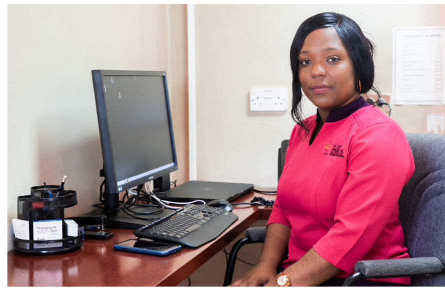
ANNUAL REPORT 2019

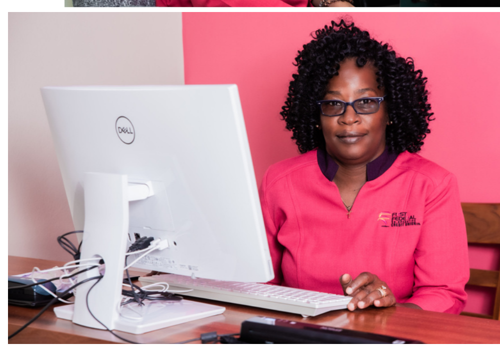
INNOVATION AND CREATIVITY, THE KEY TO SUSTAINABILITY

FIRST FEDERAL CO-OPERATIVE CREDIT UNION

TABLE OF CONTENTS

CORPORATE INFORMATION 02
NOTICE OF THE 11TH ANNUAL GENERAL MEETING 03
AGENDA 04
CREDIT UNION PRAYER 05
STANDING ORDERS 06
MINUTES OF THE 10TH ANNUAL GENERAL MEETING 07
BOARD OF DIRECTORS' REPORT 11
A SOLID FOUNDATION 12
KEY PERFORMANCE INDICATOR 13
TREASURER'S REPORT 19
PHOTO SPREAD 20
CREDIT COMMITTEE'S REPORT 24
SUPERVISORY AND COMPLIANCE COMMITTEE'S REPORT 31
CREDIT DEPARTMENT 36
MEMBER SERVICES 37
NEVIS BRANCH 38
ADMINSTRATION 39
CREDIT SERVICES CENTRE 40
NOMINATING COMMITTEE'S REPORT 41
BRIEF BIOGRAPHY OF NEW NOMINEES 42
INDEPENDENT AUDITOR'S REPORT 43
STATEMENT OF FINANCIAL POSITION 48
STATEMENT OF COMPREHENSIVE INCOME 49
STATEMENT OF CHANGES IN MEMBERS' EQUITY 50
STATEMENT OF CASH FLOWS 52
NOTES TO FINANCIAL STATEMENTS 53





FIRST FEDERAL CO-OPERATIVE CREDIT UNION

ST. KITTS BRANCH AND HEAD OFFICE

Bladen Commercial Development
Wellington Road
Basseterre, St. Kitts

869 466 FIRST (3477)
869 465 9187
info@firstfederalcreditunion.com
@firstfederalcu
@firstfederalcu

CREDIT SERVICES CENTRE

Cnr. Central & New Streets
Basseterre
St. Kitts

NEVIS BRANCH

Chapel Street
Charlestown
Nevis

AUDITORS:

BDO Eastern Caribbean
Antigua and Barbuda
Corner Factory and Carnival Gardens
P O Box 3109
St. John's
Antigua
Tel: 268-462-2886/8
Fax: 268-462-2880

BANKERS:

St. Kitts Nevis Anguilla National Bank Limited
(Main/operating accounts are held with SKNANB)

SOLICITOR/ATTORNEY:

Gonsalves Parry
Attorneys-At-Law

Hobson-Newman & Amritt
Attorneys-At-Law & Notary Public

Law Office of Herbert Thompson

Dear Member,

Notice is hereby given that the eleventh (11th) Annual General Meeting of the members of the **First Federal Co-Operative Credit Union Ltd** will be held at the Caribbean Confederation of Credit Union Building, CUNA Conference Centre, Fortlands, **St. Kitts**. This meeting will be held on **Thursday September 24th, 2020 at 4:30pm.**

Michael Martin Secretary
August 31st, 2020.

AGENDA

THEME: "INNOVATION AND CREATIVITY, THE KEY TO SUSTAINABILITY"

REGISTRATION - (4:00 p.m. to 4.45 p.m.)

SESSION - (4:45 p.m. to 6:00 p.m.)

1. Call to Order
2. National Anthem
3. Invocation
4. Ascertainment of a Quorum and Apologies for Absence
5. Confirmation of Minutes of the 10th Annual General Meeting and Special meeting
6. Matters Arising from the Minutes.
7. Reports and Adoptions:
   a) Board of Directors' Report
   b) Auditors' Report and Audited Financial Statements
   c) CEO's Presentation
   d) Treasurer's Report
   e) Credit Committee's Report
   f) Supervisory Committee's Report
8. Declaration of Dividends
9. Resolutions:
   - Setting of Maximum Liability * Formal Resolution to be prepared to increase liability from 5m to 10m
   - Property Acquisition
   - Honorarium for Volunteers
10. Appointment of Auditors
11. Nominating Committee Report
12. Election of Officers
13. Any Other Business
14. Adjournment

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;

For its is in pardoning that we are pardoned;

And it is in dying that we are born to eternal life.

AMEN

STANDING ORDERS

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

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

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

4. No member shall address the meeting except through the Chairperson

5. A member shall not speak twice on the same subject except:
   - The mover of a motion, who has the right to reply
   - In order to object or explain (with the permission of the Chair)

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

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

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

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

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

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

12. When a motion is withdrawn any amendment to it fails.

13. The Chairperson has the right to a “Casting Vote.”

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

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

16. No member shall impute improper motives against another member.

OPENING SESSION

1. CALL TO ORDER

The meeting was called to order by the Master of Ceremonies, Director Mr. Glenn Quinlan.

2. NATIONAL ANTHEM

The National Anthem was played by Mr. Aleks Condell.

3. INVOCATION

Pastor Lincoln Connor invoked the Almighty's blessings on the proceedings.

4. PRESIDENT'S REMARKS

The president, Mr. Howard Mc Eachrane, delivered welcome remarks and proffered apologies for typographical errors in the annual reports. He highlighted the ongoing rebranding efforts and stated that the process was going extremely well. He commended the management for the progress made thus far and encouraged all members to give the exercise their fullest support.

5. INTRODUCTION OF GUEST SPEAKER

Mr. Glenn Quinlan introduced the guest speaker for the event, Mr. R. A. Peter Jenkins.

6. FEATURE ADDRESS

Mr. Jenkins gave a wide-ranging talk in which he underscored the principles of the credit union movement and outlined the chronological development of the movement in St. Kitts and Nevis.

Mr. Jenkins pointed out that the Caribbean Conference of Credit Unions, now headquartered in St. Kitts, was inaugurated in Dominica in 1962 whilst the Federation's oldest credit union, the Nevis Cooperative Credit Union opened its doors in 1965. Mr. Jenkins stated that the St. Kitts Cooperative Credit Union (SKCCU) started in 1982, the Police Cooperative Credit Union in 1983 and the FND Enterprise Cooperative Credit Union (FNDECCU) in 2009.

Mr. Jenkins said that going forward, today's credit unions will be called upon to provide a plethora of services to cater to the needs of increasingly diverse memberships. He said there was a need for the movement to attract younger members, to use technology to satisfy the "instant" and "now" mentality and to provide loans for purposes that might ordinarily appear risky. Additionally, Mr. Jenkins was of the view that a time was approaching when the organization would have to provide advice and counselling to members on such matters as personal health management, parenting and financial literacy. He opined that the provision of such services would positively affect the members' and public's attitude to the credit union movement.

7. ADJOURNMENT OF OPENING SESSION

The opening session ended at 6:18 PM

BUSINESS SESSION

8. CALL TO ORDER

The business session was called to order at 6:25 PM

9. ASCERTAINMENT FOR QUORUM

A quorum was ascertained by Mrs. Kjellin Rawlins Elliott.

10. CONFIRMATION OF THE MINUTES OF THE 9TH ANNUAL GENERAL MEETING AND SPECIAL GENERAL MEETING

The minutes of the 9th Annual General Meeting were confirmed following a motion by Mr. Stuart Henry, seconded by Ms. Jacqueline Christopher.

The minutes of the special general meeting of 23 April 2019 were confirmed on a motion by Ms. Averil Walters, seconded by Ms. Brenda Hazel.

11. REPORTS

11.1 BOARD OF DIRECTORS' REPORT

The president, Mr. Howard Mc Eachrane presented the Board of Directors' report. Mr. Peter Jenkins moved a motion for the acceptance of the report, seconded by Mr. Cyprian Williams. The motion was carried.

11.2 TRIBUTE TO THE 10TH ANNIVERSARY OF THE FND ENTERPRISE COOPERATIVE CREDIT UNION.

Mrs. Lynn Rogers Bass paid tribute to the FND Enterprise Cooperative Credit Union (FNDECCU) on the attainment of its 10th anniversary. Mrs. Rogers Bass highlighted the following:

- The role of the FNDECCU in the community and its contribution to the development of education;

- The positive movement of dividends;
- Staff benefits and training;
- Relocation of the Nevis office; and
- The redesigned and improved member services area at the head office.

11.3 THE YEAR IN REVIEW

Mr. Terrence Crossman, Chief Executive Officer, reported on the past year's activities. Mr. Crossman provided explanations regarding the operational performance and highlighted the following:

- Assets had increased from $26.8 million to $41 million;
- Loans had increased from $20.9 million to $27.8 million;
- Investments made in transforming the conference room into multiple offices to house the loans and various departments;
- Investment in office furniture and fixtures, motor vehicles, people and productivity;
  Improvement of the physical environment along with a new look, logo and general rebranding of the organization.

Mr. Crossman also disclosed that a new downtown location, the Credit Services Centre on New Street, Basseterre, was ready to begin operations.

11.4 AUDITORS' REPORT

Mr. Franklin Maitland of Maitland Maitland & Associates, Chartered Certified Accountants, presented the Auditors' Report. The report was accepted on Mr. James Webbe's motion, seconded by Mr. Chris Roberts.

11.5 TREASURER'S REPORT

Ms. Dawne Williams presented the treasurer's report which was accepted on Mrs. Shermel Woods' motion, seconded by Mr. Alex Straun.

11.6 CREDIT COMMITTEE REPORT

Mr. Cremoy Agard presented the Credit Committee's report. The report was accepted on a motion moved by Mr. Randolph Taylor and seconded by Mr. Curtis Martin.

11.7 SUPERVISORY COMMITTEE REPORT

Ms. Eslyn Swanston reported on the activities of the Supervisory Committee for the period under review. A motion for acceptance of the report was moved by Mr. James Webbe, seconded by Mr. Nigel Browne and was carried.

11.7 NOMINATING COMMITTEE REPORT

Mr. Shanwa Broadbelt presented the Nominating Committee's report. The following nominations were made:

BOARD OF DIRECTORS

- Mr. Michael Martin
- Mr. Sean Lawrence
- Mr. Trevor Cornelius
- Mr. Faron Lawrence

CREDIT COMMITTEE

- Mr. Shawn Williams
- Ms. Lornette Queeley

SUPERVISORY COMMITTEE

- Mr. Curtis Martin

12. DECLARATION OF DIVIDENDS

The Directors proposed payment of a dividend of seven and a half per cent (7.5%). The proposal was accepted on a motion by Mr. Sean Lawrence, seconded by Mr. James Webbe.

13. SETTING OF MAXIMUM LIABILITY

The Directors recommended a maximum liability of five million East Caribbean dollars (EC$5,000,000). Mr. Sean Lawrence moved that the recommendation be accepted and his motion was seconded by Mrs. Shermel Woods. The motion was carried.

14. APPOINTMENT OF AUDITORS

The Directors proposed the appointment of BDO as auditors for the ensuing five-year period. Some spirited discussion followed and many members voiced their strong preference for the appointment of Maitland Maitland & Associates (MMA) on the grounds that MMA was a local firm.

The matter was put to a floor vote and 33 members voted in favor of BDO while 31 voted for MMA. BDO was therefore confirmed as auditors for the ensuing five-year period.

15. ELECTION OF OFFICERS

Ms. Maxine Stanley moved the nomination of Messrs. Michael Martin, Sean Lawrence, Trevor Cornelius and Faron Lawrence, en bloc, for positions as directors of the organization. The motion was seconded by Mrs. Shermel Woods. There were no other nominations and the nominated members were duly elected.

Ms. Averil Walters moved the nomination of Mr. Shawn Williams and Ms. Lornette Queeley, en bloc, for membership of the Credit Committee. There being no other nominations, the nominees were duly elected.

Mr. Nigel Browne moved the nomination of Mr. Curtis Martin to the Supervisory Committee. The motion was seconded by Mr. Randolph Taylor. There were no other nominations and Mr. Martin was duly elected.

16. ANY OTHER BUSINESS

In relation to note 10 of the financial statements, Mr. Samuel Lawrence suggested that the organization should buy shares National Bank and Cable & Wireless.

17. PRESENTATION OF AWARDS

Retiring volunteers and staff members with more than ten years of service were presented with awards in appreciation of their service and dedication.

18. VOTE OF THANKS

Mrs. Sonja Fyfield Hazel gave the vote of thanks.

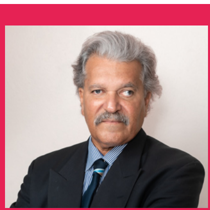
19. ADJOURNMENT

The 10th Annual General Meeting ended at 9:25 PM

....
Michael M. Martin
Secretary

BOARD OF DIRECTOR'S REPORT

JULY 16TH, 2019, AT THE ROYAL ST. KITTS HOTEL


HOWARD MCEACHRANE
PRESIDENT


DAWNE WILLIAMS
VICE PRESIDENT


MICHAEL MARTIN
SECRETARY


CLYDE RICHARDSON
ASSISTANT SECRETARY


GLEN QUINLAN
TREASURER


FARON LAWRENCE
ASSISTANT TREASURER


JAMIR CLAXTON
DIRECTOR

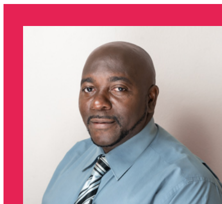

SEAN LAWRENCE
DIRECTOR

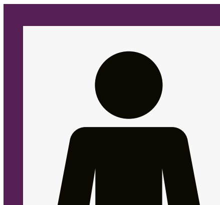

TREVOR CORNELIUS
DIRECTOR

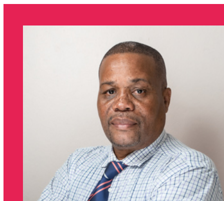
CREDIT COMMITTEE

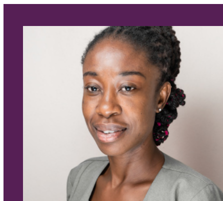

AMOY HEYLIGER
CHAIR PERSON

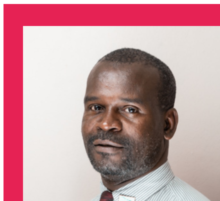

LORNETTE QUEELEY
SECRETARY


CYPRIAN WILLIAMS
ASSISTANT SECRETARY

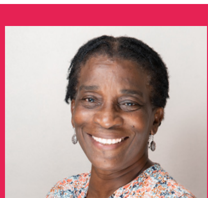

CREMOY AGARD
MEMBER

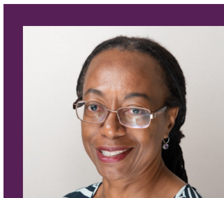

DENRICK CONNOR
MEMBER


CAMILIA WILLIAMS
MEMBER


SHAWN WILLIAMS
MEMBER

SUPERVISORY COMMITTEE


BRONTIE DUNCAN
CHAIR PERSON


EVADNEY MORRIS LIBURD
SECRETARY


CURTIS MARTIN
MEMBER


LINCON CONNOR
MEMBER


ESLYN SWANSTON
MEMBER

A SOLID FOUNDATION

For a decade, FND Enterprise Co-operative Credit Union existed as a non-profit financial institution that enabled its members to gain financial stability by exercising thrift, prudent borrowing, and access to financial counselling.

