-discriminatory basis

Enterprise Risk Management

As the Credit Union continues to grow in pursuit of its strategic goals, it is committed to ensuring its risks are appropriately mitigated. To enhance the Credit Union's enterprise risk management, the Credit Union engaged PwC to assist management to complete a risk register for the Credit Union. The completion of a risk register will be the first pillar laid on the foundation of enhancing risk management within the Credit Union.

CAPITAL AND RESERVES

At the AGM in November 2019, the Credit Union Rules relating to Permanent Shares were implemented. Members approved a resolution for a permanent share dividend of $25 to all members in good standing as of 31 July 2019. This dividend amounted to $333,050 for 13,354 members in good standing.

Members who joined between 1 August 2019 and 31 December 2019 were asked to inject $25 into permanent shares, which represents their equity ownership. Members who joined from 1 January 2020 are required to provide $25 in permanent shares and a minimum of $25 in voluntary shares.

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 2020, the Board of Directors, in recognition of a long-standing member and his efforts to increase the membership and improve its knowledge about the credit union movement, renamed the programme the Rupert McCoy Education Grants Programme.

In 2020, our Credit Union provided members and children of members with $200,000 in educational grants to pursue their educational goals. See our list of recipients at the back of this publication.

One of the main initiatives taken by our Credit Union during the pandemic demonstrated our core value of Members Helping Members. We appealed to you, our members, to help other members who needed assistance as they became unemployed or their income was reduced. Your generous donations, matched by our Credit Union, provided $60K to purchase supermarket gift certificates, which were distributed to those members in need.

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 page 27.

DELINQUENT LOANS

The Board monitors this 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 1.91% compared to 2.77% at the end of 2019. We continue to monitor delinquency and the policy and procedures are currently being reviewed and will be updated by January 2021.

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 for write off to the Board by the Management. As of 31 July 2020, loans with a combined value of $213K (2019: $537K) 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, 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 2020 was 59 (2019: 55). The increase in staff, health insurance premiums, and a 3.3% cost of living allowance in basic salary contributed to the increase in personnel costs for the financial year.

Staff development remained an area of priority with training sessions held for all Credit Union staff. The Directors and volunteers also benefitted from training via an Anti-Money Laundering/Combatting the Financing of Terrorism seminar.

Significant focus was placed on our operations strategy to ensure that our organisational structure is suitable for current and future needs. To strengthen credit risk, a Senior Manager of Credit Risk was employed in August 2019 to head up the lending, loans disbursement, and debt collection departments. In October 2019, a Chief Information Officer joined our team to head up information technology infrastructure and security, thus strengthening operational risk. In addition, a Chief Operations Officer was hired in March 2020 to lead our teams in member services, new accounts, and security and operations.

These three additions to the Credit Union team bring many years of experience and expertise, which is crucial to ensuring the success of our strategic plan and vision.

CORPORATE GOVERNANCE

The Board of Directors worked diligently throughout the year on your behalf and met 14 times to discharge their fiduciary and regulatory duties. The focus areas for the Board continue to be:

- Financial strength
- Risk management
- Compliance
- Strategy
- Sound governance practice

Increased regulation and understanding of legislation place a significant responsibility on these volunteers in relation to discharging their duties effectively. With continued training and learning, the Board will perform their Credit Union roles most effectively.

In June 2019, the Board of Directors, in accordance with Rule 41, formed an Executive Committee, which is a sub-committee of the Board that includes 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 7 times during the financial year.

Another sub-committee of the Board, the IT Steering Committee, which consists of one Director, the Chief Information Officer, and three members, held their first meeting in February 2020. The Committee's objectives are:

- Develop and sustain the IT plan for the Credit Union and obtain approval by the Credit Union Board of Directors. In order to accomplish its tasks, the IT Steering Committee will:
    - Collect IT related information from any business area of the Credit Union as required
    - Coordinate the IT components of the IT plans from all units across the Credit Union
- Develop and recommend Credit Union policy with relation to IT
- Review and recommend on IT projects development plans within the context of IT plans
- Create ad hoc committees to address strategic IT issues, as required
- Review, coordinate and arbitrate major IT activities across the Credit Union
- Provide an annual report to the Credit Union Board of Directors that details IT activities
- Report to the Credit Union Board of Directors after each meeting and from time to time as required

This Committee met three times during the financial year. See table on page 12.

As approved by Members at the 2019 AGM, directors will be paid a per meeting fee as follows:

- Chairman of the Board - $400
- Directors - $250
- Chairman of Committees - $125
- Committee Members - $100

THE WAY FORWARD

In 2021 we will continue to strengthen our risk and compliance framework and transform our management and information systems. We will:

- focus on retaining the gains we made in the growth of our loan book despite the increased competition and reduction in interest rate.
- 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.
- continue to enhance our member services and highlight the other unique benefits of being a credit union member.
- Conduct an in-depth risk assessment exercise and develop a risk register as our first step towards enterprise risk management.
- convene a Special General Meeting in early 2021 to review and discuss proposed changes to the Credit Union Rules.
- 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.

APPRECIATION

As we look to the future of our organisation, it is our goal to continue to work with you hand in hand to provide relevant and efficient services, even if faced with a pandemic or changes in technologies, regulations and the needs of our members. The Credit Union is aware of the need to remain relevant, competitive and accessible and as members of the Board of Directors, we give you the assurance that we stand by our slogan “Members helping Members.”

Fellow members, you are in the right place, for it is in this organisation that we strive to ensure that your financial goals are met, that you are supported in your endeavours and that you can reach out to us in times of difficulty.

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 endeavour to serve The Cayman Islands Civil Service Co-operative Credit Union Limited.

For, and on behalf of the Board of Directors,

Michael Nixon, Chairman

TOTAL ATTENDANCE FOR BOARD OF DIRECTORS & SUB-COMMITTEE MEETINGS

DIRECTOR	Monthly & Special Meetings	Executive Committee Meetings	IT Steering Committee Meetings	Total
2019/2020	15	7	3	25
Michael Nixon	13	6	-	19
James Watler	13	4	-	17
Krishan Welcome*	2	-	-	2
Shakira Gourzong	10	6	-	16
Zena Merren-Chin	9	7	-	16
Deanna Look Loy	10	-	-	10
Chris Goddard	9	6	-	15
Jose Hernandez	11	-	3	14
Oneisha Richards	9	-	-	9

*Resigned June 2020

TREASURER'S REPORT

I am pleased to report another profitable financial year ending 31 July 2020. The Credit Union is strong and profitable despite challenges faced during the year.

During the first seven months of the financial year we:

- monitored the liquidity ratio closely to meet obligations for operations, member withdrawals, and loan disbursements.
- experienced a reduction in new lending as we focused on disbursement of loan commitments from the previous year.
- earned higher returns on loans and bank placements.

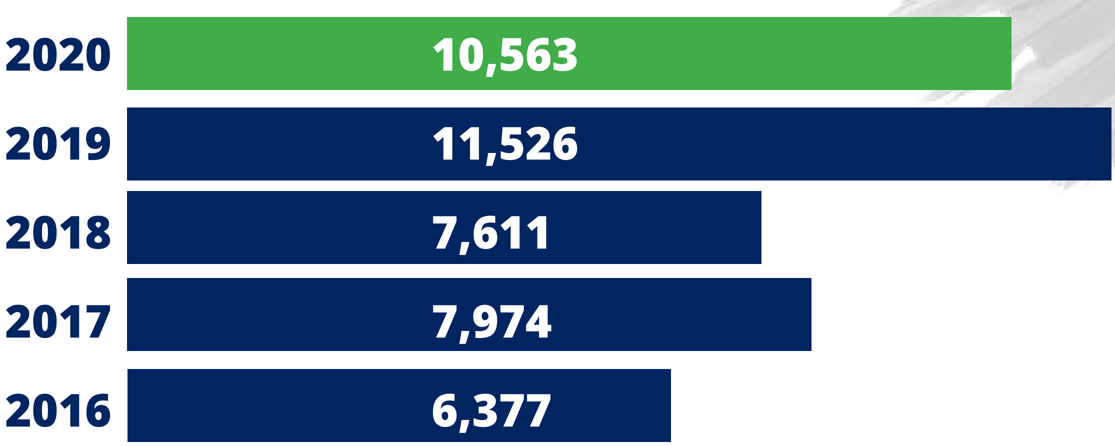
However, during the final five months:

- as "essential workers" we coped with the COVID-19 pandemic while continuing to provide necessary financial services to our members.
- we monitored the impact of unemployment as we communicated with our members to verify their employment status and the impact on our loan provisioning.
- the delinquency rate fell significantly to 1.91% due to the loan payment deferral from April through to July 2020 as well as some members applying their pension withdrawal funds to delinquent loans.
- we earned lower returns on loans and bank placements as we reduced interest rates in April 2020 by 1% for all loans, except unsecured loans.
- our return on bank placements was negatively impacted because the Prime Interest Rate at commercial banks was drastically reduced .
- liquidity improved as members infused the credit union with additional funds from other banks and deposits of pensions withdrawal funds.
- loan disbursements dropped to a new low during April and May and finally began to pick up in June and July with new cars and land purchases accounting for the majority of loans.

PERFORMANCE SUMMARY

Our Credit Union achieved a Net Income of $10.5 million (2019: 11.5M), a decrease of 8%.

Net Income ($000)



Net Income was mainly impacted by:

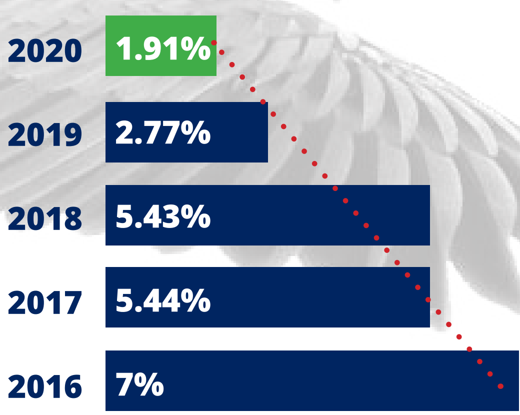
- 43% decrease in non-interest income such as loan fees, dormant fees and non-compliant fees.
- 123% decline in fair value on securities in 2019/2020 compared with 2018/2019 due to the increase in CUC share price in 2018/2019 and gain on sale of CNC shares recorded in 2018/2019.
- 12% increase in total expenses mainly due to:
  - 14% increase in personnel expenses as a result of cost of living allowance awarded to employees in August 2019, additional staff, increases in health insurance premiums and pension, and retirement benefits for two long serving employees
- net interest income growth by 9% (2019: 24%) due to 12% (2019: 34%) increase in loans net of provision and the reduction in interest rates in April 2020.

