CONSOLIDATED FINANCIAL STATEMENTS

THE CAYMAN ISLANDS CIVIL SERVICE ASSOCIATION (CICSA)
CO-OPERATIVE CREDIT UNION LIMITED
Year Ended July 31, 2023
With Report of Independent Auditors

Ernst & Young Ltd.

Building a better
working world

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

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended July 31, 2023

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Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cayman Islands Civil Service Association (CICSA) Co-operative Credit Union Limited and its subsidiary (the "Group") which comprise the consolidated statement of financial position as at July 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in reserves and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Ernst + Young Ltd.

Grand Cayman, Cayman Islands
October 27, 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Cayman Islands Dollars)

	July 31	
	2023	**2022**
ASSETS		
Cash on hand and at bank *(Note 3)*	$ 17,537,677	$ 22,872,380
Fixed deposits *(Note 3)*	116,227,207	112,650,932
Securities at fair value through profit or loss *(Note 4)*	2,516,458	3,072,188
Mortgage and personal loans including interest receivable, net of loan loss provision *(Note 5)*	423,500,421	362,058,603
Receivable and other assets *(Note 26)*	313,915	726,011
Fixed assets *(Note 6)*	6,884,495	6,776,017
Right-of-use asset *(Note 6)*	802,119	96,774
Investment property *(Note 7)*	1,878,071	1,878,071
Inventory property *(Note 28)*	578,044	—
Total assets	$ 570,238,407	$ 510,130,976
LIABILITIES AND RESERVES		
Liabilities:		
Members' deposits *(Note 8)*	$ 35,200,286	$ 27,309,135
Non-Members' deposits *(Note 8)*	31,720,758	—
Members' shares *(Note 9)*	449,630,183	436,568,536
Accounts payable and accrued expenses (*Note 27)*	2,018,572	2,064,529
Lease obligations *(Note 6)*	819,331	74,428
Total liabilities	519,389,130	466,016,628
Reserves:		
Statutory reserve *(Note 10)*	35,883,169	32,524,027
Permanent shares *(Note 10)*	464,195	427,670
Information Technology Fund *(Note 11)*	478,496	734,866
Development fund *(Note 12)*	627,904	627,904
Undistributed surplus	13,395,513	9,799,881
Total reserves	50,849,277	44,114,348
Total liabilities and reserves	$ 570,238,407	$ 510,130,976

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

James Watler and Golda Tatum Carter

____________________ Directors

October 27, 2023 Date

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Cayman Islands Dollars)

	Year Ended July 31	
	2023	**2022**
Interest income		
Interest on loans *(Note 24)*	$ 22,818,204	$ 18,812,301
Bank deposit interest *(Note 3)*	3,688,196	526,915
Service fees – cash advances *(Note 16)*	431,490	363,994
Total interest income	26,937,890	19,703,210
Interest expense		
Interest expense on members' deposits *(Note 8)*	(93,206)	(54,125)
Interest Expense on Non-members' deposits *(Note 8)*	(111,588)	–
Interest expense on lease liability *(Note 6)*	(23,426)	(5,903)
Net interest income	26,709,670	19,643,182
(Increase) in provision for loan losses and interest receivables *(Note 5)*	(128,888)	(167,692)
Net interest income after provision for loan losses	26,580,782	19,475,490
Non-interest income		
Change in unrealized gain/(loss) of securities *(Note 4)*	(696,518)	162,850
Realized loss on repossessed collateral *(Note 5)*	–	(14,353)
Dividend income *(Note 4)*	140,788	131,660
Recovery of loans previously written off *(Note 5)*	186,898	146,815
Other income *(Note 25)*	1,176,897	885,701
Total non-interest income	808,065	1,312,673
Non-interest expenses		
Salaries and other personnel costs *(Notes 18 and 19)*	7,562,934	6,102,548
General and administrative	1,236,390	878,702
Computer expenses	660,733	389,411
Premises costs	463,631	471,214
Depreciation on assets *(Note 6)*	428,381	396,868
Audit fees	131,200	151,700
Bank charges	61,697	49,202
Depreciation on right of use assets *(Note 6)*	59,201	41,192
Annual general meeting	52,696	36,029
International Credit Union Day	17,399	21,376
Total non-interest expenses	10,674,262	8,538,242
Net income for the year, being net comprehensive income for the year	$ 16,714,585	$ 12,249,921

