



# ANNUAL REPORT 2023

The Police Co-operative Credit Union (St. Christopher & Nevis) Limited



**FORTY YEARS  
OF EXCELLENCE**

***Honoring Our Past, Shaping Our Future***



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## NOTICE OF THE 40<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 40<sup>th</sup> Annual General Meeting of the Police Co-operative Credit Union (St. Christopher & Nevis) Ltd. will be held on Tuesday, 28<sup>th</sup> May 2024 at the CUNA Caribbean Conference Centre and streamed via Voom Conferencing Platform at 5:00 p.m. The Annual General Meeting will be held to transact the following business:

1. To confirm the Minutes of the 39<sup>th</sup> Annual General Meeting held on June 7, 2023.
2. To consider the matters arising from the Minutes.
3. To receive and adopt the Reports for year ended 31<sup>st</sup> December 2023 as follows:
  - i. Board of Directors
  - ii. Treasurer
  - iii. Auditor's Report and Audited Financial Statements
  - iv. Credit Committee
  - v. Supervisory and Compliance Committee
  - vi. Nominating Committee
4. To declare a dividend for the year ended December 31, 2023.
5. To adopt Resolutions.
6. To set the Maximum Liability Ceiling.
7. To appoint Independent Auditors for the year ending December 31, 2024.
8. To elect Directors and Committee Members.
9. To transact any other business of the Society.



Patrick Wallace Lt. Col (Ret)

Secretary

April 24, 2024



# AGENDA

## Opening Session

1. Call to Order
2. National Anthem
3. Invocation and Silent Tribute to Deceased Members
4. President's Welcome Remarks
5. Featured Speaker
6. Adjournment

## Business Session

7. Call to Order
8. Ascertainment of Quorum
9. Confirmation of Minutes of the 39<sup>th</sup> Annual General Meeting
10. Matters Arising from the 39<sup>th</sup> Annual General Meeting
11. Report and Adoptions:
  - a. *Board of Director's Report*
  - b. *Treasurer's and Auditor's Report*
  - c. *Credit Committee's Report*
  - d. *Supervisory and Compliance Committee's Report*
12. Declaration of Dividend
13. Resolution
14. Setting a Maximum Liability Ceiling
15. Appointment of Auditors
16. Nominating Committee's Report
17. Election of Volunteers
18. Any Other Business
19. Vote of Thanks
20. Adjournment



## Prayer of St. Francis of Assisi

Lord, make me an instrument of your peace:

where there is hatred, let me sow love;

where there is injury, pardon;

where there is doubt, faith;

where there is despair, hope;

where there is darkness, light;

where there is sadness, joy.

O divine Master, grant that I may not so much seek

to be consoled as to console,

to be understood as to understand,

to be loved as to love.

For it is in giving that we receive,

it is in pardoning that we are pardoned,

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

Amen.



## OUR VISION

To provide education in co-operative principles, encourage thrift through savings and grant loans at the most competitive rates but, ultimately to improve the economic and social conditions of all its members

## OUR MISSION

To contribute to each member's financial success and committed to maintaining a sound financial position



## 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. A member shall not speak twice on the same subject except:
  - a. The mover of a motion, who has the right to reply;
  - b. To object or explain (with permission from the Chair).
5. The mover of a procedural motion (adjournment, lay on the table, motion to postpone) has no right to reply.
6. No speeches are to be made after the “Question” has been put and carried or negated.
7. 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”).
8. 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”.
9. 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.
10. Only one amendment should be before the meeting at any given time.
11. When a motion is withdrawn any amendment to it fails.
12. The Chairperson has the right to a “Casting Vote.”
13. If there is equality of voting on an amendment and if the Chairperson does not exercise his casting vote the amendment is lost.
14. Provision is to be made for protection by the Chairperson from vilification (personal abuse).
15. No member shall impute improper motives against another member.





## President's 40<sup>th</sup> Anniversary Congratulatory Remarks

Today marks a significant milestone in the history of the Police Cooperative Credit Union as we celebrate our 40<sup>th</sup> anniversary. Over these four decades, our credit union has evolved from a visionary idea into a cornerstone of financial stability, integrity, and community support. Heather to has the Lord helped us!

In 1984, guided by the foresight of our founders Stanley Franks and Felix Hodge, a dedicated group of members came together with a mission to create a financial institution that would empower and serve the law enforcement community and their families. Since then, we have opened our bond and grown to embrace a broader community while remaining true to our roots, always committed to our motto: "Our Members are our Movement."

Under astute leadership, we have not only thrived but have also become a beacon of trust and reliability. The values of solidarity, transparency, and member-centricity have been the bedrock of our success. Our journey has been marked by resilience while remaining steadfast in our commitment to serving our members.

As we reflect on this remarkable journey, I extend heartfelt gratitude to our executives, staff, members, and stakeholders for their unwavering dedication. Our legacy extends beyond financial milestones to the lives we have touched and the communities we have strengthened. Today, the Police Cooperative Credit Union is more than just a financial institution; it is a family. Our cooperative spirit has fostered an environment where every member feels valued and supported.

In closing, I invite each of you to join me in applauding the Police Cooperative Credit Union for 40 years of stellar service. May we continue to thrive under divine guidance, bringing prosperity, security, and a profound sense of community to all our members.

Thank you.

Matthew McGuire

President





## General Manager's 40<sup>th</sup> Anniversary Congratulatory Remarks

It is with great pleasure and immense pride that I extend my warmest congratulations to each of you on the occasion of our Police Cooperative Credit Union's 40th anniversary. This milestone represents not only a celebration of our rich history but also a testament to our enduring commitment to excellence and service. As we gather for our 40th Annual General Meeting, themed "40 Years of Excellence: Honoring Our Past, Shaping Our Future," we reflect on the remarkable journey that has brought us to this point. Our success is built upon the dedication and trust of our members, whose loyalty has been the cornerstone of our achievements.

Throughout the years, we have navigated challenges and embraced opportunities. We have adapted to changing times while staying true to our founding values, ensuring that we remain a trusted partner in your financial well-being. We have expanded our membership base, welcoming the wider community into our cooperative family, while remaining steadfast in our dedication to serving those who serve and protect. Looking forward, the future holds great promise for our credit union. Together, we will shape the next chapter of our story, leveraging our experience to create even greater value for our members and the communities we serve.

As we celebrate this significant milestone, let us take pride in our accomplishments and renew our dedication to the principles that define us. I extend my heartfelt gratitude to each member of our credit union family for your continued support and trust.

Here's to 40 years of success, growth, and shared prosperity. May the coming years be filled with new achievements and meaningful connections as we embark on the journey ahead, united in purpose and vision.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Mellicia Phillip', written in a cursive style.

Mellicia Phillip  
General Manager

# POLICE CO-OPERATIVE CREDIT UNION

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## BOARD OF DIRECTORS



**Mr. Mathew McGuire**  
President



**Mrs. Shorna Edwards**  
Vice-President



**Mr. Marvin Thompson**  
Treasurer



**Mr. Patrick Wallace**  
Secretary



**Mrs. Leah Francis**  
Assistant Secretary



**Mr. Daniel Jacobs**  
Director



**Mr. Kayode Sutton**  
Director



**Mr. Leroy Percival**  
Director

# MEET OUR TEAM



**Mellicia Phillip**  
General Manager



**Cindelle DeCosta**  
Accountant



**Dawn Heyliger**  
Loans  
Supervisor



**Sandrine Williams**  
Compliance & Risk  
Officer



**Tarique Hercules**  
Marketing & Member Relations  
Officer



**Janet Johnson**  
Member Services  
Supervisor



**Shauna Williams**  
Accounting  
Department



**Keanu Phipps**  
Member Services  
Department



**Chyann Jackson**  
Member Services  
Department



**Anika Charles**  
Member Services  
Department



**Antonio Murrain**  
Loans  
Department



**Jovanda Patrick**  
Loans  
Department



**Saskia Evans**  
Member Services  
Department



**Ventura Smithen**  
Administration  
Department

**MINUTES OF THE 39<sup>TH</sup> ANNUAL GENERAL MEETING  
OF POLICE COOPERATIVE CREDIT UNION SAINT CHRISTOPHER AND NEVIS LIMITED HELD ON  
WEDNESDAY 7<sup>TH</sup> JUNE 2023**

**1. CALL TO ORDER**

The 39<sup>th</sup> Annual General Meeting of the Police Cooperative Credit Union (St. Christopher and Nevis) Ltd., was called to order at 5:30 p.m. at the CCCU Conference Center on Wednesday, 7<sup>th</sup> June 2023 by the General Manager, Ms. Mellicia Phillip.

**2. INVOCATION**

The invocation was rendered by Force Chaplain, Pastor Ericson Cumberbatch

**3. NATIONAL ANTHEM**

The National Anthem was rendered instrumentally and sung by all present.

**4. CREDIT UNION PRAYER**

The prayer Saint Francis of Assisi was recited by all present.

**5. SILENT TRIBUTE**

A minute of silence was observed in remembrance of members who passed during the year.

**6. WELCOME REMARKS**

The President of the Board of Directors, Mr. Matthew McGuire welcomed the membership present in person and those viewing via the online platform to the 39<sup>th</sup> Annual General Meeting of the Police Cooperative Credit Union for the financial year ending 31<sup>st</sup> December 2022. Welcome was also extended to the specially invited guests, the executive body, management and staff.

The president highlighted that the PCCU would be celebrating its 40<sup>th</sup> year of existence the following year and paid homage to founder Mr. Stanley Franks and co-founder Mr. Felix Hodge. Respect was also paid to former and current presidents and board members who had made contributions throughout the years to bringing the credit union to the significant milestone. The president further stated that, despite the challenges the PCCU has encountered over the that we have endured; and that is a testament to our resilience.

President McGuire continued and stated notwithstanding the collective success of the credit union throughout the years, for the first time in its history the PCCU was facing a deficit. He opined that honest and sober reflection is necessary. The President stated that this was attributed to, factors such as:

- Increase in the provisioning for Expected Credit Loss requirements.
- Shrinking loan portfolio
- Stagnant member growth
- Increase in interest expense,
- Early loan payouts



He stated that the Board of Directors and management made critical decisions to shift this downward trajectory. Some of these decisions included, optimizing interest payments, offering new products, focused efforts on account holders moving to member status, with the opening of the bond, increased marketing to bring awareness and ultimately grow the membership base. “PCCU on the Move” campaign was launched as well as the “Journey to Home” triple play loan promotion that offered new opportunities to our members to become homeowners regardless of where they were on the journey. This loan promotion offered competitive land loans, partnership with the National Housing Cooperation to construct affordable homes and a home improvement facility for maintenance or remodeling of houses already constructed.

President Mc Guire further elaborated that the result of the decisions began to make positive impact by the end of the 2022, the effects of these decisions did not ultimately change the financial position for the 2022 financial year. However, he said that he was confident that the upward trajectory was expected to continue in 2023. He supported this by giving highlights of the financial performance for the first quarter of 2023.

The president concluded with a highlight of the credit union’s delinquency management strategy. He stated that several delinquent loans had been forwarded to PCCU lawyers for legal action. He reminded the membership that the BOD will take aggressive actions to recover the members’ money.

Mention was also made of the “Transit to the Post Pandemic Reality”. He urged the membership to “recommit and become full of pride again” and stated that together we would all continue to work on behalf of the entire membership.

## 7. PRESENTATION BY CUNA

The sales manager of CUNA Caribbean, Ms. Shermaine Bodley, and her assistant Ms. Trivia Locker both made a presentation on CUNA’s suite of products. Six products mentioned were:

1. The flagship product which is The Family Indemnity Plan
2. Family Indemnity Critical Ryder
3. Family Critical Illness Plan
4. Life Savings Insurance
5. Loan Protection Insurance; and
6. The Advance Protector which allows for a maximum coverage of XCD \$350,000.00

## 8. FEATURED SPEAKER

Ms. Denise Garfield, General Manager of the Caribbean Confederation of Credit Unions (CCCU) was the featured guest speaker for the 39<sup>th</sup> Annual General Meeting. Ms. Garfield commended the PCCU for its 39 years of service to the members of its organization.

Ms. Garfield admonished those in leadership to address the needs of the members who are always on the move in the digital age. She offered congratulatory words on corrective action thus far including the new website and online banking as well as the mobile banking applications. However, she reminded the members that this was just one conduit and stated further stated that growth comes with the “widening



of the bond and share of wallet”. She spoke to Shared Data Analytics as another important aspect as well as members having if not all, most of the credit union products She considered partnership as another avenue that could assist in providing digital products and growth. Ms. Garfield suggested that the PCCU may want to consider a name change to include the other members who will come onboard given the opening of the bond.

## **9. VOTE OF THANKS**

Ms. Garfield was presented with a token of appreciation for the featured address by staff member, Mrs. Ventura Smithen. The Chairperson offered the vote of thanks then brought the opening session of the Police Cooperative Credit Union (St. Christopher & Nevis) Ltd. 39<sup>th</sup> Annual General Meeting to a close at 6:19 p.m.

## **BUSINESS SESSION**

### **10. CALL TO ORDER**

The business session of the 39<sup>th</sup> Annual General Meeting was called to order at 6:30 p.m. by Chair of the session, President Matthew McGuire who also read the Notice of the 39<sup>th</sup> Annual General Meeting.

### **11. ASCERTAINMENT OF QUORUM AND APOLOGIES**

The Registrar of Credit Unions, Mrs. Kjellin Elliott confirmed that a quorum was ascertained, and permission was granted to proceed with the meeting.

### **12. CONFIRMATION OF MINUTES OF THE 38<sup>TH</sup> ANNUAL GENERAL MEETING**

The chairman reminded the membership of the Standing Orders governing the conduct of the meeting. The Secretary, Mr. John Bergan presented the minutes of the 38<sup>th</sup> Annual General Meeting on pages 9-17.

### **AMENDMENTS TO MINUTES**

Member Danni Maynard, asked for a correction on pg. 13 of the Annual Report: 14 deficiencies noted to be addressed. The word Committee to be replaced by PCCU.

### **13. ADOPTION OF THE MINUTES**

The minutes of the amended 38<sup>th</sup> Annual General Meeting were adopted by a motion moved by member Ms. Shorna Edwards and seconded by member Mr. Austin Williams.

### **14. MATTERS ARISING FROM 38<sup>TH</sup> AGM Minutes**

There were no matters arising from the minutes.

### **15. REPORTS AND ADOPTION**



### ***BOARD OF DIRECTORS REPORT***

The Board of Directors Report was presented by President McGuire who focused on strengthening the fundamentals of corporate governance and the credit union policies. He thanked the Policies, Procedures and Compliance Committee for its continued work on the development and revision of the credit union policies. The president further stated that the focus also includes Staff Professional Development.

The membership was reminded of the presidents opening remarks where he alluded to the expansion and growth of the PCCU which will require a paradigm shift. He stated that the Board will continue to implement measures outlined in the three (3) year strategic plan and this plan will be reviewed and any changes that are deemed necessary.

### ***TREASURER'S REPORT***

The Treasurer's Report for the year ended 31st December 2022, was presented by the Treasurer, Mr. Marvin Thompson.

### ***CREDIT COMMITTEE'S REPORT***

The Credit Committee's Report for the year ended 31st December 2022, was presented the Mr. Valentine Hodge member in the absence of the Chair of the Committee Mr. Vivian Caesar.

### ***SUPERVISORY AND COMPLIANCE COMMITTEE'S REPORT***

Ms. Danni Maynard, Chairperson of the Supervisory & Compliance Committee presented the report.

### ***AUDITOR'S REPORT***

The Independent Auditor's Report was presented by Ms. Melissa Wigley of the accounting firm of MNW Chartered Certified Accountants.