See table of Analysis of Change in Income & Expenditure 2020 vs 2019 on page 15.

DELINQUENCY MANAGEMENT

The delinquency ratio of 1.91% (2019: 2.77%) improved by 31% due to the loan payment deferral from April through to July 2020, payments from pension withdrawals, and continued efforts of our team.

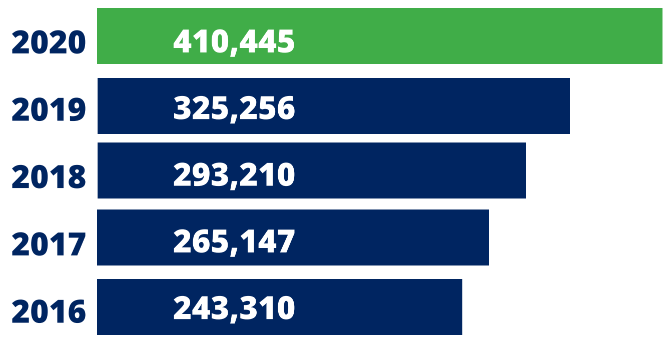
DELINQUENCY RATE



ASSETS

Total assets of $410 million (2019: $325 million), increased by 26% (2019: 11%). Total assets increased due to a 105% increase in cash and cash at banks which was driven by deposit of pension withdrawals and 12% growth in loans to our members.

TOTAL ASSETS ($000)



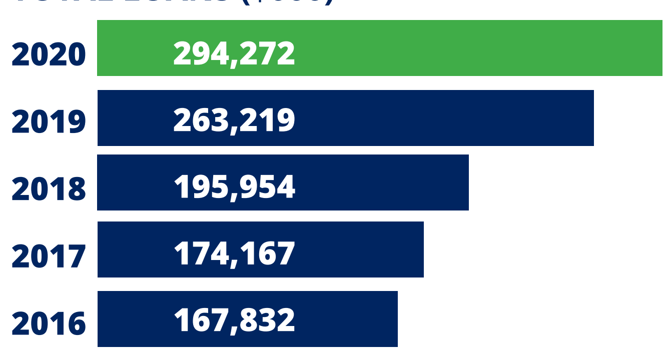
LOANS

Total loans, net of provisioning of $294M (2019: $263M) increased by 12% (2019: 34%).

Loans disbursed for the financial year of $69M (2019: $110M), declined by 37% due to liquidity restrictions in the first seven months and the decline in demand for loans during the last five months of the financial year.

Gross loans approved (internally and by the Credit Committee) for the year was $59M (2019: $130M); loans committed, but not disbursed as of 31 July 2020 of $20M (2019: $30M) will be booked in the financial year 2020/21.

TOTAL LOANS ($000)



ANALYSIS OF CHANGES IN INCOME & EXPENSES

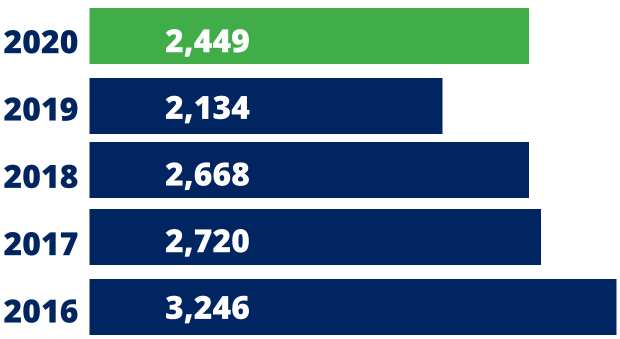
	($000) 2020	($000) 2019	%
INTEREST INCOME			
Members' Loans	17,834	15,624	14%
Deposits	414	925	-55%
TOTAL INTEREST INCOME	**18,248**	**16,549**	**10%**
INTEREST EXPENSE			
Members' Deposits	96	72	**-33%**
TOTAL INTEREST EXPENSE	**96**	**72**	**-33%**
NET INTEREST INCOME	**18,152**	**16,477**	**-10%**
NON-INTEREST INCOME			
Fees			
CUNA Mutual Insurance premiums refund	0	221	-100%
Dividends on Investments	119	125	-5%
(Decrease)/Increase in fair value of securities	-232	568	-141%
Gain on sale of securities	0	437	-100%
Decrease in fair value of asset held for sale	-212	0	-100%
Other Income	472	692	-32%
TOTAL NON-INTEREST INCOME	**147**	**2,043**	**-93%**
Gross margin before provision & expenses	18,299	18,520	**-1%**
Less Operating Expenses	7134	6,395	**-12%**
Surplus for the year before provision	**11,165**	**12,125**	**-8%**
Provisions:			
Allowance for loan losses	602	600	**0%**
TOTAL SURPLUS	**10,563**	**11,525**	**-8%**

TREASURER'S REPORT

PROVISIONS

Total loan provision of $2.449M (2019: 2.134M) increased by additional provision of $602K (2019: $600K) and decreased by $213K for loans written-off as of 31 July 2020. Total provisions include a specific provision and an expected credit loss provision based on IFRS9. The specific loan loss provision increased by 1% for loans past due and impaired, bringing the total specific provision to $1.9M (2019: 1.8M).

LOAN PROVISIONS ($000)



Loans written-off totalled $213K (2019: 537K). 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 had proved unsuccessful and were exhausted. 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.

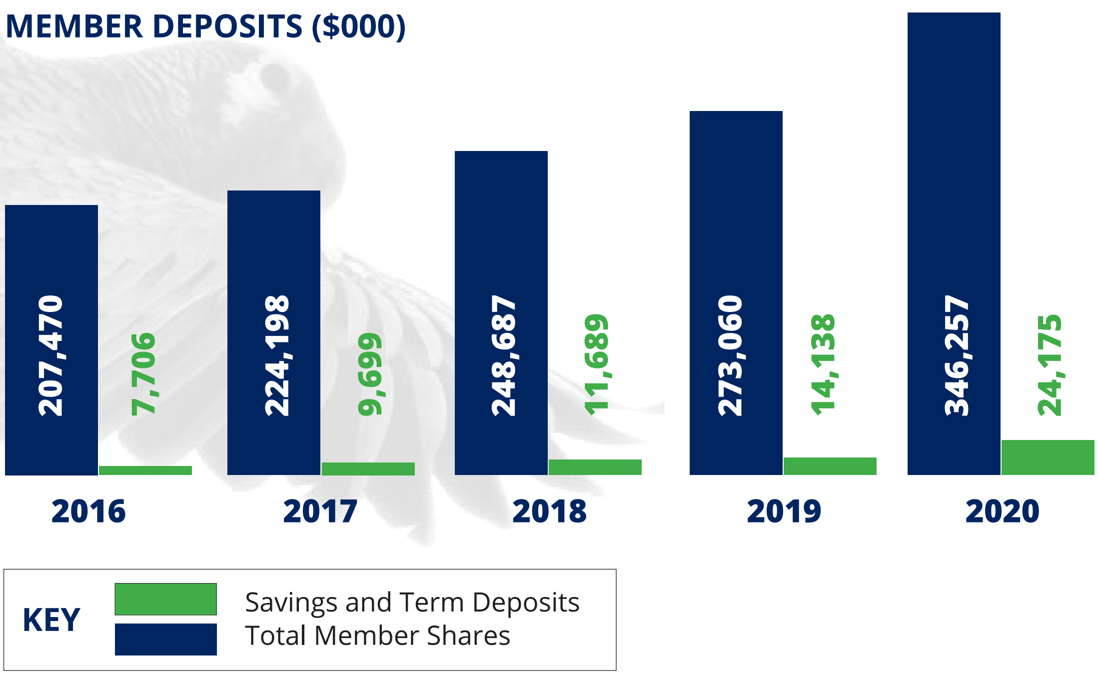
The expected credit loss provision of $506K (2019: 338K) increased by 50% due to assumptions relating to future unemployment. See the Loan Provision graph.

SHARES AND DEPOSITS

Total member deposits of $370M (2019: $287M) grew by 29%.

Members continued confidence in our Credit Union is shown in the growth in member deposits; members' shares grew by 27% (2019: 10%) or $73M and members' deposits (savings and term deposits) grew by 71% (2019: 21%) or $10M. As noted above, this increase was mainly as a result of deposits from pension fund withdrawals in addition to recurring monthly savings by our members.

MEMBER DEPOSITS ($000)



THE WAY FORWARD:

We expect the 2020/21 financial year will be impacted as follows:

- No change in the Prime Interest Rate
- Increased competition for new lending
- Reduced non-interest income as lending will not be as robust as 2018/19
- Increase in delinquency rate

The strategic objectives for the 2020/21 financial year are:

- Book the un-disbursed loans as of 31 July 2020
- Maintain our existing loan book and introduce new loan promotions to, and cross sell to existing and new members
- Manage credit risk and monitor the delinquency rate to remain below 5%
- Maintain liquidity ratio above 15%
- 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 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

Staff supporting and honouring our veterans for Remembrance Day 2019

SUPERVISORY COMMITTEE REPORT

INTRODUCTION

2019/2020 has been another successful financial year for our Credit Union despite the effects of 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 and 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 for auditing the books of the Credit Union and investigating complaints from members. For this, I thank the diligent membership of the Supervisory Committee for their hard work and the 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

In October 2019 an external Quality Assessment was conducted on the Internal Audit Department by assessors from the Institute of Internal Auditors (USA), an unprecedented accomplishment in the Cayman Islands. The report was generally favourable with recommendations for continued improvements that are being addressed.