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

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

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

(Expressed in Cayman Islands Dollars)

	Statutory Reserve & Permanent Shares	Information Technology Fund	Development Fund	Undistributed Surplus	Total Reserves
Balance at July 31, 2021	$ 30,457,453	$ 904,974	$ 627,904	$ 8,500,704	$ 40,491,035
Net income for the year	$ –	$ –	$ –	$ 12,249,921	$ 12,249,921
Transfer to Statutory Reserve *(Note 10)*	2,449,984	–	–	(2,449,984)	–
Scholarship grants *(Note 13)*	–	–	–	(300,000)	(300,000)
Benevolent Fund *(Note 17)*	–	–	–	(250,000)	(250,000)
Training *(Note 13)*	–	–	–	(206,482)	(206,482)
Dividends 2021 *(Note 14)*	–	–	–	(7,744,278)	(7,744,278)
Reserves utilized during the year *(Note 11)*	–	(170,108)	–	–	(170,108)
Permanent shares 2022 (*Note 10)*	32,555	–	–	–	32,555
Entrance fees *(Note 10)*	11,705	–	–	–	11,705
Balance at July 31, 2022	$ 32,951,697	$ 734,866	$ 627,904	$ 9,799,881	$ 44,114,348
Net income for the year	–	–	–	16,714,585	16,714,585
Transfer to Statutory Reserve *(Note 10)*	3,342,917	–	–	(3,342,917)	–
Scholarship grants *(Note 13)*	–	–	–	(200,000)	(200,000)
Benevolent Fund *(Note 17)*	–	–	–	–	–
Training *(Note 13)*	–	–	–	(131,493)	(131,493)
Dividends 2022 *(Note 14)*	–	–	–	(9,444,543)	(9,444,543)
Reserves utilized during the year *(Note 11)*	–	(256,370)	–	–	(256,370)
Permanent shares 2022 (*Note 10)*	36,525	–	–	–	36,525
Entrance fees *(Note 10)*	16,225	–	–	–	16,225
Balance at July 31, 2023	$ 36,347,364	$ 478,496	$ 627,904	$ 13,395,513	$ 50,849,277

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Cayman Islands Dollars)

	Year Ended July 31	
	2023	**2022**
Cash flows from operating activities		
Dividends received	$ –	$ 4,014
Interest received	25,985,576	19,326,050
Interest paid	(85,302)	(59,776)
Interest on lease liabilities	(23,426)	(5,903)
Loan originations, net of principal collected on loans to members	(61,119,965)	(38,983,973)
Recoveries on loans previously written off	186,898	146,815
Net increase in members' shares	3,617,103	24,921,609
Net increase in members' deposits	7,891,151	4,605,504
Net increase in non-members' deposits	31,720,758	–
Cash payments for non-interest expenses	(10,766,656)	(8,179,778)
Fees, premium refunds and charges received	1,217,989	409,419
Service fees – cash advance	431,490	363,993
Cash payments for inventory property	(154,289)	–
Decrease/(increase) in Fixed deposit placements, original terms greater than 3 months	61,118,098	(24,980,330)
Cash payment for non-interest expenses claimed against Information Technology Fund *(Note 11)*	(113,503)	(102,664)
Net cash flows from/(used in) operations	59,905,922	(22,535,020)
Cash flows from investing activities		
Purchase of fixed assets *(Note 6)*	(815,861)	(924,426)
Purchase of investment property *(Note 7)*	–	(44,575)
Proceeds from sale of repossessed collateral *(Note 5)*	–	388,963
Lease advance payment *(Note 6)*	–	(28,467)
Net cash flows used in investing activities	(815,861)	(608,505)
Cash flows from financing activities		
Payment of lease liabilities	(57,508)	(44,230)
Net cash flows used in financing activities	(57,508)	(44,230)
Net increase (decrease) in cash and cash equivalents	59,032,553	(23,187,755)
Cash and cash equivalents, beginning of year	22,872,380	46,060,135
Cash and cash equivalents, end of year	81,904,933	22,872,380
Cash and cash equivalents include:		
Cash on hand and at bank *(Note 3)*	17,537,677	22,872,380
Fixed deposits (original term less than 3 months) *(Note 3)*	64,367,256	–
	$ 81,904,933	$ 22,872,380
Investment of dividend income *(Note 4)*	140,788	127,565
(Decrease)/increase in fair value of securities *(Note 4)*	(696,518)	162,850