### ***ADOPTION OF THE PRESENTED REPORTS***

A motion was moved for the collective adoption of reports as presented. This was moved by member, Mr. Austin Williams and seconded by member, Mr. Glenroy Phillip.

### ***MATTERS ARISING FROM REPORTS AS PRESENTED***

#### ***BOARD OF DIRECTOR'S REPORT***

Question 1: Member Mr. Ericson Cumberbatch asked for an explanation as to the increase in delinquent loans?

Comment: The president stated that persons had fallen short of their obligations after resigning or retiring and may have experienced financial restrictions by these circumstances.

Question 2: Mr. Cumberbatch then asked if provisions were put in place for contributions to be taken from packages received upon retiring. He further stated that if this was not being done, it needs to be put in place as these loans should be maintained by gratuity and pension received.



Comment: The General Manager then indicated that there is no legal claim on a member's pension or gratuity.

Question 3: Member Mr. Ericson Cumberbatch then spoke on the Cuna packages and asked how information on such is being disseminated?

Comment: The General Manager stated that the suite of Cuna products provide tremendous benefits to the members in times of difficulties and loss and the products are being sold to the general membership.

Question 4: Ambassador Ian Queeley asked what actions and measures the Board and Management are implementing to ensure members, that their investments are being protected?

Comment: The chairperson stated that an exercise commenced in July 2022, to take corrective measures, some of which he outlined in his earlier presentation. He highlighted measures to continue to grow membership, grow loan portfolio, grow total assets and reduce delinquency.

Question 5: Ambassador Queeley posed a question asking how the Board of Directors plan to grow the membership?

Comment: The President stated that this would be done through marketing and increased engagement. Also, the use of the technology and pointed to the new website and mobile banking applications. President McGuire reminded the meeting that the Board of Directors had taken a decision as part of the strategic plan to improve and enhance the PCCU by way of digitization by providing a website and a mobile banking app. This was done to provide information, convenience, and flexibility to the membership. He encouraged all members to visit the website and download the mobile applications from the Google Play Store or from the Apple App. Store.

#### **TRESASURER'S REPORT**

There were no questions on the report as presented.

#### **CREDIT COMMITTEE'S REPORT**

There were no questions on the report as presented.

#### **SUPERVISORY AND COMPLIANCE COMMITTEE'S REPORT**

Member Ericson Cumberbatch asked for an elaboration on the comment made by the Chair of the Supervisory and Compliance Committee Danni Maynard, on "better internal controls at the PCCU".

Ms. Maynard indicated that the internal controls and practises referred to are the practises, policies and procedures in place at the PCCU. These policies are being developed to put in place a structure to ensure certain things are done according to best practices and international standards and as such, a policy and procedure committee was put in place.

#### **AUDITOR'S REPORT**



There were no questions on the report as presented.

### **16. DECLARATION OF DIVIDEND**

The chairman stated that considering the deficit experienced by the PCCU for the financial year 2022, the Board of Directors does not recommend payment of dividends.

### **17. LIABILITY CEILING**

A motion to accept the Maximum Liability Ceiling of \$5,000,000.00 was moved by member Mrs. Natalie Fough and seconded by member Mr. Percy Daniel.

### **18. NOMINATIONING COMMITTEE'S REPORT**

The Nominating Committee's Report was presented by committee member Ms. Janet Johnson in the absence of the Chairperson of the committee Director Leah Francis.

### **19. ELECTIONS**

The election of committee members was presided over by Mr. Clyde Thompson of the Co-operatives Society. Election of members took place in person and in the virtual environment by way of ballots.

#### ***Nominations to the Board of Directors:***

1. Mrs. Claricia Langley-Stevens
2. Mr. Kayode Sutton
3. Mr. John Bergan
4. Mr. Leroy Percival was nominated on the floor by member Kayode Sutton, which was seconded by member Patrick Wallace.
5. Mr. Percy Daniel was nominated by member Mr. Matthew McGuire and seconded by member Troy Mills.

A motion to cease nomination was moved by member Mr. Patrick Wallace and was second by member Ms. Shorna Edwards.

#### ***Results for the Board of Directors:***

1. Mr. John Bergan – 44 votes
2. Mr. Kayode Sutton – 36 votes
3. Mr. Leroy Percival – 34 votes
4. Mr. Percy Daniel - 23 votes
5. Mrs Claricia Langley-Stevens - 22 votes

Mr. John Bergan, Mr. Kayode Sutton and Mr. Leroy Percival were declared elected to the Board of Directors.

#### ***Nominations to Supervisory and Compliance Committee:***

1. Mrs. Kamara Phillip
2. Mrs. Natalie Fough



A motion was moved to cease nomination by member Mr. Troy Mills and seconded by member Mr. Glenroy Phillip. Both members were declared returned to the Supervisory and Compliance Committee.

### ***Nominations to Credit Committee***

1. Mr. Vivian Caesar
2. Mr. Valentine Hodge

A motion was made by member Mr. Clarence Hendrickson and seconded by member Mr. Patrick Wallace to cease nomination. Both members were declared returned to the Credit Committee.

### **20. ACKNOWLEDGEMENTS AND PRESENTATION TO RETIREES & EARLY BIRD WINNERS**

- Ms. Danni Maynard (retired) Chair of the Supervisory and Compliance Committee
- Mr. Ervin Williams (retired) Vice-President of the Board of Directors

All retirees were awarded in recognition of their commitment and dedication to the PCCU.

The winners of the Early Bird Prizes were announced as member Mr. Owen Browne online and member Mr. Cyril Burke in person.

### **21. APPOINTMENT OF EXTERNAL AUDITORS**

The Chairman indicated to the membership that the Board of Directors proposed that the auditing firm of MNW Chartered Certified Accountants be retained as the PCCU auditors for the following year.

A motion to accept the auditing firm of MNW Chartered Certified Accountants for the PCCU for the next financial year was moved by member Mr. Troy Mills and seconded by member Mr. Patrick Wallace.

### **22. ANY OTHER BUSINESS**

There were no matters arising under any other business.

### **23. ADJOURNMENT**

The 39<sup>th</sup> Annual General Meeting of the Police Co-operative Credit Union (St, Christopher and Nevis) Ltd., adjourned at 8:46 p.m. on a motion moved by member Mr. Percy Daniel and seconded by member Mr. Troy Mills.

Mr. John Bergan  
Secretary



## REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDING 31<sup>ST</sup> DECEMBER 2023

### INTRODUCTION

As we move forward, a glimpse of the immediate past will remind us of our resilience to adversity. Indeed, the past years have been challenging for the Police Co-operative Credit Union (PCCU). Despite obstacles, strategic decisions were made to ensure responsible growth and financial stability, aligning with our goal of member service excellence. It gives me great pleasure therefore to report on behalf of the Board of Directors that your credit union remains strong and continues to operate in a safe and sound manner. As we mark the 40<sup>th</sup> Anniversary under the theme "**40 Years of Excellence, Honoring Our Past, Shaping Our Future,**" we proudly present our achievements for 2023.

### CORPORATE GOVERNANCE

To achieve our mission to improve our members' social and economic position, we continue to be guided by our strategic pillars of financial stability, membership growth and relations, technology and process improvement, staff and volunteer training, enterprise risk management and compliance and corporate governance. Joint strategic sessions with senior management and the executive were held during the year to assess and review benchmark achievements set out in our 3-year strategic plan. The Board held regular meetings throughout the period and met with committees.

The following table lists directors and their attendance record for the 2023 financial year.

Name & Position	Period Served	# Meetings Held	Membership Period (months)	# Actual Attendance
Mr. Matthew McGuire - President	Jan 2023 – Dec 2023	22	12	15
Mr. Ervin Williams - Vice President (Retired)	Jan 2023 - 6 Jun 2023	22	5	4
Mrs. Shorna Edwards-Francis - Vice President	Jan 2023 - Dec 2023	22	12	9
Mr. John Bergan - Asst. Treasurer	Jan 2023 – Dec 2023	22	12	10
Mrs. Leah Francis - Asst. Secretary	Jan 2023 – Dec 2023	22	12	11
Mr. Marvin Thompson - Treasurer	Jan 2023 – Dec 2023	22	12	13
Mr. Kayode Sutton - Member	Jan 2023 – Dec 2023	22	12	15
Mr. Daniel Jacobs - Member	Jan 2023 – Dec 2023	22	12	14
Mr. Patrick Wallace - Secretary	Jan 2023 - Dec 2023	22	12	14
Mr. Leroy Percival - Member	Jun 2023 - Dec 2023	22	7	8



## FINANCIAL STABILITY AND GROWTH

The financial highlights of 2023 underscore the remarkable resilience and adaptability of our credit union. In the preceding fiscal year, we faced challenges that led to a deficit, impacting dividend payments to our members. However, concerted efforts centered around strategic planning and effective management have yielded significant success for the PCCU and its members.

Our bottom line rebounded impressively, from a deficit of \$788,387.00 in 2022 to a surplus of \$1,571,935.00 in 2023. This turnaround reflects our commitment to improved operational efficiency and prudent cost management. Notably, our loan portfolio expanded by over 30%, and our total assets grew by over \$4.1 million, while institutional capital increased by over 9%. These indicators collectively demonstrate a strengthened financial position.

Moreover, our membership and members' equity continued an upward trajectory, underscoring the increasing trust and confidence in our institution. These achievements are a testament to the dedicated efforts of our team and the unwavering support of our valued members.

## RISK AND COMPLIANCE

In today's dynamic regulatory landscape, effective risk management and compliance are paramount. We remain vigilant in identifying, assessing, and mitigating risks across all facets of our operations. Our strategic plan projects an overarching objective to create and strengthen a culture of compliance. Risk and compliance assessments as well as compliance measures are integral to our operational framework. The utilization of AML/CFT protocols, risk management programs, and know-your-member practices ensures adherence to regulatory requirements and safeguards against risks.

During the period under review the Financial Services Regulatory Commission (FSRC) submitted its report on its 2022 follow-up examination of the PCCU. While improvements were noted there remain areas for strengthening. The Board of Directors remains committed to improving deficiencies.

## TECHNOLOGY DEVELOPMENT AND BUSINESS PROCESS IMPROVEMENTS

Embracing technological advancements is essential to staying competitive and meeting the evolving needs of our members. In the past year, significant strides have been made in technology development and business process improvements. Investments in digital infrastructure have enhanced member experience, facilitating seamless transactions and access to services. Streamlined processes have improved operational efficiency and reduced turnaround times, further enhancing member satisfaction.

Following the launch of our website and online banking as well as our mobile banking applications, we continue to push towards technological advancement to add value, convenience, and flexibility for our members.

## STAFF AND VOLUNTEER TRAINING AND DEVELOPMENT

Our greatest asset is our team of dedicated staff and volunteers. Recognizing the importance of continuous learning and development, we remain committed to investing in the growth and professional development of our credit union family. Comprehensive training programs are provided to equip our team with the skills, knowledge, and competencies necessary to excel in their roles and serve our members effectively.



## CORPORATE SOCIAL RESPONSIBILITY

At the Police Cooperative Credit Union, we believe in giving back to the communities we serve. As part of our commitment to corporate social responsibility, we actively engage in initiatives aimed at making a positive impact on society. Throughout the year, we have supported various community projects, educational programs, charitable organizations and our vulnerable members through donations and volunteer efforts. By contributing to the well-being and prosperity of our communities, we fulfill our mission of being a responsible corporate citizen and agent of positive change.

## OUTLOOK FOR THE FUTURE

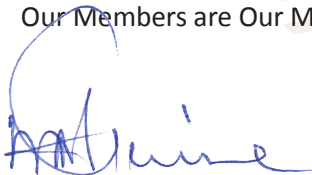
As we look ahead, your board and management are laser-focused to position a path for sustainability and success. Building on the momentum of the past year, we remain committed to our mission of empowering members and helping them to achieve their financial goals. Our strategic priorities include further enhancing digital capabilities and improving our delivery channels, expanding product and service offerings, and deepening member engagement. We will continue to be good stewards of our society by maintaining quality and productive assets, effective cost management and ensuring a high return on investment. By staying true to our values and leveraging opportunities for growth, we are confident in our ability to navigate future challenges and remain a going concern in this competitive financial industry.

## ACKNOWLEDGEMENT AND CONCLUSION

Resetting is never easy, but we are up to the task! The past year has been a journey of resilience, recovery, and success for our credit union. Despite the challenges encountered, our steadfast commitment to our members has enabled us to emerge stronger. We will ensure we continue to build an organization that can withstand the test of times.

We extend our heartfelt gratitude to past and present executive members, management and staff, stakeholders, and our most invaluable members for your unwavering support over these 40 years, making the PCCU a success story today. We Serve with Pride.

Our Members are Our Movement!



Mr. Matthew McGuire  
President



## TREASURER’S REPORT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2023

### INTRODUCTION

The PCCU Continues to be a successful financial institution in the financial services sector despite varied challenges over its journey. While the PCCU is the smallest credit union within the federation and one of the smallest financial institutions overall, we continue to make great strides.

Your PCCU endeavors to transition to the modern-day financial institution that our members deserve. Your PCCU remains committed to improving our offerings and you’re providing an array of loan types and savings products at the best interest rates. Your PCCU is dedicated to Service Excellence because “Our Members Are Our Movement”.

With Service Excellence as our hallmark the Board and Management of your credit union continue to take all prudent steps to safeguard the PCCU and to ensure that you, our valuable members, receive a return on your investment. The PCCU has intensified its efforts toward increasing its membership base and continues to improve on its marketing strategy to understanding and meeting the needs of a diversified membership. Your PCCU is here for you, to partner with you, to meet your every financial need and to continue to provide you with the best returns on your investment.

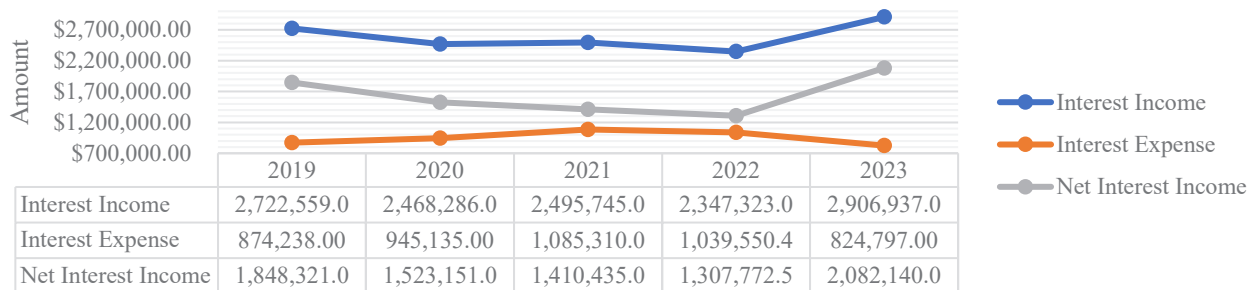
Against this backdrop, it is my privilege to present to you the 2023 Treasurer’s Report.

### RESULTS OF OPERATIONS:

The PCCU has demonstrated strong profitability in the current reporting year, with notable increases across key financial metrics. Total net interest income has surged, driven by robust performance in the loan portfolio and effective marketing strategies. Net income overall has seen a substantial uptick, reflecting prudent cost management and operational efficiency improvements. Moreover, the credit union's profitability ratios, including return on assets and return on equity, have shown healthy growth, indicating effective utilization of resources and favorable returns for members. Overall, the credit union’s solid financial performance underscores its resilience in navigating market challenges and positions it well for sustained growth and profitability in the future. Further details are explained below.