Internal Audit completed four audits relating to credit risk, debt collections, loans and budget during 2019/20.

We noted no material breaches in our policies and procedures in these areas relating to the Internal Audit function. 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. During the 2019/2020 financial year there were changes and enhancements in the legal framework as it relates to the prevention of money laundering, terrorist financing and proliferation financing. These changes in the legal framework led to significant revision of our AML Policy. The policy was last significantly revised in 2018, with a minor revision in 2019.

In fulfilling requirements imposed by CIMA in the 2019 inspection report, the Credit Union continued to enhance its AML, CFT, CFP framework through the development of internal AML procedures which supplement the AML Policy. Additionally, the Credit Union undertook a risk assessment of its AML, CFT and CFP risks and this is documented in the Board approved Risk Based Methodology ("RBM") document.

Supervisory Committee: *(L-R)* Deirdre Carmola, Marco Archer, Golda E. Tatum Carter, Andrew Thomas, Ravi Persad, Kim France, Olivaire Watler

The RBM document outlines the AML, CFT and CFP risk profile as it relates to members, products and services offered, delivery channels, and geographic location.

In applying a risk-based approach to its member base, the Credit Union undertook the following initiatives:

- Risk-scored new members at onboarding
- Members who met the criteria for "high risk" in accordance with the Credit Union's RBM

The Credit Union continues to implement its AML compliance programme through development of supplemental AML procedures, ongoing training, ongoing monitoring of member transactions and due diligence, and compliance audits.

DATA PROTECTION LAW ("DPL")

The Data Protection Law came into effect in September 2019. 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 Law and provide ongoing training for its employees. During the 2019/2020 financial year the Credit Union enhanced its risk management framework to ensure compliance with the DPL through the development of the Data Protection and Data Handling and Classification policies.

These policies set the foundation for the implementation of the Credit Union's roadmap to compliance with the Data Protection Law.

ENTERPRISE RISK MANAGEMENT ("ERM")

As the Credit Union continues to grow in pursuit of its strategic goals, it is committed to ensuring its risks are appropriately mitigated. To enhance the ERM programme, in 2019/2020 the Credit Union solicited requests for proposals to complete a risk register. The Credit Union will work with the chosen vendor to complete this task in the first quarter of the 2020/2021 financial year. The completion of a risk register will be the foundation for improving risk management within the Credit Union.

MANAGEMENT OF COMPLAINTS PROCESS FOR MEMBERS

This process was transferred from the Internal Audit function to the Risk and Compliance function in April 2019, on the recommendation of CIMA.

The Risk and Compliance team remains committed to supporting the business lines in mitigating risks, and for the 2019/2020 financial year did not incur any financial penalties which may be levied under the laws which govern the Credit Union.

THE WAY FORWARD

As the Credit Union continues to evolve as an important institution with responsibility for many members' financial interests, we will equally ensure appropriate enterprise risk management and internal controls are developed to preserve its assets and comply with the ever increasing requirements. We note carefully the implementation and recommendations of new laws by the Government, the regulators and other external stakeholders.

MEMBERSHIP AND ATTENDANCE

COMMITTEE MEMBER NAME	NO. OF MEETINGS ATTENDED
Ravi Persad	6
Marco Archer	4
Andrew Thomas	4
Deirdre Carmola	4
Golda Tatum-Carter	4
Kim France	4
Olivaire Watler	4
Andre Scott*	3
Jennifer Smith*	3

* Retired November 2019

Following our election in November 2019, the Supervisory Committee noted some changes to the membership. We thank the outgoing and welcome the new volunteers as we see a sustained high level of experience, commitment and professionalism. The Committee held several meetings to review the reports of the Internal Audit and the Risk & Compliance Managers. In addition, representatives from the Committee attended Board of Directors' meetings along with some meetings held by the Credit Committee.

We thank you for the opportunity afforded us to serve on the Supervisory Committee during the past fiscal year in support of our mandate.

Ravi Persad, Chairman

CREDIT COMMITTEE REPORT

OVERVIEW

The Credit Committee approved loans totalling $59M (2019: $119M). All loans exceeding 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 gross loan portfolio (before provision) was $297M (2019: $265M) as of 31 July 2020, up by 12%.

The table below shows the categories of Out of Share Loans, loans approved in the year ended 31 July 2020 and the prior year as well as the total Within Share and Unsecured loans.

Out of Share Loans ($000)	2020		2019	
Type of Loans	**Qty.**	**$ Amount**	**Qty.**	**$ Amount**
Land & Building Purchase	121	16,544	223	42,714
Debt Consolidation	46	7,346	168	37,679
Construction	17	7,365	24	5,804
Motor Vehicle Purchase	180	5,894	153	4,502
Commercial	-	-	2	1,980
Loan Refinancing	7	325	11	1,615
Property / Home Repairs	16	792	20	889
Personal	6	226	18	723
Business Investment	4	1,166	5	346
Education	5	197	6	215
Boat Purchase	-	-	2	125
Medical Expenses	2	35	2	9
Furniture/Appliances	2	65	1	64
Insurance	-	-	1	11
Total	**406**	**39,955**	**636**	**96,678**
Total Unsecured Loans		5,971		8,868
Total Within Share Loans		12,926		13,280
Grand Total		**58,852**		**118,826**

Credit Committee: *(L-R)* Beverley McField-Walters, Matthew Tibbetts, Louise Burke-Richardson, George Fullerton.
Missing from photo: Ida Jane Ebanks, Linda McLean

The table above indicates an overall 50% decline in total lending. This can be attributed to the impact of liquidity restrictions in the first seven months of the financial year, reduced borrowing during the COVID-19 pandemic and not repeating two very successful 2018/2019 promotions in 2019/20. The main categories impacted were:

- Land and building purchases; in the 2018/19 promotion this category was mainly made up of first-time homeowners but decreased by 61% in 2019/20
- Debt consolidation; in 2018/19 this category consisted mainly of members bringing home their loans from other financial institutions but dropped by 81% in 2019/20
- Unsecured loans (Overdrafts/Xpress loans); these declined by 33% during the last five months of the financial year due to the pandemic and the granting of access to funds from pension plans

However, efforts by our Loans team resulted in a 27% increase in home construction loans and a 33% increase in vehicle loans during the financial year.

MEMBERSHIP AND ATTENDANCE

The Credit Committee held 21 meetings (2019: 43) during the financial year 2019/2020. Fewer meetings were held because the Internal Credit Committee adjudicated loans below a limit set for the Credit Committee.

Members	Position	Number of Meetings Attended
Matthew Tibbetts	Chairman	17
Linda McLean	Deputy Chairperson	10
Louise Burke-Richardson	Deputy Chairperson	21
Jane Ebanks	Secretary	15
George Fullerton	Member	18
Beverley McField-Walters	Member	19

LOOKING FORWARD

In September 2019, the Board of Directors as required by CIMA approved:

- terms of reference for members of the Committee.
- additional functions relating to assessment of credit risk such as delinquency, write-offs, risk concentration, and credit policy review.

Matthew Tibbetts, Chairman

ABOUT US

Executive Management: *(L-R)* Front row: David Downes, Enola Reid, Onassia Miller, William (Ben) Webster
Back row: Patricia Estwick, Emilita Clifford, Josie Sambula, Suzette Watler-Galeano

OUR TEAM MEMBERS

As of 31 July 2020, the Credit Union employed 59 team members (2019: 55), consisting of 17 males and 42 females. Our team is dedicated 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 that 15 out of 59 employees (25%), have 10 or more years of service with the Credit Union.

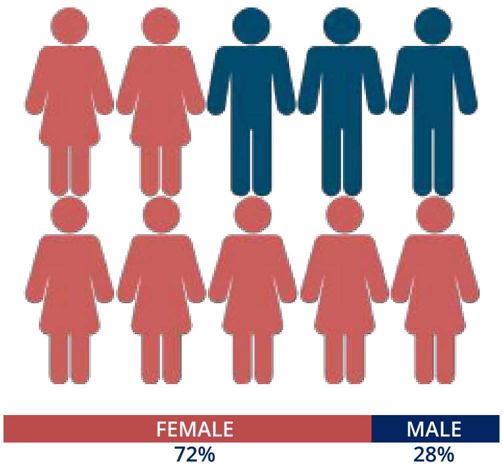
TRAINING AND DEVELOPMENT

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 2019/2020 which included the areas listed on page 25.

Our Credit Union supports the youth in Cayman Brac.

YEARS OF SERVICE

RANGE	NUMBER OF EMPLOYEES	
	2020	2019
0-5	31	25
6-10	13	11
11-15	7	11
16-20	5	6
21-25	3	2
TOTAL	**59**	**55**



Loans | Debt Collections | Credit Risk Department:*(L-R)* Front row: David Downes, Angelita Small, Jeniece Powell, Basil Scott
Second row: Jarita Walters-Harding Third row: Rosita Harper, Karlene Minzette, Yolanda Ebanks, Jason Hydes
Back row: Lilly Bodden, Janneth Needham, Brigette Christian, Michael Gocul *Missing from photo:* Tasha McKenzie, Jordan Seymour-Hodgson

Marketing Department: Nancy Whittaker, Geordan Banks

IT Department: Daniel Powery, William (Ben) Webster

TRAINING

EXCELLENCE IN SERVICE
Providing Exceptional Customer Service
Dealing with Difficult Customers
Managing Time and Stress in the Workplace
Managing the Teller station
Balancing the drawer: Refresh and Review
Exceeding Members' Expectations
LEADERSHIP DEVELOPMENT
Optimal Motivation
Financial Management Course (FPU)
A Leader's Top Priority
Time Management & Productivity
Essentials of Supervision: Developing Our Team
Building Teams through Communications and Trust
Leading by Trust - "The Speed of Trust"
RISK & COMPLIANCE
Data Protection
AML Refresher Training
AMLCA/ACAMS Certification
Auditing Ethics in the Workplace
Ethics Essentials 2020
Data Analytics Essentials
AML for Tellers
AML CFT- Face to Face
Intro to Compliance for Tellers
The Basics of Risk Assesment
Credit Analysis
Critical Thinking in Audit Process
Member Business Loan Compliance Overview
Avoiding False Identification, Counterfeiting and Other Scams
SECURITY
Hostile Robbery Simulation
Robberty: Actions, reactions and coping skills
Personal Safety in the Workplace
Security and Fraud Level 1
Bank Bribery Act
Intro to Security
INFORMATION TECHNOLOGY
Microsoft Conference
Project and Time Management

Accounts & Finance Department: *(L-R)* Front row: Josie Sambula, Ghislaine Jackson Second row: Gegofrey Brown, Tinicia Tibbetts Back row: Valerie Powery, Wendy Ebanks

Risk & Compliance Department: Megan Anderson, Onassia Miller

Human Resources Department: Carla Martin, Emilita Clifford

ABOUT US

Due to the COVID-19 pandemic, the WOCCU and CCCU Annual Conferences that were scheduled to be held in July 2020 were cancelled.