After the 10th Annual General Meeting of the FNDECCU, the shareholders voted to change the name, mission and vision statements to reflect the new strategic direction of the organization.

Building on this solid foundation, FNDECCU, now First Federal Co-Operative Credit Union Ltd continues to actively respond to the new financial climate and ultimately create more value for its shareholders while remaining true to the principles set by the founders of the organization

MISSION

Fostering the financial growth of a community of members by encouraging thrift, designing custom tailored products and creating wealth.

VISION

Making financial success first nature.

R.I.C.H VALUES

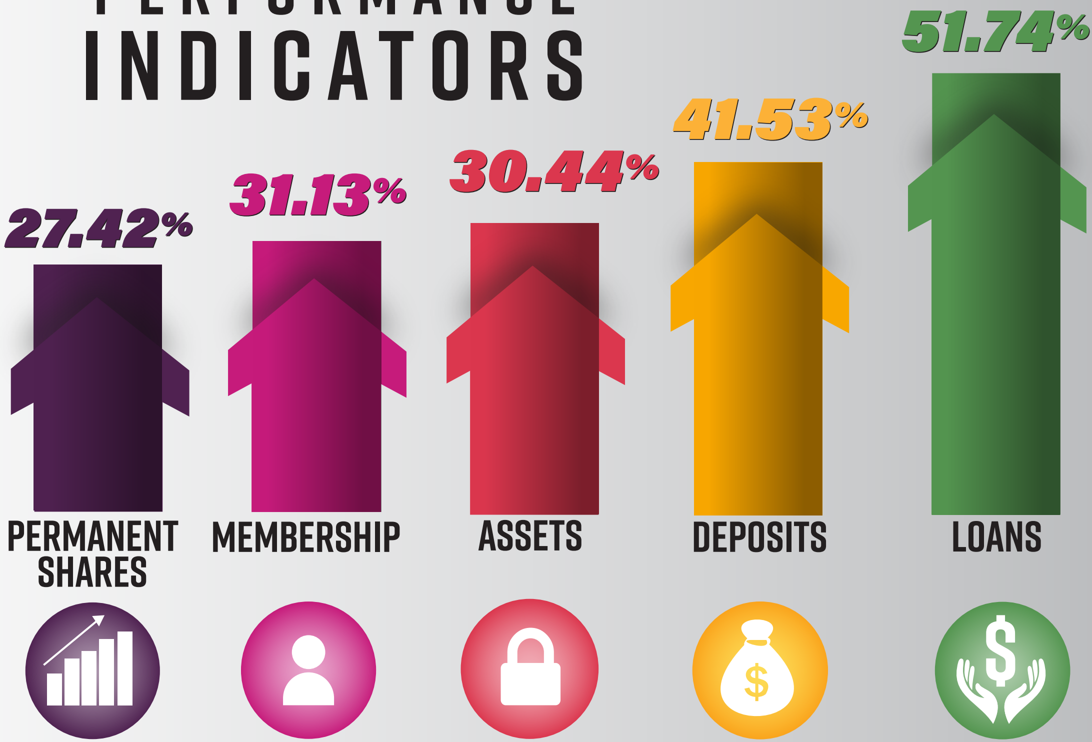
RESPECT - We understand and show consideration to our members, officers and colleagues

INTEGRITY - We practice sound moral and ethical principles at all times

COMMITMENT - We are dedicated and work with passion and enthusiasm to always deliver the best quality possible.

HONESTY - We insist on truthfulness with each other, with our members, with our officers, with our colleagues and in our business dealings. We expect and value openness.

KEY PERFORMANCE INDICATORS



FIRST FEDERAL CREDIT UNION PEARL RATIOS AS OF DEC 31, 2019

PEARLS RATIOS	STANDARD	RATINGS					DEC-19	
		1	2	3	4	5	PEARLS RATIO	PEARLS RATIO
PROTECTION								
PROVISION FOR LOANS DELINQUENT >12 MONTHS	100%	>=100%	99%-80%	79%-60%	59%-40%	<40%	100%	1
PROVISION FOR LOANS DELINQUENT < 12 MONTHS	35%	>=35%	34%-25%	24%-15%	14%-10%	<10%	74.41%	1
EFFECTIVE FINANCIAL STRUCTURE								
LOANS/TOTAL ASSETS	80%	>=70%	69%-60%	59%-50%	49%-40%	<40%	78.39%	1
SAVINGS DEPOSITS/TOTAL ASSETS	80%	100%-70%	69%-60%	59%-50%	49%-40%	<40%	69.47%	2
EXTERNAL CREDIT/TOTAL ASSETS	MAX 5%	<=5%	5.1%-6%	6.1-8%	8.1%-10%	>10%	0.00%	1
NET INSTITUTIONAL CAPITAL/TOTAL ASSETS	MIN 10%	>=12%	11.9%-10%	9.9%-7%	6.9%-4%	<4%	22.38%	1
ASSET QUALITY								
TOTAL DELINQUENCY/GROSS LOAN PORTFOLIO	MAX 5%	<=5%	5.1%-6%	6.1-8%	8.1%-10%	>10%	4.25%	1
NON-EARNING ASSETS/TOTAL ASSETS	MAX 5%	<=5%	5.1%-7%	7.1-9%	9.1%-11%	>11%	10.83%	4
RATES OF RETURN								
OPERATING EXPENSES/TOTAL ASSETS	5%	<=5%	5.1%-6%	6.1-8%	8.1%-10%	>10%	7.30%	3
NET INCOME/AVERAGE TOTAL ASSETS	2%	>=2%	1.9%-1%	0.9%-0.5%	0.49%-0%	<0%	1.16%	2
LIQUIDITY								
*LIQUIDITY ASSETS - ST PAYABLES/DEPOSITS	MIN 15%	>=15%	14.9%-12%	11.9%-8%	7.9%-4%	<4%	15.54%	1
SIGNS OF GROWTH								
GROWTH IN TOTAL ASSETS	MIN 10%	>=10%	9.9%-8%	7.9%-6%	5.9%-4%	<4%	30.40%	1
							AVERAGE RATING	1.58

BOARD OF DIRECTOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

INTRODUCTION
The Board of Directors is proud to report that building on the foundation that was set by FND Enterprise Co-operative Credit Union Ltd (FNDECCU), the organisation undertook a successful rebranding exercise and as of July 21st, 2019, became First Federal Credit Co-operative Credit Union Ltd. This transition reflects positively in the report for the financial year ended December 31st, 2019.

THE TRANSITION
First Federal emerged as a change agent with a renewed commitment for excellent service and shared values of Respect, Integrity, Commitment and Honesty (R.I.C.H). Over the last year, the Board was able to oversee the exercise to rebrand with the goal of implementing strategic policy decisions to enhance wealth creation for members. We remain steadfast in finding new ways to bring value to our membership. The goal is to grow and continuously improve everyday processes and operations, to retain the commitment and confidence of the members in the institution. To support this thrust we have adopted our new vision and mission statement.

VISION
Making financial success first nature.

MISSION
Fostering the financial growth of a community of members by encouraging thrift, designing custom tailored products and creating wealth.

WHAT MATTERS TO US?
At First Federal Credit Union, we recognise that our obligations to our members extend beyond sound financial practices. Therefore, we have a developing platform of social and educational causes that we have identified that touch our membership in different ways. At present we have partnered with Give-One-Touch-One (GOTO) a charity that assists families in need. We provide sponsorship to various schools. We host and support financial literacy educational programmes and we have partnered with the Ministry of Health to support health, wellness education and awareness programmes.

CORPORATE GOVERNANCE
The First Federal Co-operative Credit Union Ltd. continues to practice high standards and principles of corporate governance throughout the organisation lead by a team of diverse volunteers who serve on the Board of Directors. The board comprises of business leaders and professionals who bring considerable expertise and experience to the decision- making process. The Board of Directors meets on a monthly basis and regularly reviews the financial and operational performance. As prescribed in the by-laws, joint quarterly meetings of the board of directors, supervisory and credit committees were held.

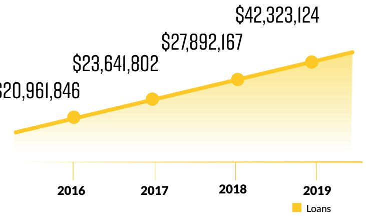
FINANCIAL
The Board of Directors of First Federal is responsible for the strategic guidance of the organisation and is focused on both protecting the interests of all stakeholders and optimizing member value. We are happy to report record growth in key areas of the business. Despite additional costs associated with the creation of the new brand, we still managed to generate a profit of $543,201. In addition, we have mandated to management to strike a balance between profitability and providing direct benefit to our members by continuously seeking ways to reduce the cost of borrowing. That balance, while having direct effect on our profits, provides immediate relief to our members who benefit from much more competitive rates than were previously offered. The following highlights key performance indicators:

DIRECTORS' ATTENDANCE REPORT

	POSITION	ATTENDANCE	PERCENTAGE
HOWARD MCEACHRANE	PRESIDENT	6/6	100%
DAWNE WILLIAMS	VICE PRESIDENT	6/6	100%
MICHAEL MARTIN	SECRETARY	5/6	83%
CLYDE RICHARDSON	ASSISTANT SECRETARY	5/6	83%
GLEN QUINLAN	TREASURER	5/6	83%
FARON LAWRENCE	ASSISTANT TREASURER	3/6	50%
JAMIR CLAXTON	DIRECTOR	5/6	83%
SEAN LAWRENCE	DIRECTOR	4/6	66%
TREVOR CORNELIUS	DIRECTOR	4/6	66%

COMPLIANCE AND RISK MANAGEMENT
During the year in review, the board approved the appointment of a full-time Compliance Manager to keep up with the demand for AML-CFT compliance. In doing so, First Federal ensures that we continually improve our standards and processes to ensure that we remain compliant with all regulations.

SUMMARY PERFORMANCE INDICATORS

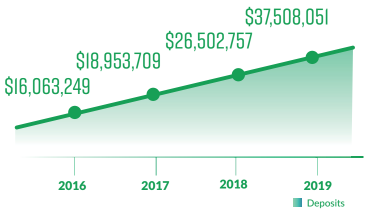


$14,430,957
+ CHANGE OVER 2018

51.74% GROWTH

+51.74%

LOANS

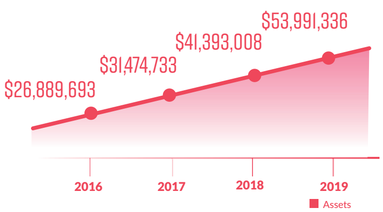


$11,005,294
+CHANGE OVER 2018

41.53% GROWTH

+41.53%

DEPOSITS

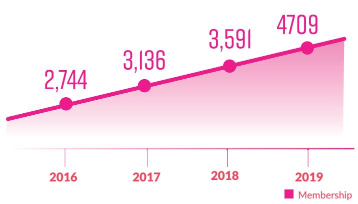


$12,598,328
+ CHANGE OVER 2018

30.44% GROWTH

+30.44%

ASSETS

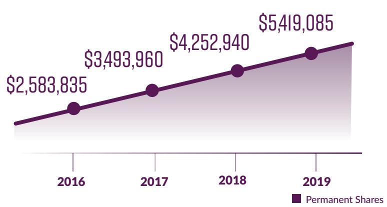


1118
+ CHANGE OVER 2018

31.13% GROWTH

+31.13%

MEMBERSHIP

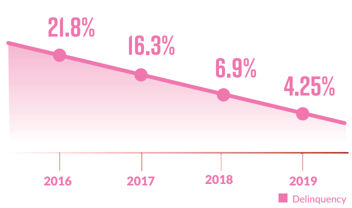


$1,166,145
+ CHANGE OVER 2018

27.42% GROWTH

+27.42%

PERMANENT SHARES



-2.65%
- CHANGE OVER 2018

-38.41% DECREASE

-38.41%

DELINQUENCY

EXPANSION AND GROWTH

In August of 2019, we opened our Credit Service Centre on New Street, Basseterre. This is an expansion of our credit service offering, bringing our services to a more centralized location to members. We expanded our service offering by adding a depository service to the main branch in St. Kitts, complimenting the service that already existed in our Nevis Branch.

CORPORATE AND SOCIAL RESPONSIBILITY

As part of our commitment to Corporate Social Responsibility we continue to identify opportunities to expand our reach into areas that affect the lives of the people we serve. fFirst Federal demonstrates leadership and commitment to the communities it serves through ongoing support to charitable, non-profit and community organizations throughout St. Kitts and Nevis. We fulfill this commitment through:

- **Youth engagement** - Presented to CFBC students on money matters, partnered with Get-One-Touch-One to provide school supplies and sponsored their Back-to-School drive, sponsorship of SDA Top Student Award and sponsorship of graduation ceremonies for several elementary schools and a monetary contribution to Nevis athletes to participate in a track meet overseas.
- **Social consciousness** – Organized Member Health Fair, participated and sponsored Nevis Island Administration Annual Walk for the Elderly,
- **Environmental awareness** – grow green initiative where we eliminated printing member statements and member transaction slip

MARKETING AND BRAND AWARENESS

First Federal Credit Union successfully undertook a marketing campaign to increase our brand positioning. Some of our key initiatives include:

- Website Redesign
- A transformed social media presence
- A high impact island-wide traditional billboard campaign
- St. Kitts Nevis National Carnival branding blitz
- National Direct Mailer Campaign

The campaign has achieved its intended results, in so far as brand awarenss and public knowledge of services offered are concerned.

STAFF TRAINING

TRAINING	FACILITATED BY	ATTENDEES	DATE HELD
PROFESSIONAL DEVELOPMENT WORKSHOP	THE ROTARY CLUB OF LIAMUIGA	MRS. LYN ROGERS-BASS MRS. SONJA FYFIELD HAZEL MRS. DAWN HEYLIGER MS. IDONA BROWNE MR. SHANWA BROADBELT	27TH & 28TH FEBRUARY 2019
2019 AML/CFT CONFERENCE (NEVIS BRANCH)	FSRC NEVIS BRANCH	MRS. LYN ROGERS-BASS MRS. CERENE ESDAILLE-HENRY	11TH - 12TH MARCH 2019
CARIBDE 34	CARIBDE	MR. CYPRIAN WILLIAMS	17TH - 23RD MARCH 2019
MANAGEMENT RETREAT- REBRANDING EXERCISE	SEN CONSULTING	ALL MANAGERS	3RD JUNE 2019
2019 OECS CREDIT UNION SUMMIT **THEME:** "EMPOWERING CREDIT UNIONS FOR THE FUTURE"	ST. LUCIA CREDIT UNION LEAGUE	DIRECTOR DAWNE WILLIAMS MR. TERRENCE CROSSMAN	5TH - 8TH JUNE 2019
2019 AML/CFT CONFERENCE (ST. KITTS BRANCH)	FSRC ST. KITTS BRANCH	MRS. LYNN ROGERS-BASS MRS. CERENE ESDAILLE-HENRY	3RD JULY 2019
THEME: UNDERSTANDING THE FINANCIAL SUPPLY CHAIN OF FUNDING TERRORISM AND THE BRAVE NEW WORLD OF RISKS ASSESSMENTS		MRS. SHERYL EVANS	
"IMPLICATIONS AND EFFECTS OF THE REBRANDING PROCESS ON THE ORGANIZATION"	MR. CURTIS MARTIN	ALL STAFF	25TH JULY 2019
SHARETEC CONFERENCE	SHARETEC	MR. TERRENCE CROSSMAN	15TH - 21ST SEPTEMBER 2019
DEMO OF TECHNOSOFT IFRS 9 & RISK BASED LENDING SOLUTIONS THEME: MAINTAINING THE PRINCIPLES OF SAFETY AND SOUNDNESS IN THE ERA OF IFRS 9: A TECHNOLOGICAL SOLUTION	TECHNOSOFT IN COLLABORATION WITH CARIBDE AND THE JAMAICA LEAGUE AND THE SKNNCL	MRS. CHANELLE MYERS MRS. SONJA FYFIELD HAZEL MRS. DAWN HEYLIGER MRS. CERENE ESDAILLE-HENRY MR. TERRENCE CROSSMAN	23RD SEPTEMBER 2019
WRITING IT RIGHT WORKSHOP	TRAINING ASSETS - MRS. DELCIA BRADLEY-KING	MR. SHANWA BROADBELT MRS. SHERYL EVANS MRS. CERENE ESDAILLE-HENRY MR. TERRENCE CROSSMAN	MARCH TO OCTOBER 2019
UNDERSTANDING FINANCIAL STATEMENTS	UWI OC ST. KITTS CAMPUS	MRS. CHANELLE MYERS	23RD OCTOBER 2019
LEADERSHIP CHANGE SESSION	MAIN OFFICE BLADEN	ALL MANAGERS	11TH NOVEMBER 2019
BECOMING A RICH BRANCH AMBASSADOR	CREOLE RESTAURANT, FRIGATE BAY	NON-MANAGEMENT STAFF	14TH NOVEMBER 2019
IMMERSION LEARNING EXCHANGE	WOCCU	MR. TERRENCE CROSSMAN MRS. SONJA FYFILED HAZEL MRS. CERENE ESDAILLE-HENRY	17TH - 23RD NOVEMBER 2019
CARIBDE 36	CARIBDE	MS. SHONICA WILLETT	17TH - 23RD NOVEMBER 2019

LOOKING AHEAD

The 2020-2023 strategic plan, is a blueprint for continued growth and success for First Federal. In 2020 we will be rolling out our ATM service and introducing debit and credit cards. This service which has been demanded by members will provide a platform for accessing financial services both locally and internationally.