### Net Interest Income

NET INTEREST INCOME



Interest Income includes **interest income on loans** and **interest income on investments**. The PCCU reported a remarkable increase in interest income in 2023 after suffering a steady decline over the past few years. Interest income from investments on the other hand showed opposite results. There was a marginal decline in interest income from investments in 2023 when compared to the results of 2019 to 2022.

As at December 31, 2023, interest income on investments represented 19% (2022: 26%) of total interest income. There were no new investments purchased during the year nor were there any redemptions during the year. However, the PCCU investment earning potential was affected by a reduction in the interest rate of our largest certificate of deposit. The interest income on investments yields for the year 2023 was therefore reduced to 3.9% (2022: 4.4%).

The interest income on loans' yield for the year 2023 is 8.2% (2022: 7.9%). Currently, we maintain an average interest rate on loans of 9.12%.

Interest expense on member deposits represents the majority of expenses incurred by the Credit Union amounting to \$824,797 (2022: 1,039,550). Interest expenses decreased by 20% during the year. While members' deposits marginally increased by 7%. The decrease shown in interest expense is attributable solely to the decision made by the Board of Directors to reduce the interest rate on deposits.

### **Non-interest Income**

Non- Interest Income comprises of all other income streams not directly related to loans nor investments. These include loan fees, entrance fees, refinance charges, late fees etc. Non- interest income increased by 137% in 2023 to \$431,323.00 (2022: \$182,260.00). This increase was seen specifically in the loan fee account and is consistent with the significant increase in the loan portfolio in 2023.

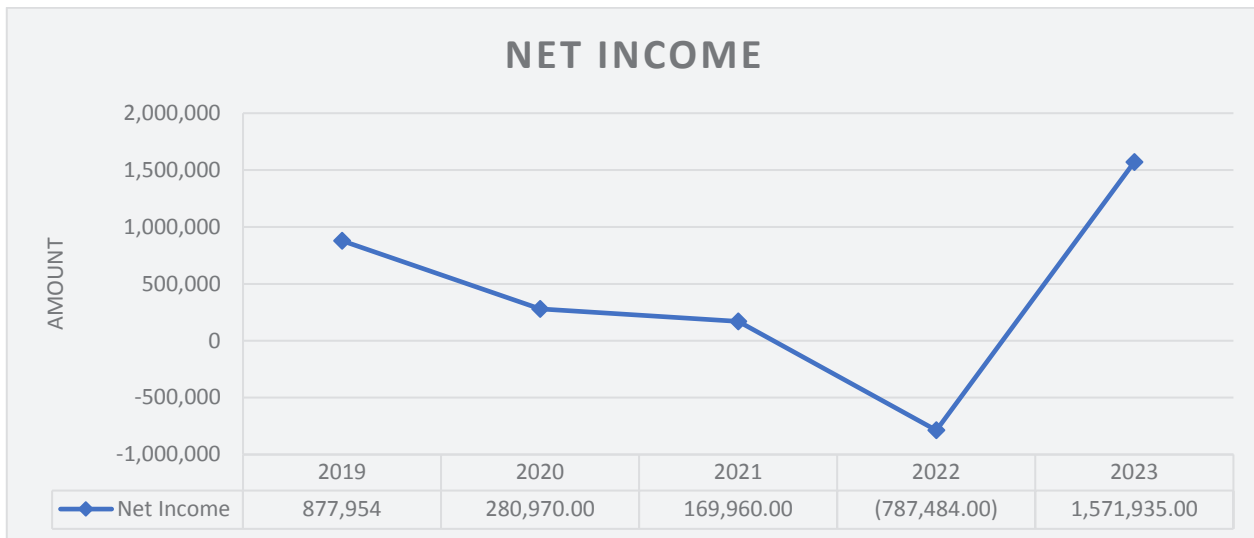
### **Non – Interest Expenses**

Despite fluctuations in the economic landscape, the credit union has managed to maintain its non-interest expenses at a level consistent with the previous year. This stability suggests disciplined cost management practices and a focus on operational efficiency. By keeping non-interest expenses in check, the credit union has demonstrated resilience against external pressures and maintained profitability levels. This achievement reflects prudent decision-making and a commitment to optimizing resource allocation. Moving forward, the credit union's ability to sustain this level of expense control will be crucial in supporting continued profitability and long-term growth initiatives. The PCCU's non-interest expenses include salaries and benefits expenses, occupancy expenses, marketing expenses, depreciation, amortization, general and administrative expenses and loan loss provision. Apart from the loan loss provision which resulted in a write-back instead of an expense for 2023. There were no major activities during the year that significantly impacted on the expenses.

### **Net Income**

The significant rebound in net income following a loss in the previous year marks a pivotal achievement for the credit union. The financial position of the PCCU over the years has generally been a profitable one. The Credit Union recorded a profit of \$1,571,935 for the financial year ended December 31, 2023. Overall, the return to profitability showcases the credit union's commitment to delivering value to the membership.





## FINANCIAL CONDITIONS

### ASSETS

#### Loans

Loans to members remained the highest portion of total assets at 49% (2022: 40%) of total assets. Loans to members saw an increase during the financial year owing to the success of our loan promotions. While these efforts are notable, there is still room for improvement as the PEARLS standard requires a ratio of 70-80% of total assets.

#### Delinquency

As at December 31, 2023, the loan portfolio consisted of 629 loans totaling \$29,044,994 before provision. There were 30 delinquent loans which totaled 1,013,094.06, This represented a loan delinquency rate of 4.21%. The PEARLS standard for delinquency is 5%. The PCCU has kept its commitment to aggressively work on delinquency so that our ratios can remain within the PEARLS standards.

There was a decrease in the allowance for loan impairment by \$72,672, from \$660,837 in 2022 to \$588,165.34 in 2023. Based on our gross loan portfolio of \$29,044,994 at the end of the financial year 2023, including a delinquent amount of \$1,013,094.06, our consultants determined that an IFRS 9 Loan Loss provision amount of \$588,165.34 is therefore required. However, at year-end, our provision account balance was \$660,837, marginally higher than the provision requirement. Hence, the loan loss provision write-back mentioned earlier.

#### Cash and Investments

Cash and cash equivalents reduced significantly and now represent 17% (2022: 24.8%) of total assets. Our cash resources were utilized and converted into loans as a result of successful loan promotions during the year. On the other hand, Investment Securities to total assets ratio showed 24% (2022: 26%). Movement in the Investment Securities during the year represented the interest income received on investments.



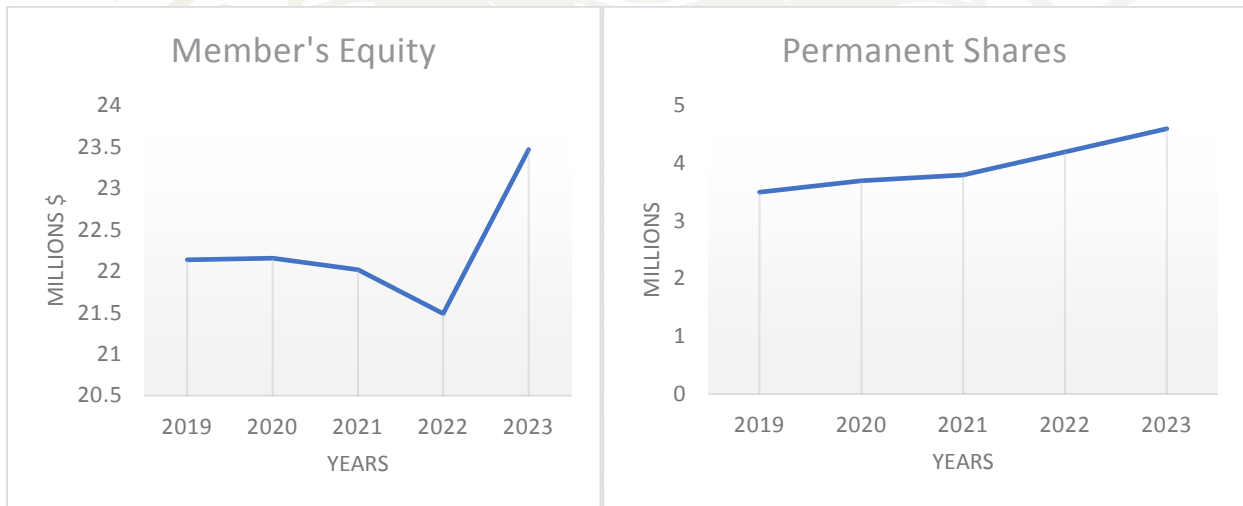
**GROWTH ACHIEVEMENT**

PCCU’s comparative growth achievement 2019 -2023 demonstrates a solid and stable financial position.



**Member’s Equity**

Overall Member equity showed a significant increase of 9% between 2023 and 2022. Over a five (5) year period (2019-2023) share capital grew \$412K (10%).



**KEY PERFORMANCE INDICATORS**

The PCCU’s performance is measured using the Prudential Financial Standard (PEARLS), as recommended by the Financial Services Regulatory Commission (FSRC).



The PCCU has a strong capital base, and we continue to maintain a sound liquidity position year on year. Our PCCU reserves remain compliant with the regulatory requirements of a minimum of 10% of the total assets standing sturdily at 31.64%. Notwithstanding, the ratios with room for improvement. It gives me great pleasure to affirm that PCCU remains stable, secure and a viable financial institution.

PEARLS	Ratios	Goals	Current Year Ratio
Protection	Provision for Loans Delinquent > 12 months	100%	71.05%
	Provision for Loans Delinquent < 12 months	35%	95.99%
Effective financial Structure	Loans/Total Assets	80%	49.65%
	Savings Deposits/Total Assets	80%	58.96%
	Institutional Capital/Total Assets	Minimum 10%	31.64%
Asset Quality	Delinquency/ Gross Loan Portfolio	Max 5%	4.20%
Rates of Return	Net Income/Average Total Assets	2%	2.27%
Liquidity	Liquid Assets/Deposits	Minimum 15%	67.57%
Signs of growth	Growth in assets	Minimum 10%	9.64%

## CONCLUSION & ACKNOWLEDGEMENTS

It has been a privilege, honour and indeed a pleasure to serve PCCU as Treasurer, as such, I wish to thank the management and staff for their continued dedication, commitment, sacrifice and support, my fellow Directors, members of Committees, including those who served on sub-committees, our auditors, the Credit Union Fraternity.

We will continue to be steadfast, proactive, and prudent in our decisions to safeguard our members' savings and investments. We will deliver consistent and excellent services as we go forward.

As we plan, the Credit Union continues to prioritize its members, and provides innovative exceptional products and services at the most competitive rate in the Federation.

May God continue to favour and bless our progressive Credit Union.



Mr. Marvin Thompson  
Treasurer



## CREDIT COMMITTEE REPORT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2023

### INTRODUCTION

The Credit Committee presents its Annual Report for the year ended December 2023. This report highlights the performance of the loan portfolio and provides an overview of the delinquency status.

### MANDATE

The Committee's mandate is to adhere to the Credit Risk Policy and Loan Manual and the By-Laws of the Police Co-operative Credit Union and hereby:

- a. Ensure all decisions taken are in accordance with the Co-operative Society Act, By-Laws, and Credit Risk and Loan Policy.
- b. Convene meetings at least once monthly.
- c. Conduct interviews of applicants, co-makers, and guarantors.
- d. Ascertain all relevant securities and supporting documentation is present and satisfactory for the loan under review.
- e. Prepare and submit monthly reports to the Board of Directors.
- f. Make recommendations to the Board in respect of the Loan Policy of the Credit Union.

The Credit Committee volunteers and their attendance record is detailed in the table below as follows:

**Table 1: Composition of Credit Committee**

Name	Position	No. of meetings	Attendance	% Attendance
Vivian Caesar	Chairman	20	15	75%
Zeon Hector	Vice Chairman	20	17	85%
Krystal Bailey	Secretary	20	18	90%
Leburnah Liburd	Asst. Secretary	20	7	35%
Valentine Hodge	Member	20	10	50%
Keisha Mills	Member	20	6	30%
Nyamekye Powell	Member	20	19	95%

The Committee is pleased to report that it met regularly during the year under review and held a total of 20 meetings. It is noteworthy that in the areas of poor attendance of meetings, this was attributed to professional duties and medical issues.

On a monthly basis the committee reviewed and ratified 100% of the loans that were granted and those that were declined, providing feedback on the review in the files. We conducted interviews with members where necessary and financial counselling was given to some members to guide them to better manage their finances. In addition, we reviewed loan applications and made recommendations to the Board on loans that were outside our mandate.



The committee was exposed to training to improve the quality of the loan portfolio and reduce the delinquency ratio.

## LOAN PORTFOLIO

During the year 2023, the loan portfolio showed solid growth over the previous year with a balance of \$29,044,993.97 at December 31, 2023 against a balance of \$22,423,535.72 from the previous year. This is an increase of \$6,621,485.25 or 29.55%. PCCU experienced a 68% increase in borrowing over the previous year from 492 in 2022 to 629 in 2023. This growth can be attributed to increased marketing, the opening of the Bond and a strategic approach to our lending products.

**Table 2: Three (3) Year Loan Performance**

Year	2021	2022	2023
<b>Number Loans Approved</b>	249	492	629
<b>Total Value Loans Approved (\$)</b>	4,107,900.00	8,399,377.17	13,687,331.22
<b>Total Loan Portfolio (\$)</b>	20,362,038.00	22,423,535.72	29,044,997.97
<b>Growth Rate %</b>	<b>(7.2) %</b>	<b>10.12%</b>	<b>29.53%</b>

The largest growth in our portfolio was in the Line of Credit facility. This product has appealed to our members owing to its flexibility and ease. The success of this product is reflected in its solid growth with an increase of 108 %. The Line of Credit balance moved from \$1,626,886.48 in 2022 to \$3,391,855.12 in 2023, reflecting an increase of \$ 1,764,968.64.

The credit union continued its thrust of empowering its members through homeownership. This is evidenced in the mortgage loans which had an increase of \$1,503,218.46 over the previous year moving from \$6,014,326.40 to \$7,517,544.86. We will continue to support our members in their desire for homeownership and to partner with our various stakeholders towards this end.

During the financial year there was also an increase in General Purpose loans approved from \$2,588,314.97 in 2023 compared to \$2,294,128.48 in 2022. We continued to assist our members in their quest for financial stability by providing debt consolidation loans. Debt consolidation loans approved in 2023 amounted to \$5,236,786.58 versus \$4,914,733.01 in the previous year.