Dividends on members shares of $9,444,543 (2022: $7,744,278) (Note 14) are credited directly to members' shares accounts. Loan interest rebate on members loans of $340,228 (2022: $350,000) are credited directly to member's shares. As at July 31, 2023, there are no repossessed collateral held for sale (2022: $Nil) (Note 5).

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

1. Incorporation and activities

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

Membership in the Credit Union has historically been limited to persons who have attained 18 years of age and are employed by the Government of the Cayman Islands (including all Statutory Boards/Bodies of Government) and/or their immediate family members. At the Annual General Meeting ("AGM") held July 25, 2001, the persons eligible for membership were extended to include employees of Utility Companies operating in the Cayman Islands and/or immediate relations thereof. At the Special General Meeting ("SGM") held September 29, 2002, the persons eligible for membership were further extended to include employees of Heath Care, Education Facilities licensed to operate in the Cayman Islands, members of the Farmers' Co-operative and registered Agro-Processors, and Extended family of members. The Amended Credit Union Rules (the "Rules") approved in the SGM were certified and accepted by the Registrar General of the Cayman Islands on July 7, 2023.

The Credit Union is a holding company of CICSA CU Investment Ltd. (collectively, the "Group"), which was incorporated in the Cayman Islands with limited liability on November 24, 2021. CICSA CU Investment Ltd. is incorporated to manage the Verdant Terrace Development project as described in Note 28.

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

The number of persons employed by the Group as of July 31, 2023, is 74 (2022: 70).

2. Accounting policies

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

2.1 Basis of preparation

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

Functional and presentation currency

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Credit Union and its wholly owned subsidiary as at July 31, 2023. The financial statements of the subsidiary are prepared for the same reporting year as the parent company using consistent accounting policies. All intercompany balances and transactions, including unrealized profits arising from intra-group transactions, have been eliminated in full. Subsidiaries are all entities over which the Group has the power to direct the relevant activities, have exposure or rights to the variable returns and the ability to use its power to affect the returns of the investee, generally accompanying a shareholding of more than 50% of the voting rights.

2.3 Significant accounting judgments and estimates

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

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

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

i) Going concern

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

ii) Impairment losses on loans and advances

The Credit Union reviews its loan portfolio to assess impairment at least on a quarterly basis or when an indicator of impairment is present. In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income on these loans, the Credit Union makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the discounted collateral and estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group or local economic conditions that correlate with defaults on assets in the Credit Union.

2.3 Significant accounting judgments and estimates (continued)

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. If the fair value of collateral held in respect of loans classified as past due by 90 days (2022: 90 days) and not specifically provided for were to decrease by 5% an additional impairment provision of approximately $25,919 (2022: $53,154) would have been recorded at July 31, 2023.

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

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

- The Credit Union's internal credit grading model, which assigns a probability of default (PD) to the individual grades
- The Credit Union's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit losses (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their expected credit loss (ECL) is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, exposure at default (EAD) and loss given default (LGD)
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

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

2.4 Changes in accounting policies and disclosures

2.4.1 New and amended standards and interpretations.

The accounting policies adopted are consistent with those of the previous financial year with the exception of those impacted by new and amended standards and interpretations which were effective for annual periods beginning on or after January 1, 2022 (unless otherwise stated).