We, as a Board, are committed to continuing to listen to our members, to building stronger relationships and to developing a level of trust that will continuously strengthen our organisation.

RECENT DEVELOPMENTS

Subsequent to the financial year ended December 31st, 2019, the world has become enveloped in the Covid-19 (Coronavirus) pandemic, which has drastically impacted the global economy. This has caused the cessation of international travel with particularly a high impact on the local hospitality sector which is a key pillar of the local economy. The Board, Management and Staff has made necessary arrangements to ensure the safety of the employees and the members while protecting the regular operations, services and resources of your credit union. Focus will be maintained on present challenges while preparing for all resulting effects on business operations and hopeful for gradual economic recovery over the coming years.

APPRECIATION

The Board appreciates the support and involvement of the members and the quality service of management and staff and expresses wishes for health to all in these challenging times.

TREASURER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

OVERVIEW
The Treasurer's report for the Fiscal year ended on December 31, 2019 highlights the key **Financial Performance Indicators** as detailed in the **Statement of Financial Position** and **Statement of Comprehensive Income.**

BALANCE AT 31 DECEMBER 2018	41,393,008
OPERATING EXPENSES	3,940,436
OPERATING INCOME	4,483,637
LOAN LOSS EXPENSE/ PROVISION FOR LOAN IMPAIRMENT	252,075
NET INCOME	543,201
BALANCE AT 31 DECEMBER 2019	53,991,336

ASSETS
Total assets increased by 30% from $41,393,008 to $53,991,336. This compares favorably with the 32% increase in 2018 over 2017.

The increase in cash and cash equivalents of $1,672,001 from $3,658,088 to $5,330,089 is due mainly to an increase in both savings and investment accounts.

LOANS
At 31 December 2019 the loan portfolio had grown by 52% moving from $27,892,167 to $42,323,124 compared with the 2018 position where the loan portfolio had grown moderately by 18%.

More specifically, total loans written increased by 96% with a total loan portfolio value of $ 31,450,899 at the end of 2019 compared with $16,064,168 as at December 2018

There has been a deliberate attempt to improve the quality of the underwriting of the loans. As a direct result there was a reduction in delinquency from 6.9% in 2018 to 4.25% at the end of 2019.

DEPOSITS
Total deposits increased by 41% moving from $26,502,757 to $37,508,051 during the last fiscal year.

LIABILITIES
Total Liabilities increased by XCD11,198,225. This correlates with the increase in Members' Deposits of $11,005,294 or 41% from $26,502,757 to $37,508,051 and is a good indication of the confidence placed in First Federal.

SHARES
Permanent shares grew by 27% from 4,252,940 to 5,419,085 in value from December 2018 to 2019

EQUITY
Total Member's Equity, which is the sum of Share Capital, Statutory Reserve, Special Reserve, Capital Grants and Retained Earnings, increased by $1,400,103 or 10%.

INCOME
Total Income increased by 16% over 2018, which is a slight reduction compared to 18% the previous year. Actual dollar values are 4,483,637 vs 3,844,132. Interest Income from loans increased by 21% or $732,071.

EXPENSES
Total Expenses increased by $601,075 or 18% over 2018. The increase was due mainly to the aggressive provisioning for impaired loans, in compliance with IFRS9, opening a new downtown Basseterre location and advertising and promotional costs mainly driven by marketing and rebranding campaigns.

MEMBERSHIP
Membership increased 31%, moving from 3,591 at the end of 2018 to 4,715 by 31 December 2019.

CONCLUSION
Despite the challenges your credit union achieved a net income of XCD 543,201 dollars.

We continue in our efforts to responsibly grow the loans portfolio. More deliberate efforts are being made to ensure risk minimization and responsible loans portfolio growth.

Various indicators suggest that the new fiscal period will be an overall positive one with the full impact of the rebranding and new marketing initiatives of First Federal being realized.

Signed

....

Director Glenn A Quinlan
Treasurer

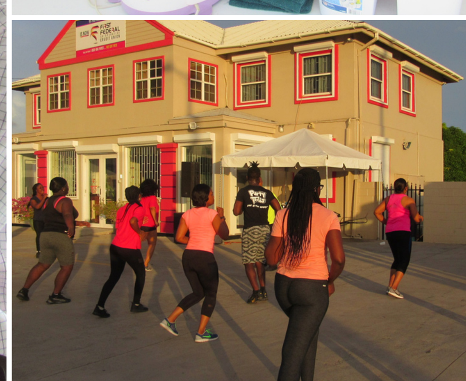

Ham
YES
ST. KITTS & NEVIS
EST. 1624
WEST INDIES
Ham
YES
YES
GOOD TO GO


NEED A LOAN?
GET UP TO $15,000 TODAY.


DIEBOLD


FIRST FEDERAL CO-OPERATIVE CREDIT UNION LTD
003
001
011
014
013


Turkey





FIRST
FEDERAL
CO-OPERATIVE
CREDIT UNION LTD.
CREDIT SERVICES CENTRE
Opening Hours
8:00 am to 5:00 pm









FIRST FEDERAL
CO-OPERATIVE CREDIT UNION LTD.
LUXE
CARNIVAL
ROCKATUMBA
MACK

CREDIT COMMITTEE REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

The Credit Committee is delighted to have served the membership of the First Federal Co-operative Credit Union Limited during the financial year 2019 and is pleased to present the annual report. In this report, we highlight the Credit Committee's mandate, provide a brief overview of the loan portfolio and disbursement activities, and describe how the institution effectively manages delinquency.

COMPOSITION OF THE COMMITTEE FOR 2019

During the review period, these persons served in the following capacities:

JANUARY -AUGUST	POSITION
MR. CREMOY AGARD	CHAIRMAN
MS. CAMILIA WILLIAMS	SECRETARY
MR. CYPRIAN WILLIAMS	ASSISTANT SECRETARY
MR. DENRICK CONNOR	MEMBER
MS. AMOY HEYLIGER	MEMBER
MR. OSBERT DESOUZA	MEMBER (RETIRED)
MR. SEAN LAWRENCE	MEMBER (RETIRED)
AUGUST - DECEMBER	**POSITION**
MS. AMOY HEYLIGER	CHAIRMAN
MS. LORNETTE QUEELEY	SECRETARY
MR. CYPRIAN WILLIAMS	ASSISTANT SECRETARY
MS. CAMILIA WILLIAMS	MEMBER
MR. DENRICK CONNOR	MEMBER
MR. SHAWN WILLIAMS	MEMBER
MR. CREMOY AGARD	MEMBER (RETIRING)

MAIN DUTIES OF THE CREDIT COMMITTEE

Pursuant to Section 16 of the By-Laws, the Committee is required to meet as often as possible to satisfy the following obligations:

1. Consider all applications for loans, make recommendations when necessary to the Board in respect of the applications and shall, subject to the authorization of the Board, approve loans to members upon such terms and conditions as specified by the Board. By way of resolution, the Board delegated power to the CEO to approve loans up to and including EC$100,000 and loans with Total Debt Service Ratio (TDSR) up to and including 50 percent. Applications that fall out of the remit of Management between EC $100,000.00 to EC $250,000.00 and TDSR higher than fifty percent (50%) must be forwarded to the Committee;

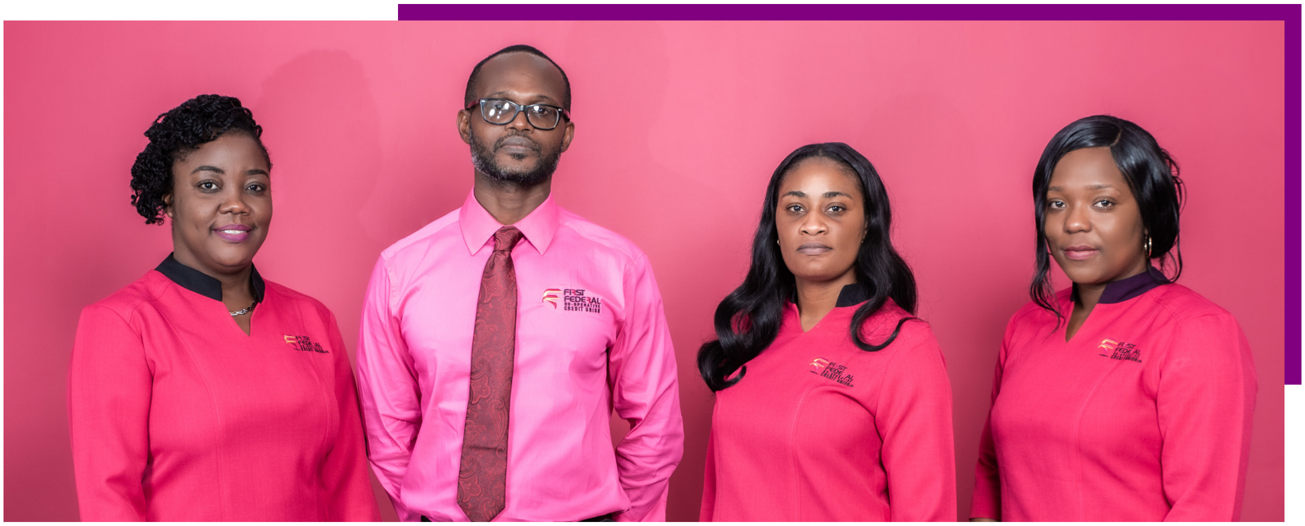
2. Carefully inquire into the character, financial condition and sureties of each applicant to ascertain the ability of the member to repay fully and promptly any obligation incurred; and

3. Determine whether the loan sought is for a provident or productive purpose and will it be of profitable benefit to the applicant.

Between August 2019 and December 2019, the Credit Committee held 11 meetings, 10 of which took place in St. Kitts and 1 in Nevis. The main agenda items for these meetings included the ratification of loan files, reviewing of delinquency reports and approving of members' loans. Table 1 summarizes the committee members' attendance to meetings.

Table 1: Attendance performance for the period August 2019 to December 2019.

MEMBER	ATTENDANCE	PERCENTAGE
MS. AMOY HEYLIGER	11/11	100%
MR. CREMOY AGARD	11/11	100%
MR. SHAWN WILLIAMS	10/11	91%
MS. LORNETTE QUEELEY	9/11	82%
MS. CAMILIA WILLIAMS	8/11	73%
MR. CYPRIAN WILLIAMS	7/11	64%
MR. DENRICK CONNOR	7/11	64%

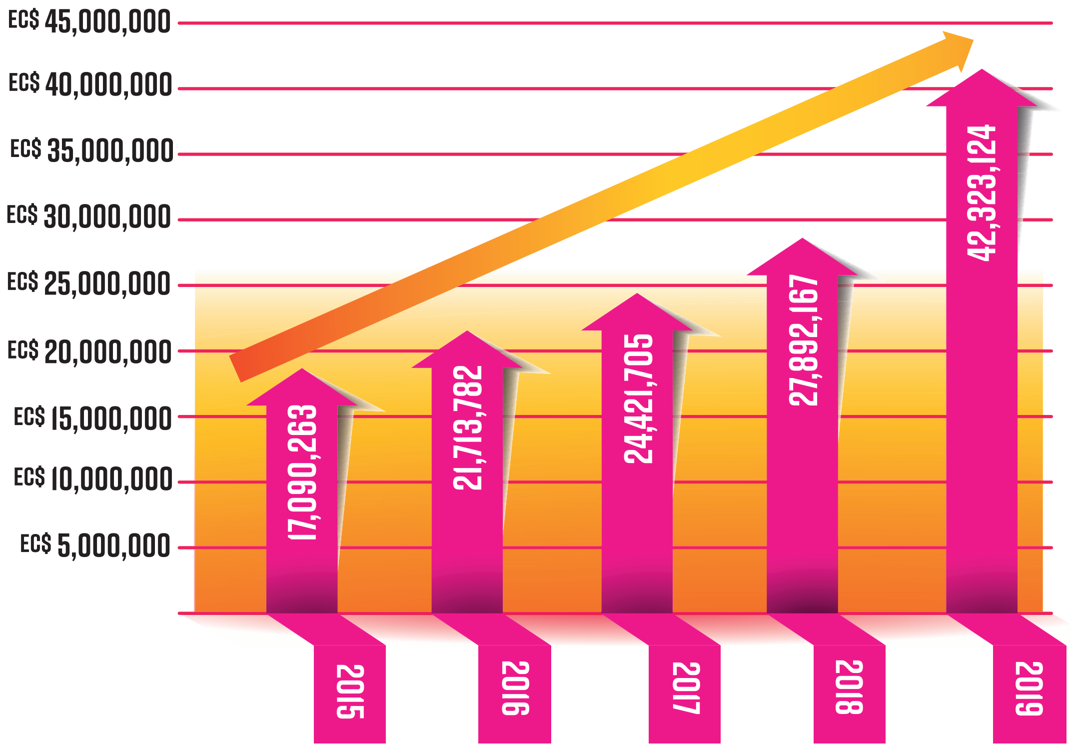


OVERVIEW OF LOANS PORTFOLIO

The Credit Committee applauds the improved performance of the loan portfolio and attributes it to the following factors:

a) members' confidence in the institution;
b) competitiveness of the products and services offered;
c) Renewed focus on key drivers; and
d) Focused attention to members' needs

5 YEAR LOAN PORTFOLIO



CREDIT COMMITTEE REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

The successful rebranding of FND Enterprise Co-operative Credit Union Limited in mid-2019 to First Federal Co-operative Credit Union Limited (FFCCU) has benefitted the organization tremendously. The change has allowed the organization to stay current and connect with a more diverse target group as evidenced by the increase in new and younger members over the review period. The rebranding coupled with the unveiling of new and innovative products quickly trended on social media. As a result of effective marketing, growth in the loan portfolio amounted to 53.9 percent over the performance of 2018. For the review period, 1,254 new loans were added to the portfolio valued at EC$31,450,899.34.