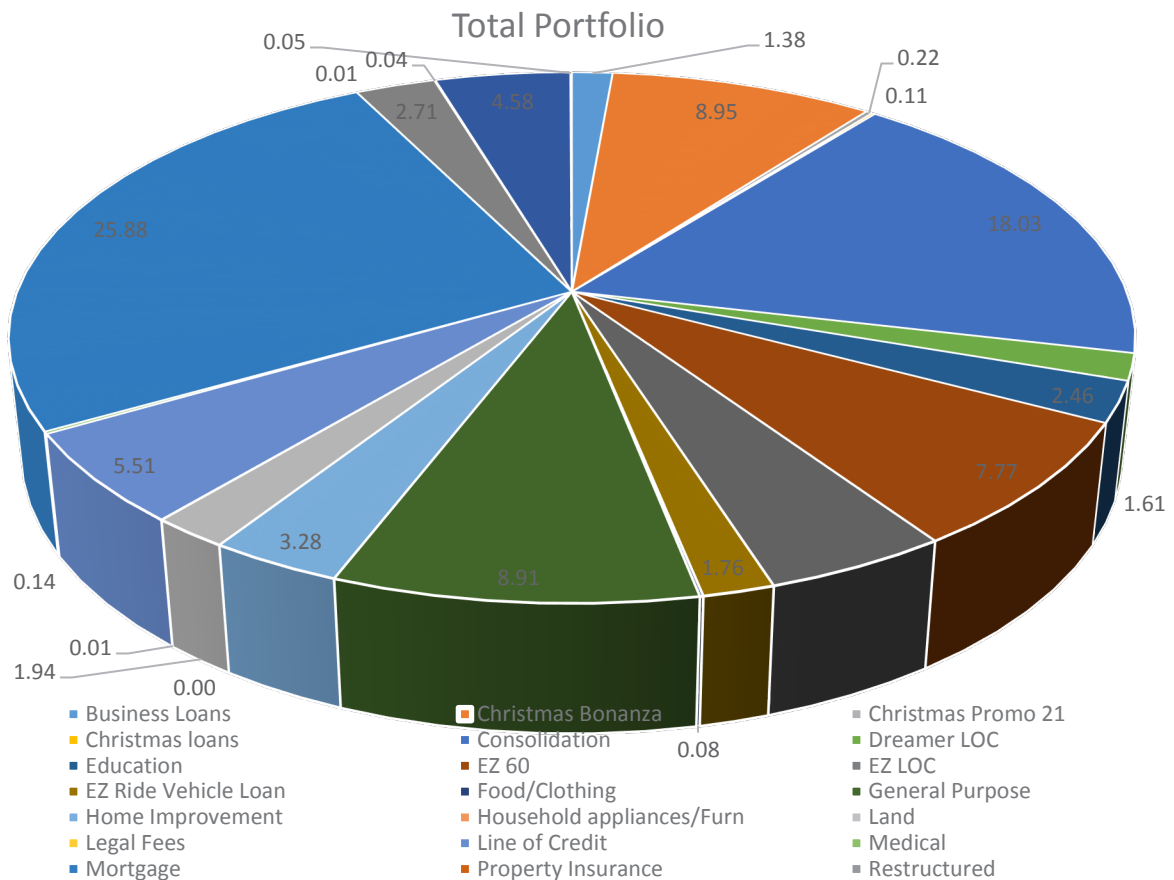
Overall, we are pleased with the strong performance that the total portfolio has shown. The four (4) largest products and their positive increases over the last year are highlighted in Table 3 below:



**Table 3: Largest Products in Loan Portfolio**

YEAR	2022		2023		
	PRODUCT	No.	\$ Value	No.	\$ Value
	Mortgage	29	6,014,326.40	32	7,517,544.86
	Consolidation	69	4,914,733.01	67	5,236,786.58
	General Purpose (Consumer Loans)	93	2,294,128.48	115	2,588,314.97
	Line of Credit	100	1,626,886.48	183	3,391,855.12

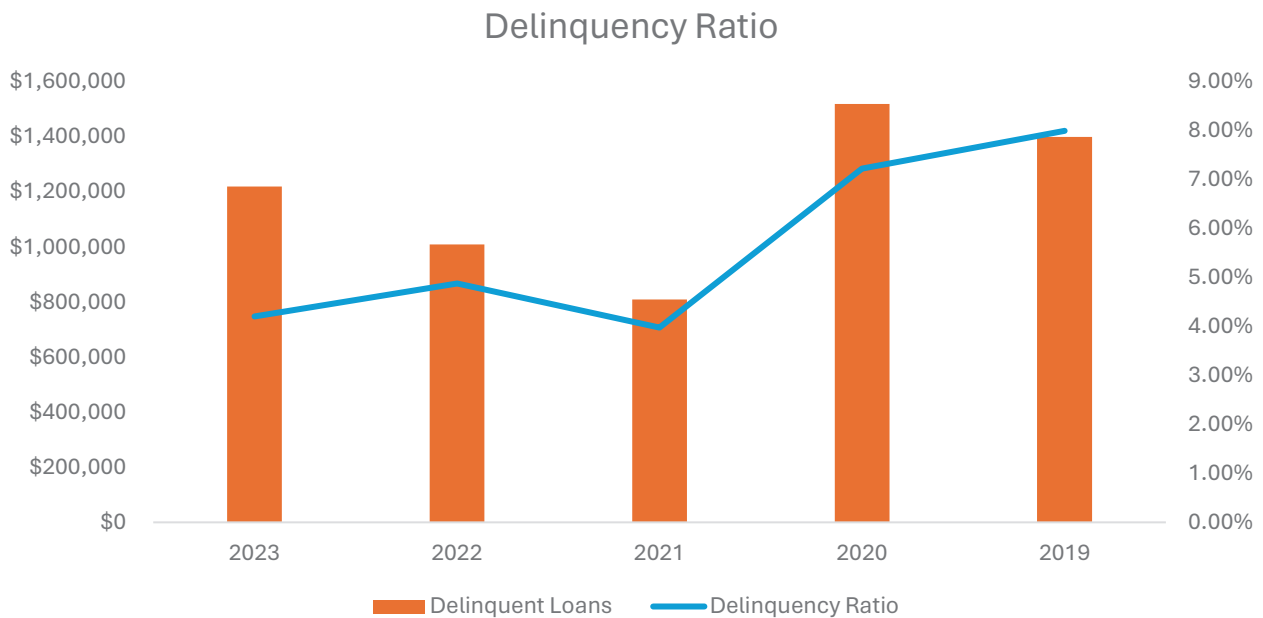
**Chart 1: Total Loan Portfolio** detailing the percentages of loans in each category is shown below.



## DELINQUENCY

The credit union recorded a delinquency rate of 4.21% for the year ended December 2023. The delinquency ratio has been trending downwards and for the last three (3) years has been below the industry standard of 5%. The institution has successfully minimized delinquencies through quality underwriting, proactive loan monitoring and early intervention strategies. In addition, our dedicated team of professionals have worked closely with borrowers experiencing hardships to devise solutions to bring accounts back on track. Commendations must be given to the management and staff of the credit union for their hard work on delinquency management.

**Chart 2: Delinquency Trend for Past 5 Years**



Regrettably, there are still some members who refuse to honour their commitments to their credit union. Despite efforts to assist members with financial difficulties, during the year, some matters were referred for legal action as some members remained uncooperative.

We take this opportunity to continue appealing to our members to honor their commitment to service their loans based on their loan agreements. We therefore encourage all delinquent members to visit the PCCU office to make arrangements for servicing their loans to be in a position of good standing.

## CONCLUSION & ACKNOWLEDGEMENT

In conclusion, the Credit Committee is pleased with the overall performance of the loan portfolio for the year ended December 2023. We have achieved steady growth while maintaining a low delinquency rate, showcasing our commitment to responsible lending practices.

We wish to express our sincere gratitude to our members, employees, and regulatory authorities, for

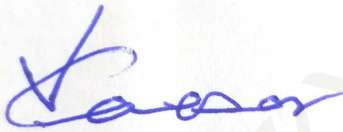


their trust and support throughout the year. Their collaboration has been essential in achieving our objectives and ensuring sustainable growth.

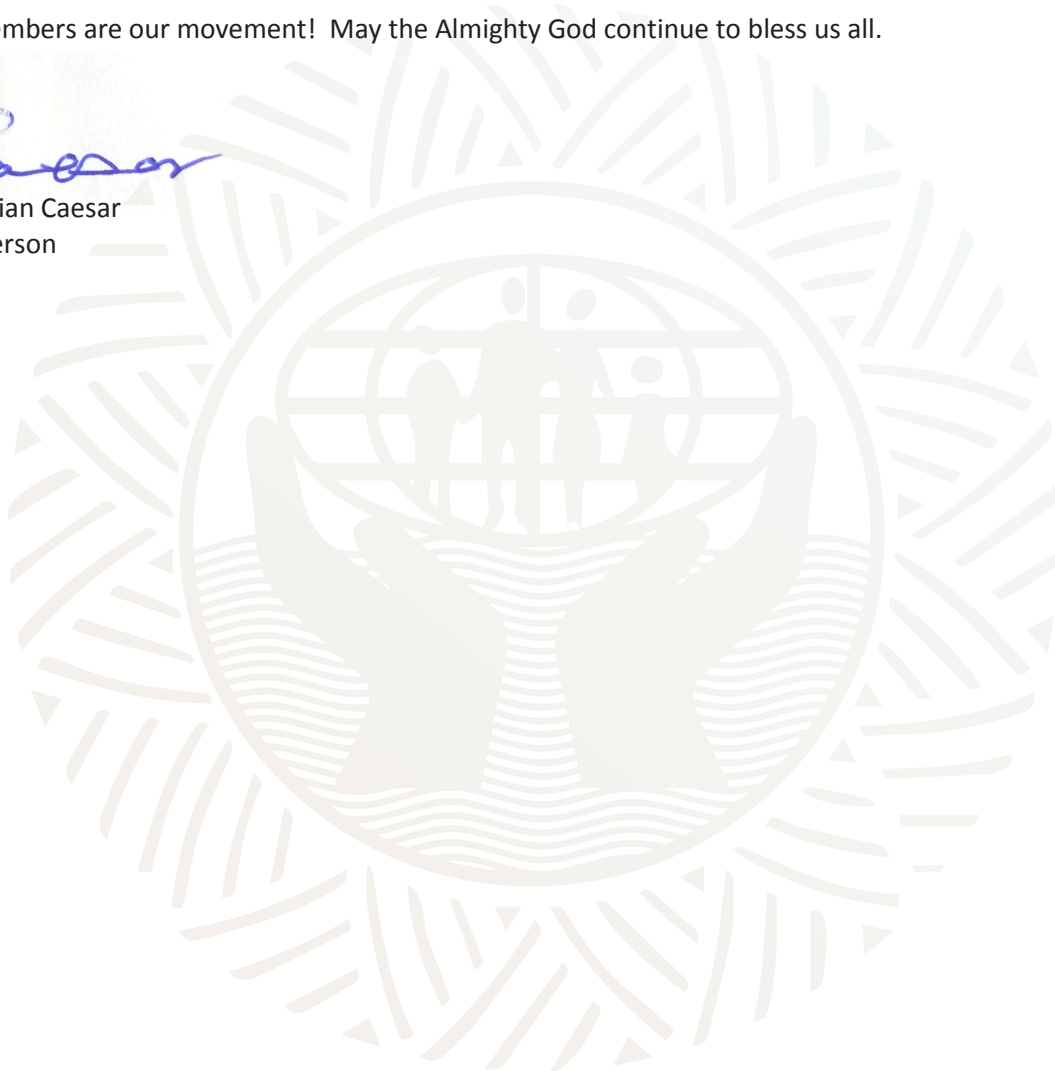
Looking ahead, the Credit Committee remains dedicated to continuing our prudent lending practices, improving risk management strategies, and expanding our reach to serve a wider range of borrowers. We are confident that with the support of all, we will continue to build a strong and resilient loan portfolio.

We extend our heartfelt appreciation to everyone involved in making the year 2023 a successful one for our proud institution.

Our members are our movement! May the Almighty God continue to bless us all.



Mr. Vivian Caesar  
Chairperson



## SUPERVISORY & COMPLIANCE COMMITTEE REPORT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2023

### INTRODUCTION

The Supervisory and Compliance Committee is pleased to present to the membership of the Police Co-operative Credit Union Ltd (“PCCU”) its report on its activities in relation to the Credit Union’s performance for the year ending December 31, 2023 in accordance with section 66 (1) (f) of the Co-operative Societies Act, Chapter 21.04 of the Laws of Saint Christopher and Nevis, 2017 Revised Edition and the Societies By-Laws.

The Committee members during the year ending 2023 were:

Mrs. Kamara Phillip	-	Chairperson
Mr. Kishorn Charles	-	Deputy Chairperson
Mr. Clarence Hendrickson	-	Secretary
Mrs. Natalie Fough	-	Member
Mr. Hassani Bertie	-	Member

**Table 1: Attendance record for the 2023 financial year.**

SUPERVISORY & COMPLIANCE COMMITTEE	Period Served	# Meetings Held	Membership Period (Mths)	# Actual Attendance
Ms. Danni Maynard – Chairperson	Jan 2023- 6 June 2023	12	5	4
Mr. Kishorn Charles - Deputy Chair	Jan - Dec 2023	12	12	10
Ms. Kamara Phillip - Chairperson	Jan - Dec 2023	12	12	10
Mrs. Natalie Fough - Asst. Secretary	Jan - Dec 2023	12	12	11
Mr. Clarence Hendrickson - Secretary	Jan - Dec 2023	12	12	10
Mr. Hasani Bertie - Member	Jan - Dec 2023	12	12	4

### OVERVIEW

During the year under review, the Committee concentrated its efforts on the following areas:

- ✓ Examining loan file samples to determine if lending criteria were aligned with loan policy procedures and best practices.
- ✓ Ascertaining conformity with financial rules and processes. This approach required comparing operating standards and practices to those of the industry, such as PEARLS.



- ✓ Thorough inspection of Executive Officers' and staff records to ensure completeness and compliance with the due diligence process, as well as compliance with AML requirements.
- ✓ Evaluation of the Board of Directors (BOD), Management, and staff procedures, as well as efforts to increase timely collections, thus reducing delinquency.
- ✓ Assessing the level of communication and service provided to members as a predictor of member satisfaction.
- ✓ Examine the society's policies and procedures to confirm that the legislative framework was followed.
- ✓ Continuous monitoring of the organization's facilities, security amenities, and safety processes, including Intruder Detection, Response, Fire Prevention, and Surveillance System

## OPERATIONAL MANAGEMENT

During the year under review, there was significant staff turnover within the organization, with several individuals either joining the Police Co-operative Credit Union to address vacant positions or pursuing opportunities for advancement elsewhere. Specifically, the roles of Loan Supervisor, Member Services Representative, and Compliance Officer were vacated due to resignations, while the Operations Manager retired from their post. To address these vacancies, the organization welcomed four new team members, including two Member Services Representatives, a Compliance Officer, and an Administrative/HR Assistant.

## HUMAN RESOURCE TRAINING AND DEVELOPMENT

Training and Development is one of the most important ways of human development and improvement of any organization.

How do you know if it's effective? If it meets the following criteria: The participants of the program gained useful knowledge that can apply to their work. The employees demonstrate improvement.

How do you measure effectiveness?

1. Establish key performance indicators.
2. Monitor performance.
3. Monitor continued learning.
4. Solicit feedback.

The staff, Board of Directors and executive members undergo such training to increase the knowledge and skills in the various roles to understand the risks involved in the day-to-day operations of the organization.

### Training provided to staff and volunteers during 2023:

1. Financial Services Regulatory Commission (FSRC) - Fostering A Culture of Compliance
2. Compliance/Anti-Money Laundering:
  - a. Anti-Money Laundering (AML)



- b. Countering Proliferation Financing (CPF)
  - a. Countering the Financing of Terrorism (CFT)
  - b. Suspicious Transaction Report (STR)
  - c. Know Your Member (KYM)
  - d. Customer Due Diligence (CDD)
- 3. Caribbean Development Education 47:
  - a. Co-operatives Principles
  - b. Good Governance
  - c. Membership Growth
  - d. Development pertaining to Sustainable Development Goals (SDG)
  - e. General Development Programs (Capacity Building, Youth Programs preparing for volunteerism and growing the Credit Unions)
- 4. St. Kitts Nevis Symposium: Asset Quality & Good Governance, Increasing Market Share in the Post-Pandemic Era
- 5. Caribbean Confederation of Credit Unions, Annual Conference
- 6. Credit Risk Management & Loan Policy
- 7. Delinquency Manual
- 8. Performance Management Policy and Job Description Review
- 9. Member Service Excellence

## FINANCIALS

The PCCU is a financial institution that operates within the standards that are held by the industry. The performance for the year was good. For the year in review, the PCCU's capital was 40% of total assets when compared to 39.4% in 2022. According to industry standards and the PEARLS ratio, which stipulates a requirement of a minimum of 10%, the PCCU situation was very good. There was a significant increase in loans for the year in review. The loan to assets ratio for 2023 was 48.6% compared to 40% in 2022 which indicates an 8.6% increase. The PEARLS standard for this ratio is 70%- 80%. Deposit- to- asset ratio was at 56.5% (2022: 56.9%) when compared to PEARLS benchmark of 70%-80%. Operating expenses to total assets at December 31, 2023 stood at 3% (2022: 4.2%) the PEARLS standard is <=5%.