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for de-recognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

2.4.1 New and amended standards and interpretations. (continued)

Onerous Contracts – Cost of Fulfilling Contract Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

These amendments had no impact on the consolidated financial statements of the Group as there were no onerous contract within the scope of these amendments that arose during the period.

Property, Plant and Equipment (PP&E): Proceeds before Intended Use – Amendments to IAS 16 Leases

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

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

2.4.2 Standards issued but not yet effective.

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

2.4.2 Standards issued but not yet effective. (continued)

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed. The amendments are not expected to have a material impact on the Group's financial statements.

Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments:

Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retrospectively. The amendments are not expected to have a material impact on the Group's financial statements.

2.4.2 Standards issued but not yet effective. (continued)

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The amendments are not expected to have a material impact on the Group's financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

2.5 Summary of accounting policies

Recognition of income and expenses

Interest income and expense

Interest income and expense are recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at fair value through profit or loss (FVPL).

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

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Credit Union recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Interest on loans is recognised over the term of the loan and is calculated using the effective yield method, interest ceases to be recognised on loans that are over 90 days in arrears.

Service fees

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

2.5 Summary of accounting policies (continued)

Other income

Other income comprises of fee income related to member services, loan application fees, delinquent loan fees and miscellaneous income. Other income are recognised on an accruals basis as the service is provided.

Financial instruments: Initial recognition

Date of recognition

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

Initial measurement of financial instruments

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

Day 1 profit or loss

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

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

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

2.5 Summary of accounting policies (continued)

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

Financial liabilities, other than loan commitments, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied. No financial liabilities were held at FVPL as of July 31, 2023, and 2022.

Financial assets and liabilities

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

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Solely Payments of Principal and Interest test (SPPI test)

As a second step of its classification process the Group assesses the contractual terms of the financial asset to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

2.5 Summary of accounting policies (continued)

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

Equity instruments are those that do not contain contractual obligations to pay the instrument holder and that evidence residual interests in the issuer's net assets. The Group measures all equity investments at fair value through profit or loss.

Impairment losses are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

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

Reclassification of financial assets and liabilities

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

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

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

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

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

2.5 Summary of accounting policies (continued)

Derecognition other than for substantial modification

Financial assets

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

The Group has transferred the financial asset if, and only if, either:

- the Group has transferred its contractual rights to receive cash flows from the financial asset.

Or

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

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

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

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset.

Or

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

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

2.5 Summary of accounting policies (continued)

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of Credit Union's continuing involvement, in which case,

Credit Union also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Credit Union has retained.

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

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

Financial liabilities

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

vi. Impairment of Financial Assets

Overview of the Expected Credit Loss (ECL) principles

The Group records the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

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

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

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

2.5 Summary of accounting policies (continued)

vi. Impairment of Financial Assets (continued)

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

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

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

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

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

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

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

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.5 Summary of accounting policies (continued)

vi. Impairment of Financial Assets (continued)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The Group measures credit risk using Probability of Default ('PD'), Exposure at Default ('EAD') and Loss Given Default ('LGD').

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

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

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

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

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

Collateral repossessed

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

Write-offs

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

2.5 Summary of accounting policies (continued)

Investment in securities

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

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

Investment property

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

Inventory property

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and net realisable value (NRV).

Principally, this is residential property that the Group develops and intends to sell before, or on completion of, development.

Cost incurred in bringing each property to its present location and condition includes:

- Freehold and leasehold rights for land
- Amounts paid to contractors for development
- Planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related costs

2.5 Summary of accounting policies (continued)

Inventory property (continued)

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs necessary to make the sale. When an inventory property is sold, the carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The carrying amount of inventory property recognised in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

Fixed assets and computer software

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

Building	2.5%, 10%, 33.3%	(40 years, 10 year and 3 years)
Computer equipment	20%, 25%	(5 years, 4 years)
Furniture and fittings	12.5% to 20%	(8 years to 5 years)
Motor vehicles	20%	(5 years)
Computer software	25%, 10%, 33.3%	(4 years, 10 years and 3 years)

Freehold land is not depreciated.