LOANS APPROVAL AND DISBURSEMENT

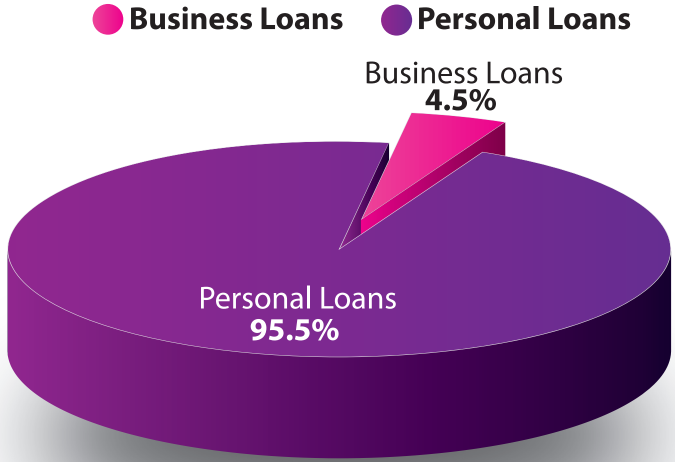
Lending increased significantly over the review period as shown in Table 2. As noted previously, the First Federal approved 1,254 new loans in 2019; an increase of 558 (124.7%) over the comparable period of 2018. The value of the loans disbursed during 2019 stood at $31,450,899, a marked improvement of $15,376,731 (95.7 %) in comparison to the $16,074,168 recorded for 2018.

Table 2: Growth rate for loan portfolio and new loans

YEAR	2015	2016	2017	2018	2019
PORTFOLIO VALUE	17,090,263	21,713,782	24,451,705	27,892,167	42,323,124
GROWTH RATE	17.6%	27.1%	12.6%	14.1%	51.74%
NEW LOANS	9,493,965	14,066,091	13,459,034	16,074,168	31,450,899
GROWTH RATE	12.1%	48.2%	-4.3%	19.4%	95.7%

Disbursed loans are subdivided into 2 categories by purpose; Personal and Business. During 2019, the number of Personal loans disbursed accounted for 95.5 % of 2019's total loans. Similarly, of all loans disbursed, personal loans account for 88.9%. Personal loans disbursed over the period amounted to $27,955,324, recording a positive variance of $15,537,749 (125.1 % relative to 2018’s performance.

TOTAL LOANS DISBURSED



The robust performance was largely evidenced in the following sub-categories:

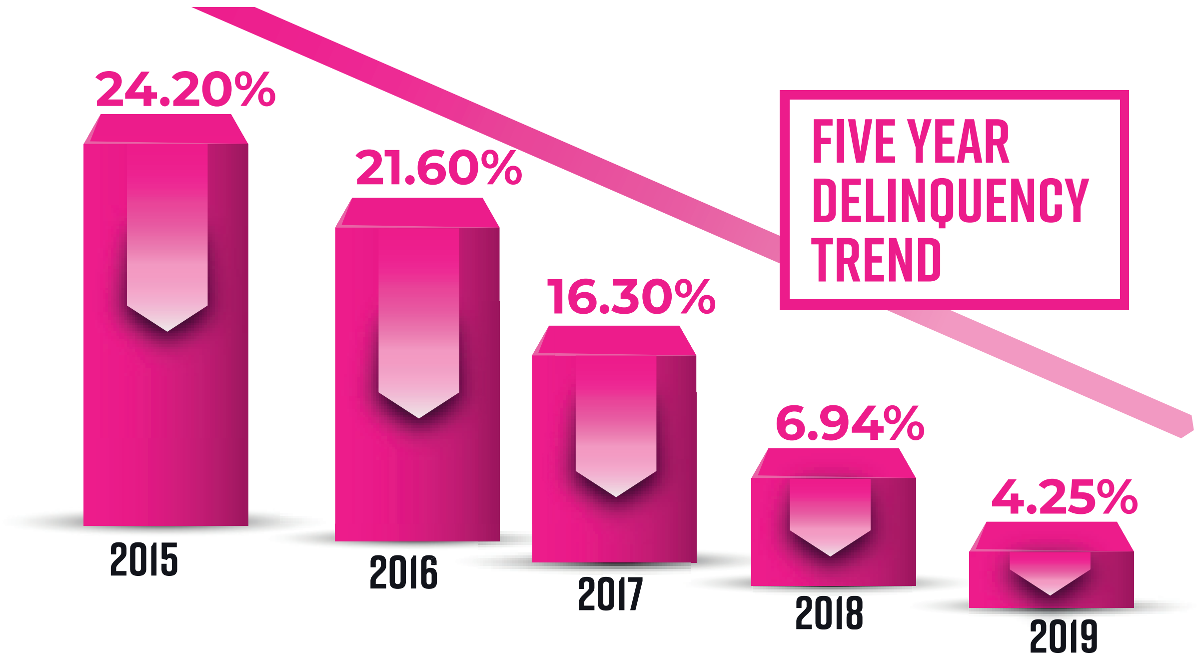
- Debt Consolidation;
- Home Renovation;
- Shopping; and
- Miscellaneous Expenses.

Loans categorized as Miscellaneous Expenses increased from 145 in 2018 to 418 in the year under review. Loans disbursed in 2019 totaled $7,105,587 compared favourably to the amount, $3,097,323 disbursed in 2018. The upsurge in activity was directly related to the introduction of new loan products. The opening of the Credit Service Centre in downtown Basseterre, contributed to the expansion of the loan portfolio by creating a more readily accessible location to serve our members.

The demand for business loans generally remained flat. The total number of Business Loans disbursed in 2019 was 57 compared to 51 in the previous year. While there was a nominal increase in the number of loans disbursed over 2018, the dollar value decreased by $161,024 (4.6 %) from $3,656,597 to $3,495,573.00 The decline in demand for business loans can be attributed to the prevalence of competing products that generally carry a lower rate of interest and more flexible terms. . Business loans were disbursed in the following categories:

- Business Inventory;
- Business Cleaning Services; and
- Business Taxi/Tourism

DELINQUENCY MANAGEMENT



The Credit Committee continues to exercise oversight responsibility especially in the area of non-performing loans. We are happy to report that for the first time in the history of the organization the delinquency rate fell below the PEARLS standard of 5%, at 4.25%. This performance can be attributed to a concerted effort made to improve our underwriting, coupled with sustained collection efforts.

ACKNOWLEDGEMENTS

The Credit Committee expresses thanks to the Members for placing their confidence in us and to the Board of Directors, Supervisory Committee, CEO, Management and Staff for their unwavering cooperation and assistance extended throughout 2019. We look forward to our continued service to you.

ANNEXES

PERSONAL LOANS DISBURSED BY PURPOSE

PURPOSE	2019		2018		2017		2016	
	NO.	VALUE	NO.	VALUE	NO.	VALUE	NO.	VALUE
DEBT CONSOLIDATION	171	5,064,609	70	2,307,340	257	5,278,942	161	3,824,190
EDUCATION	-	21731,977	10	302,576	12	299,083	14	203,701
FUNERAL EXPENSES	7	102,730	-	-	1	20,000	1	14,000
HOUSE & LAND PURCHASE	7	506,615	4	240,500	5	350,050	10	758,800
PERSONAL HOUSEHOLD PURCHASES	-	-	-	-	13	178,000	16	247,379
HOME RENOVATIONS	67	1,351,209	29	798,108	29	869,356	42	1,126,938
LEGAL FEES	8	137,650	-	-	1	4,000	2	52,000
MEDICAL EXPENSES	33	477,047	13	275,386	13	338,654	23	400,818
MUSICAL EQUIPMENT	1	15,000	-	-	-	-	-	-
SHOPPING	155	2,268,109	61	1,019,465	68	1,075,833	44	534,572
SCHOOL SUPPLIES	9	95,553	-	-	-	-	-	-
TRAVEL/ VACATION	116	1,693,167	55	763,936	58	795,400	101	1,528,665
FREEDOM LOAN	27	1,0693,167						
VEHICLE PURCHASE	117	5,695,051	120	3,612,937	66	1,843,284	99	2,462,253
VEHICLE REPAIRS & MAINTENANCE	27	454,522	-	-	10	76,200	14	175,315
MORTGAGE	8	1,094,000	-	-	-	-	9	203,000
WEDDING EXPENSES	5	94,500	-	-	3	61,000	-	-
MISCELLANEOUS PERSONAL EXPENSES	418	7,105,587	145	3,097,323	19	153,395	24	345,967
TOTAL	1197	$27,955,324	507	$12,417,571	554	$11,379,352	561	11,877,598

BUSINESS LOANS DISBURSED BY PURPOSE

	2019		2018		2017		2016	
PURPOSE	NO.	VALUE	NO.	VALUE	NO.	VALUE	NO.	VALUE
AUTO MECHANIC	8	933,000	-	-	-	-	1	10,500
BUS	2	8,000	5	368,500	6	283,636	5	163,699
CONSTRUCTION	2	55,000	-	-	2	154,800	2	129,000
CLEANING SERVICES	3	215,000	2	289,035	1	45,000	1	25,000
ENTERTAINMENT	1	10,000	-	-	-	-	1	10,000
FARMING	3	145,000	-	-	5	99,345	3	31,000
FISHING	1	9,000	-	-	1	7,200	-	-
RESTAURANT/CATERING	7	432,450	-	-	9	162,818	5	94,544
RETAIL	-	-	-	-	8	132,227	8	456,000
SECURITY SERVICES	-	-	-	-	1	60,000	-	-
TAXI/TOURISM SERVICES	-	-	5	264,000	1	8,000	-	-
MANUFACTURING	1	15,000	-	-	5	151,000	4	53,527
HEAVY EQUIPMENT	5	689,838	-	-	-	-	-	-
TRUCKING	1	187,000	7	903,829	5	452,220	12	657,223
VEHICLE RENTALS/LEASING	-	-	-	-	3	69,550	1	15,000
BUSINESS ADMIN	3	102,000	-	-	-	-	-	-
FINANCIAL SERVICES	-	-	-	-	4	77,886	1	450,000
LEGAL SERVICES	-	-	-	-	-	-	1	118,000
WASTE DISPOSAL	-	-	-	-	3	340,000	-	-
LANDSCAPING	-	-	-	-	2	36,000	-	-
INVENTORY	5	74,287	19	1,207,258	-	-	-	-
CAPITAL	15	620,000	6	224,660	-	-	-	-
OTHER/ MISCELLANEOUS	-	-	7	399,315	-	-	-	-
TOTALS	57	$3,495,575	51	$3,656,597	56	$2,079,682	45	$2,188,493

SUPERVISORY AND COMPLIANCE COMMITTEE REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019.

The Supervisory and Compliance Committee (SCC) under its mandate as set out in section 66 of the Co-operative Societies Act 2011, and in accordance with By-Law 17, sections 1-11, monitors all aspects of the Credit Union's activities. It is charged with the responsibility of ensuring that the Credit Union is prudently managed, and members' assets are safeguarded. This responsibility includes, but is not limited to the following:

- Examining the books and monitoring the management of the Union;
- Scrutinizing and appraising the policies and operating procedures;
- Confirming cash instruments, property and securities of the Society;
- Confirming the shares, deposits and other balances or holdings of members;
- Liaising with internal and external auditors;
- Auditing the asset-liability management and liquidity of the Credit Union;
- Paying attention to the risk management of the Credit Union;
- Investigate complaints made by any member, which affect the proper management of the Credit Union;
- Attendance at Meetings of Volunteers Committees and Staff of the Credit Union
- Ensuring that all advances, loans, deposits, other transactions and other decisions involving Directors, Committee members and employees, are following the Act, Regulations, By-Laws and Policies of the Credit Union.

SUPERVISORY COMMITTEE'S STATUS

NAME	POSITION	TERM	YEARS REMAINING	YEAR RETIRING
MS. BRONTIE DUNCAN	CHAIRPERSON	1ST	0	2020
MRS. EVADNEY MORRIS LIBURD	MEMBER	1ST	0	2020
MRS. ESLYN SWANSTON	SECRETARY	1ST	1	2021
MR. LINCOLN CONNOR	MEMBER	1ST	1	2021
MR. CURTIS MARTIN	MEMBER	1ST	2	2022

Against the backdrop of the rapid transformation of the First Federal Co-operative Credit Union (FFCCU), which is evidenced in other parts of this 2019 AGM report, the Supervisory and Compliance Committee (SCC) in prosecution of its responsibilities, focused on the critical areas of administration, operations documentation, observance of staff operating culture, members feedback and communication. The guiding principle continues to be risks based allocation of its scarce time resource. Functionally, as well as team members' visits to all operations site offices, much reliance was placed on third parties' examinations and audits to provide technical data for the assessment of the credit union governance environment. During the period, the FFCCU experienced one full scope examination and a targeted loan operations spot check carried out by the Financial Services Regulatory Commission, and both interim and final audits by the external auditor.

The following is a representation of the tasks undertaken by the Committee: -

GOVERNANCE

EXAMINATIONS

During the first quarter of the 2019 financial year, the Registrar of Credit Unions and examiners from the Financial Services Regulatory Commission (FSRC) spent eleven days onsite at Headquarters. The FSRC undertook a targeted examination, based on the previous 18 months of operations ended 31 December 2018, to make a judgement on the safety and soundness of the FND, focusing on policies and procedures, and the adequacy of the credit union's compliance management system, to ensure conformity with the relevant sections of the Co-op Act and the AML/CFT regulations.

The report provided a useful analysis of the credit union's quality of risk management oversight of the operations. Six critical areas were assessed: operations management, compliance, internal independent audit, risk management, senior management and Board oversight. The credit union composite rating was moderate with two areas scoring deficiency and thus needing attention. Those areas were internal audit and board oversight.

The key area of concern for the SCC was the internal audit rating of deficiency, which concurs with our findings during the testing of activities carried out during the current year.

A further inspection of the credit union by the Registrar and examiners occurred in early December, when a spot check was made of the new downtown loan centre. The manager and staff were questioned on the loan policy and administration. The Registrar was satisfied that the branch was functioning effectively and no further action was stated.

THE INTERIM AUDIT

With the contracting of a new auditor, the SCC has been able to play a key part in the various stages of engagement and rely on this examination to partly fulfill aspects of review work. The interim audit covered the first nine months of the year and tested both the level of the control environment and adherence to policies and procedures. There were several instances where compliance with the relevant documentary approval checks were not being practiced. This indicted that operational risks had risen and needed to be addressed.

MEMBERS FEEDBACK

The SCC received two communications from a member (A) "FNDECCU PERFOMANCE -THE YEAR 2018" in July 2019 and (B) "FFCCU Results - September 2019" early December 2019. A thorough investigation was undertaken and feedback provided to the Member, the Board and the Chief Executive Office.

In respect of (A) Three (3) issues were raised as violations or bias action relative to the following sections of the Co-operative Act.

- 2018 Audited Accounts: $6.6M Investments Securities, significantly violated- <u>S120. Investment of funds. (3) The investments referred to in subsection (2) (d), (e), (f), (g) and (i) shall not exceed in aggregate ten per cent of the unimpaired capital of a credit union.</u>

- If rumours prove accurate that the Board has been paying itself fees or stipend without prior approval of the AGM.

  <u>S94. Remuneration of directors. (4) The directors may be granted such honorarium as(a) may from time to time be approved prior to its payment, or the payment of any part thereof, by the members in a general meeting; and (b) does not exceed an amount recommended by the Board and approved by a general meeting of the members.</u>

- Composition of the Nominations Committee (1 director and 2 senior employees) appears to encourage preference for the election of friends and close associates, especially with low attendance and a passive participation.