## DELINQUENCY

For the period under review, there were thirty (30) delinquent loans totaling EC\$1,223,308.20. The total value of the loans for the period totaled EC\$29,044,993.97(gross, before provision) and EC\$28,526,809 (net, after provision) in comparison to EC\$22,423,536 (gross, before provision) and \$21,835,015n (net, after provision) in 2022. This represents a 23% increase in the loan portfolio. The delinquency rate as at December 31, 2023 was at 4.21% compared to the 2022 delinquency rate of 4.86%. The value of the delinquent loans is significantly high, and more effort must be taken to obtain the outstanding funds. It is imperative that persons honor their financial responsibilities to the organization, and we encourage members to service their debts.



## OUTLOOK

The Supervisory and Compliance Committee acknowledges that there have been improvements in the cooperation within the organization, new strategic initiative and inventive drives that came on board that have made the lives of members more comfortable. However, the need for better internal control is still an area that needs to strengthen and will help to realize a smoother running organization. A higher sense of efficiency and accountability will boost membership confidence in sustainability.

## CONCLUSION

The Supervisory and Compliance Committee is appreciative of the opportunity given to serve you, the members. We look forward to continuing our charge to strive to make the PCCU the preferred financial institution to conduct business. We strive to meet the needs of the members and adhere to the monitoring standards. At this point, the Board of Directors, Executive members, employees, and administration are acknowledged for their hard work and dedication to the PCCU throughout the course of the year under review. Additionally, we would like to thank members for their commitment to the PCCU and look forward to collaborating with you to build a stronger financial future.



Mrs. Kamara Phillip  
Chairperson  
Supervisory Compliance Committee



## NOMINATING COMMITTEE REPORT TO THE 40<sup>TH</sup> ANNUAL GENERAL MEETING

The Nominating Committee was appointed by the Board of Directors in accordance with Section 56 of the Police Cooperative Credit Union By-Laws, for the purpose of nominating members to fill vacancies on the Executive Body. The members of the Nominations Committee are as follows:

Mr. Marvin Thompson	Chairperson
Ms. Mellicia Phillip	Member
Ms. Sandrine Williams	Member

The Nominating Committee presents the following nominees to fill the vacancies on the Executive Body, whose term will expire at the 40<sup>th</sup> Annual General Meeting.

Committee	Retiring/Resigned/Vacated	Nominee	Term
<b>Board Of Directors</b>			
	Mr. Matthew McGuire	Mr. Matthew McGuire	2 <sup>nd</sup>
	Mr. Daniel Jacobs	Mr. Daniel Jacobs	2 <sup>nd</sup>
	Mrs. Leah Francis	Mrs. Leah Francis	2 <sup>nd</sup>
	Mr. John Bergan	Mr. Ervin Williams	1 <sup>st</sup>
<b>Supervisory &amp; Compliance Committee</b>			
	Mr. Kishorn Charles	Ms. Oretha Mitchum	1 <sup>st</sup>
	Mrs. Kamara Phillip	Mr. I 'Jaz Francis	1 <sup>st</sup>
	Mrs. Natalie Fough	Mrs. Consie Rogers	1 <sup>st</sup>
	Mr. Hasani Bertie	Dr. Natasha Weekes	1 <sup>st</sup>
	Mr. Clarence Hendrickson	Ms. Avonelle Martin	1 <sup>st</sup>
<b>Credit Committee</b>			
	Ms. Kyrstal Bailey	Ms. Kyrstal Bailey	2 <sup>nd</sup>
	Ms. Leburnah Liburd	Mrs. Karimah Pemberton-Daniel	1 <sup>st</sup>
	Ms. Keisha Mills	Mr. Shaun Stevens	1 <sup>st</sup>

As part of its fiduciary responsibility to its members to ensure effective governance and supervision, as well as compliance with the Co-operative Societies Act, CAP 21.04 and the PCCU By-Laws, the requisite due diligence was exercised to ensure all nominees are:

- Eighteen (18) years or older;
- A Member of the PCCU for one (1) year or more;
- A citizen or resident of St. Kitts & Nevis;
- The holder of a minimum of five hundred (500) fully paid shares in the PCCU, and
- Of financial soundness and good character.

Additionally, all nominees were required to complete the following documents:

- Nomination Form;
- Director and Committee Member Disclosure Agreement.
- Director and Committee Member Declaration of Interests Form, and the



- Fitness & Probity Questionnaire for Management Officials.

The Nominating Committee is pleased to report that the candidates nominated satisfy all criteria for selection.

The Nominating Committee expresses its sincere gratitude to the retiring Volunteers. Thank you for your contribution to the development of the Police Co-operative Credit Union (St. Christopher & Nevis) Ltd.



Mr. Marvin Thompson  
Chairperson



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**Independent Auditor's Report  
To the Members of  
Police Co-operative Credit Union (St. Christopher & Nevis) Limited**

**Opinion**

We have audited the financial statements of the **Police Co-operative Credit Union (St. Christopher & Nevis) Limited** (the "Credit Union") which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements as at and for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

## **Impairment of financial assets**

### *Description of Key Matter*

The impairment of financial assets is a key audit matter, as it requires the application of critical management judgement and use of subjective estimates in determining the amount of impairment losses that are required to be recognised in the financial statements.

Accordingly, the Credit Union used the ECL model in determining the impairment allowance for its financial assets. Under IFRS 9, the assessment of credit risk of a portfolio of assets entails further estimations as to

the likelihood of default occurring, the associated loss ratio and of default correlation between counterparties. Furthermore, the Credit Union incorporated forward-looking information into the assessment of whether the credit risk of an instrument has increased significantly from its initial recognition to the measurement of the ECL. The Credit Union has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and using an analysis of historical data, has estimated relationship between macro-economic variables, credit risk and credit losses.

### *How the Matter was addressed in the Audit*

Our audit procedures performed to address the risk of material misstatement relating to the adequacy of the impairment allowance on the financial assets, which was considered to be a significant risk, included the following:

- Obtained an understanding and critically assessed the Credit Union's accounting policies relating to the classification, measurement, and impairment of financial assets;
- Assessed and evaluated the effectiveness of controls over the approval, recording, and monitoring of financial assets, classification into credit risk stages and calculation of impairment allowance;
- Evaluated the inputs and assumptions, as well as the formulas used in the development of the ECL models for the various financial assets. This includes assessing the appropriateness of the design of the ECL impairment model and formula used in determining the ECL;
- Evaluated the classification of credit-impairment loans to members to stage 3 for completeness of the population of loans to members included in the stage 3 ECL calculation. Independently tested the accuracy of management's stage 3 ECL calculation on a sample basis;
- Examined the collateral values recorded by management by comparing them to independent valuation reports of independent professional valuers;
- Assessed the estimated costs and time to sell pledged collaterals used in the ECL calculation for reasonableness.
- Assessed the key credit risks factors such as default history, macro-economic factors, and financial capability of counterparties.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.



**MNW**  
CHARTERED CERTIFIED  
ACCOUNTANTS

**Auditor's Responsibilities for the Audit of the Financial Statements ...continued**

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

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

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

*MNWCCA*

MNW  
CHARTERED CERTIFIED  
ACCOUNTANTS

Chartered Accountants  
April 15, 2024  
Basseterre, St. Kitts

# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Statement of Financial Position

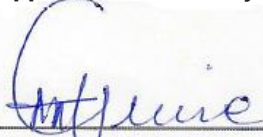
### As at December 31, 2023

(expressed in Eastern Caribbean dollars)

	Note	2023 \$	2022 \$
<b>Assets</b>			
Cash and cash equivalents	7	9,961,839	13,574,548
Loans to members	8	28,526,809	21,835,015
Investment securities	9	14,259,717	13,910,756
Investment properties	10	5,590,752	4,795,078
Property and equipment	11	123,585	206,123
Right of use assets	13	28,011	140,058
Intangible assets	12	59,969	2,087
Other assets		95,844	79,835
<b>Total assets</b>		<b>58,646,526</b>	<b>54,543,500</b>
<b>Liabilities and members' equity</b>			
<b>Liabilities</b>			
Members' deposits	14	33,142,341	31,020,657
Lease liability	13	30,173	146,810
Other liabilities	15	2,002,422	1,889,233
<b>Total liabilities</b>		<b>35,174,936</b>	<b>33,056,700</b>
<b>Members' equity</b>			
Members' share	16	4,617,105	4,204,250
Reserves	17	8,112,929	8,034,333
Special reserve funds	18	4,403,249	4,230,336
Retained earnings		6,338,307	5,017,881
<b>Total members' equity</b>		<b>23,471,590</b>	<b>21,486,800</b>
<b>Total liabilities and members' equity</b>		<b>58,646,526</b>	<b>54,543,500</b>

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

Approved for issue by the Board of Directors on April 15, 2024.

  
 Matthew McGuire  
 President

  
 Marvin Thompson  
 Treasurer



## Police Co-operative Credit Union (St. Christopher & Nevis) Limited

### Statement of Comprehensive Income

#### For the year ended December 31, 2023

(expressed in Eastern Caribbean dollars)

	Note	2023 \$	2022 \$
Interest income	19	2,906,937	2,347,323
Interest expense	20	(824,797)	(1,039,550)
<b>Net interest income</b>		<b>2,082,140</b>	<b>1,307,773</b>
Other income	21	431,323	182,260
<b>Operating income</b>		<b>2,513,463</b>	<b>1,490,033</b>
<b>Operating expenses</b>			
Employee costs	23	(803,354)	(791,973)
General and administrative	22	(674,682)	(605,582)
Depreciation	11 & 13	(237,872)	(235,086)
Amortisation	12	(16,131)	(72)
Finance cost	13	(5,163)	(11,391)
Loan impairment provision	8	-	(637,440)
<b>Total operating expenses</b>		<b>(1,737,202)</b>	<b>(2,281,545)</b>
<b>Surplus/(loss) for the year</b>		<b>776,261</b>	<b>(791,512)</b>
Other comprehensive income	10	795,674	3,125
<b>Total comprehensive surplus/(loss) for the year</b>		<b>1,571,935</b>	<b>(788,387)</b>

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



## Police Co-operative Credit Union (St. Christopher & Nevis) Limited

### Statement of Changes in Members' Equity For the year ended December 31, 2023

(expressed in Eastern Caribbean dollars)

	Note	Members' shares \$	Reserves \$	Special reserve funds \$	Retained earnings \$	Total \$
<b>Balance at December 31, 2021</b>		3,791,460	8,034,333	4,230,336	5,961,323	22,017,452
<b>Comprehensive loss</b>						
Issuance of permanent shares	16	412,790	-	-	-	412,790
Dividends paid		-	-	-	(155,055)	(155,055)
Loss for the year		-	-	-	(788,387)	(788,387)
<b>Balance at December 31, 2022</b>		4,204,250	8,034,333	4,230,336	5,017,881	21,486,800
<b>Comprehensive loss</b>						
Issuance of permanent shares	16	412,855	-	-	-	412,855
Transfer to development fund		-	-	15,719	(15,719)	-
Transfer to technology & improvement fund		-	157,194	-	(157,194)	-
Transfer to statutory reserves		-	-	78,597	(78,597)	-
Surplus for the year		-	-	-	1,571,935	1,571,935
<b>Balance at December 31, 2023</b>		4,617,105	8,191,527	4,324,652	6,338,306	23,471,590

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



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Statement of Cash Flows

### For the year ended December 31, 2023

(expressed in Eastern Caribbean dollars)

	Note	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Surplus/(loss) for the year		1,571,935	(788,387)
Adjustments for items not affecting cash:			
Interest expense		824,797	1,039,550
Depreciation	11 & 13	237,872	235,086
Amortisation		16,131	72
Loan loss recovery		–	637,440
Interest income		(2,906,937)	(2,347,323)
<b>Operating loss before changes in operating assets and liabilities</b>		<b>(256,202)</b>	<b>(1,223,562)</b>
(Increase)/decrease in operating assets:			
Loans to members		(6,691,794)	(2,649,694)
Other assets		(16,009)	43,074
Increase/(decrease) in operating liabilities:			
Members' deposits		2,121,684	704,624
Other liabilities		113,189	(69,198)
<b>Cash used in operations</b>		<b>(4,729,132)</b>	<b>(3,194,756)</b>
Interest received		2,349,747	1,734,359
Interest expense		(824,797)	(1,039,550)
<b>Net cash used in operating activities</b>		<b>(3,204,182)</b>	<b>(2,499,947)</b>
<b>Cash flows from investing activities</b>			
(Loss)/gain on investment		(795,673)	3,125
Interest received from investment securities		523,485	252,797
Purchase of investment securities		(315,256)	(3,000,000)
Acquisition of intangible assets	12	(74,013)	(2,159)
Purchase of property and equipment	11	(43,288)	(7,824)
<b>Net cash flows used in investing activities</b>		<b>(704,745)</b>	<b>(2,754,061)</b>
<b>Cash flows from financing activities</b>			
Issuance of shares		412,855	412,790
Interest paid on lease liability		5,163	11,391
Repayment of lease liability		(121,800)	(121,800)
Dividends paid		–	(155,055)
<b>Net cash generated from financing activities</b>		<b>296,218</b>	<b>147,326</b>
<b>Net increase in cash and cash equivalents</b>		<b>(3,612,709)</b>	<b>(5,106,682)</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>13,574,548</b>	<b>18,681,230</b>
<b>Cash and cash equivalents, end of year</b>	7	<b>9,961,839</b>	<b>13,574,548</b>

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



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 1 Nature of operations

The principal activity of the Police Co-Operative Credit Union (St. Christopher & Nevis) Limited (“the Credit Union”) is to promote thrift among, and to create a source of credit for its members at a reasonable rate of interest for provident and productive purposes.

### 2 General information and statement of compliance with International Financial Reporting Standards (IFRS)

The Credit Union was registered on January 20, 1984 under the provisions of the Co-operative Societies Ordinance, Chapter 120 of the laws of St Christopher and Nevis. The Ordinance was subsequently repealed and replaced by the Co-operative Societies Act of 1995. Following that Act, the Credit Union was re-registered under Section 241 of the said Act on October 14, 1998. The 1995 Act was replaced by the Co-operatives Societies Act No. 30 of 2011, and the Credit Union was automatically re-registered on October 17, 2011.

The Credit Union is regulated by the Financial Services Regulatory Commission - St. Kitts Branch.

The registered office of the Credit Union is situated at Cayon Street, Basseterre, St Kitts.

#### **Statement of Compliance**

The accompanying financial statements of the Credit Union have been prepared under the historical cost convention in accordance with IFRS and International Financial Reporting Standards Interpretations Committee (IFRIC) interpretations as issued by the International Accounting Standards Board (IASB).

These financial statements were approved by the Board of Directors on April 15, 2024.