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

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

Dividends on members' shares

Dividends on members' shares are discretionary. Dividends, if any, are proposed by the Board of Directors and are subject to ratification by the members at their AGM at which time an accrual is recognized. The obligation to pay the dividend arises on ratification by the members and accordingly no provision for dividends in respect of the results for the year ended July 31, 2023, has been made in these consolidated financial statements.

2.5 Summary of accounting policies (continued)

Employee benefit plans

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

Cash and cash equivalents

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

Leases

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

The Group as a lessee

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

Right-of-use-assets and Lease liabilities

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

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

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

2.5 Summary of accounting policies (continued)

Right-of-use-assets and Lease liabilities (continued)

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

Members' shares

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

Other provision

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

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

Fair value measurement

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

Foreign exchange

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

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

3. Cash on hand and at bank and fixed deposits

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

	2023	2022
Cash on hand	$ 1,813,220	$ 4,171,690
Cash at bank	15,724,457	18,700,690
	$ 17,537,677	$ 22,872,380

The composition of fixed deposits is as follows:

	2023	2022
Fixed deposits:		
Original terms to maturity of 3 months or less	$ 64,367,256	$ –
Original terms to maturity of greater than 3 months	51,165,761	112,650,932
Interest receivable on fixed deposits	694,190	–
	$ 116,227,207	$ 112,650,932

During the financial year ended July 31, 2023, interest was earned on fixed deposits held in the amount of $3,688,196 (2022: $526,915).

4. Securities at fair value through the profit or loss

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

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

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

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

Level 3: Inputs that are unobservable.

The investment in securities as at July 31, 2023 and 2022, are as follows:

	2023	2022
Level 2		
Caribbean Utilities Company, Ltd.	$ 2,305,107	$ 2,817,127
Cayman National Corporation, Ltd.	211,351	255,061
	$ 2,516,458	$ 3,072,188

There were no transfers between levels during the year.

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

On an annual basis the investments in the Caribbean Utilities Company Ltd and Cayman National Corporation, Ltd. declare and pay dividends. The Group's dividends are automatically reinvested. In 2023 the reinvestment of dividend income was $140,788 (2022: $127,565).

	2023	2022
Level 2		
Opening balance at August 1	$ 3,072,188	$ 2,781,773
Additions	140,788	127,565
Change in unrealized (loss)/gain	(696,518)	162,850
Closing balance at July 31	$ 2,516,458	$ 3,072,188

5. Mortgages and personal loans

The composition of loans to members is as follows:

	2023	2022
Mortgage loans	$ 312,532,128	$ 260,403,955
Personal loans	110,587,898	101,296,605
Total loans	423,120,026	361,700,560
Loan interest receivable	744,523	917,887
Total loans including interest receivable	423,864,549	362,618,447
Less: Provision for loan losses:		
- Specific provision	(158,003)	(251,260)
- Expected credit loss	(206,125)	(308,584)
	(364,128)	(559,844)
Total	$ 423,500,421	$ 362,058,603

Term and interest rates

Generally, the maximum repayment period of mortgage loans is up to 35 years (2022: up to 35 years) and personal loans is up to 25 years (2022: up to 25 years) and all assets held as security for such loans are located in the Cayman Islands. Loans attract interest at rates which are fixed at the time of credit origination. For the year ended July 31, 2023, the effective yield on the loan portfolio is 5.80% (2022: 5.47%).

Loans to related parties

All loans to employees and elected volunteers are subject to the same terms and conditions as those applicable to other members of the Credit Union. Interest rates for employees and elected volunteers vary between 3.5% and 12% (2022: 3% and 12%).

Included in mortgage and personal loans are loans of $22,911,875 (2022: $15,914,236) to employees, directors and committee members of the Credit Union (Note 19), of which the scheduled repayments on none of the loans were past due at July 31, 2023 (2022: none).