ACKNOWLEDGEMENT

Our Credit Union employees are a dynamic, experienced, loyal team of individuals. They thrive in a changing environment which allows them to provide continued 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."

During the pandemic, our employees were deemed essential workers by the Cayman Islands Government, a designation they took very seriously. Despite family obligations and fear for personal safety, our team faithfully came to work each day to serve our members, many of whom are also essential workers. Whether working on site or from home, the diligence and dedication of our Credit Union employees ensured continuity of service and the smooth running of the organisation. Thank you, Team Credit Union!

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

Operations Department: *(L-R)* Front row: Lisania Ebanks, Bridgette Powery
Back row: Darley Powery, Harrison (Shane) Bothwell

Member Services, New Accounts & Support Services: *(L-R)* Front row: Gisela Reid, Deloris Wood, Ingrid Simms Middle row: Zandria Ebanks, Elisa Smith, Lisa Galbraith, Brittny Rose, Tiffany Ebanks, Back row: Renika Rankine, Patricia Dixon, DeAndre Morgan, Nigel Maitland-Ebanks, Vito Welcome *Missing from photo:* Thelma Badal, Theodora Bodden, Sherene Morgan, Christopher Ebanks, Karen Smith

OUR COMMUNITY

Community support is a very important part of what Credit Unions do. Our Credit Union supports the community in various ways but especially through educational grants, celebrating with our members on International Credit Union Day ("ICU Day") and sponsorship of various charitable events, sports, and school programmes. In 2019/2020, a total of $265K was given to support our community.

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

- After Hurricane Dorian devastated several Caribbean islands, the CCCU appealed to member credit unions to assist and you, our members, stepped up and donated $5K which was matched by the Credit Union resulting in $10k in donations to help other members in need.
- During the COVID-19 pandemic we appealed to you, our members, to help fellow members who had experienced reduced income or unemployment. You donated $30K which was matched by our Credit Union and $60K of grocery store gift vouchers was given to 244 members in need.

$200,000 in educational grants for local and overseas training was provided to 225 members to assist with expenses associated with the pursuit of their educational goals. The Credit Union takes pride in providing this financial assistance and wishes the recipients every success in their future endeavours.

ICU Day was celebrated on Thursday, 17 October 2019 with an annual member appreciation event at the Credit Union's headquarters and Brac branch that was enjoyed by all. The theme of "Local Service, Global Reach" represents how the global credit union community continues to grow while focussing on local community development.

Staff dressed-up in pink to support Breast Cancer Awareness

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

Our Credit Union assisted First Baptist Christian School with the purchase of library books

Our Credit Union supports education with a subject award for a Triple C School graduate

COMMUNITY DEVELOPMENT

COMMUNITY DEVELOPMENT	AMOUNT
Rupert McCoy Educational Grants	**200,000**
2020 Educational Grants	200,000
Members Helping Members	**40,000**
CCCU Relief, Hurricane Dorian	10,000
Covid-19 pandemic Members Helping Members	30,000
Charities	**8,250**
DG5K - Gold Sponsor	5,000
Good Samaritan Cayman Food Bank	1,000
Meals on Wheels	750
The Breast Cancer Foundation	1,500
Special Events	**5,760**
Assistance to bury past employee	600
Brac Youth Event	1,000
CCCU Building Fund	2,460
Celebrating Womens Month	750
Cayman Arts Festival	250
Older Persons' Month Celebration	500
Remembrance Day	200
Sports	**4,450**
All Stars Netball Club	200
Cayman Islands Netball Association	3,450
CI Flag Football Association	500
National Flag Football	300
School Programmes	**2,800**
Graduation Awards	2,550
Library Books	250
Local Agriculture	**2,500**
53rd Agriculture Show	2,500
Church Programmes	**1,000**
After school programes	500
Library Books	500
TOTAL	**264,760**

INTERNATIONAL CREDIT UNION DAY

International Credit Union Day ("ICU Day") is celebrated annually on the third Thursday of October and took place on 17 October in 2019. The theme for ICU Day 2019 was "Local service. Global reach."

"Each credit union serves a local community. It is because of that local service in communities across the world that we have a global credit union movement that's now 260 million members strong. That's why our theme—"Local Service. Global Reach."—so perfectly captures the focus and scope of credit unions as we head into the next decade," said World Council President and CEO Brian Branch.

On ICU Day over 1000 members enjoyed a family-friendly fun afternoon with food giveaways, lots of prizes, entertainment and the opportunity to meet our Credit Union employees and volunteers.


CICSA
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Global Reach.


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NOMINATING COMMITTEE REPORT

NOMINATING COMMITTEE REPORT TO THE 45TH ANNUAL GENERAL MEETING

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 Nomination Committee of three members. The Membership of the Committee consists of:

Zena Merren-Chin – Chairperson
Dawn McLean-Brady
Tanya Mortimer

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 nominees 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. Michael Nixon – 2 year term
2. Christopher Goddard – 2 year term
3. Jose Hernandez – 1 year term
4. James Watler – 1 year term
5. Corinne Glasgow – 1 year term
6. Suzanne Bothwell – 2 year term
7. Nichelle Scott – 2 year term

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

1. Shakira Gourzong
2. Zena Merren-Chin

CREDIT COMMITTEE

Under Article X, Rule 44(iii) Credit Committee Members can be elected for 2 years. Rule 44(ii) states that the term of office of not more that the bare majority shall expired 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. Matthew Tibbetts – 2 year term
2. Colin Obi – 2 year term
3. Keisha Yates – 2 year term

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

1. Louise Burke-Richardson
2. Ida Jane Ebanks
3. Beverley McField-Walters

SUPERVISORY COMMITTEE

Under Article XI, Rule 52(ii) Supervisory Committee Members can be elected for 1 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. Olivaire Watler
5. Deirdre Carmola
6. Golda Tatum-Carter
7. Jessica Anderson

Zena Merren-Chin
Chairperson

Dawn McLean-Brady
Member

Tanya Mortimer
Member

NOMINEES

CORINNE GLASGOW

Ms. Corinne Glasgow has served our Credit Union from its inception over 45 years ago, initially as a volunteer on numerous committees, including the Supervisory, Credit and Educational Grants Committees and the Board of Directors, the latter as CEO for 10½ years, retiring on 31 August 2017. Ms. Glasgow was successful in growing our Credit Union in asset size, membership, products and services and continues to volunteer her services to the local, regional, and international credit union movement.

Ms. Glasgow also worked for the Cayman Islands Government for over 21 years as Social Worker, Assistant Permanent Secretary, and Manager of the Public Service Commission, culminating her public service career in 1996 as Postmaster General. She has served on many Government and civic boards and committees, including as past President of the Civil Service Association and the Credit Union Board of Directors; past Director of the Caribbean Confederation of Credit Unions (the only Caymanian to have been elected to this important regional body); past Chairman and George Town Captain of the Girls' Brigade; past member of Prison Ministry; and the Canaan Land Drug Rehab Home.

Ms. Glasgow holds a bachelor's degree in Sociology & School Social Work from the University of Tampa, Florida and post-graduate diplomas in Management and Human Resource Training & Development from UWI and Coton House Management Centre in the UK. She has also undertaken numerous Christian and Credit Union training courses, including ICUDE, CaribDE, and has been the Caribbean representative to the Africa DE leadership training courses.

Corinne Glasgow has been a member of the Credit Union for over 38 years.

COLIN OBI

Mr. Colin Obi is the Chief Valuation Officer for the Cayman Islands Government. He leads the Valuation Office which is responsible for advising the Government on all real estate matters including acquisition, disposal, leasing and management. He also has delegated responsibility from the Minister of Finance for the assessment and collection of stamp duty on all real estate transactions.

Mr. Obi has over 25 years real estate consultancy experience gained in the UK and Caribbean within the private and public sector. He is a member of the Royal Institution of Chartered Surveyors (RICS) Global Governing Council, RICS Caribbean Advisory Group and previously served on the RICS Americas World Region Board. He is also the RICS Cayman Chapter Chair. Furthermore, he serves as the Chairman, First Baptist Christian School Board and is a deacon of the Church.

Mr. Obi holds a bachelor's degree in Estate Management, a master's degree in Property Valuation and Law and a post-graduate diploma in Business Systems Analysis and Design from the City University Business School in London, England.

He is married to Jondo and they have 2 children. He enjoys playing and watching soccer.

Colin Obi has been a member of the Credit Union for over 18 years.

NICHELLE SCOTT

Mrs. Nichelle Scott is a Certified Public Accountant and has a bachelor's in accounting with a minor in finance and an MBA with a concentration in accounting and a minor in management information systems from the University of Miami. She has been the Manager of Customer Services at CUC for the last five years, and previously the Manager of Financial Services for seven years. In her current role she is responsible for billing, collections, account management and metering.