#### **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 Changes in accounting policies

#### **New standards and amendments to standards and interpretations**

The Credit Union has adopted the following amendments to standards and new interpretations effective from January 1, 2023. The adoption of these amendments to standards and interpretations did not have any significant impact on the Credit Union’s financial statements as at and for the year ended December 31, 2023.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

### December 31, 2023

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(expressed in Eastern Caribbean dollars)

### 3 Changes in accounting policies ...continued

#### ***New standards and amendments to standards and interpretations ...continued***

- *IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)*

The IASB issued amendments to IAS 37, which specify the costs a company includes when assessing whether a contract will be loss-making and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.

- *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

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

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Credit Union. Information on those expected to be relevant to the Credit Union's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Credit Union's accounting policies for the first period beginning after the effective date of the pronouncement. New standards amendments and interpretation not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Credit Union's financial statements.

- *IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)*

The IASB issued amendments to IAS 1, which clarify how an entity classifies liabilities as current or non-current. The amendments initially had an effective date of January 1, 2022, however, in July 2020 this was deferred until January 1, 2024 as a result of the COVID-19 pandemic. At the IFRS Interpretations Committee's December meeting, the Committee discussed the amendments due to feedback from stakeholders which indicated that the requirements of the amendments may be unclear. These amendments are expected to have a significant impact on many entities, with more liabilities being classified as current, particularly those with covenants relating to borrowings.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

### December 31, 2023

(expressed in Eastern Caribbean dollars)

### 3 Changes in accounting policies ...continued

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

- (1) Amendments to IAS 21 - Lack of Exchangeability – Effective January 1, 2025.
- (2) Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback - Effective January 1, 2024.
- (3) Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements - Effective January 1, 2024.

### 4 Summary of significant accounting policies

The financial statements have been prepared using the significant accounting policies and measurement bases summarized below.

#### a) Foreign currency translation

- (i) *Functional and presentation currency*  
Items included in the financial statements are measured using the currency of the primary economic environment in which the Credit Union operates (the “functional currency”). The financial statements are presented in Eastern Caribbean dollars, which is the Credit Union’s functional and presentation currency.
- (ii) *Transactions and balances*  
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income within ‘Other income’ or ‘General and administrative expenses’.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

### December 31, 2023

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(expressed in Eastern Caribbean dollars)

#### 4 Summary of significant accounting policies ...continued

##### b) Financial instruments

###### *Recognition and derecognition*

Financial assets and financial liabilities are recognised when the Credit Union becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

###### *Measurement methods*

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 the financial asset (i.e., its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ("POCI") financial assets – assets, credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Credit Union revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

###### *Classification and measurement of financial assets*

At initial recognition, the Credit Union initially measures a financial asset or financial liability at its fair value 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 incremental and directly attributable to the acquisition or issue of the financial asset or financial liability such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expenses in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 4 Summary of significant accounting policies ...continued

#### b) Financial instruments ...continued

##### *Classification and measurement of financial assets ...continued*

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Financial assets are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); or
- fair value through other comprehensive income (FVOCI).

In the current and prior periods presented, the Credit Union does not have any financial assets categorised as FVTPL. All income and expenses relating to financial assets that are recognised in the statement of income are presented within interest income whereas loss allowance is presented within operating expenses and are presented in the statement of comprehensive income.

The classification requirements for debt and equity instruments are described below.

##### *Debt instruments*

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from members in factoring arrangements without recourse.

The classification and subsequent measurement of debt instruments is determined by both:

- the Credit Union's business model for managing the financial asset and,
- the contractual cash flow characteristics of the financial assets.

Based on these factors the Credit Union classifies its debt instruments into the measurement category of amortised cost.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 4 Summary of significant accounting policies ...continued

#### b) Financial instruments ...continued

##### Financial assets at amortised cost and effective interest rate

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

##### Business model

The business model reflects how the Credit Union manages the assets in order to generate cash flows. That is, whether the Credit Union's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of the 'other' business model and measured at FVTPL. Factors considered by the Credit Union in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

##### SPPI

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Credit Union assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI' test). In making this assessment, the Credit Union considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Credit Union reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 4 Summary of significant accounting policies ...continued

#### b) Financial instruments ...continued

##### Financial assets at amortised cost and effective interest rate ...continued

##### *Impairment of financial assets*

The Credit Union uses the IFRS 9's impairment requirement which assesses on a forward-looking basis, the expected credit losses – the 'expected credit loss (ECL) model' on its financial assets carried at amortised cost and with the exposure arising from loan commitments. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans to members and other debt-type financial assets measured at amortised cost and FVOCI, receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Credit Union first identifying a credit loss event. Instead, the Credit Union considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Credit Union makes use of the 12-month expected credit loss approach in accounting for other financial assets at amortised cost and lifetime expected credit loss approach for long-term interest-bearing loans to members and investment securities and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the expected credit losses, the Credit Union uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

The Credit Union assesses loss allowance of financial assets at amortised cost on a collective basis as they possess shared credit risk characteristics based on the days past due.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

### December 31, 2023

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(expressed in Eastern Caribbean dollars)

#### 4 Summary of significant accounting policies ...continued

##### b) Financial instruments ...continued

###### Modification of loans

The Credit Union sometimes renegotiates or otherwise modifies the contractual cash flows of loans to members. When this happens, the Credit Union assesses whether or not the new terms are substantially different to the original terms. The Credit Union does this by considering, among others, the following factors:

- If the member is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the member is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the member is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Credit Union derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Credit Union also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the member being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Credit Union recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

###### Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include members shares.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

### December 31, 2023

(expressed in Eastern Caribbean dollars)

#### 4 Summary of significant accounting policies ...continued

##### b) Financial instruments ...continued

###### Modification of loans ...continued

###### Fair Value through Other Comprehensive Income (FVOCI)

The Credit Union's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

###### Financial liabilities

###### (i) Classification and subsequent measurement

In both the current and prior periods, financial liabilities are classified as subsequently measured at amortised cost.

###### (ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expires). The exchange between the Credit Union and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

##### c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 4 Summary of significant accounting policies ...continued

#### d) Offsetting financial instruments

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

#### e) Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment losses. Property and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Credit Union. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write down the cost less estimated residual value (if any) at the following annual rates:

Furniture and fittings	10%
Office equipment	15%
Leasehold improvements	33.33%

Gains and losses on disposal of property and equipment are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income in the year the assets are disposed.

The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

#### f) Intangible assets

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Subsequently, these intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. These costs are amortised over their estimated useful life of three (3) years (33.33% annual rate). The amortisation period and the amortisation method used for the computer software are reviewed at least at each financial year-end.

Computer software is assessed for impairment whenever there is an indication that they may be impaired. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 4 Summary of significant accounting policies ...continued

#### g) Impairment of non-financial assets

Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### h) Provisions, contingent assets and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognised when the Credit Union has a present 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 and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

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.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

#### i) Income taxes

According to section 242 (2) of the Co-operative Societies Act, 31 of 2011 and the Income Tax Act of St Christopher and Nevis, Chapter 20.22, Section 5(1)(b), with reference to Friendly Societies, the Credit Union is exempt from the payment of income taxes.

#### j) Leases – Credit Union as a lessee

For any new contracts entered, the Credit Union considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the Credit Union assesses whether the contract meets three key evaluations which are whether:

1. The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Credit Union;



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 4 Summary of significant accounting policies ...continued

#### j) Leases – Credit Union as a lessee ...continued

2. The Credit Union has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
3. The Credit Union has the right to direct the use of the identified asset throughout the period of use. The Credit Union assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

At lease commencement date, the Credit Union recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Credit Union, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Credit Union depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Credit Union also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Credit Union measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Credit Union's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Credit Union has elected to account for short-term leases and leases of low-value assets, if any, using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. The right-of-use assets and lease liabilities have been disclosed separately on the statement of financial position.

#### k) Equity, reserves and dividend payments

##### Member's shares

Members shares represents the proceeds of shares that have been issued.

##### Reserves

##### (i) Statutory reserves

Statutory reserve fund is a reserve fund which is required by the Co-operatives Societies Act of 2011 and article XXL, section 85 of the By-Laws of the Credit Union, which states that every Co-operative Credit Union shall maintain a reserve fund and shall, out of its surplus of each year, transfer to that fund a sum equal to not less than twenty percent of such surplus.

##### (ii) Financial asset revaluation reserve

Financial asset revaluation reserve comprises of unrealised gains and losses from financial assets at FVTOCI.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

### December 31, 2023

(expressed in Eastern Caribbean dollars)

#### 4 Summary of significant accounting policies ...continued

##### k) Equity, reserves and dividend payments ...continued

###### Reserves ...continued

###### (iii) General and special reserves

General and special reserves are reserves created under the discretion of the Board of Directors. The general and special reserves represent non-distributable reserve and is not available for the payment of dividends.

###### Retained earnings

Retained earnings include all current and prior period retained profits as reported in the statement of comprehensive income, net of dividends.

###### Dividends

Dividend distributions to members are recorded in equity when the dividends have been approved by the Credit Unions members at the Annual General Meeting.

##### l) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

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

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- b) Financial assets that are not "POCI" but have subsequently become credit impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e., net of the expected credit loss provision).



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

### December 31, 2023

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(expressed in Eastern Caribbean dollars)

#### 4 Summary of significant accounting policies ...continued

##### l) Interest income and expense ...continued

In the prior financial year ended December 31, 2022, once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss.

##### m) Dividend income

Dividends are recognised in the statement of comprehensive income when the Credit Union's right to receive payment is established.

##### n) Expenses

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

##### o) Employee benefits

###### *Short-term employee benefits*

Short-term employee benefits, including holiday entitlement, are current liabilities measured at the undiscounted amount that the Credit Union expects to pay as a result of the unused entitlement.

#### 5 Financial risk management

The Credit Union's Board of Directors has overall responsibility for the establishment and oversight of the Credit Union's risk management framework. The Board of Directors has established a Supervisory and Credit Committee for the Credit Union, which are responsible for developing and monitoring the Credit Union's risk management policies along with senior management.

The Credit Union's risk management policies are established to identify and analyse the risks faced by the Credit Union, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and Credit Union's activities. The Credit Union, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The most important types of risk are credit risk, market risk, liquidity risk, and other operational risk. Market risk includes currency risk and interest rate risk.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 5 Financial risk management ...continued

#### 5.1 Credit risk

The Credit Union takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Credit Union by failing to discharge an obligation. Credit risk arises principally from the Credit Union's cash at banks and treasury bills, loans to members, other receivables, loan commitments and investment activities that bring financial instruments into the Credit Union's asset portfolio and can also arise from credit enhancement and financial guarantees, if any.

Credit risk is the risk that the Credit Union will incur a loss because its members or counterparties fail to discharge their contractual obligations.

Credit risk is the most important risk for the Credit Union's business. Those charged with governance, therefore, carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans to members, and investment activities that bring debt securities and other instruments into the Credit Union's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit Committee.

#### Credit-related commitments

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Credit Union is potentially exposed to losses in an amount equal to the total unused commitments. However, the likely amount of losses is less than the total unused commitments, as most commitments to extend credit are contingent upon members maintaining specific credit standards.

#### 5.1.1 Credit risk measurement

##### Loans to members including loan commitments and investment securities

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk through various approaches using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) or a loss rate approach. The approaches used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9 are outlined in note 5.1.2 for more details.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

## 5 Financial risk management ...continued

### 5.1 Credit risk ...continued

#### 5.1.2 Expected credit loss measurement

The Credit Union uses the Expected Credit Loss ("ECL"), to estimate the amount the Credit Union is likely to lose in the event of a default. IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

##### Stage 1

A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Credit Union. This stage includes financial instruments for which there is no evidence of a significant increase in credit risk since initial recognition and loans that are due to mature within 12 months of the reporting date providing that such loans were not in default.

##### Stage 2

If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but it is not yet deemed to be credit-impaired. This stage considers loans past due for 31 to 90 days and loans that experienced a significant increase in credit risk even if past due days threshold is not met.

##### Stage 3

If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Financial instruments loans past due over 90 days and show evidence of impairment even if the 90 days threshold is not met are factored into this stage.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. The ECL related to these financial assets is always measured on a lifetime basis (Stage 3).



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

## 5 Financial risk management ...continued

### 5.1 Credit risk ...continued

#### 5.1.2 Expected credit loss measurement ...continued

##### Significant increase in credit risk (SICR)

The Credit Union considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following qualitative or backstop criteria have been met:

Qualitative criteria:

For loans to members, if the borrower meets one or more of the following criteria:

- In short-term forbearance;
- Cancellation of direct debits established under the terms of the loan;
- Extension to the terms granted;
- Previous arrears within the last twelve (12) months;
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default; and
- Early signs of cashflow/liquidity problems such as delay in servicing contractual payments of interest and/or principal.

For investment securities, where the instrument meets one or more of the following criteria:

- Significant increase in credit spread;
- Significant adverse changes in business, financial and/or economic conditions in which the institution operates;
- Actual or expected forbearance or restructuring;
- Actual or expected significant adverse change in operating results of the institution; and
- Early signs of cashflow/liquidity problems such as delay in servicing contractual payments of interest and/or principal.

The assessment of SICR incorporates forward-looking information and is performed on an annual basis at a portfolio level for all loans to members held by the Credit Union. In relation to investment securities, the Credit Union monitors credit risk based on performance of the investment securities at the counterparty level as well as on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by those charged with governance.

##### Definition of default and credit-impaired assets

The Credit Union defines a financial instrument as in default, which is fully aligned with the definition of being credit-impaired (Stage 3), when it meets one or more of the following criteria:



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

## 5 Financial risk management ...continued

### 5.1 Credit risk ...continued

#### 5.1.2 Expected credit loss measurement ...continued

##### Quantitative criteria

Default is deemed to have occurred where the borrower or institution is more than 90 days past due on its contractual payments.

##### Qualitative criteria

The borrower meets the unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower or institution is in long-term forbearance;
- The borrower is deceased;
- The borrower or institution is insolvent;
- The borrower is in breach of financial covenant(s);
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's or institution's financial difficulty;
- It is becoming probable that the borrower or institution will enter bankruptcy; and
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Credit Union and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Credit Union's expected loss calculations. The Credit Union has not rebutted and maintains that default takes place when a financial asset is 90 days past due given its contractual obligations, which is consistent with regulatory guidelines particularly with respect to loans to members.

An instrument is considered to no longer be in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of twelve (12) months. This period of twelve (12) months has been determined based on consideration given to historical performance of the financial instrument returning to default status after cure.

#### Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Credit Union's maximum exposure to credit risk on these assets.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 5 Financial risk management ...continued

#### 5.1 Credit risk ...continued

##### 5.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

	2023 \$	2022 \$
<b>Credit risk exposures relating to on-Statement of Financial Position assets:</b>		
Cash and cash equivalents	9,961,839	13,574,548
Loans to members	28,526,809	21,835,015
Investment securities	14,259,717	13,910,756
Other assets	95,844	79,835
<b>Total</b>	<b>52,844,209</b>	<b>49,400,154</b>

The above table represents a worst-case scenario of credit risk exposure to the Credit Union at December 31, 2023 and 2022, without taking account of any collateral held or other credit enhancements attached. For the on-statement of financial position assets, the exposures set out above are based on the net carrying amounts as reported in this statement of financial position. Based on the above figures, 54% (2022: 44%) of the total maximum exposure is derived from loans, while 27% (2022: 28%) and 19% (2022: 27%) represented investments securities and cash resources respectively.