5. Mortgages and personal loans (continued)

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

	July 31 2023	July 31 2022
Personal loans		
Out-of-share loans	$ 36,735,727	$ 33,228,711
Within-share loans	59,673,048	54,661,662
Unsecured:		
Overdrafts and cash advances	14,179,123	13,406,232
Total personal loans	$ 110,587,898	$ 101,296,605
Mortgage loans		
Out-of-share loans:		
less than 10-year loans	$ 49,000,664	$ 43,547,312
10 to 15-year loans	33,600,569	42,960,016
15 to 35-year loans	229,930,895	173,896,627
Total mortgage loans	312,532,128	260,403,955
Total loans	$ 423,120,026	$ 361,700,560

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

	2023 ECL Staging				
Mortgage loans	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Originated credit-impaired**	**Total**
Performing loans	$ 304,443,659	$ 7,919,944	$ –	$ –	$ 312,363,603
Impaired loans	–	–	724,433	–	724,433
Gross carrying amount	$ 304,443,659	$ 7,919,944	$ 724,433	$ –	$ 313,088,036
Loss allowance	(63,437)	(24,206)	–	–	(87,643)
Carrying amount	$ 304,380,222	$ 7,895,738	$ 724,433	$ –	$ 313,000,393

5. Mortgages and personal loans (continued)

	2022				
	ECL Staging				
Mortgage loans	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Originated credit-impaired**	**Total**
Performing loans	$ 246,515,243	$ 12,145,240	$ –	$ –	$ 258,660,483
Impaired loans	–	–	2,416,145	–	2,416,145
Gross carrying amount	$ 246,515,243	$ 12,145,240	$ 2,416,145	$ –	$ 261,076,628
Loss allowance	(64,474)	(71,376)	(34,379)	–	(170,229)
Carrying amount	$ 246,450,769	$ 12,073,864	$ 2,381,766	$ –	$ 260,906,399

	2023				
	ECL Staging				
Personal loans	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Originated credit-impaired**	**Total**
Performing loans	$ 109,341,758	$ 1,150,230	$ –	$ –	$ 110,491,988
Impaired loans	–	–	284,525	–	284,525
Gross carrying amount	$ 109,341,758	$ 1,150,230	$ 284,525	$ –	$ 110,776,513
Loss allowance	(54,192)	(54,272)	(168,021)	–	(276,485)
Carrying amount	$ 109,287,566	$ 1,095,958	$ 116,504	$ –	$ 110,500,028

	2022				
	ECL Staging				
Personal loans	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Originated credit-impaired**	**Total**
Performing loans	$ 99,494,554	$ 1,358,707	$ –	$ –	$ 100,853,261
Impaired loans	–	–	688,558	–	688,558
Gross carrying amount	$ 99,494,554	$ 1,358,707	$ 688,558	$ –	$ 101,541,819
Loss allowance	(84,158)	(88,575)	(216,882)	–	(389,615)
Carrying amount	$ 99,410,396	$ 1,270,132	$ 471,676	$ –	$ 101,152,204

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

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

5. Mortgages and personal loans (continued)

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

Mortgage loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Originated credit-impaired**	**Total**
Loss allowance as at August 1, 2022	$ 64,474	$ 71,376	$ 34,379	$ –	$ 170,229
Transfers:					
Transfer from Stage 1 to Stage 2	(8,845)	8,845	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–	–
Transfer from Stage 2 to Stage 1	784	(784)	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Transfer from Stage 3 to Stage 2	–	537	(537)	–	–
Transfer from Stage 3 to Stage 1	113	–	(113)	–	–
New financial assets originated or purchased	37,400	7,087		–	44,487
Loans fully written off, net of recoveries	–	–	(26,410)	–	(26,410)
Financial assets fully derecognized during the year	(4,351)	(8,570)	(34,379)	–	(47,300)
Changes to inputs used in ECL calculation	(26,124)	(54,299)	27,060	–	(53,363)
Loss allowance as at July 31, 2023	63,451	24,192	–	–	87,643