<u>**ELECTIONS.** The following procedures shall apply to the conduct of elections in keeping with Sections 33-37, 50 and 69 of the Act and Regulation 12:</u>

(a) <u>Not less than thirty (30) days prior to each Annual General Meeting, the Board shall appoint a Nominating Committee of three (3) persons of which no more than one (1) may be a member of the existing Board.</u>

(b) <u>No member of the Nominating Committee shall nominate himself as a candidate for elections.</u>

(c) <u>The Nominating Committee shall present its report to the Annual General Meeting. The Nominating Committee shall propose one member for each vacancy to be filled.</u>

(d) <u>After the nominations have been placed before the members, the person conducting the elections shall call for nominations from the floor.</u>

The committee found that:-

i. Section 120 (3) was not violated, because the applicable securities defined in S120 (2) aggregated to less than the amount of the limit.

ii. Section 94(4) was not violated, there was no evidence in the records that honoraria payments to volunteers had been approved or occurred without due process.

Payments were found in past and current volunteer management member accounts, which were categorised as reimbursement of expenses. The only source of written evidence found was payment vouchers. However, verbal evidence obtained from both the past general manager and board volunteers, substantiated that at a past board of directors' meeting a resolution was passed for such payments to be made. The former general manager gave verbal evidence to the SCC that he was in attendance at the Board of Directors meeting when the decision was made and that it was duly stated in the minutes of that meeting. He further stated that it was in his tenure that he actioned the decision and made the first payments to the volunteer members' accounts.

The Act gives the credit union Board the power, and states that:

Nothing in S94 subsection (1) shall be regarded as prohibiting the reimbursement of expenses

(a) which are necessarily incurred by a director or committee member in the course of performing any service on behalf, or for the benefit, of the co-operative society; and

(b) which are approved by a majority of the directors voting at a meeting of the Board.

iii. The SCC reviewed evidence of the nomination process for the annual reporting periods 2014 to 2018, representing five ad hoc teams of 3 persons. The composition of the teams and their reports presented at the AGMs were in adherence to the conditions stated in the By-laws.
There was no evidence that the person conducting the elections at the AGM failed to call for nominations from the floor or to conduct the voting process in accordance with the Act and By-Laws.

In respect of (B) communication, the member invoked the Co-op Act section 22 (2): but requested that the credit union send the financials for September 2019.

That section gave right of access only by inspection at the society's main office.

22. Inspection and access to records. (2) Members of a co-operative society, their agents and their legal representatives may, during the normal business hours of the co-operative society, examine any of the records specified in section 21(2)(a) to (h) and the returns specified in section 147. 147. **Annual, monthly and special returns.**

The Board and the SCC dialogued on whether the member's request should be accommodated, and approved the CEO to fulfill the request using the medium of email.

The SCC is mindful that the outcome of that decision may increase the risk profile of the credit union should unauthorised persons received the data.

To improve the capacity of the SCC to undertake its mandate with respect to members' engagement, a First Federal Co-operative Credit Union email has been created for the purpose of direct communication between the committee and members. The email is not for members to use for official member services with the credit union. The administrator of the email is the Corporate Secretary.

Email:
FFCUSupervisoryCommittee@firstfederalcreditunion.com

COMMUNICATION

JOINT COMMITTEE MEETINGS

The Board of Directors, the Credit Committee, and the Supervisory & Compliance Committee met formally in three joint meetings during the period. Also, in attendance were the Chief Executive Office (CEO) and Management Staff. These meetings gave the staff and volunteers an opportunity to present interim work undertaken, challenges encountered and the chance to discuss issues facing the Co-operative internally and externally and to provide solutions and resolutions to problems. At each meeting, the CEO presented a comprehensive financial performance report inclusive of PEARLS ratios, liquidity management and challenges being dealt with into the next quarter. The meeting was also apprised of any operating concerns and adjustments to ongoing plans, such as budget variation. Each chairperson of the volunteer committees reported tasks undertaken, challenges encountered, resolutions and recommendations where applicable.

These forums allowed committee members to have a cohesive understanding of operational results to date and the ability to discuss and resolve internal control issues swiftly. The Supervisory and Compliance Committee (SCC) commends the various bodies for their commitment, attendance and avid participation in the meetings.

We have seen an improvement in the channel of communication among staff and volunteers, leading to the development of an interactive, supportive culture. This forum provided vital ongoing training for attendees and reinforced that we are all essential parts in making the credit union work. The results presented underscored the tremendous amount of effort that had been expended in the transformation of the society. The Board of Directors has taken a policy decision to be responsible for scheduling four such meetings over the annual reporting period.

ATTENDANCE AT BOARD & CREDIT COMMITTEE MEETINGS AS OBSERVERS

(a) **Board of Directors:** Three members of the SCC attended one Board meeting in the last quarter of 2019. Our purpose there was to observe the format and procedures, and to listen attentively to discussions. The first section of the meeting focused on presentations by the CEO and Managers, followed by questions and discussions. Subsequent to these presentations, the Managers departed the meeting. The second part of the meeting was devoted to the balance of the formal business agenda.

(b) **Credit Committee:** The SCC was not able to attend any of the meetings of the Credit Committee. However, the SCC was in receipt of the minutes of the meeting and reviewed them. Unlike previous years, the Credit Committee made no request to have an audience with the SCC.

Going forward, we will make a concerted effort to observe more meetings of the Board of Directors and the Credit Committee.

A. COMPLIANCE FUNCTION

Keeping a timely review on the daily activities and transactions of the First Federal Co-operative Credit Union must be the aim of any effective compliance programme. Compliance must also keep pace with external forces and implied changes within the operating walls of the institution. The FFCCU has the presence of a single compliance officer to perform statutory functional compliance activities.

The Supervisory and Compliance Committee must by its mission, work closely with the officer. With the rapid growth of the organization over the period and especially in the last six months, our assessment is that the regulatory risk has heightened, but the staff complement dealing with that area has remained the same. Audit reports have shown weaknesses in the effectiveness of the oversight function. Additionally, the financial services sector is afflicted with

frequent changes of the regulatory requirements. The time has come for more resource to be provided to facilitate the proper functioning of the internal control mandate.

EMPLOYEE ENGAGEMENT

The leadership capabilities from the Board of Directors to Management must be commended on the policy direction and the daily operational workings of the society. However, the pace of change must be monitored so that employees remain engaged and avoid being burnt out at the expense of the achievements or expected gains. Therefore, proper manpower planning, performance plans, employee recognition scheme, and effective employee wellness programs must be continuously reviewed as means to alleviate human resource issues arising out of the growth culture of the First Federal Co-operative Credit Union.

CONCLUSION

The emergence and rapid transformation of the First Federal Co-operative Credit Union has seen its share of successes on many fronts. All positive attributes related to the bottom-line result were directly related and must be credited to the efforts of employees of the organization and their engagement with the wider membership during the period under review.

The Supervisory Committee presents the report to the Membership and states that to the best of its knowledge, the management and staff adhered to most of the policies and procedures outlined in the By-Laws No. 1 of 2009 and the Policy Manuals during the period of review.

The Committee gives the Membership its assurance that it will continue to work diligently to further the progress of our society and assist Management and Staff to maintain an adherence profile.

Brontie Duncan

Brontie A Duncan
Chairperson
Signed on behalf of the Team

CREDIT DEPARTMENT


LATOYA EDMEADE


DAWN HEYLIGER


SHIANE FRANCIS

MEMBER SERVICES

KASHEMA GUMBS

KARISTA DUNROD

SONJA FYFIELD-HAZEL

SARAFINA OSBORNE

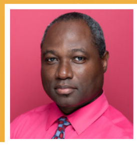
SHONICA WILLET

NEVIS BRANCH

ADMINISTRATION

SHERYL
EVANS

LYN
ROGERS-BASS



SHANWA
BROADBELT

JACQUELINE
HENVILLE

CREDIT SERVICES CENTRE

CERENE
ESDAILLE
HENRY

PATRICIA
FRANCIS

NOMINATING COMMITTEE REPORT

In accordance with the By-Laws of the First Federal Co-operative Credit Union (FFCCU) Article 12 Section 1(a) the Nominating Committee shall nominate one member for each vacancy. The Nominating Committee, approved by the Board of Directors, deliberated extensively, and considered suitable candidates to serve on the Board of Directors, Credit Committee and the Supervisory Committee.

The Nominating Committee comprised of the following persons:

1. Clyde Richardson - Chairperson
2. Terrence Crossman - Member
3. Sonja Fyfield-Hazel - Member

In its deliberation the committee ensured that all nominees are in good standing, meet the criteria as detailed in the by-laws and are willing and able to serve. In keeping with the Co-operatives Act, 2011- 31, the required due diligence was conducted.

The nominees will be presented to the membership for consideration at the institution's Annual General Meeting. Members can also nominate any suitable candidate of their choosing. The nomination process is outlined in the information provided in the Notice of Meeting.

The Nominating Committee is pleased to present for your consideration, the following persons, who were considered as eligible candidates to fill the vacant positions at this time. These persons have all indicated they are willing and able to serve the institution by utilizing their talents and experience and sacrificing their time to fulfil the mandate and direction of the Board of Directors, for the further development of FFCCU.

The Committee takes this opportunity to thank all retiring members who have served with distinction.

NAME	POSITION	TERM	YEARS REMAINING	YEAR RETIRING	NOMINEE
MR. HOWARD MCEACHRANE	PRESIDENT	1ST	1	2021	
MS. DAWNE WILLIAMS	VICE PRESIDENT	1ST	0	2020	UP FOR RE-ELECTION
MR. MICHAEL MARTIN	SECRETARY	1ST	2	2022	
MR. GLENN QUINLAN	TREASURER	1ST	0	2020	UP FOR RE-ELECTION
MR. CLYDE RICHARDSON	ASSISTANT SECRETARY	1ST	1	2021	
MR. FARON LAWRENCE	ASSISTANT TREASURER	1ST	2	2022	
MR. JAMIR CLAXTON	DIRECTOR	2ND	2	2022	
MR. TREVOR CORNELIUS	DIRECTOR	1ST	2	2022	
MR. SEAN LAWRENCE	DIRECTOR	1ST	2	2022	

NAME	POSITION	TERM	YEARS REMAINING	YEAR RETIRING	NOMINEE
MS. AMOY HEYLIGER	CHAIRPERSON	1ST	0	2020	UP FOR RE -ELECTION
MS. LORNETTE QUEELEY	SECRETARY	1ST	2	2022	
MR. CYPRIAN WILLIAMS	ASSISTANT SECRETARY (RETIRING)	2ND	1	2021	DORIS ARCHIBALD
MR. CREMOY AGARD	MEMBER (RETIRING)	2ND	0	2020	JOSH KELLY
MS. CAMILIA WILLIAMS	MEMBER	1ST	0	2020	UP FOR RE -ELECTION
MR. DENRICK CONNOR	MEMBER	2ND	1	2021	
MR. SHAWN WILLIAMS	MEMBER (RETIRING)	1ST	2	2022	THOMAS WILLIAMS JR. (PH.D)

NAME	POSITION	TERM	YEARS REMAINING	YEAR RETIRING	NOMINEE
MS. BRONTIE DUNCAN	CHAIRPERSON	1ST	0	2020	UP FOR RE-ELECTION
MRS. EVADNEY MORRIS LIBURD	SECRETARY	1ST	0	2020	LAVERNE CAINES
MR. CURTIS MARTIN	MEMBER	1ST	2	2022	
MR. LINCOLN CONNOR	MEMBER	1ST	1	2021	
MRS. ESLYN SWANSTON	MEMBER	1ST	1	2021	

BRIEF BIOGRAPHY OF NEW NOMINEES

CREDIT COMMITTEE

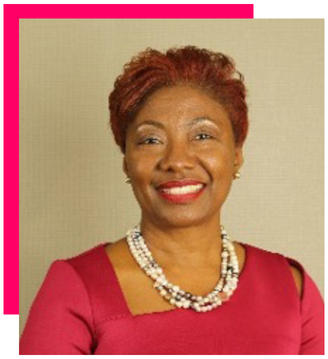
JOSH KELLY is an Economist in the Investment and Debt Management Unit at the Ministry of Finance, St. Kitts and serves as an adjunct Course Instructor for the University of the West Indies, Open Campus. Before joining the Ministry, Mr. Kelly enjoyed an extensive career in the private sector over an 11-year span. His commercial banking tenure exposed him to areas such as lending, retail, small business, commercial and compliance operations. In 2016, Mr. Kelly functioned as a Financial Analyst at the Ross University where he undertook tasks relating to budgeting, capital expense management and general financial analysis.

Other experiences included a stint at the Eastern Caribbean Central Bank as a Country Economist conducting country surveillance. He holds an MSc Financial and Business Economics and a BSc Economics and Management from the University of the West Indies, Barbados.

MR. THOMAS WILLIAMS JR. (PHD) is presently the Director of Marine Resources within the Ministry of Agriculture, Fisheries and Marine Resources. In his 10-year tenure as Director of Marine Resources, he has been successful in securing funding, managing, and overseeing the successful execution of projects aimed at promoting biodiversity, sustainable use, and conservation of marine resources in Saint Kitts and Nevis. Prior to becoming Director of Marine Resources, he worked as an Economist in the Ministry of Sustainable Development for two years and gained professional experience working for one year as a junior auditor at Pannell Kerr Foster. This professional experience is supported by an academic background in business and finance. He holds a Bachelor of Commerce in Finance, Economics and Accounting from St. Mary's University in Canada, a MBA in Financial Management from the City University of Seattle in the USA and a Doctorate of Business Administration from the William Howard Taft University in the USA.

MS. DORIS ARCHIBALD is the Vice President, Comptroller, and the Director of Government Relations at Jaro Electronics. Jaro Electronics is the largest exporter in the Federation and one of the major manufacturers of industrial motors and transformers in the region. At Jaro, Ms. Archibald is responsible for the entire operations which employs over 200 persons. She has over 35 years in key positions in the manufacturing sector including Custom Coils and SCHOTTs Caribbean. Ms. Archibald is the President Anglican Church Women's Association (ACWA).

SUPERVISORY COMMITTEE



MRS. LAVERNE CAINES is a renowned public relations and marketing professional. She has held key management and executive positions in several entities in St. Kitts and Nevis. These roles include, Director of Marketing at the C&C Group of Companies and Vice President Marketing and Corporate Communications at Cable & Wireless St. Kitts & Nevis Ltd. Mrs. Caines is a Rotarian, where she served as President of the Rotary Club of Liamuiga (St. Kitts) from 2009 to 2010. She holds a BSc (Hons) Tourism Management from the University of the West Indies. Mrs. Caines is a Certified Paralegal and Certified Professional Image Consultant.

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Financial Statements

December 31, 2019

(Expressed in Eastern Caribbean Dollars)

Table of Contents

	Pages
Independent Auditors' Report	1-3
Statement of Financial Position	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Changes in Members' Equity	6
Statement of Cash Flows	8
Notes to the Financial Statements	9-55

Tel: 268-462-8868
268-462-8869
268-462-8992
Fax: 268-462-8808

Cnr. Factory Road and Carnival Gardens
P.O. Box 3109
St. John's
Antigua

INDEPENDENT AUDITORS' REPORT

To the Members of
FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Opinion

We have audited the financial statements of First Federal Co-operative Credit Union Limited ("the Credit Union"), which comprise the statement of financial position at December 31, 2019, the statements of profit or loss and other comprehensive income, changes in member's equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 32 - Subsequent Events, where management has described the impact the recent outbreak of the Coronavirus (Covid-19) has had on the Credit Union after the year ended indicating that an estimate of the financial effect on the Credit Union cannot be made at this point.