Mrs. Scott is also the CFO of CUC's subsidiary, DataLink, and has held this role since 2012. In her free time Mrs. Scott is a spinning enthusiast and fits in a class wherever she can. She is the mother of three very active boys, aged 10, 7 and 2 and tries her best to volunteer in any capacity that can accommodate her busy schedule and her children.

Nichelle Scott has been a member of the Credit Union for over 21 years.

JESSICA ANDERSON

Ms. Jessica Anderson is a Client Relationship Manager and Compliance Officer for a private financial services firm in the Cayman Islands. With over ten years' experience in the anti-money laundering and compliance field, she currently provides oversight for the overall compliance functions including internal compliance audits and findings reports, policy and procedure revisions and staff training and risk management.

Ms. Anderson is a former financial services regulator with the Investments and Securities Division of the Cayman Islands Monetary Authority, where her primary responsibility was providing regulatory oversight for investment funds, fund administrators and securities investment companies. During that time, she also gained extensive exposure to key legislation and policies that are now the framework of the alternative investment industry of the Cayman Islands.

Ms. Anderson holds a bachelor's degree in Business Management from Indiana University (Bloomington) and a Diploma in Fund Administration from CLT International. She is also a Certified Anti-Money Laundering Specialist (CAMS) and was recently approved as a Notary Public in the Cayman Islands. Jessica Anderson has been a member of the Credit Union for over 15 years.

SUZANNE BOTHWELL

Mrs. Suzanne Bothwell is an attorney at law of 20 years. Currently she is the Court Administrator and Chief Officer for Judicial Administration. Some persons know her for her work during the Constitutional Review process between 2007 and 2009 and her various roles in Elections since 2006. However, although she considers herself a very private person, Mrs. Bothwell believes her most important engagement is the many opportunities that present to allow her to meet people from various walks of life and to be able to connect with them.

Mrs. Bothwell is the eldest daughter of Dr. Victor and Mrs. Deanna Look Loy. She is married to Mr. John Bothwell of West Bay who is also a civil servant veteran. Her core values include her faith, not letting an opportunity go to waste, compassion, being fair, and being charitable.

Suzanne Bothwell has been a member of the Credit Union for over 19 years.

KEISHA YATES

Ms. Keisha Yates is an experienced manager of finance with a demonstrated history of over 28 years working in the utility and government administration industry. She is skilled in budgeting, Microsoft Excel, management, customer service and strategic planning.

Ms. Yates graduated in 2002 from Barry University with a Bachelor of Science in Accounting. She has worked in Accounting since 1992. Her career path began at Caribbean Utilities Company, Ltd. in the Accounting department where she gained experience in payables, inventory management, fixed asset management and financial reporting. Positions included Accounts Officer, Systems Analyst and Financial Accountant.

In 2007 Ms. Yates moved to Maritime Authority of the Cayman Islands where she obtained leadership and managerial skills, and was further exposed to Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) and instrumental in the conversion of the financial statements to comply with IFRS requirements. In 2017, she went to work at the Port Authority of the Cayman Islands where her responsibilities include lease management and government procurement process in addition to financial operations and reporting. Ms. Yates is a member of the management team which is working in collaboration to foster a culture of excellence in service at the Port of the Cayman Islands.

Keisha Yates has been a member of the Credit Union for over 15 years.

RESOLUTIONS TO THE 45TH AGM

RESOLUTION NO. 1

WHEREAS Article IV Deposits, Rule 20, does not specifically state that non-members may not deposits funds into the Credit Union; **and**

WHEREAS the demand for loan products exceeds demand for deposits; **and**

WHEREAS the Credit Union requires additional funds to meet the demands of members for loan products which generate the income to pay dividends;

BE IT RESOLVED that this Annual General Meeting of CICSA Co-operative Credit Union Limited, approve that the Rule 20 be amended to accept deposits from eligible non-members, as determined by the Board of Directors, as an additional measure to ensure the Credit Union can meet the demand of members for loans while maintaining required liquidity coverage ratios.

Proposed by: **The Board of Directors**

RESOLUTION NO. 2

WHEREAS Article X Credit Committee, Rule 49, ii, iii and iv relates to authorisation to approve types of loans such as within share, unsecured, and out of share; **and**

WHEREAS CIMA has required that the Credit Union's credit granting policies and procedures should be consistent with the Rules; **and**

WHEREAS the Board of Directors reviews and approves the Credit Policy which includes authorisation limits for approval of all loans;

BE IT RESOLVED that this Annual General Meeting approve the replacement of Rule 49 ii, iii, and iv with Rule 49 ii as follows: all loans should be approved in accordance with the authorisation limits prescribed in the Credit policy as reviewed and approved by the Board of Directors.

BE IT ALSO RESOLVED that this Annual General Meeting approve the change of numbering of Rule 49 v to 49 iii based on the change above.

Proposed by: **The Board of Directors**

RESOLUTION NO. 3

WHEREAS Article XIII, Elections, Rule 65 relates to the nomination process for directors and committee members; **and**

WHEREAS CIMA has required that the Credit Union update the Rules to provide appropriate guidance to the Board and all Committees with regards to their roles and responsibilities, which should be compliant with the Authority's requirements as outlined in section 5.4 of the Statement of Guidance on Corporate Governance; **and**

WHEREAS the Board of Directors has approved a Nomination Committee Manual which includes terms of reference for directors and committee members and the procedures and operations of the Nomination Committee;

BE IT RESOLVED that this Annual General Meeting approve the amendment of Rule 65ii as follows: The Nomination Committee shall comply with the requirements outlined in the Nomination Manual, as reviewed and approved by the Board from time to time, for all nominees for the election of directors and committee members, including each member being nominated from the floor at an Annual General Meeting.

Proposed by: **The Board of Directors**

The Credit Union supporting the work of the Food Bank

RESOLUTION NO. 4

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 percent per annum on fully paid shares; **and**

WHEREAS the undistributed surplus of the Credit Union as ascertained by the Audit at 31 July 2020 is CI$10,562,859; **and**

WHEREAS the payment of the Statutory Reserve shall be CI$2,112,572 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 at 31 July 2020 is CI$8,450,284;

BE IT RESOLVED that this Annual General Meeting approve the payment of a dividend of 2.8% (and thereafter the following distribution of CI$8,450,284, after payment to the Statutory Reserve.

(a) Payment of Dividend 2.8% $8,147,484

(c) Educational Grants to members for July 2021 $200,000

(d) Remaining balance to training of members, volunteers and staff $102,803

Proposed by: **The Board of Directors**

RESOLUTION NO. 5

As a requirement of the Co-operatives Societies Law ® and Article XVI of the Credit Union Rules (2012 Revision) (the "Rules"), BE IT RESOLVED that this Annual General Meeting of CICSA Co-operative Credit Union Limited, approve the maximum liability of CI$5,000,000.00 for the financial year 1 August 2020 to 31 July 2021.

Proposed by: **The Board of Directors**

FINANCIAL STATEMENTS

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

Year Ended July 31, 2020

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, 2020

Contents

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Building a better working world

Independent Auditors' 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, 2020, 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, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' 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' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Consolidated 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 is responsible for overseeing the Credit Union's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

October 23, 2020

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

STATEMENT OF FINANCIAL POSITION

(Expressed in Cayman Islands Dollars)

	July 31	
	2020	2019
ASSETS		
Cash on hand and at bank *(Note 3)*	$ 50,996,069	$ 13,861,065
Fixed deposits *(Note 3)*	54,213,478	37,386,739
Securities at fair value through profit or loss *(Note 4)*	2,704,215	2,819,443
Mortgage and personal loans including interest receivable, net of loan loss provision *(Note 5)*	294,271,188	263,218,534
Receivable and other assets *(Note 25)*	334,426	108,539
Repossessed Collateral *(Note 5)*	167,400	–
Fixed assets *(Note 6)*	5,869,135	6,027,837
Right-of-use asset *(Note 6)*	55,209	–
Investment property *(Note 7)*	1,833,496	1,833,496
Total assets	$ 410,444,616	$ 325,255,653
LIABILITIES AND RESERVES		
Liabilities:		
Members' deposits *(Note 8)*	$ 24,175,030	$ 14,137,614
Members' shares *(Note 9)*	346,256,528	273,059,777
Accounts payable and accrued expenses *(Note 26)*	1,700,262	915,974
Lease Obligations *(Note 6)*	56,318	–
Total liabilities	372,188,138	288,113,365
Reserves:		
Statutory reserve *(Note 10)*	28,273,316	25,792,184
Mortgage/Information technology Fund *(Note 11)*	904,974	904,974
Development Fund *(Note 12)*	627,904	627,904
Undistributed surplus	8,450,284	9,817,226
Total reserves	38,256,478	37,142,288
Total liabilities and reserves	$ 410,444,616	$ 325,255,653

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 & Christopher Goddard
....) Directors

October 23, 2020 , 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	
	2020	**2019**
Interest income		
Interest on loans *(Note 24)*	$ 17,494,684	$ 15,243,065
Bank deposit interest *(Note 3)*	414,007	925,231
Service fees – cash advances *(Note 16)*	338,901	381,206
Total interest income	18,247,592	16,549,502
Interest expense		
Interest expense on member deposits *(Note 8)*	(95,658)	(72,221)
Interest expense on lease liability *(Note 6)*	(2,480)	–
Net interest income	18,149,454	16,477,281
Increase in provision for loan losses and interest receivables *(Note 5)*	(601,701)	(600,000)
Net interest income after provision for loan losses	17,547,753	15,877,281
Non-interest income		
Change in unrealized gain/(loss) of securities *(Note 4)*	(231,746)	568,139
Loss on repossessed collateral *(Note 5)*	(212,352)	–
CUNA Mutual Insurance premium refund *(Note 17)*	–	220,547
Dividend income *(Note 4)*	118,525	125,272
Recovery of loans previously written off *(Note 5)*	66,131	61,779
Gain on sale of securities *(Note 4)*	–	437,202
Other	408,724	630,544
Total non-interest income	149,282	2,043,483
Non-interest expenses		
Salaries and other personnel costs *(Notes 18 and 19)*	5,110,266	4,496,720
Member beneficiary benefits *(Note 17)*	271,322	288,707
General and administrative	588,523	530,290
Depreciation on assets *(Note 6)*	332,457	330,301
Depreciation on right of use assets *(Note 6)*	7,292	–
Premises costs *(Note 20)*	365,424	347,099
Audit fees	98,900	98,900
CCCU & WOCCU convention	3,259	30,147
Annual general meeting	44,655	34,584
Computer expenses	265,855	198,894
Bank charges	12,576	13,434
International Credit Union Day	33,647	25,972
Total non-interest expenses	7,134,176	6,395,048
Net income for the year, being net comprehensive income for the year	$ 10,562,859	$ 11,525,716