Mortgage loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Originated credit-impaired**	**Total**
Loss allowance as at August 1, 2021	$ 64,419	$ 43,778	$ 380,243	$ –	$ 488,440
Transfers:					
Transfer from Stage 1 to Stage 2	(53,837)	53,837	–	–	–
Transfer from Stage 1 to Stage 3	(34,379)	–	34,379	–	–
Transfer from Stage 2 to Stage 1	537	(537)	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–	–
New financial assets originated or purchased	23,655	–	–	–	23,655
Financial assets fully derecognized during the year	(5,473)	(4,696)	(497,191)	–	(507,360)
Loans fully written off, net of recoveries	–	–	(241,473)	–	(241,473)
Changes to inputs used in ECL calculation	69,552	(21,006)	358,421	–	406,967
Loss allowance as at July 31, 2022	64,474	71,376	34,379	–	170,229

5. Mortgages and personal loans (continued)

Personal loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Originated credit-impaired**	**Total**
Loss allowance as at August 1, 2022	$ 84,158	$ 88,575	$ 216,882	$ –	$ 389,615
Transfers:					
Transfer from Stage 1 to Stage 2	(26,136)	26,136	–	–	–
Transfer from Stage 1 to Stage 3	(77,741)	–	77,741	–	–
Transfer from Stage 2 to Stage 1	682	(682)	–	–	–
Transfer from Stage 2 to Stage 3	–	(65,231)	65,231	–	–
Transfer from Stage 3 to Stage 1	156	–	(156)	–	–
Transfer from Stage 3 to Stage 2	–	2,220	(2,220)	–	–
New financial assets originated or purchased	18,238	10,930	12,450	–	41,618
Financial assets fully derecognized during the year	–	–		–	–
Loans fully written off, net of recoveries	–	–	(284,803)	–	(284,803)
Financial assets fully derecognized during the period	(10,203)	(21,772)	(186,088)	–	(218,063)
Changes to inputs used in ECL calculation	65,038	14,097	268,983	–	348,118
Loss allowance as at July 31, 2023	54,192	54,273	168,020	–	276,485

Personal loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Originated credit-impaired**	**Total**
Loss allowance as at August 1, 2021	$ 65,443	$ 86,003	$ 791,293	$ –	$ 942,739
Transfers:					
Transfer from Stage 1 to Stage 2	(70,366)	70,366	–	–	–
Transfer from Stage 1 to Stage 3	(120,121)	–	120,121	–	–
Transfer from Stage 2 to Stage 1	665	(665)	–	–	–
Transfer from Stage 2 to Stage 3	–	(58,236)	58,236	–	–
Transfer from Stage 3 to Stage 1	1,508	–	(1,508)	–	–
Transfer from Stage 3 to Stage 2	–	15	(15)	–	–
New financial assets originated or purchased	26,873	6,575	14,972	–	48,420
Financial assets fully derecognized during the year	–	–	(797,354)	–	(797,354)
Loans fully written off, net of recoveries	(6,665)	(10,959)	(545,573)	–	(563,197)
Changes to inputs used in ECL calculation	188,314	(6,017)	576,710	–	759,007
Loss allowance as at July 31, 2022	85,651	87,082	216,882	–	389,615