##### 5.1.4 Gross loans and allowance for loan losses

	Gross loans \$	ECL \$	Net loans \$
Stage 1	27,806,596	(58,939)	27,747,657
Stage 2	108,717	(9,608)	99,109
Stage 3	1,129,681	(519,618)	610,063
<b>Balance at December 31, 2023</b>	<b>29,044,994</b>	<b>(588,165)</b>	<b>28,456,829</b>
	Gross loans \$	ECL \$	Net loans \$
Stage 1	20,967,663	(48,148)	20,919,515
Stage 2	523,809	(29,174)	494,635
Stage 3	932,064	(583,515)	348,549
<b>Balance at December 31, 2022</b>	<b>22,423,536</b>	<b>(660,837)</b>	<b>21,762,699</b>

The Credit Union's Expected Credit Loss (ECL) is calculated using three components which includes Exposure at Default (EAD), Loss at Default (LGD) and Probability of Default (PD).  $ECL = EAD \times LGD \times PD$ .



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 5 Financial risk management ...continued

#### 5.1 Credit risk ...continued

##### 5.1.4 Gross loans and allowance for loan losses ...continued

The Credit Union invests in Loans. It lends its Members Principal and earns Interest from the Member while the Loan Principal is repaid. The Exposure at Default (EAD) is the value of its Loan Portfolio, or unpaid Loan Principal Balance, that is liable to be lost if Members' default on their loan commitments. As loans are paid in installments into the future, the Credit Union uses the present value of the stream of principal payments that are to be paid by Members. EAD is therefore calculated by subtracted the Collateral from the Present Value of the Loan Investment Portfolio.

#### **EAD = Present Value of Loan Portfolio – Loan Collateral**

The Present Value of the stream of Members' Principal Payments is calculated using the Discounted Cash Flow (DCF) Approach given that DCF is a valuation method used to estimate the value of an investment based on its expected future cash flows. DCF analysis attempts to determine the value of an investment today, based on projections of how much money it will generate in the future. In calculating the Present Value of the Credit Unions' Loan Investment Portfolio for the purpose of calculating the Exposure of Default, a Discount Factor of 10% is applied.

#### 5.2 Market risk

The Credit Union takes on exposure to market risks, which is the risk that the fair value of cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall authority for market risk is vested in the Board of Directors. The Board of Directors is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

##### 5.2.1 Foreign currency risk

The Credit Union does not face any such risk since its transactions are substantially in Eastern Caribbean Dollars, which is its functional currency.

The Credit Union takes on exposure to the effects of fluctuations in the prevailing foreign currency rates on its financial position and cash flows.

Foreign currencies held by the Credit Union are in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC\$) to the United States dollar (US\$) has been formally pegged at EC\$2.7 = US\$1.00 since 1974. Therefore, the Credit union does not believe any significant foreign currency risk exists at year end.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 5 Financial risk management ...continued

#### 5.2 Market risk ...continued

##### 5.2.2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.

The following table summarises the Credit Union's exposure to interest rate risks. It includes the Credit Union's financial instruments at carrying amounts categorised by maturity dates.

	Up to 1 year \$	1 to 5 years \$	Over 5 years \$	Non- interest bearing \$	Total \$
<b>As at December 31, 2023</b>					
<b>Assets</b>					
Cash and cash equivalents	8,974,284	–	–	987,555	9,961,839
Loans to members	458,892	5,799,326	22,268,591	–	28,526,809
Investment securities:					
<i>Deposits with non- bank institutions</i>	11,521,483	–	–	100,174	11,621,657
<i>Treasury bills</i>	2,476,563	–	–	15,625	2,492,188
<i>AFS investments – quoted</i>	–	–	–	145,872	145,872
Other assets	–	–	–	95,844	95,844
<b>Total financial assets</b>	<b>23,431,222</b>	<b>5,799,326</b>	<b>22,268,591</b>	<b>1,345,070</b>	<b>52,844,209</b>
<b>Liabilities</b>					
Members' deposits	33,142,341	–	–	–	33,142,341
Lease liability	30,173	–	–	–	30,173
Other liabilities	–	–	–	2,002,422	2,002,422
<b>Total financial liabilities</b>	<b>33,172,514</b>	<b>–</b>	<b>–</b>	<b>2,002,422</b>	<b>35,174,936</b>
<b>Total interest repricing gap</b>	<b>(9,741,292)</b>	<b>5,799,326</b>	<b>22,268,591</b>	<b>(657,352)</b>	<b>17,669,273</b>



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 5 Financial risk management ...continued

#### 5.2 Market risk ...continued

##### 5.2.2 Interest rate risk ...continued

	Up to 1 year \$	1 to 5 years \$	Over 5 years \$	Non- interest bearing \$	Total \$
<b>As at December 31, 2022</b>					
<b>Assets</b>					
Cash and cash equivalents	13,188,793	–	–	385,755	13,574,548
Loans to members	682,265	6,056,442	15,096,308	–	21,835,015
Investment securities:					
<i>Deposits with non- bank institutions</i>	11,206,211	–	–	66,442	11,272,653
<i>Treasury bills</i>	2,476,563	–	–	15,668	2,492,231
<i>AFS investments – quoted</i>	–	–	–	145,872	145,872
Other assets	–	–	–	79,835	79,835
<b>Total financial assets</b>	<b>27,553,832</b>	<b>6,056,442</b>	<b>15,096,308</b>	<b>693,572</b>	<b>49,400,154</b>
<b>Liabilities</b>					
Members' deposits	31,020,657	–	–	–	31,020,657
Lease liability	116,637	30,173	–	–	146,810
Other liabilities	–	–	–	1,889,233	1,889,233
<b>Total financial liabilities</b>	<b>31,137,294</b>	<b>30,173</b>	<b>–</b>	<b>1,889,233</b>	<b>33,056,700</b>
<b>Total interest repricing gap</b>	<b>(3,583,462)</b>	<b>6,026,269</b>	<b>15,096,308</b>	<b>(1,195,661)</b>	<b>16,343,454</b>

Due to limited volatility in the securities markets in which the Credit Union's investments are held, the Credit Union is not unduly exposed to fair value interest rate risk.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 5 Financial risk management ...continued

#### 5.3 Liquidity risk

Liquidity risk is defined as the risk that the Credit Union will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Credit Union might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. The Credit Union's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Credit Union's reputation. The key elements of the Credit Union's liquidity strategy are as follows:

- Carrying a portfolio of highly liquid assets, diversified by maturity; and
- Monitoring liquidity ratios, liquidity stress testing using PEARLS-specific ratios, maturity mismatches and the extent to which the Credit Union's assets are encumbered and thus not available as potential collateral for obtaining funding.

The Board of Directors sets the Credit Union's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to the Supervisory Committee.

#### Non-derivative cash flows

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, whereas the Credit Union manages the inherent liquidity risk based on expected undiscounted cash flows.

<b>As at December 31, 2023</b>	<b>\$</b>
Members' deposits	33,142,341
Lease liability	30,173
Other liabilities	2,002,422
<b>Total financial liabilities</b>	<b>35,174,936</b>
<b>As at December 31, 2022</b>	<b>\$</b>
Members' deposits	31,020,657
Lease liability	146,810
Other liabilities	1,889,233
<b>Total financial liabilities</b>	<b>33,056,700</b>

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and cash equivalents, investment securities, other assets and loans due to the Credit Union by its members. The Credit Union would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

### December 31, 2023

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(expressed in Eastern Caribbean dollars)

#### 5 Financial risk management ...continued

##### 5.3 Liquidity risk ...continued

###### Off-balance sheet financial instrument

###### Capital commitments

The Credit Union had no contractual capital commitments at December 31, 2023 and 2022.

##### 5.4 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

###### Cash and cash equivalents

Cash and cash equivalents represent the estimated value of deposits with no stated maturity or terms to maturity of 90 days or less, which includes non-interest-bearing deposits and is the amount repayable on demand. The fair values of these financial assets equal their carrying values due to their relatively short-term nature.

###### Loans to members

Loans to members are net of charges for impairment. The estimated fair value of loans to members represents the discounted amount of estimated future cash flows expected to be received. The interest rates on loans reflect the market interest rates, hence the carrying values are considered to approximate the fair values.

###### Investment securities

Investment securities include assets classified as FVOCI and at amortised. Cost is used for unquoted AFS financial assets once they are not impaired. Investment securities classified as loans and receivables are composed of fixed deposit instruments and treasury bills that are interest-bearing. The fair values of these securities equal their carrying values due to their relatively short-term nature.

###### Members' deposits

The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using market interest rates for new deposits with similar remaining maturity.

###### Other receivables and other liabilities

The fair values of other receivables and other liabilities equal their carrying values due to their relatively short-term nature.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

### December 31, 2023

(expressed in Eastern Caribbean dollars)

## 5 Financial risk management ...continued

### 5.4 Fair value of financial assets and liabilities ...continued

The table below summarises the carrying amounts and fair values of the Credit Union's financial assets and liabilities. Only investment securities measured at FVOCI (equity instruments) are measured at fair value.

	Carrying value		Fair value	
	2023 \$	2022 \$	2023 \$	2022 \$
<b>Financial assets</b>				
Cash and cash equivalents	9,961,839	13,574,548	9,961,839	13,574,548
Loans to members	28,526,809	21,835,015	28,526,809	21,835,015
Investment securities	14,259,717	13,910,756	14,259,717	13,910,756
Other assets	95,844	79,835	95,844	79,835
	<b>52,844,209</b>	<b>49,400,154</b>	<b>52,844,209</b>	<b>49,400,154</b>
<b>Financial liabilities</b>				
Members' deposits	33,142,341	31,020,657	33,142,341	31,020,657
Lease liability	30,173	146,810	30,173	146,810
Other liabilities	2,002,423	1,889,233	2,002,423	1,889,233
	<b>35,174,936</b>	<b>33,056,700</b>	<b>35,174,936</b>	<b>33,056,700</b>

### 5.5 Fair value measurement of financial assets

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Credit Union's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Quoted prices in active markets for identical assets and liabilities. This level includes equity securities and debt instruments listed on exchanges.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data. This level includes equity investments and debt instruments with significant unobservable components.

The hierarchy requires the use of observable market data when available. The Credit Union considers relevant and observable market prices in valuations where possible.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

### December 31, 2023

(expressed in Eastern Caribbean dollars)

## 5 Financial risk management ...continued

### 5.6 Capital management

The Credit Union manages and monitors capital from several perspectives including operational capital requirements and regulatory capital requirements. In order to support the entity and to provide its members with a source of finance, the primary objectives of the Credit Union's capital management policy are to ensure:

- i) the Credit Union complies with capital requirements set by regulatory requirements of the Co-operative Societies Act and the PEARLS regulations; and
- ii) maintains strong credit ratings and healthy capital ratios.

The Credit Union manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board of Directors along with the capital adequacy and the use of regulatory capital of the Credit Union.

The Credit Union regulatory capital as managed by those charged with governance and is outlined in the two tiers noted below:

- Tier 1 Capital: members capital, retained earnings and reserves created by appropriation of retained earnings; and
- Tier 2 Capital: qualifying subordinated loan capital, collective impairment allowance and unrealised gains arising on the fair valuation of security instruments held as available for sale.

The table below summarises the composition of regulatory capital of the Credit Union for the two-year presentation. During those two years, the Credit Union complied with externally imposed capital requirements to which it must comply.

	2023 \$	2022 \$
<b>Tier 1 capital</b>		
Members' share	4,617,105	4,204,250
Reserves	8,112,929	8,034,333
Special reserve funds	4,403,249	4,230,336
Retained earnings	6,338,308	5,017,881
<b>Total qualifying Tier 1 capital</b>	<b>23,471,591</b>	<b>21,486,800</b>
<b>Tier 2 capital</b>		
Accumulated impairment allowance	588,165	660,837
<b>Total regulatory capital</b>	<b>24,059,756</b>	<b>22,147,637</b>



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 6 Significant management judgment in applying accounting policies and estimation uncertainty

When preparing the financial statements, those charged with governance make a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may be substantially different.

#### i) Fair value of financial instruments

Those charged with governance apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires those charged with governance to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, those charged with governance uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

#### ii) Evaluation of business model applied in managing financial instruments

Upon adoption of IFRS 9, the Credit Union developed business models which reflect how it manages its portfolio of financial instruments. The Credit Union's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Credit Union) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under IFRS 9, the Credit Union evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Credit Union (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Credit Union's investment and trading strategies.

#### iii) Testing of cash flow characteristics of financial assets and continuing evaluation of the business model (2023)

In determining the classification of financial assets under IFRS 9, the Credit Union assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortised cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Credit Union assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

### December 31, 2023

(expressed in Eastern Caribbean dollars)

#### 6 Significant management judgment in applying accounting policies and estimation uncertainty ...continued

##### iii) Testing of cash flow characteristics of financial assets and continuing evaluation of the business model (2023) ...continued

value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Credit Union considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, IFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortised cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Credit Union considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Credit Union can explain the reasons for those sales and why those sales do not reflect a change in the Credit Union's objective for the business model.

##### iv) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g., the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The most significant assumptions affecting the ECL allowance are as follows:

- The determination of the estimated time to sell the underlying collateral securing the financial assets;
- The determination of the fair value of the underlying collateral securing the financial assets; and
- The determination of the probabilities of default utilized in the assessment of 12-month and lifetime credit losses.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

## 7 Cash and cash equivalents

Cash and cash equivalents include the following:

	2023 \$	2022 \$
Cash on hand	85,020	45,852
Cash at bank	902,535	339,903
Cash at other Credit Unions	125,228	120,746
<b>Total cash</b>	<b>1,112,783</b>	<b>506,501</b>
Short-term deposits	8,849,056	13,068,047
<b>Total cash and cash equivalents</b>	<b>9,961,839</b>	<b>13,574,548</b>

Cash at bank is held in non-interest-bearing current accounts at the St. Kitts-Nevis-Anguilla National Bank Limited. Cash at other Credit Unions are held with the St. Kitts Co-operative Credit Union Limited, Nevis Co-operative Credit Union Limited and First Federal St. Kitts Co-operative Union Limited with interest rates ranging from 1% to 2%. (2022: 1% to 3.75%).

Short-term deposit is as follows:

	2023 \$	2022 \$
90-day term deposit at St. Kitts-Nevis-Anguilla National Bank Limited maturing on January 3, 2024 with an interest rate of 1% (2022: 1%).	8,849,056	13,068,047

## 8 Loans to members

	2023 \$	2022 \$
General	20,012,133	14,681,877
Mortgages loans	9,032,861	7,741,659
Interest receivable	29,044,994	22,423,536
	69,980	72,316
<b>Gross loans to members</b>	<b>29,114,974</b>	<b>22,495,852</b>
Allowance for loan impairment	(588,165)	(660,837)
<b>Total loans to members</b>	<b>28,526,809</b>	<b>21,835,015</b>
Current	458,892	609,949
Non-current	28,067,917	21,225,066
	<b>28,526,809</b>	<b>21,835,015</b>



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 8 Loans to members ...continued

The effective interest rates on productive loans to members at amortised cost as at December 31, 2023 is 5% to 15% (2022: 5% to 15%).

The movement in the impairment losses on loans to members during the year is as follows:

	2023 \$	2022 \$
<b>Movement in impairment losses on loans to members:</b>		
Balance at beginning of the year	(660,837)	(605,988)
Loans written off	-	613,517
ECL Loan provision adjustment	42,186	(637,440)
Expected credit recovery/(loss) for the year	30,486	(30,926)
<b>Balance at end of the year</b>	<b>(588,165)</b>	<b>(660,837)</b>

Based on guidelines from 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. Where the PEARLS loan loss provision is greater than the loan loss provision calculated under IFRS 9, the difference is set aside in a special loan loss reserve account in equity. As at December 31, 2023, the provision for credit losses in accordance with the PEARLS methodology amounted to \$1,077,443 (2022: \$1,321,341).