Other Matter

The financial statements of the Credit Union for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on July 1, 2019.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT *(cont'd)*

To the Members of
FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT*(cont'd)*

To the Members of
FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Auditors' Responsibilities for the Audit of the Financial Statements *(cont'd)*

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO

Chartered Accountants
August 17, 2020

Antigua and Barbuda

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Statement of Financial Position

December 31, 2019

(expressed in Eastern Caribbean dollars)

	Notes		2019	2018
Assets				
Cash and cash equivalents	9	$	5,330,089	3,658,088
Loans	10		42,323,124	27,892,167
Investment securities	11		2,509,774	6,611,470
Other assets	12		205,884	211,425
Property and equipment	13		3,212,402	2,604,365
Intangible assets	14		410,063	415,493
Total Assets		$	53,991,336	41,393,008
Liabilities and Members' Equity				
Liabilities				
Members' deposits	15	$	37,508,051	26,502,757
Other liabilities	16		546,785	353,854
Total Liabilities			38,054,836	26,856,611
Members' Equity				
Share capital	17		5,419,085	4,252,940
Statutory and development funds	18		3,220,712	3,220,712
Other reserves	19		2,365,461	2,354,801
Capital-based grant	20		107,257	119,531
Retained earnings			4,823,985	4,588,413
Total Members' Equity			15,936,500	14,536,397
Total Liabilities and Members' Equity		$	53,991,336	41,393,008

Approved for issue by the Board of Directors and signed on its behalf by:

President .... **Treasurer** ....

The notes on pages 52 to 99 are an integral port of these financial statements.

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Statement of Comprehensive Income

Year ended December 31, 2019

(expressed in Eastern Caribbean dollars)

	Notes		2019	2018
Interest income from loans		$	4,239,746	3,507,675
Other interest income	21		233,045	187,749
Interest expense	22		(734,379)	(537,064)
Net interest income			3,738,412	3,158,360
Other income	23		745,225	685,772
Operating income			4,483,637	3,844,132
Operating expenses				
Staff costs	24		1,726,527	1,353,494
General and administrative expenses	25		1,215,743	959,820
Depreciation and amortisation	26		383,224	133,051
Finance costs			45,500	26,497
Marketing and promotion expenses	27		317,367	120,851
Provision for loan impairment	10		252,075	745,648
Total operating expenses			3,940,436	3,339,361
Net income for the year			543,201	504,771
Other comprehensive income				
Fair value gain on financial assets at FVOCI			-	-
Total comprehensive income for the year		$	543,201	504,771

The notes on pages 52 to 99 are an integral port of these financial statements.

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Statement of Changes in Member's Equity

Year ended December 31, 2019

(expressed in Eastern Caribbean dollars)

	Notes	Share Capital	Statutory Reserve & Development Funds	Other reserves	Capital Based Grants	Retained Earnings	Total
Balance at December 31, 2017		$ 3,493,960	3,220,712	1,225,025	131,805	4,056,451	12,127,953
Effect of change in accounting policy - IFRS 9		-	-	-	-	257,957	257,957
Balance at January 1, 2018		3,220,712	1,225,025	131,805	131,805	4,314,408	12,385,910
Transactions with members							
Shares issued during the year	17	758,980	-	-	-	-	758,980
Dividends paid	31	-	-	-	-	(226,268)	(226,268)
		758,980	-	-	-	(226,268)	532,712
Reserves and grants movements							
Transfer from Retained Earnings	18	-	4,498	-	-	(4,498)	-
Transfer from Statutory Reserve	18	-	(4,498)	4,498	-	-	-
Amortisation of capital grants	20	-	-	-	(12,274)	-	(12,274)
		-	-	4,498	(12,274)	(4,498)	(12,274)
Total Comprehensive income							
Net income for the year		-	-	-	-	504,771	504,771
Unrealised gain on property valuation	19	-	-	1,125,278	-	-	1,125,278
		-	-	1,125,278	-	504,771	1,630,049
Balance at December 31, 2018		4,252,940	3,220,712	2,354,801	119,531	4,588,413	14,536,397
Effect of change in accounting policy - IFRS 16		-	-	-	-	2,270	2,270
Restated balance at January 1, 2019		4,252,940	3,220,712	2,354,801	119,531	4,590,683	14,538,667

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Statement of Changes in Member's Equity *(cont'd)*

Year ended December 31, 2019

(expressed in Eastern Caribbean dollars)

	Notes	Share Capital	Statutory Reserve & Development Funds	Other reserves	Capital Based Grants	Retained Earnings	Total
Transactions with members							
Shares issued during the year	17	1,166,145	-	-	-	-	1,166,145
Dividends paid	31	-	-	-	-	(299,239)	(299,239)
		1,166,145	-	-	-	(299,239)	866,906
Reserves and grants movements							
Transfer from Retained Earnings	18	-	10,660	-	-	(10,660)	-
Transfer from Statutory Reserve	18	-	(10,660)	10,660	-	-	-
Amortization of capital grants	20	-	-	-	(12,274)	-	(12,274)
		-	-	10,660	(12,274)	(10,660)	(12,274)
Total comprehensive income							
Net income for the year			-	-	-	543,201	543,201
Unrealised gain on property valuation	19		-	-	-	-	-
		-	-	-	-	543,201	543,201
Balance at December 31, 2019	$	5,419,085	3,220,712	2,365,461	107,257	4,823,985	15,936,500

The notes on pages 52 to 99 are an integral port of these financial statements.

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Statement of Cash Flows

Year ended December 31, 2019

(expressed in Eastern Caribbean dollars)

	Notes		2019	2018
Cash flows from operating activities				
Net income for the year		$	543,201	504,771
Adjustments for:				
Items not affecting cash:				
Depreciation	13		305,567	116,451
Provision for loan impairment	10		252,075	745,648
Bad debts written off	10		-	(465,932)
Amortisation of intangibles	14		89,932	28,874
Amortisation of capital-based grants	20		(12,274)	(12,274)
Interest expense			734,379	537,064
Interest income			(4,443,937)	(3,584,318)
Loss on disposal of property, plant and equipment			-	5,390
Operating loss before changes in working capital			(2,531,057)	(2,124,326)
Change in loans			(14,586,215)	(5,023,872)
Change in other assets			5,541	(30,343)
Change in members' deposits			10,853,562	7,566,278
Change in accounts and other liabilities			105,409	(39,217)
Cash (used in)/generated from operations			(6,125,760)	348,520
Interest received on loans			4,142,929	4,259,423
Interest paid			(582,647)	(554,294)
Net cash (used in)/generated from operating activities			(2,592,478)	4,053,649
Cash flows from investing activities				
Interest received on investments			207,862	188,971
Purchase of property and equipment	13		(823,812)	(832,697)
Purchase of computer software	14		(84,502)	(444,360)
Purchase of investment securities			(65,000)	(5,273,071)
Proceeds from sale of investment securities			4,163,025	-
Net cash provided by/(used in) investing activities			3,397,573	(6,361,157)
Cash flows from financing activities				
Proceeds from issuance of shares			1,166,145	758,980
Dividends paid			(299,239)	(226,268)
Net cash provided by financing activities			866,906	532,712
Increase/(decrease) in cash and cash equivalents			1,672,001	(1,774,796)
Cash and cash equivalents, beginning of year			3,658,088	5,432,884
Cash and cash equivalents, end of year		$	5,330,089	3,658,088
Represented by				
Cash and cash equivalents		$	5,330,089	3,658,088

The notes on pages 52 to 99 are an integral port of these financial statements.

(Expressed in Eastern Caribbean Dollars)

1. **Nature of operations**

The principal activity of the First Federal Co-operative Credit Union Limited (the "Credit Union") is to safeguard, uphold and represent the best interest of all of its members, especially in financial matters, and to undertake all other acts and devices as are incidental or conductive to or consequential upon the attainment of its objectives.

2. **General information and statement of compliance with IFRS**

On July 20, 2009, the Credit Union was registered under the name FND Enterprises Co-operative Credit Union Limited under and in accordance with the provisions of Section 241 of the Co-operative Societies Act of 1995 of St Christopher and Nevis. Its birth was consequent upon the passage of a resolution on 24 June 2010 by the then Foundation for National Development, that resolved to transfer its assets and liabilities to a credit union to be named FND Enterprise Co-operative Credit Union Limited. The Credit Union began operations effective August 1, 2009.

In 2011, the Co-operative Societies Act, No. 31 of 2011 came into effect, replacing the Co-operative Societies Act, 1995. The Credit Union was automatically re-registered on October 17, 2011 under the new Act.

On July 2019, the Credit Union was re-registered under the name First Federal Co-operative Credit Union Limited under and in accordance with the provisions of the Cooperative Societies Ordinance No. 20 of 1956 and (amendment) Ordinance No. 19 of 1957 and the statutory rules and Order No. 32 of 1968.

The Credit Union's registered office is located at Bladen Commercial Development, Basseterre, St. Kitts. It conducts business at Bladen Commercial Development, Basseterre, St Kitts and Chapel Street, Charlestown, Nevis.

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

3. **Basis of Preparation**

(a) **Statement of Compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standard Board (IASB). These financial statements were approved by the Board of Directors on August 17, 2020.

(b) **Going concern**

These financial statements have been prepared on the going concern basis, which assumes that the Credit Union will continue in operation for the foreseeable future. They do not purport to give effect to adjustments, if any, that may be necessary should the Credit Union be unable to realise its assets and discharge its liabilities in other than the ordinary course of business.

3. **Basis of Preparation** *(cont'd)*

(c) **Adoption of New or Revised Standards, Amendments to Standards and Interpretations**

The Credit Union has adopted the following amendments to standards and new interpretations effective from January 1, 2019. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Credit Union's separate financial statements.

- IFRS 16, *Leases, effective January 1, 2019,* replaces *IAS 17,* this new standard eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17, lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

  IFRS 16 Transition Method
  The Credit Union adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (January 1, 2019) without restatement of comparative figures. The Credit Union elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFSR 16 was applied only to contracts entered into or changed on or after January 1, 2019.

  IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Credit Union applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

  a) Apply a single discount rare to a portfolio of leases with reasonably similar characteristics;

  b) Exclude initial direct cost from measurement of right-to-use assets at the date of initial application for the leases where the right-to-use asset was determined as if IFRS 16 had been applied since the commencement date;

  c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial applications; and

  d) Apply the exemptions not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial applications.

3. Basis of Preparation *(cont'd)*

(c) Adoption of New or Revised Standards, Amendments to Standards and Interpretations (cont'd)

<u>IFRS 16 Transition Method (cont'd)</u>
As a lessee, the Credit Union previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risk and rewards of ownership. Under IFRS 16, the Credit Union recognised right-of-use assets and lease liabilities for most leases. However, the Credit Union has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of twelve (12) months or less.

On adoptions of IFRS 16, the Credit Union recognised right of use assets and lease liabilities as follows.

<table>
<tr><th>Classifications under IAS 17</th><th>Right -of-use assets</th><th>Lease liabilities</th></tr>
<tr><td>Operating leases that meet the definition of investment property in IAS 40 – Investment Property</td><td>Fair value as at January 1, 2019.</td><td rowspan="2">Measured at the present value of the remaining lease payments, discounted using the Credit Union's incremental borrowing rate as at January 1, 2019. The Credit Union's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was ten (10%) percent.</td></tr>
<tr><td>All other operating Leases</td><td>Office space: Right-of-use asses are measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments.

All other: the carrying value that would have resulted from IFRS 16 being applied from the commencement date of the leases, subject to the practical expedients noted above.</td></tr>
<tr><td>Finance Leases</td><td colspan="2">Measured based on the carrying values for the lease assets and liabilities immediately before the date of initial applications (i.e. carrying values brought forward, unadjusted).</td></tr>
</table>

(Expressed in Eastern Caribbean Dollars)

3. Basis of Preparation *(cont'd)*

(c) Adoption of New or Revised Standards, Amendments to Standards and Interpretations (cont'd)

IFRS 16

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at January 1, 2019:

		IAS 17 Carrying Amounts as at December 31, 2018	Impact of adopting IFRS 16	IFRS 16 Carrying Amount as at January 1, 2019
Assets				
Property and Equipment:				
Right-of-Use Asset	$	-	89,792	89,792
Liabilities				
Other liabilities				
Operating Lease liability		353,854	87,522	441,376
Members' Equity				
Retained Earnings		4,588,413	2,270	4,590,683

- *Amendments to IFRS 9: Prepayment Features with Negative Compensation*. Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the 'SPPI' criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. Where the prepayment is made at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instruments, the Credit Union assesses the specific contractual cash flows for the relevant debt instruments in order to determine whether they meet the SPPI criterion. These amendments had no impact on the financial statements of the Credit Union.

3. Basis of Preparation *(cont'd)*

(c) Adoption of New or Revised Standards, Amendments to Standards and Interpretations (cont'd)

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the Credit Union's financial statements. The new and amended standards and interpretations are effective for annual periods beginning on or after January 1, 2019, unless otherwise stated.

- *IFRIC 23 Clarification of uncertainty in tax accounting*. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, where there is uncertainty over income tax treatments under IAS 12. An entity is required to reassess its judgements and estimates if facts and circumstances change. The requirements are applied by recognising the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the entity first applies them without adjusting comparatives information.

- Improvements to IFRS 2015-2017 cycle, contain amendments to certain standards and interpretations. Below is the main amendment applicable to the Credit Union:

  IFRS 3, *Business combinations and IFRS11 Joint Arrangements*, the amendment clarify that when an entity obtains control of a business that is a joint operation, it premeasures previously held interests in that business. These changes also clarify that when an entity obtains control of a business that is a joint operation, the entity does not re-measure previously held interest in that business.

  IAS 23, *Borrowing Costs*, this amendment clarifies that if any specific borrowing remains outstanding after the related asset is ready for it intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

(d) **New Standards and interpretation of amendments to existing standards issued but not effective during the year**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Credit Union's financial statements are disclosed below. The Credit Union intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4). IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. This standard is not applicable to the Credit Union.

(Expressed in Eastern Caribbean Dollars)

3. Basis of Preparation *(cont'd)*

(d) **New Standards and interpretation of amendments to existing standards issued but not effective during the year** *(cont'd)*

Amendments to IFRS 3: Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Credit Union will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, '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 to the definition of material is not expected to have a significant impact on the Credit Union's financial statements.

4. **Summary of significant accounting policies**

4.1 **Overall considerations**

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

4.2 **Revenue recognition**

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

(i) *Interest income*
Interest income is recognised in profit or loss, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability.

The Credit Union's calculation of the effective interest rate includes all material fees received, transaction costs, discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

4. **Summary of significant accounting policies** *(cont'd)*

4.3 **Foreign currency translation**

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

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

4.4 **Leases (Policy applicable before January 1, 2019)**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on the straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Leases (Policy applicable after January 1, 2019)

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. The Credit Union recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The 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.

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

4. **Summary of significant accounting policies** *(cont'd)*

4.5 **Financial Instruments**

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

(a) Initial recognition and measurement of financial instruments

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

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

- If that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss.

- In all other cases, the difference between the fair value at initial recognition and the transaction price is deferred. After initial recognition, the recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

(b) Classification and subsequent measurement of financial assets

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

(i) the Credit Union's business model for managing the financial assets; and

(ii) the contractual cash flow characteristics of the financial asset.

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

Financial assets at amortised cost

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

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset.

(Expressed in Eastern Caribbean Dollars)

4. **Summary of significant accounting policies** *(cont'd)*

4.5 **Financial Instruments** *(cont'd)*

(b) Classification and subsequent measurement of financial assets (cont'd)

Financial assets at amortised cost (cont'd)
When calculating the effective interest rate, the estimates the expected cash flows by considering all the contractual terms of the financial instrument, but does not consider the expected credit losses.

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

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

Financial assets at fair value through other comprehensive income (FVTOCI)
A financial asset is measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss (FVTPL)
A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. The Credit union does not have any assets measured at FVTPL.

Reclassifications
If the business model under which the holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Credit Union's financial assets. During the current financial year and previous accounting period there were no changes in the business models under which the Credit Union holds financial assets and therefore no reclassifications were made.

Changes in contractual cash flows are considered under the accounting policy on *Modification of loans to members* in Note 4.5 (d) and *Derecognition of financial assets* in Note 4.5 (f).