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	Information Technology Fund	Development Fund	Undistributed Surplus	Total Reserves
Balance at August 1, 2018	$ 23,473,291	$ 1,598,374	$ 627,904	$ 6,685,643	$ 32,385,212
Net income for the year	–	–	–	11,525,716	11,525,716
Transfer to Statutory Reserve *(Note 10)*	2,305,143	–	–	(2,305,143)	–
Scholarship Grants *(Note 13)*	–	–	–	(200,000)	(200,000)
Training *(Note 13)*	–	–	–	(110,197)	(110,197)
Honoraria – Treasurer *(Note 19)*	–	–	–	(4,000)	(4,000)
Dividends 2018 *(Note 14)*	–	(693,400)	–	(5,774,793)	(6,468,193)
Entrance fees *(Note 10)*	13,750	–	–	–	13,750
Balance at July 31, 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

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 2020	Year Ended July 31 2019
Cash flows from operating activities		
Dividends received	$ 2,007	$ 14,007
Interest received	14,499,066	16,117,725
Interest paid	(78,102)	(77,151)
Interest on lease liabilities	(2,480)	–
Loan originations, net of principal collected on loans to members	(28,341,630)	(67,217,220)
Recoveries on loans previously written off	66,131	61,779
Net increase in members' shares	64,325,320	17,904,341
Net increase in members' deposits	10,037,416	2,448,914
Cash payments for non-interest expenses	(6,851,995)	(6,503,784)
Fees, premium refunds and charges received	147,048	1,153,606
Service fees – cash advances	338,902	381,206
Fixed deposit placements, original terms greater than 3 months	5,185,380	62,901,719
Net cash flows provided by operations	59,327,063	27,185,143
Cash flows from investing activities		
Purchase of fixed assets *(Note 6)*	(173,756)	(244,844)
Proceeds from sale of investments *(Note 4)*	–	853,584
Net cash flows provided by (used in) investing activities	(173,756)	608,740
Cash flows from financing activities		
Payment of lease liabilities	(6,183)	–
	(6,183)	–
Net increase (decrease) in cash and cash equivalents	59,147,124	27,793,883
Cash and cash equivalents, beginning of year	44,799,545	17,005,662
Cash and cash equivalents, end of year	103,946,669	44,799,545
Cash and cash equivalents include:		
Cash on hand and at bank *(Note 3)*	50,996,069	13,861,065
Fixed deposits *(Note 3)*	52,950,600	30,938,480
	$ 103,946,669	$ 44,799,545
Investment of dividend income *(Note 4)*	(116,518)	(111,266)
Increase/(decrease) in fair value of securities *(Note 4)*	(231,746)	568,139

Dividends on members shares of $8,871,432 (2019: $6,468,193) (Note 14) are credited directly to members' shares accounts. Loan interest rebate on members shares of $363,059 (2019: $295,530) (Note 15) are credited directly to member's shares. Repossessed collateral held for sale has been listed as an asset in the amount of $167,400 (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 Law (the "Law") 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, 2020, is 59 (2019: 55).

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 consolidated 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 analyses disclosures Note 22

2.2 Significant accounting judgments and estimates

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 (2019: 90 days) and not specifically provided for were to decrease by 5% an additional impairment provision of approximately $1,503 (2019: $20,311) would have been recorded at July 31, 2020.

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 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

2.2 Significant accounting judgments and estimates (continued)

- 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
- 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

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to Credit Union.

Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of Credit Union.

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.

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.

2.4 Summary of accounting policies (continued)

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
- FVOCI
- 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.

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.

2.4 Summary of accounting policies (continued)

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 POCI.

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.

2.4 Summary of accounting policies (continued)

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.

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.

2.4 Summary of accounting policies (continued)

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.

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.

2.4 Summary of accounting policies (continued)

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

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.

2.4 Summary of accounting policies (continued)

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.

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.

2.4 Summary of accounting policies (continued)

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.

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.

2.4 Summary of accounting policies (continued)

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, 2020, 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.

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.

2.4 Summary of accounting policies (continued)

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.

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:

	2020	2019
Cash on hand	$ 1,549,454	$ 857,767
Cash at bank	49,446,615	13,003,298
	$ 50,996,069	$ 13,861,065

The composition of fixed deposits is as follows:

	2020	2019
Fixed deposits:		
Original terms to maturity of 3 months or less	$ 52,950,600	$ 30,938,480
Original terms to maturity of greater than 3 months	1,262,878	6,448,259
	$ 54,213,478	$ 37,386,739

During the financial year ending July 31, 2020, interest was earned on fixed deposits held in the amount of $414,007 (2019: $925,231).

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, 2020 and 2019, are as follows:

	2020	2019
Level 2		
Caribbean Utilities Company, Ltd.	$ 2,565,710	$ 2,682,310
Cayman National Corporation, Ltd.	138,505	137,133
	$ 2,704,215	$ 2,819,443

There were no transfers between levels during the year.

4. Securities at fair value through the profit or loss (continued)

On an annual basis the investment in the Caribbean Utilities Company Ltd declares and pays dividends. Credit Union's dividends are automatically reinvested. In 2020 the reinvestment of dividend income was $116,518 (2019: $111,266).

	2020	2019
Level 2		
Opening balance at August 1	$ 2,819,443	$ 2,556,420
Additions	116,518	111,266
Sale of Investment	–	(416,382)
Change in unrealized gain	(231,746)	568,139
Closing balance at July 31	$ 2,704,215	$ 2,819,443

5. Mortgages and personal loans

The composition of loans to members is as follows:

	2020	2019
Mortgage loans	$ 204,364,345	$ 178,385,746
Personal loans	88,131,171	86,152,127
Total loans	292,495,516	264,537,873
Loan interest receivable	4,224,709	815,085
Total loans including interest receivable	296,720,225	265,352,958
Less: Provision for loan losses:		
- Specific provision	(1,942,799)	(1,796,550)
- Expected credit loss	(506,238)	(337,874)
	(2,449,037)	(2,134,424)
Total	$ 294,271,188	$ 263,218,534

Term and interest rates

Generally, the maximum repayment period of mortgage loans is up to 35 years (2019: up to 35 years) and personal loans is less than 10 years (2019: 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, 2020, the effective yield on the loan portfolio is 6.34% (2019: 6.70%).

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% (2019: 4.5% and 12%).

Included in mortgage and personal loans are loans of $12,995,155 (2019: $11,078,607) 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, 2020 (2019: none).

5. Mortgages and personal loans (continued)

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

	July 31 2020	July 31 2019
Personal loans		
Out-of-share loans	$ 30,391,504	$ 30,611,194
Within-share loans	42,146,889	38,810,891
Unsecured:		
Overdrafts and cash advances	15,592,778	16,730,042
Staff loans	–	–
Total personal loans	$ 88,131,171	$ 86,152,127
Mortgage loans		
Out-of-share loans:		
less than 10-year loans	$ 14,463,281	$ 16,558,095
10 to 15-year loans	53,186,633	57,169,585
15 to 35-year loans	136,714,431	104,658,066
Total mortgage loans	204,364,345	178,385,746
Total loans	$ 292,495,516	$ 264,537,873

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.

	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	203,357,660	–	2,640,656	–	205,998,315

5. Mortgages and personal loans (continued)

	2019				
	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	$ 173,766,611	$ 1,372,955	$ –	$ –	$ 175,139,566
Impaired loans	–	–	3,779,971	–	3,779,971
Gross carrying amount	173,766,611	1,372,955	3,779,971	–	178,919,537
Loss allowance	(140,681)	(17,103)	(664,133)	–	(821,917)
Carrying amount	173,625,930	1,355,852	3,115,838	–	178,097,620

	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

	2019				
	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	$ 84,104,544	$ 380,204	$ –	$ –	$ 84,484,748
Impaired loans	–	–	1,948,673	–	1,948,673
Gross carrying amount	84,104,544	380,204	1,948,673	–	86,433,421
Loss allowance	(126,520)	(53,570)	(1,132,417)	–	(1,312,507)
Carrying amount	83,978,024	326,634	816,256	–	85,120,914

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.