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 9 Investment securities

	2023 \$	2022 \$
<b>Financial assets fair value through other comprehensive income (FVOCI)</b>		
<b>-Quoted equity securities</b>		
St. Kitts-Nevis-Anguilla National Bank Limited 34,999 ordinary shares at \$2.80 per share (2022: 34,999 ordinary shares at \$2.80 per share)	97,997	97,997
The Bank of Nevis Limited 12,500 ordinary shares at \$3.75 per share (2022: \$3.75 per share)	46,875	46,875
First Federal Co-operative Credit Union Ltd. 1,000 ordinary shares at \$1.00 per share	1,000	1,000
<b>Total financial assets fair value through other comprehensive income</b>	<b>145,872</b>	<b>145,872</b>
<b>Financial assets at amortised cost</b>		
<b>Treasury bills</b>		
Two (2) treasury bills from the Government of St. Kitts and Nevis treasury bills maturing on January 31, 2024 with an interest rate of 3.75% (2022: 3.75%)	2,476,563	2,476,563
<b>Term deposits</b>		
<b>The Bank of Nevis Limited</b>		
One year term deposit maturing December 31, 2024 with an interest rate of 3% (2022: 3%)	1,525,372	1,480,944
<b>St. Kitts Co-Operative Credit Union Limited</b>		
One year term deposit maturing December 10, 2024 with an interest rate of 3% (2022: 3%)	566,306	550,032
Six months term deposit maturing June 27, 2024 with an interest rate of 3% (2022: 3%)	131,102	127,308
<b>First Federal Co-operative Credit Union Limited</b>		
One year term deposit maturing December 31, 2024 with an interest rate of 3% (2022: 3.5%)	5,446,207	5,280,837
Six month term deposit maturing February 7, 2024 with an interest rate of 3.00% (2022: 3%)	2,091,103	2,029,753
Two year term deposit maturing January 1, 2024 with an interest rate of 3.25% (2022: 3.25%)	1,000,000	1,000,000
One year term deposit maturing May 26, 2024 with an interest rate of 3.25% (2022: 3.25%)	405,949	393,170
<b>TDC Financial Services Limited</b>		
Six months term deposit maturing June 30, 2024 with an interest rate of 3.25% (2022: 3.25%)	355,444	344,167
<b>Total financial assets at amortised cost</b>	<b>13,998,046</b>	<b>13,682,774</b>
<b>Total Investment securities</b>	<b>14,143,918</b>	<b>13,828,646</b>
Interest receivable	115,799	82,110
<b>Total investment securities, net</b>	<b>14,259,717</b>	<b>13,910,756</b>



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 9 Investment securities ...continued

	2023	2022
	\$	\$
Current	14,113,845	12,764,884
Non-current	145,872	1,145,872
	<u>14,259,717</u>	<u>13,910,756</u>

### 10 Investment properties

	2023	2022
	\$	\$
Investment properties	<u>5,590,752</u>	<u>4,795,078</u>

#### Revaluation reserve

Revaluation reserve represents the excess of appraised values over the cost of the Credit Union's land purchased as investment properties based on the results of a professional valuation. The Credit Union's investment properties revaluation was performed by an independent professional qualified valuer on December 28, 2023, for properties located at Wingfield Estate and Mattingly Farm, resulting in revalued amounts of \$1,398,102 and \$4,192,650 respectively. The excess of the revaluation resulted in a gain totaling \$795,674, recognized in the statement of comprehensive income as at December 31, 2023. The Board of Directors decided to perform the valuations as at December 28, 2023 on the basis that there were no significant events or circumstances that would have affected the valuations between the year end and the valuation dates.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

## 11 Property and equipment

	Leasehold improvements \$	Furniture & fittings \$	Office equipment \$	Total \$
<b>Year Ended December 31, 2022</b>				
Opening net book amount	232,968	25,072	63,299	321,339
Additions	–	474	7,350	7,824
Depreciation charge	(103,541)	(5,958)	(13,541)	(123,040)
<b>Closing net book amount</b>	<b>129,427</b>	<b>19,588</b>	<b>57,108</b>	<b>206,123</b>
<b>At December 31, 2022</b>				
Cost	310,624	101,213	184,228	596,065
Accumulated depreciation	(181,197)	(81,625)	(127,120)	(389,942)
<b>Net book amount</b>	<b>129,427</b>	<b>19,588</b>	<b>57,108</b>	<b>206,123</b>
<b>Year Ended December 31, 2023</b>				
Opening net book amount	129,427	19,588	57,108	206,123
Additions	–	15,453	27,835	43,288
Depreciation charge	(103,541)	(6,513)	(15,772)	(125,826)
<b>Closing net book amount</b>	<b>25,886</b>	<b>28,528</b>	<b>69,171</b>	<b>123,585</b>
<b>At December 31, 2023</b>				
Cost	310,624	116,666	212,063	639,353
Accumulated depreciation	(284,738)	(88,138)	(142,892)	(515,768)
<b>Net book amount</b>	<b>25,886</b>	<b>28,528</b>	<b>69,171</b>	<b>123,585</b>



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

### December 31, 2023

(expressed in Eastern Caribbean dollars)

#### 12 Intangible assets

	Computer software \$
<b>Year ended December 31, 2022</b>	
Opening net book amount	–
Additions	2,159
Amortisation charge	(72)
	<u>2,087</u>
<b>Closing net book value</b>	<b>2,087</b>
<b>At December 31, 2022</b>	
Cost	105,311
Accumulated amortisation	(103,224)
	<u>2,087</u>
<b>Net book amount</b>	<b>2,087</b>
<b>Year ended December 31, 2023</b>	
Opening net book amount	2,087
Additions	74,013
Amortisation charge	(16,131)
	<u>59,969</u>
<b>Closing net book value</b>	<b>59,969</b>
<b>At December 31, 2023</b>	
Cost	179,324
Accumulated amortisation	(119,355)
	<u>59,969</u>
<b>Net book amount</b>	<b>59,969</b>



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 13 Leases

The Credit Union leases property for its operations with lease term of three (3) years.

Information about the lease for which the Credit Union is a lessee is presented below.

(i) Amounts recognised in the statement of financial position:

	2023 \$	2022 \$
<b>Right of use assets</b>		
Opening net book value	140,058	252,104
Depreciation charge	(112,046)	(112,046)
<b>Closing net book value</b>	<b>28,012</b>	<b>140,058</b>
Cost	336,139	336,139
Accumulated depreciation	(308,127)	(196,081)
<b>Balance as at December 31, 2023</b>	<b>28,012</b>	<b>140,058</b>
<b>Lease liabilities</b>		
Opening balance	146,810	257,219
Interest expense (note 22)	5,163	11,391
Lease payments	(121,800)	(121,800)
<b>Balance at end of year</b>	<b>30,173</b>	<b>146,810</b>
Current	30,173	116,637
Non-current	-	30,173
	<b>30,173</b>	<b>146,810</b>

(ii) Amounts recognised in the statement of comprehensive income:

	2023 \$
Depreciation charge on right-of-use assets	112,046
Interest expenses on lease liabilities	5,163
	<b>117,209</b>



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 13 Leases ...continued

The table below describes the nature of the Credit Union leasing activity by type of right-of-use asset recognised on the statement of financial position.

Right-of-use Assets	Right-of-use asset Leased	Range of remaining term	Average remaining lease term	Leases with extension option	Leases with termination options
Office Buildings	1	Less than 1 year	3 months	Yes	Yes

The lease liabilities are unsecured and future minimum lease payments are as follows:

	Within 1 year \$
<b>December 31, 2023</b>	
Lease payments	30,450
Finance charges	(277)
<b>Net present values</b>	<b>30,173</b>

#### Lease payments not recognized as a liability

The Credit Union has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

### 14 Members' deposits

	2023 \$	2022 \$
Regular savings	17,606,693	22,996,187
Certificate of Deposit	7,980,837	-
Special savings	6,758,739	7,363,589
Youth savings	467,830	417,630
Line of credit	286,007	221,940
Christmas savings	35,826	21,311
Insurance savings	6,409	-
<b>Total members' deposits</b>	<b>33,142,341</b>	<b>31,020,657</b>
<b>Current</b>	<b>30,442,341</b>	<b>31,020,657</b>
<b>Non-current</b>	<b>2,700,000</b>	<b>-</b>
	<b>33,142,341</b>	<b>31,020,657</b>

The Credit Union pays interest on all categories of members' deposits with interest rates ranging from 2.25% to 4% (2022: 3% to 4%).



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 15 Other liabilities

	2023 \$	2022 \$
Non-member deposits	1,432,882	1,621,929
Accrued expenses	437,193	182,985
Accounts payable	89,099	74,989
Other liabilities	43,248	9,330
<b>Total other liabilities</b>	<b>2,002,422</b>	<b>1,889,233</b>
<b>Current</b>	<b>2,002,422</b>	<b>1,889,233</b>

Non-member deposits represents funds deposited by individuals who are yet to purchase shares and become a member. These accounts are non-interest bearing.

### 16 Members' share

	2023 \$	2022 \$
Balance at the beginning of the year	4,204,250	3,791,460
Issued during the year	412,855	412,790
<b>Total members' share</b>	<b>4,617,105</b>	<b>4,204,250</b>

#### Dividends

On June 7, 2023, at the Credit Union's 39th Annual General Meeting for the year ended December 31, 2022, the Board of Directors declared no dividends.

### 17 Reserves

	2023 \$	2022 \$
Statutory reserve	8,071,895	7,993,299
General reserve	61,553	61,553
Financial assets revaluation reserve	(20,519)	(20,519)
<b>Total reserves</b>	<b>8,112,929</b>	<b>8,034,333</b>



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

### December 31, 2023

(expressed in Eastern Caribbean dollars)

#### 17 Reserves ...continued

In accordance with Section 125 of the Co-operatives Societies Act, No. 31 of 2011 and Article XXI, Section 85 of the By-Laws of the Police Co-Operative Credit Union (St Christopher & Nevis) Limited, the Credit Union is required to maintain a non-distributable reserve fund in which not less than 20% of its net surplus before dividends shall be carried.

Statutory reserves and other institutional capital reserves shall at no stage be less than 10% of the Credit Union's total assets. If at the end of any financial year the statutory and other capital reserves before any transfers are less than 10% of total assets, the Credit Union shall transfer to statutory reserves no less than 25% of its surplus for that year or a lesser sum required to increase the reserves to 10% total assets. As of 31 December 2023, the ratio of reserves to total assets was 21% (2022: 23%), therefore the Board of Directors decided the Credit Union will not make a transfer to statutory reserves for the year ended December 31, 2023.

##### a) Statutory reserve

	2023 \$	2022 \$
Balance at beginning of year	7,993,299	7,993,299
Transfers during the year	78,596	-
<b>Balance at end of year</b>	<b>8,071,895</b>	<b>7,993,299</b>

The statutory reserve fund may be used for the business of the society, including unforeseen losses; unexpected shortfalls in liquid cash; capital retention, improved earnings, financing of non-earning assets, repair and maintenance; and the avoidance of external borrowing. As at December 31, 2023, the Board of Directors has decided the Credit Union will not make a transfer to Statutory Reserves.

##### b) General reserve

	2023 \$	2022 \$
Balance at beginning of year	61,553	61,553
Transfers during the year	-	-
<b>Balance at end of year</b>	<b>61,553</b>	<b>61,553</b>

General reserve represents cumulative amounts appropriated from retained earnings based on the discretion of the Board of Directors for general efficient and administrative purposes.



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

### December 31, 2023

(expressed in Eastern Caribbean dollars)

#### 17 Reserves ...continued

##### c) Financial assets revaluation reserve

	2023	2022
	\$	\$
Balance at beginning of year	(20,519)	(20,519)
Revaluation during the year	-	-
<b>Balance at end of year</b>	<b>(20,519)</b>	<b>(20,519)</b>

Financial assets revaluation reserve represents unrealised fair value gain or loss on financial assets at FVTOCI.

#### 18 Special reserves

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

#### 19 Interest income

	2023	2022
	\$	\$
Loans to members	2,349,747	1,734,359
Investment securities	557,190	612,964
<b>Total interest income</b>	<b>2,906,937</b>	<b>2,347,323</b>

#### 20 Interest expense

	2023	2022
	\$	\$
Deposits	824,797	1,039,550



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

## 21 Other income

	2023 \$	2022 \$
Fees and commissions	299,127	166,409
Miscellaneous income	129,198	15,839
Dividends income	2,998	12
<b>Total other income</b>	<b>431,323</b>	<b>182,260</b>

## 22 General and administrative

	2023 \$	2022 \$
Professional fees	100,984	98,431
Insurance - members' loans & deposits	73,771	87,374
Marketing and advertisement	70,529	10,262
Executive honorarium	62,400	71,100
Conventions and conferences	51,175	34,562
League dues	41,527	38,427
Office expenses	34,244	18,142
Legal and consultation fees	25,950	62,980
Annual general and special meetings	23,528	18,833
Software annual licence	22,042	13,844
Printing	21,202	14,289
Utilities	20,526	17,225
Website maintenance	15,166	-
Executive expenses	14,059	13,065
Internet, telephone and cable	13,834	15,385
Stationery, postage and office supplies	12,865	15,694
Cleaner Wages	12,150	10,200
Financial services registration fee	10,000	10,000
Donations and sponsorship	9,794	3,276
IT Subscriptions	8,844	25,781
Social events	6,798	6,942
IT maintenance	6,350	-
Waste disposal	5,599	5,724
Miscellaneous	4,249	5,547
Bank charges	2,802	4,677
Property tax	2,494	3,068
Parking Fees	1,800	151
Fines and penalties	-	603
<b>Total general and administrative</b>	<b>674,682</b>	<b>605,582</b>



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

## Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

### 23 Employee costs

	2023 \$	2022 \$
Salaries and wages	643,441	643,514
Social security and levy contributions	52,287	61,775
Bonus	46,349	-
Other staff benefits	39,914	31,855
Training	21,363	54,829
<b>Total employee costs</b>	<b>803,354</b>	<b>791,973</b>

### 24 Related party transactions and balances

Related party relationship exists when one party has the ability to control directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between or among entities under common control, with the reporting enterprise and its key management personnel, directors and members.

#### a) Related party balances

The outstanding balances at year end are as follows:

	2023 \$	2022 \$
<b>Loans</b>		
Board of directors	704,596	1,032,675
Supervisory and compliance committee	335,245	421,553
Credit committee	211,744	192,244
<b>Total related party loans</b>	<b>1,251,585</b>	<b>1,649,472</b>

	2023 \$	2022 \$
<b>Deposits</b>		
Board of directors	644,299	703,289
Credit committee	248,313	195,272
Supervisory and compliance committee	228,620	305,029
<b>Total related party deposits</b>	<b>1,121,232</b>	<b>1,203,590</b>

	2023 \$	2022 \$
Executive honorarium	62,400	71,100



# Police Co-operative Credit Union (St. Christopher & Nevis) Limited

Notes to Financial Statements

December 31, 2023

(expressed in Eastern Caribbean dollars)

## 24 Related party transactions and balances ...continued

### b) Key management

#### Key management balances

	2023	2022
	\$	\$
Deposits	27,118	119,740

#### Key management compensation

During the year, salaries and allowances of \$324,900 (2022: \$291,400) were paid to the Credit Union's key management.



# PCCU 40th Anniversary Celebration Announcement



# PAST AGM





# ANNUAL REPORT 2023

The Police Co-operative Credit Union (St. Christopher & Nevis) Limited



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