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

a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

b) the time value of money; and

4. **Summary of significant accounting policies *(cont'd)***

4.5 **Financial Instruments** *(cont'd)*

(c) Impairment of Financial Assets (cont'd)

c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

- PD - The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

- EAD -The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- LGD -The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

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

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

4. **Summary of significant accounting policies *(cont'd)***

4.5 **Financial Instruments** *(cont'd)*

(c) Impairment of Financial Assets (cont'd)

- expected breaches of contract that may, for example, lead to covenant waivers or amendments, or interest payment holidays;
- existing or expected adverse changes in the regulatory, economic, or technological environment that significantly affect, or are expected to affect, the borrower's ability to meet its debt obligations;
- changes in the Credit Union's credit management approach in relation to the financial instrument (e.g. specific intervention with the borrower, more active or close monitoring of the instrument by the Credit Union);
- significant changes in the expected performance and behaviour of the borrower including changes in the payment status of borrowers in the (e.g. expected increase in delayed contractual payments); and
- past due information, including the rebuttable presumption of more than 30 days past due.

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

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

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

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

- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Credit Union if the holder of the commitment draws down the loan and the cash flows that the Credit Union expects to receive if the loan is drawn down; and

- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Credit Union expects to receive from the holder, the debtor or any other party.

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

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

(Expressed in Eastern Caribbean Dollars)

4. **Summary of significant accounting policies *(cont'd)***

4.5 **Financial Instruments** *(cont'd)*

(c) Impairment of Financial Assets (cont'd)

Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

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

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

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

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

This definition of default is used by the Credit Union for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Credit Union considers both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

(Expressed in Eastern Caribbean Dollars)

4. **Summary of significant accounting policies *(cont'd)***

4.5 **Financial Instruments** *(cont'd)*

(c) Impairment of Financial Assets (cont'd)

The Credit Union uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired.

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

(d) Modification of loans to members

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

If the new terms are not substantially different the original loan is not derecognised. The Credit Union recalculates the gross carrying amount of the loan and recognises a modification gain or loss in the profit and loss. The gross carrying amount of the loan is recalculated as the present value of the renegotiated contractual cash flows discounted at the loan's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified loan and are amortised over the remaining term of the modified financial asset.

(e) Write offs

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

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

(Expressed in Eastern Caribbean Dollars)

4. **Summary of significant accounting policies** *(cont'd)*

4.5 **Financial Instruments** *(cont'd)*

(f) Derecognition of financial assets

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

(i) The Credit Union has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition;

(ii) The Credit Union is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and

(iii) The Credit Union has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients

(g) Forward looking information

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

- GDP growth
- Central Credit Union base rates

(h) Financial Liabilities:

Classification and subsequent measurement of financial liabilities

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost. Other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities. Other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

4. **Summary of significant accounting policies** *(cont'd)*

4.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with Credit Unions and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Credit Union in the management of its short-term commitments. Credit Union overdraft which is repayable on demand forms an integral part of the business and is included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash and cash equivalents are measured at amortised cost.

4.7 Property and equipment and depreciation

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

(b) *Subsequent measurement*

Land and building
After recognition, land and building whose fair value can be measured reliably are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluation is made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in members' equity under the heading of revaluation reserves (note 19). However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

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

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

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

4. **Summary of significant accounting policies** *(cont'd)*

4.7 **Property and equipment and depreciation** *(cont'd)*

(c) *Depreciation*

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

Building	40 years
Motor Vehicles	5 years
Furniture and fixtures	5-7 years
Computer and equipment	3-5 years
Plant and equipment	10 years
Office equipment	3-5 years

Land is not depreciated.

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

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

4.8 **Impairment of non-financial assets**

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

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

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

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

4.9 **Provisions**

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

4. **Summary of significant accounting policies** *(cont'd)*

4.9 **Provisions** *(cont'd)*

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

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

4.10 **Employee benefits**

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

4.11 **Equity, reserves and dividend payments**

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

b) *Reserves*
Statutory reserves comprise amounts required to be set aside as stipulated by the Co-operative Societies Act (see Note 18).

General reserves comprise donated capital and entrance fees set aside as stipulated by the Credit Union's By-laws (see Note 18).

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

Other reserves comprise provision for loan losses recognised for regulatory purposes.

c) *Retained earnings*
Retained earnings include all current and prior period retained profits.

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

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

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

5. Significant management judgements in applying accounting policies and estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have the most significant effect on the amounts recognised on the financial statements are described below.

5.1 Business model assessment

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

5.2 Measurement of the expected credit loss allowance

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

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

5. **Significant accounting estimates and judgements and key sources of estimated uncertainty** *(cont'd)*

5.3 Valuation of Stage 3 loan facilities

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

5.6 Expected Credit Loss on Financial Assets at FVTOCI - Equity Investments:

The Credit Union determines Fair Value equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgement, the Credit Union evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. These factors may give rise to uncertainty regarding the recoverability of the carrying value in the subsequent period and/or the eventual recoverability of the amounts invested in full.

The Credit Union recognised ECL on equity investments during the year of nil (2017: nil).

6. Financial Risk Management

Risk management objectives and policies

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

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

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

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

(Expressed in Eastern Caribbean Dollars)

6. **Financial Risk Management** *(cont'd)*

Risk management objectives and policies *(cont'd)*

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

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

6.1 **Credit risk analysis**

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

i. *Loans to members*

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

ii. *Cash and cash equivalents*

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

(Expressed in Eastern Caribbean Dollars)

6. **Financial Risk Management** *(cont'd)*

6.1 **Credit risk analysis (cont'd)**

iii. *Maximum exposure to credit risk*

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

		2019	2018
Credit Risk exposures related to on-balance sheet assets			
Cash at Credit Unions and cash equivalents	$	4,700,723	3,139,079
Loans to members		42,323,124	27,892,167
Investment securities		2,509,774	6,611,470
Other receivables		133,348	151,328
Total	$	49,666,969	37,794,044

Credit risk in respect of financial assets is limited as these balances are shown net of provision for doubtful debts.

Loans to members

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

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

Expected credit loss (ECL) on loans to members are analysed below:

		Gross Amount	ECL	Net Amount
Stage 1	$	40,203,280	132,328	40,070,952
Stage 2		1,360,349	128,810	1,231,539
Stage 3		1,630,807	610,174	1,020,633
As at December 31, 2019	$	43,194,436	871,312	42,323,124

		Gross Amount	ECL	Net Amount
Stage 1	$	26,196,504	78,479	26,118,025
Stage 2		958,355	116,796	841,559
Stage 3		1,356,545	423,962	932,583
As at January 1, 2019	$	28,511,404	619,237	27,892,167

6. **Financial instrument risk** *(cont'd)*

6.1 **Credit risk analysis** *(cont'd)*

Loans to members *(cont'd)*

(a) Expected credit loss on loans to members (cont'd)

Stage 1 loans
Loans placed in this stage include loans for which there is no evidence of a significant increase in credit risk since the origination date and loans that are due to mature within 12 months of the reporting date providing that such loans were not in a state of default.

Stage 2 loans
Loans placed in this stage include loans past due between for 1 to 89 days and loans that experienced a significant increase in credit risk even if past due days threshold is not met.

Stage 3 loans
Loans placed in this stage are loans that are past due 90 days and over and loans that show evidence of impairment even if the 90 days threshold is not met.

One of the crucial requirements of IFRS 9 is for the Credit Union to determine whether there is a significant increase in credit risk (SIICR) from the date of loan origination to the current or the reporting date. In the event of a SIICR, the loan must be placed in Stage 2 and will require a lifetime provision. The loan should remain in this Stage until there is evidence that the event(s) that resulted in the increase in the credit risks have been satisfactorily cured. It is only then that these loans should be transitioned back to Stage 1. SIICR is determined by observing to the extent to which adverse changes in one or more of the credit risk drivers could increase the likelihood of the default since the origin of the loan. A change in members' employment arrangement, payment method, industry or personal conditions could be deemed significant enough to trigger a migration of loans to Stage 2 even if the past due days quantitative SIICR threshold is not met.

(b) Loans to members re-negotiated
Restructuring activities include extended payment arrangements, approved external management plans, modification and deferred payments. Following restructuring, a previously overdue account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators of criteria which, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continual review. Restructuring is most commonly applied to term loans, in particular customer finance loans. There were no renegotiated loans which were impaired at December 31, 2019 or 2018.

(c) Repossessed collateral
The Credit Union had no repossessed collateral in its statement of financial position as of December 31, 2019 (2018: nil).

Bonds and equity investments

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

(Expressed in Eastern Caribbean Dollars)

6. **Financial instrument risk** *(cont'd)*

6.2 Liquidity risk analysis

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

- liquidity risk measurement and management limits, including limits on maximum net cash outflow over a specified short-term horizon;

- holdings of liquid assets to support its operations, which can generally be converted to cash within a reasonable time;

- liquidity stress testing PEARLS-specific ratios; and

- liquidity contingency planning.

(Expressed in Eastern Caribbean Dollars)

6. **Financial instrument risk** *(cont'd)*

6.2 **Liquidity risk analysis** *(cont'd)*

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

As of December 31, 2019

		Carrying amount	Up to 1 year	1-5 years	Over 5 years	Total
Liabilities						
Members' deposits	$	37,508,051	34,956,840	2,551,211	-	37,508,051
Other liabilities		546,785	515,416	31,369	-	546,785
	$	38,054,836	35,472,256	2,582,580	-	38,054,836

As of December 31, 2018

		Carrying amount	Up to 1 year	1-5 years	Over 5 years	Total
Liabilities						
Members' deposits	$	26,502,757	21,971,266	4,531,491	-	26,502,757
Other liabilities		353,854	353,854	-	-	353,854
	$	26,856,611	22,325,120	4,531,491	-	26,856,611

6. **Financial instrument risk** *(cont'd)*

6.2 **Liquidity risk analysis** *(cont'd)*

Assets held for managing liquidity risk

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

- Un-restricted cash in Credit Unions
- Certificates of deposits
- Investment securities
- Unimpaired loans

6.3 **Market risk analysis**

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

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

(ii) *Price risk*
Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market. The Credit Union has no exposure to such risk since its existing investments are not listed in any stock exchange or market.

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

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

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

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2019

(Expressed in Eastern Caribbean Dollars)

6. **Financial instrument risk** *(cont'd)*

6.3 **Market risk analysis** *(cont'd)*

(iii) Interest rate risk (cont'd)

As of December 31, 2019

	Interest rate %		Up to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and cash equivalents	2.50%	$	2,017,349	-	-	3,312,740	5,330,089
Loans to members	7%-29%		12,036,777	25,556,470	4,473,867	256,010	42,323,124
Investment securities	3%-4%		2,263,125	-	-	246,649	2,509,774
Other receivables			-	-	-	133,348	133,348
Total financial assets			16,317,251	25,556,470	4,473,867	3,948,747	50,296,335
Liabilities							
Members' deposits	2.5%-4%		34,651,014	2,551,211	-	305,826	37,508,051
Other liabilities			-	-	-	546,785	546,785
Total financial liabilities			34,651,014	2,551,211	-	852,611	38,054,836
Total interest repricing gap		$	(18,333,763)	23,005,259	4,473,867	3,096,136	12,241,499

(Expressed in Eastern Caribbean Dollars)

6. **Financial instrument risk** *(cont'd)*

6.3 **Market risk analysis** *(cont'd)*

(iii) Interest rate risk (cont'd)

As of December 31, 2018

	Interest rate%		Up to1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and cash equivalents	2.50%	$	2,358,584	-	-	1,299,504	3,658,088
Loans to members	10%-15%		8,532,167	16,878,446	2,322,361	159,193	27,892,167
Investment securities	3.5-4%		6,361,150	-	-	250,320	6,611,470
Other receivables			-	-	-	155,328	151,328
Total financial assets			17,251,901	16,878,446	2,322,361	1,860,345	38,313,053
Liabilities							
Members' deposits	2.5%-4%		17,638,803	4,531,491	-	4,332,448	26,502,742
Other liabilities			-	-	-	353,854	353,854
Total financial liabilities		$	17,638,803	4,531,491	-	4,686,302	26,856,596
Total interest repricing gap		$	(386,902)	12,346,955	2,322,361	(2,825,957)	11,456,457

(Expressed in Eastern Caribbean Dollars)

6. **Financial instrument risk** *(cont'd)*

6.3 **Market risk analysis** *(cont'd)*

(iii) Interest rate risk (cont'd)

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

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

6.4 **Operational risk**

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

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

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

- appropriate segregation of duties, including the independent authorization of transactions;
- the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;

(Expressed in Eastern Caribbean Dollars)

6. **Financial instrument risk** *(cont'd)*

6.4 **Operational risk** *(cont'd)*

- the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

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

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

Fair value amounts represent estimates of the consideration that would currently be agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

a) **Financial instruments not presented at fair value**

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

		Carrying Value		Fair Value	
		2019	2018	2019	2018
Financial assets					
Cash and cash equivalents	$	5,330,089	3,658,088	5,330,089	3,658,088
Investment securities:					
- Financial assets at amortised costs		2,263,125	12,080,484	2,263,125	12,080,484
Loans		42,323,124	6,361,150	42,323,124	6,361,150
Other receivables		133,348	151,328	133,348	151,328
	$	50,049,686	22,251,050	50,049,686	22,251,050
Financial liabilities					
Members' deposits		37,508,051	26,502,757	37,508,051	26,502,757
Other liabilities		546,785	353,854	546,785	353,854
	$	38,054,836	26,856,611	38,054,836	26,856,611

(Expressed in Eastern Caribbean Dollars)

7. **Fair value of financial assets and liabilities** *(cont'd)*

a) **Financial instruments not measured at fair value** *(cont'd)*

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

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

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

b) **Fair value measurement of financial instruments**

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

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

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at December 31, 2019 and December 31, 2018.

7. **Fair value of financial assets and liabilities** *(cont'd)*

b) **Fair value measurement of financial instruments** *(cont'd)*

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

		Level 1	Level 2	Level 3	Total
December 31, 2019					
Financial assets					
Financial assets at fair value through other comprehensive income	$	185,000	-	50,100	235,100

		Level 1	Level 2	Level 3	Total
December 31, 2018					
Financial assets					
Financial assets at fair value through other comprehensive income	$	185,000	-	50,100	235,100

Measurement of fair value of financial instruments

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

Financial assets at FVTOCI
The fair value is generally on broker/dealer price quotations. Where this information is not available, fair value is based on cost less any impairment recognised.

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

7. **Fair value of financial assets and liabilities** *(cont'd)*

c) **Fair value measurement of non-financial assets**

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at December 31, 2019 and December 31, 2018.

		Level 1	Level 2	Level 3	Total
December 31, 2019					
Property and equipment					
Land and building	$	-	2,264,756	-	2,264,756
	$	-	2,264,756	-	2,264,756

		Level 1	Level 2	Level 3	Total
December 31, 2018					
Property and equipment					
Land and building	$	-	2,075,000	-	2,075,000
	$	-	2,075,000	-	2,075,000

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

(Expressed in Eastern Caribbean Dollars)

8. Capital management policies and procedures

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

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

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

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

		Regulatory requirement	2019 %	2018 %
1.	Net Loans/Total Assets	70% to 80%	79%	70%
2.	Institutional Capital/Total Assets	10% minimum	22%	27%
3.	Total Delinquency/Total Loans	5% maximum	4%	7%

9. Cash and cash equivalents

		2019	2018
Cash on hand	$	629,366	519,009
Cash at other credit unions		1,341,294	1,341,610
Cash at Banks		3,359,429	1,797,469
Total cash and cash equivalents	$	5,330,089	3,658,088

(Expressed in Eastern Caribbean Dollars)

10. **Loans to members**

		2019	2018
Consumer	$	35,409,053	23,294,081
Business		7,529,373	5,058,130
		42,938,426	28,352,211
Interest receivable		256,010	159,193
		43,194,436	28,511,404
Allowance for impairment		(871,312)	(619,237)
Total loans to members	$	42,323,124	27,892,167
Current	$	12,292,787	8,691,360
Non-current		30,030,337	19,200,807
	$	42,323,124	27,892,167

As at December 31, 2019, interest rates charged in loans range from 7% to 29% (2018: 10% to 15%). The weighted average effective interest rate on productive loans to members at amortised cost as at December 31, 2019 is 13.5% (2018: 13.5%).