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

NOTES TO FINANCIAL STATEMENTS (continued)

July 31, 2020

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, 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

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, 2018	$ 110,429	$ 43,599	$ 1,008,620	$ –	$ 1,162,648
Transfers:					
Transfer from Stage 1 to Stage 2	(1,304)	1,304	–	–	–
Transfer from Stage 1 to Stage 3	(137)		137	–	–
Transfer from Stage 2 to Stage 1	21,078	(21,078)		–	–
Transfer from Stage 2 to Stage 3	–	(13,339)	13,339	–	–
Transfer from Stage 3 to Stage 2	–	–		–	–
Transfer from Stage 3 to Stage 1	42,035	–	(42,035)	–	–
New financial assets originated or purchased	79,606	–	–	–	79,606
Financial assets fully derecognized during the period	(20,346)	–	(471,567)	–	(491,913)
Loans fully written off	–	–		–	
Changes to inputs used in ECL calculation	(90,6801)	6,617	155,639	–	71,576
Loss allowance as at July 31, 2019	140,681	17,103	664,133	–	821,917

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, 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

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, 2018	$ 136,123	$ 202,842	$ 569,894	$ –	$ 908,859
Transfers:					
Transfer from Stage 1 to Stage 2	(2,256)	2,256	–	–	–
Transfer from Stage 1 to Stage 3	(1,834)	–	1,834	–	–
Transfer from Stage 2 to Stage 1	43,116	(43,116)	–	–	–
Transfer from Stage 2 to Stage 3	–	(126,254)	126,254	–	–
Transfer from Stage 3 to Stage 1	9,104	–	(9,104)	–	–
New financial assets originated or purchased	38,875	13,185	99,763	–	151,823
Financial assets fully derecognized during the period	(29,688)	(28,654)	(289,418)	–	(347,760)
Loans fully written off	–	–	–	–	–
Changes to inputs used in ECL calculation	(66,920)	33,311	633,194	–	599,585
Loss allowance as at July 31, 2019	126,520	53,570	1,132,417	–	1,312,507

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, 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

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, 2018	$ 115,226,934	$ 3,144,759	$ 6,026,546	$ –	$ 124,398,239
Transfers:					
Transfer from Stage 1 to Stage 2	(776,287)	776,287	–	–	–
Transfer from Stage 1 to Stage 3	(42,439)	–	42,439	–	–
Transfer from Stage 2 to Stage 1	1,407,624	(1,407,624)	–	–	–
Transfer from Stage 2 to Stage 3	–	(1,045,389)	1,045,389	–	–
Transfer from Stage 3 to Stage 2	–	62,652	(62,652)	–	–
Transfer from Stage 3 to Stage 1	1,239,212	–	(1,239,212)	–	–
New financial assets originated or purchased	74,966,627	–	–	–	74,966,627
Financial assets fully derecognized during the period	(17,303,628)	(73,229)	(2,043,819)	–	(19,420,676)
Loans fully written off	–	–	–	–	–
Changes in principal and interest	(951,432)	(84,501)	11,280	–	(1,024,653)
Gross carrying amount as at July 31, 2019	173,766,611	1,372,955	3,779,971	–	178,919,537

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, 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

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, 2018	$ 72,933,398	$ 638,409	$ 652,202	$ –	$ 74,224,009
Transfers:					
Transfer from Stage 1 to Stage 2	(225,332)	225,332	–	–	–
Transfer from Stage 1 to Stage 3	(508,276)	–	508,276	–	–
Transfer from Stage 2 to Stage 1	227,708	(227,708)	–	–	–
Transfer from Stage 2 to Stage 3	–	(245,872)	245,872	–	–
Transfer from Stage 3 to Stage 1	9,179	–	(9,179)	–	–
New financial assets originated or purchased	26,632,638	145,704	1,182,958	–	27,961,300
Financial assets fully derecognized during the period	(14,243,696)	(139,432)	(345,101)	–	(14,728,229)
Loans fully written off	–	–	–	–	–
Changes in principal and interest	(721,075)	(16,229)	(286,355)	–	(1,023,659)
Gross carrying amount as at July 31, 2019	84,104,544	380,204	1,948,673	–	86,433,421

5. Mortgages and personal loans (continued)

The most significant period-end assumptions used for the ECL estimate are set out below.

Cayman Islands unemployment rate	Scenarios	2018/2019	2019/2020
	Base	3.8%	10%
	Upside	4.0%	2.8%
	Downside	6.3%	10%

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

	Base	Upside	Downside
Mortgage loans	80%	10%	10%
Personal loans	80%	10%	10%

The base and downside were both set to 10% for unemployment due to internal data collected by the risk management team on assessing the impact of Covid-19 on the loan book. Information released from Government was also considered on assessing the Covid-19 impact on unemployment.

	ECL impact of	
Collateral haircut	Change in threshold	Increase in value
Loans	(+ 5) %	$47,055

Set out below are the changes to the ECL as at July 31, 2020, 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	
	2020	2019
Mortgage loans	$ 1,994,593	$ 2,217,793
Personal loans	745,390	371,100
	$ 2,739,984	$ 2,588,893

5. Mortgages and personal loans (continued)

Repossession of collateral

During the year ended July 31, 2020, the Grand Court made an Order for Possession of property which can now be sold to the public. As at July 31, 2020, the Credit Union had sought to execute and enforce this repossession order, and accordingly, assets held for sale of $167,400 are recorded on the Statement of Financial Position.

Loans written off

During the year ended July 31, 2020, the Board approved to write off $213,236 (2019: $537,080) of loans which related to loans due from 31 (2019: 71) 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 $8.8M. As at July 31, 2020, the largest loan issued to a member is $3,613,742 (2019: $3,352,567). The total value of loans held by members who hold total loans in excess of $300,000, as at July 31, 2020 is $75M in 310 loans (2019: $61.5M in 231 loans).

6. Fixed assets and Right-of-Use assets

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

As at July 31, 2019:

	Freehold Land	Building	Assets Under Construction	Computer Equipment	Furniture and Fittings	Motor Vehicles	Total
Cost							
Balance July 31, 2018	$ 227,775	$ 7,205,124	$ 18,790	$ 1,465,338	$ 1,249,510	$ 19,205	$ 9,844,025
Additions	–	16,855	23,109	126,612	78,268	–	236,257
Transfers	–	–	–	–	–	–	–
Disposals	–	–	–	(331,293)	(255,268)	–	
Balance July 31, 2019	$ 227,775	$ 7,221,979	$ 41,889	$ 1,260,657	$ 1,072,510	$ 19,205	$ 10,080,282
Depreciation							
Balance July 31, 2018	$ –	$ 1,677,423	$ –	$ 1,336,684	$ 1,039,136	$ 19,205	$ 3,816,188
Charge for the year	–	187,335	–	65,728	77,238	–	339,750
Disposals	–	–	–	(331,293)	(255,268)	–	–
Balance July 31, 2019	$ –	$ 1,864,758	$ –	$ 1,071,119	$ 861,106	$ 19,205	$ 4,155,938
Net book value							
July 31, 2019	$ 227,775	$ 5,357,221	$ 41,899	$ 189,538	$ 211,404	$ –	$ 6,027,837
Net book value							
July 31, 2018	$ 227,775	$ 5,527,701	$ 18,790	$ 128,655	$ 210,373	$ –	$ 6,113,294

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:

		2020		2019
Opening balance at August 1, 2019	$	–	$	–
Additions		62,501		–
Accretion of interest		2,480		–
Payments		(8,663)		–
Closing balance at July 31, 2020	$	56,318	$	–

As of July 31, 2020, total gross carrying amount of fully depreciated fixed assets still in use is at $1,815,533 (2019: $1,742,211).

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, 2020, this property was valued at $3,946,000 (2019: $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, 2020 at $182,000 (2019: $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, 2020, this property was valued at $364,000 (2019: $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, 2020, this property was valued at $505,000 (2019: $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 2020	2019
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:

	2020	2019
Regular savings	$ 21,522,094	$ 12,965,227
Term deposits	2,652,936	1,172,387
	$ 24,175,030	$ 14,137,614

Included in members' deposits are deposits of $247,214 (2019: $192,749) placed by directors, employees and committee members of the Credit Union (Note 19).

Interest of $95,658 (2019: 72,221) was paid to members holding term deposits during the financial year ended July 31, 2020.

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 Law 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 $4,696,909 (2019: $3,582,523) placed by directors, employees and committee members of the Credit Union (Note 19).

10. Statutory reserve

The Law 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, 2020, Credit Union transferred 20% (2019: 20%) or $2,112,572 (2019: $2,305,143) 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, 2020, the total entrance fees credited to this reserve was $15,510 (2019: $13,750).

The Statutory Reserve is the property of the Credit Union and may not be distributed, except on liquidation or in accordance with the Law 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 Law 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, 2020, the total permanent shares credited to this reserve was $19.200.

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 27, 2019 at the AGM in respect of the year ended July 31, 2019, the members resolved to transfer an amount of $300,000 (2019: $200,000) to the Scholarship fund and $311,948 (2019: $110,197) 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 27, 2019, at the AGM in respect of the year ended July 31, 2019, the members resolved to pay a dividend of 3.5% or $8,871,432 (2018: 2.8% or $6,468,193) 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, 2020.

15. Loan interest rebate/payable

In 2020 a 3% (2019: 3%) loan interest rebate was accrued in amount of $330,000 (2019: $363,742) 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% (2019: 10%) of the total value of the sum advanced. During the year ended July 31, 2020, the cash advance fees earned was $338,901 (2019: $381,206) 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 $271,322 (2019: $288,707) in beneficiary benefits. In addition, the Credit Union received an ‘experience refund’ from CUNA of $Nil (2019: $220,547). This refund is recognized as income in the Statement of Comprehensive Income only upon receipt. 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 $231,827 (2019: $214,756) 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	
	2020	**2019**
Salaries and other short-term benefits	$ 198,162	$ 186,069
Defined contributions pension costs	12,146	11,333
	$ 210,308	$ 197,402

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 $50,000 was accrued for the payments due to directors for the year ending July 31, 2020.

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

20. Commitments

As at July 31, 2020, the Credit Committee had approved a number of commitments for undrawn loans to a value of $20,046,314 (2019: $35,911,064). The ECL on these undrawn loans is $23,163, the below table reflects the breakdown of the ECL:

	2020	**2019**
Stage 1 – Mortgage loans	$ 18,606	$ 7,185
Stage 1 – Personal loans	4,557	10,564
	$ 23,163	$ 17,749

The Credit Union leased premises for its storage. The lease term was five years and expired at 31 July 2020. The lease is in the process of being renewed and Credit Union currently pays $2,100 (2019: $2,100) per month. The Credit Union continued to occupy this leased premises through the date of approval of these financial statements. During the year ended July 31, 2020, the Credit Union incurred rental expense for this property of $25,200 (2019: $25,200), which is included within premises costs in the Statement of Comprehensive Income.

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 50,738 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 Law (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 Law;
   - to create any Special Reserve;
   - to pay Honoraria;
   - 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, 2019 and 2020.

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 its various committees (Supervisory and Credit) is responsible for the adherence with the Law, 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

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 Manager of Risk and Compliance 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, 2020, 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 (2019: $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 (2019: 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 a small portion 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:

	2020	2019
Change in equity price of investments		
+ 10%	$ 270,422	$ 281,944
- 10%	$ (270,422)	$ (281,944)

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.

	2020	2019
Interest earned on loans		
+ 0.05%	$ 143,646	$ 129,533
- 0.05%	$ (143,646)	$ (129,553)
Interest earned on fixed deposits		
+ 0.10%	$ 54,213	$ 37,387
- 0.10%	$ (54,213)	$ (37,387)
Interest paid on member deposits:		
+ 0.50%	$ 121,003	$ 70,688
- 0.50%	$ (121,003)	$ (70,688)

22. Financial risk management (continued)

The tables below summarize the Credit Union's exposure to interest rate risk, as of July 31, 2020 and 2019.

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, 2020	**Under Six Months**	**Six Months to one Year**	**One Year to Five 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

July 31, 2019	**Under Six Months**	**Six Months to one Year**	**One Year to Five Years**	**Five Years to ten Years**	**Over ten Years**	**Non-Interest Bearing**	**Total**
Assets							
Cash on hand and at bank	$ 13,009,267	$ –	$ –	$ –	$ –	$ 851,798	$ 13,861,065
Fixed deposits	30,938,480	6,448,258	–	–	–	–	37,386,738
Securities at fair value through P&L	–	–	–	–	–	2,819,443	2,819,443
Mortgages and personal loans	19,541,087	11,538,247	71,419,303	59,941,535	102,912,786	–	265,352,958
	$ 63,488,834	$ 17,986,505	$ 71,419,303	$ 59,941,535	$ 102,912,786	$ 3,671,241	$ 319,420,204
Liabilities							
Accounts payable and accrued expenses	$ –	$ –	$ –	$ –	$ –	$ 915,975	$ 915,975
Members' shares	–	–	–	–	–	273,059,777	273,059,777
Members' deposits:	–	–	–	–	–	–	–
- Regular savings	12,965,227	–	–	–	–	–	12,965,227
- Term deposits	463,312	709,075	–	–	–	–	1,172,387
	$ 13,428,539	$ 709,075	$ –	$ –	$ –	$ 273,975,752	$ 288,113,366

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, 2020, approximately 10% (2019: 10%) of the member shares are held by 25 (2019: 23) members.

Of these 25 members, only a small portion of the funds on deposit (in the form of members' shares) approx. 0.55% (2019: 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 (2019: 3 months to 35 years). As outlined above, all loans generally require a minimum level of members shares (loan to share ratio). For all 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, 2020	**Under Six Months**	**Six Months to One Year**	**One Year to Five 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

22. Financial risk management (continued)

July 31, 2019	Under Six Months	Six Months to One Year	One Year to Five Years	Five Years to Ten Years	Over Ten Years	Non-Fixed Maturity	Total
Cash inflows							
Cash on hand and at bank	$ 13,861,065	$ –	$ –	$ –	$ –	$ –	$ 13,861,065
Fixed deposits	37,386,739	–	–	–	–	–	37,386,739
Securities at fair value through P&L	–	–	–	–	–	2,819,443	2,819,443
Mortgages and personal loans	26,615,630	20,858,372	122,603,004	102,076,085	156,610,235	–	428,763,326
	$ 77,863,434	$ 20,858,372	$ 122,603,004	$ 102,076,085	$ 156,610,235	$ 2,819,443	$ 482,830,572
Cash outflows							
Accounts payable and accrued expenses	$ 915,974	$ –	$ –	$ –	$ –	$ –	$ 915,974
Members' shares	206,693,530	3,364,607	20,222,849	16,623,744	26,155,047	–	273,059,777
Members' deposits:	–	–	–	–	–	–	–
- Regular savings	12,965,227	–	–	–	–	–	12,965,227
- Term deposits	463,312	709,075	–	–	–	–	1,172,387
	$ 221,038,043	$ 4,073,682	$ 20,222,849	$ 16,623,744	$ 26,155,047	$ –	$ 288,113,365
Off-balance sheet cash outflows							
Loan commitments	$ 35,911,064	$ –	$ –	$ –	$ –	$ –	$ 35,911,064
Net exposure	$ (179,085,673)	$ 16,784,690	$ 102,380,155	$ 85,452,340	$ 130,455,188	$ 2,819,443	$ 158,806,144

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, 2020 and 2019. 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 independent 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	
	2020	**2019**
Mortgage loans	$ 10,966,828	$ 8,521,426
Personal loans	6,527,856	6,721,639
Total interest on loans	$ 17,494,684	$ 15,243,065

25. Receivable and other assets

Receivables and other assets are comprised of prepayments and other miscellaneous assets. During the financial year receivables of $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 2020 was recorded at $1,110,665 (2019: $915,975). Additionally, amounts were accrued for staff training and scholarships in the amount of $417,276. Also recorded as an accrued expense for 2020 are unposted incoming member funds of $172,319 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, 2020 and 2019.

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, 2020, the Board of Directors recommended a dividend payment of 2.8% which is subject to approval at the Annual General Meeting in November 2020.

CONGRATULATIONS TO

the 226 recipients of The Rupert McCoy Memorial Education Grant Programme

Making a difference in the lives of each recipient, their families, and the community at large

Aaron West
Abigail Kristalyn Smith
Abigayle Watkins
Adrianna Duran
Akeem Brett
Akeliah Brown
Alene Donaldson Walters
Alexander Havlin
Alexandra Rodrigues
Alicia Turner
Alicia Cohen
Alison Jackson
Aliyah Knox
Amber Smith
Andrea Herrera-Padilla
Angiela Scott Urbina
Annie Hawkins
Ariana Thompson
Arianna McCoy
Arnold Berry Jr.
Artemis Deslandes-Hydes
Ashanti Minott
Asia Dixon
Bianca Dalton
Bicola Perry
Brandon Maxwell
Brett Azan
Brianna Bodden
Brianna Solomon
Cameron Gilson
Carlyah Santo
Chambria Dalhouse
Chanelle Scott
Chanelle Williams
Chantel McLean
Charllote Jackson
Christal Samaroo
Christi Jackson
Christina Ulett
Cristhian Faria-Sanchez
Cynthia Hydes
Daniel Griffiths
Daniel Rivers
Daniella Gourzong
Danielle Chambers
Danielle Clair Seales
Danielle Hemming
David Swan
Deajra Tulloch
Deija Myles
Deirdre Seymour
Dejohnelle Blackman Richards
Deondra Kelly
Derricka Neysmith
Dona-Lee Darlington
Dreshna James
Duran Dawkins
Elihandro Bodden
Elijah Ebanks
Elijah Samson
Elizabeth Jackson
Eren Wright
Erin DaCosta-Fernandez
Ethan Bishop
Evan Murray

Gabriel Bodden
Gabriela Ritch
Gabriella King
Gary Hendricks-Dominguez Jr.
Gianna Whittaker
Glennique Bodden
Greta Malcolm
Halle Whittaker
Hannah Peralta
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Jaedyn Hanna
Jamaar Frederick
Janae Campbell
Jannelle Johnston
Jason Williamson
Jayden Downey
Jaydon Mcfield
Jehquisa Buchanan
Jelani Morrison
Jenae Whittaker
Jennifer Phillips
Jessica Tibbetts
Jevaughnie Ebanks
Jhanae Stewart
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Joe Jackson Lopez
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Jonela McLean
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Joshua Mcfield
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Kayla Ebanks
Kayla Prendergast
Kaylee Scott
Kayleigh Mascarenhas
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Maegan Samuel
Maeve Ulett-Mclean

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Mara Mclean
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Mareka Myles
Marlique Muir
Martina Hewitt
Matthew Goddard
Melanie Moore
Micah O'Garro
Michael Mclaughlin Murillo
Michael Tomlinson
Miriam Foster
Misha Powell
Naithique Jackson
Nalani Bodden
Nardia Henry
Nasier Levy
Natalia McCoy
Natasha Henry
Nathan McCoy
Nathania Simpson
Nathaniel Gonzalez
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Noah Hill
O'Meil Smith
Oren Greenidge
Patrisia Thompson
Paulette Williams
Phyllis Brown
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Rachel Goddard
Rajiv Jaggernath
Rajiv Roberts
Reggiena Ingrid Erispe
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Renee Bennett
Reuben Whittaker
Rhonda Cornwall
Rhys Clarke-Graham
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Rickeem Lashley
Robert Bodden
Maeve Ulett-Mclean
Makayla Blackman
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Tyra Robinson
Tzaddi Ewers
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Xaria Elizabeth Caitlin Deosaran
Yandy Calderon-Vazquez
Yesenia Ebanks
Yvette Gayle
Zachary Moore
Zachary Moore
Zachary Scott
Zanita James
Zariah Anglin
Zephan Deosaran
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THE RUPERT MCCOY EDUCATIONAL GRANT PROGRAMME

CUCONVENIENCE

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All CUC services can now be completed **ONLINE**!

Like all companies, we have moved quickly to adapt our business to the rapidly evolving circumstances in which we find ourselves.

- Visit our website at ***www.cuc-cayman.com***.
- Click on the **"Customer Service"** tab on the Homepage.
- Select "**Forms**".
- Choose the form that meets your needs.
- Complete the form online and return it to us via e-mail at ***service@cuc.ky***. Digital signatures are accepted.
- No scanner? Take a photo of the completed form with your mobile phone and e-mail it to us at ***service@cuc.ky***.

If you prefer to remain with the conventional method of manually filling out forms, simply print out the required form from our website or collect a copy from our Customer Service Centre in our Administration Building on North Sound Road, complete it and deposit it in our 'Drop Box'.

If a payment is involved, only cheques and bank drafts are accepted. **No cash please**.

Operational Changes:

As we strive to implement new, efficient and easier ways of doing business online, the Customer Service Centre in our Administration Building on North Sound Road is no longer providing 'walk-in' services. Our Customer Service Representatives in the Customer Service Centre will only be available to answer inquiries, provide information and distribute forms.

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*For more information on our online services, contact our Customer Service Team at **949-5200** or via e-mail at **service@cuc.ky***