Provision for loan losses

		2019	2018
Balance at beginning of year	$	619,237	597,478
Loan loss provision adjustment		-	(257,957)
Bad debt recoveries		-	-
Loans written off		-	(465,932)
Provision for the year		252,075	745,648
Balance at end of the year	$	871,312	619,237

The Credit Union's loan loss provision has been made in accordance with the requirements of IFRS 9. Under the PEARLS methodology, the Credit Union provides for loan losses at the rate of thirty-five (35%) percent on balances less than twelve (12) months old and one hundred (100%) percent on balances more than twelve (12) months old on the net amount of delinquent loans according to the policy set by the Board of Directors. The PEARLS methodology is the basis of provision required by the Co-operatives Societies Act, No. 31 of 2011. As of December 31, 2019, the provision for credit losses in accordance with the PEARLS methodology amounted to $1,020,633 (2018: $1,356,545).

(Expressed in Eastern Caribbean Dollars)

11. **Investment securities**

		2019	2018
Financial assets at fair value through other comprehensive income (FVTOCI)			
Quoted equity securities	$		
Bank of Nevis Limited 20,000 ordinary shares at $4.25 each (2018: $4.25 each)		85,000	85,000
S L Horsford & Company Limited 50,000 ordinary shares at $2.00 each (2018: $2.00 each)		100,000	100,000
Total quoted equity securities		185,000	185,000
Unquoted equity securities			
Nevis Co-operative Credit Union Limited 10,000 permanent shares at cost at $5.00 each (2018: $5.00)		50,000	50,000
St. Kitts Co-operative Credit Union Limited 20 permanent shares at cost at $5.00 each (2018: $5.00)		100	100
Total unquoted equity securities		50,100	50,100
Total financial assets at fair value through other Comprehensive Income (FVTOCI)		235,100	235,100
Financial assets at Amortised cost			
S L Horsford & Company Limited Demand loan maturing March 31, 2019 with interest rate of 4%		-	1,163,025
Government of St. Kitts - Nevis Treasury bill maturing February 5, 2020 with interest rate of 3.75%		198,125	198,125
St. Kitts Co-operative Credit Union Limited Term deposit maturing November 4, 2019 with interest rate of 3%		-	1,000,000

(Expressed in Eastern Caribbean Dollars)

11. **Investment securities** *(cont'd)*

		2019	2018
TDC Financial Service Company Limited Term deposit maturing November 28, 2019 with interest rate of 3%	$	-	2,000,000
Nevis Co-operative Credit Union Limited Term deposit maturing November 30, 2020 with interest rate of 3.25%		2,065,000	2,000,000
Total financial assets at amortised cost		2,263,125	6,361,150
Total investment securities		2,498,225	6,596,250
Interest and dividends receivables		11,549	15,220
Balance at end of year		2,509,774	6,611,470
Current	$	2,274,674	6,376,370
Non-current		235,100	235,100
	$	2,509,774	6,611,470

12. **Other assets**

		2019	**2018**
Prepayments	$	72,536	60,097
Other receivables		133,348	151,328
Total other assets	$	205,884	211,425

(Expressed in Eastern Caribbean Dollars)

13. Property and equipment

		Land and building	Plant and equipment	Furniture and office equipment	Computer equipment	Motor vehicles	Capital Projects	Right-of-use Asset	Total
Cost:									
At December 31, 2017	$	955,382	84,050	515,106	209,004	100,000	-	-	1,863,542
Additions		367,447	-	127,132	224,628	113,490	-	-	832,697
Transfer		(373,107)	-	-	-	-	-	-	(373,107)
Disposals		-		-	(15,400)	-	-	-	(15,400)
Revaluation		1,125,278	-	-	-	-	-	-	1,125,278
At December 31, 2018		2,075,000	84,050	626,838	433,632	213,490	-	-	3,433,010
Effect of change in accounting policy - IFRS 16		-	-	-	-	-	-	130,606	130,606
Restated balance at January 1, 2019		2,075,000	84,050	626,838	433,632	213,490	-	130,606	3,563,616
Additions		189,256	50,247	248,787	28,315	-	147,792	159,415	823,812
Transfer		-	-	-	-	-	-	-	-
Disposal		-	-	-	-	-	-	-	-
Revaluation		-	-	-	-	-	-	-	-
At December 31, 2019	$	2,264,256	134,297	875,625	461,947	213,490	147,792	290,021	4,387,428
Depreciation:									
At December 31, 2017	$	352,473	58,835	392,228	191,776	99,999	-	-	1,095,311
Charge for the year		20,634	8,404	59,193	20,654	7,566	-	-	116,451
Write-back on transfer		(373,107)	-	-	-	-	-	-	(373,107)
Write-back on disposal		-	-	(10,010)	-	-	-	-	(10,010)
At December 31, 2018		-	67,239	441,411	212,430	107,565	-	-	828,645
Effect of change in accounting policy - IFRS 16		-	-	-	-	-	-	40,814	40,814

FIRST FEDERAL CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2019

(Expressed in Eastern Caribbean Dollars)

13. **Property and equipment** *(cont'd)*

		Land and building	Plant and equipment	Furniture and office equipment	Computer equipment	Motor vehicles	Capital Projects	Right-of-use Asset	Total
Restated balance at January 1, 2019		-	67,239	441,411	212,430	107,565	-	40,814	869,459
Charge for the year		48,215	9,027	87,651	26,177	22,698	-	111,799	305,567
Write-back on transfer		-	-	-	-	-	-	-	-
Write-back on disposals		-	-	-	-	-	-	-	-
At December 31, 2019	$	48,215	76,266	529,062	238,607	130,263	-	152,613	1,175,026
Net book value:		-	(217,169)	210,574	6,594	-	-	-	
At December 31, 2019	$	2,216,041	58,031	346,563	223,340	83,227	147,792	137,408	3,212,402
At December 31, 2018	$	2,075,000	16,811	185,427	221,202	105,925	-	-	2,604,365

14. Intangible Assets

		Computer Software
Cost:		
As at December 31, 2017	$	126,319
Additions		444,360
Disposals		-
As at December 31, 2018		570,679
Additions		84,502
Disposals		-
As at December 31, 2019	$	655,181
Amortisation:		
As at December 31, 2017	$	126,312
Additions		28,874
Disposals		-
As at December 31, 2018		155,186
Additions		89,932
Disposals		-
As at December 31, 2019	$	245,118
Carrying Values		
As at December 31, 2019	$	410,063
As at December 31, 2018	$	415,493

(Expressed in Eastern Caribbean Dollars)

15. Members' Deposits

		2019	2018
Savings deposits	$	21,746,920	7,653,844
Time deposits		11,677,818	14,516,450
		33,423,738	22,170,294
Chequing accounts		3,778,487	4,178,369
Interest payable		305,826	154,094
Total members' deposits	$	37,508,051	26,502,757
Current	$	34,956,840	21,971,266
Non-current		2,551,211	4,531,491
	$	37,508,051	26,502,757

These deposits have various maturity profiles with interest rates varying from 2.5% to 4% (2018: 2.5% to 4%).

16. Other liabilities

		2019	2018
Operating lease liability	$	127,020	-
Audit fees		61,529	49,500
Statutory contributions		18,946	14,112
Bills of sale		12,405	10,604
Other payables		326,885	279,638
Total accounts payable and other liabilities	$	546,785	353,854
Current	$	546,785	353,854
Non-current		-	-
	$	546,785	353,854

17. Member shares

		2019	2018
Balance at the beginning of the year	$	4,252,940	3,493,960
Issued during the year		1,166,145	758,980
Balance at end of year	$	5,419,085	4,252,940

(Expressed in Eastern Caribbean Dollars)

18. Statutory reserve and development funds

		2019	2018
Statutory reserve fund	$	3,218,092	3,218,092
Development fund		2,620	2,620
Total	$	3,220,712	3,220,712

(a) Statutory reserve

		2019	2018
Balance at beginning of year	$	3,218,092	3,218,092
Transfer from retained earnings – entrance fees		10,660	4,498
Transfer to Special Capital Reserve		(10,660)	(4,498)
Balance at end of year	$	3,218,092	3,218,092

Section 125 of the Co-operatives Societies Act, No. 31 of 2011 and Section 21 (1) of the By-Laws of the Credit Union Limited require it to make an allocation of all entrance fees, transfer and other fees and fines and not less than twenty-five of the Net Surplus in each year to a Statutory Reserve Fund.

Section 125 (b) of the Co-operatives Societies Act, No. 31 of 2011 state that where at the end of any financial year the amount standing to Statutory Reserves and other institutional Reserves before any transfer under the section is more than ten percent of total assets, the Co-operative society may not make any transfer to statutory reserves. AS at 31, December 2019, the Credit Union's Statutory Reserves and other institutional Reserves exceeded ten percent of total assets.

(b) **Development Fund**

		2019	2018
Fund balance	$	2,620	2,620

Pursuant to Section 126 of the Co-operative Societies Act, No 31 of 2011, the Credit Union shall establish and maintain a Development Fund. The proceeds of the fund shall be invested or caused to be invested in activities including member education and improvement in good governance.

19. **Other reserves**

		Revaluation Reserve: Property	Special Capital Reserve	Revaluation Reserve: Investments	Total
Balance at December 31, 2017	$	-	1,190,025	35,000	1,225,025
Transfer from Statutory Reserve Fund		-	4,498	-	4,498
Unrealised gain on revaluation of property		1,125,278	-	-	1,125,278
Balance at December 31, 2018		1,125,278	1,194,523	35,000	2,354,801
Transfer from Statutory Reserve Fund		-	10,660	-	10,660
Balance at December 31, 2019	$	1,125,278	1,205,183	35,000	2,365,461

(i) Revaluation Reserve - Property

The revaluation reserve represented a gain arising from the revaluation of the main premises of the Credit Union. The latest revaluation was completed on January 10, 2019 (effective as at December 2018) when the main property at Bladen Commercial Development, Basseterre, St. Kitts was revalued at $2,075,000 by an independent valuer, Trevor Fraites & Associates, with resulting net gain of $1,125,278.

(ii) Revaluation reserve: investments

The Credit Union has opted to recognise its quoted equity securities at fair value through Other Comprehensive Income. Unrealised gains or losses are represented in Revaluation Reserves: Investments under Other Reserves.

(Expressed in Eastern Caribbean Dollars)

20. Capital-based grant

		2019	2018
Balance at beginning of year	$	119,531	131,805
Amortization of grant		(12,274)	(12,274)
Total	$	107,257	119,531

The above balance represented the deferred credit portion of grants received from international donor agencies to finance certain items of property, plant and equipment.

The amortisation amounts are offset against the total depreciation expenses for property, plant and equipment.

21. Other Interest Income

		2019	2018
Investment securities	$	204,191	76,643
Savings account		28,854	111,106
Total interest income	$	233,045	187,749

22. Interest Expense

		2019	2018
Savings deposits	$	422,744	299,768
Time deposits		311,635	237,296
Total interest expense	$	734,379	537,064

23. Other Income

		2019	2018
Fees	$	524,355	363,333
Bad debt recoveries		182,158	224,219
Miscellaneous		38,712	98,220
Total other income	$	745,225	685,772

(Expressed in Eastern Caribbean Dollars)

24. Staff costs

		2019	2018
Salaries, wages and incentives	$	1,411,327	1,092,411
Statutory contributions		112,122	89,839
Other staff benefits		120,135	100,250
Group insurance		56,367	26,096
Pension costs		26,576	44,898
	$	1,726,527	1,353,494

25. General and administrative expenses

		2019	2018
Training, meetings and conventions	$	167,352	103,623
Stationery and office supplies		155,165	85,558
Telecommunication expenses		153,335	92,841
MIS support		128,035	114,851
Travel expenses		82,403	37,233
Entertainment and appreciation		63,430	61,608
Electricity and water		63,421	52,759
Audit fees and expense		61,529	49,500
Security services		59,607	17,324
Equipment maintenance		55,819	71,455
Professional fees		47,243	36,542
Annual General Meeting		36,000	26,092
Affiliation dues		33,116	30,000
Insurance		27,669	10,345
Vehicle expense		25,660	8,798
Office maintenance		18,208	14,891
Postage		11,550	5,499
Storage		8,380	14,497
Office consumables		7,673	3,424
Periodical and subscriptions		3,296	8,059
Office rent		-	63,690
Loss on disposal of fixed assets		-	5,390
Legal fees		-	865
Miscellaneous		6,852	44,976
Total general and administrative expenses	$	1,215,743	959,820

26. Depreciation and amortisation

		2019	2018
Depreciation	$	305,567	116,451
Amortisation – software costs		89,932	28,874
Amortisation credit		(12,275)	(12,274)
Total depreciation and amortisation	$	383,224	133,051

27. Marketing and promotion expense

		2019	2018
Advertising and promotion	$	292,722	92,172
Donation and sponsorship		24,645	28,679
Total marketing and promotion expense	$	317,367	120,851

28. Income tax

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

29. Related party balances and transactions

Related parties

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

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

   i) has control or joint control over the Credit Union;

   ii) has significant influence over the Credit Union; or

   iii) is a member of the key management personnel of the Credit Union, or of a parent of the Credit Union.

(Expressed in Eastern Caribbean Dollars)

29. **Related party balances and transactions** *(cont'd)*

Related parties

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

i) The entity and the Credit Union are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii) Both entities are joint ventures of the same third party.

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v) The entity is a post-employment benefit plan for the benefit of employees of either the Credit Union or an entity related to the Credit Union.

vi) The entity is controlled, or jointly controlled by a person identified in (a).

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

Related party balances

		Total loans		Total deposits	
		2019	**2018**	**2019**	**2018**
Board of Directors	$	9,180	509,108	254,552	222,710
Credit Committee		29,466	47,295	17,069	212,813
Supervisory Committee		61,328	81,343	54,155	56,074
Key Management Personnel		295,766	379,773	791,764	472,863
Total related party balances	$	395,740	1,017,519	1,117,540	964,460

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

Related party transactions

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

(Expressed in Eastern Caribbean Dollars)

29. **Related party balances and transactions** *(cont'd)*

Related party transactions *(cont'd)*

		2019	2018
Interest income on loans	$	87,629	69,685
Interest expense on deposits		8,977	6,498

Remuneration of Key Management Personnel

During the year, salaries and related benefits paid to key members of management were as follows:

		2019	2018
Salaries and allowances	$	809,997	530,927
Other staff costs		162,240	126,890
	$	972,237	657,817

30. **Commitments**

Capital commitments

There were no capital commitments at December 31, 2019 (2018: nil)

31. **Dividends**

At the 10th Annual General Meeting of the Credit Union, held 16th July 2019 the Board of Directors recommended, and the members approved a dividend of 7.5% in respect of year ended 31, December 2018 (2017: 7.5%).

32. **Subsequent Events**

The Credit Union has begun to assess the potential effects that the outbreak of the Coronavirus (Covid-19) will have on its financial performance and operations in the current year.

Management and those charged with governance (The Board of Directors) have made a preliminary assessment of the financial impact but are uncertain at this stage how the financial results of the Credit Union for the 2020 financial year will be impacted by Covid-19 due to slow economic growth.

It is not possible to quantify the financial impact on the Credit Union at this time.

ANNUAL REPORT 2019

INNOVATION AND CREATIVITY, THE KEY TO SUSTAINABILITY

FIRST FEDERAL CO-OPERATIVE CREDIT UNION