5. Mortgages and personal loans (continued)

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

Mortgage loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Originated credit-impaired**	**Total**
Gross carrying amount as at August 1, 2022	$ 246,515,243	$ 12,145,240	$ 2,416,145	$ –	$ 261,076,628
Transfers:					
Transfer from Stage 1 to Stage 2	(3,153,628)	3,153,628	–	–	–
Transfer from Stage 1 to Stage 3	(184,353)	–	184,353	–	–
Transfer from Stage 2 to Stage 1	4,980,029	(4,980,029)	–	–	–
Transfer from Stage 2 to Stage 3	–	(412,742)	412,742	–	–
Transfer from Stage 3 to Stage 2	–	155,426	(155,426)	–	–
Transfer from Stage 3 to Stage 1	928,986	–	(928,986)	–	–
New financial assets originated or purchased	83,188,616	606,650	–	–	83,795,266
Financial assets fully derecognized during the year	(21,844,071)	(2,256,534)	(1,192,654)	–	(25,293,259)
Loans fully written off, net of recoveries	–	–	(26,410)	–	(26,410)
Changes in principal and interest	(5,987,163)	(491,695)	14,669	–	(6,464,189)
Gross carrying amount as at July 31, 2023	304,443,659	7,919,944	724,433	–	313,088,036

Mortgage loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Originated credit-impaired**	**Total**
Gross carrying amount as at August 1, 2021	$ 220,513,932	$ 4,579,532	$ 2,132,505	$ –	$ 227,225,969
Transfers:					
Transfer from Stage 1 to Stage 2	(9,923,653)	9,923,653	–	–	–
Transfer from Stage 1 to Stage 3	(1,053,366)	–	1,053,366	–	–
Transfer from Stage 2 to Stage 1	1,507,800	(1,507,800)	–	–	–
Transfer from Stage 2 to Stage 3	–	(240,106)	240,106	–	–
Transfer from Stage 3 to Stage 2		78,814	(78,814)	–	–
Transfer from Stage 3 to Stage 1	39,792	–	(39,792)	–	–
New financial assets originated or purchased	63,790,847	–	–	–	63,790,847
Financial assets fully derecognized during the year	(21,580,058)	(370,084)	(721,527)	–	(22,671,669)
Loans fully written off, net of recoveries	–	–	(241,473)	–	(241,473)
Changes in principal and interest	(6,780,051)	(318,769)	71,774	–	(7,027,046)
Gross carrying amount as at July 31, 2022	246,515,243	12,145,240	2,416,145	–	261,076,628

5. Mortgages and personal loans (continued)

Personal loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Originated credit-impaired**	**Total**
Gross carrying amount as at August 1, 2022	$ 99,494,555	$ 1,358,707	$ 688,557	$ –	$101,541,819
Transfers:					
Transfer from Stage 1 to Stage 2	(678,061)	678,061	–	–	–
Transfer from Stage 1 to Stage 3	(146,088)	146,088	–	–	–
Transfer from Stage 2 to Stage 1	401,510	(401,510)	–	–	–
Transfer from Stage 2 to Stage 3	–	(108,553)	108,553	–	–
Transfer from Stage 3 to Stage 1	–	71,161	(71,161)	–	–
Transfer from Stage 3 to Stage 2	36,045	–	(36,045)	–	–
New financial assets originated or purchased	18,238	10,930	12,450	–	41,618
Financial assets fully derecognized during the year	(13,968,348)	(504,969)	(564,485)	–	(15,037,802)
Loans fully written off, net of recoveries	–	–	(284,803)	–	(284,803)
Changes in principal and interest	24,183,907	(99,685)	431,459	–	24,515,681
Gross carrying amount as at July 31, 2023	109,341,758	1,150,230	284,525	–	110,776,513

Personal loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Originated credit-impaired**	**Total**
Gross carrying amount as at August 1, 2021	$ 95,025,140	$ 1,207,060	$ 1,201,967	$ –	$ 97,434,167
Transfers:					
Transfer from Stage 1 to Stage 2	(1,032,797)	1,032,797	–	–	–
Transfer from Stage 1 to Stage 3	(432,102)	–	432,102	–	–
Transfer from Stage 2 to Stage 1	448,189	(448,189)	–	–	–
Transfer from Stage 2 to Stage 3	–	(113,439)	113,439	–	–
Transfer from Stage 3 to Stage 1	11,556	–	(11,556)	–	–
Transfer from Stage 3 to Stage 2	–	25,009	(25,009)	–	–
New financial assets originated or purchased	26,873	6,575	14,972	–	48,420
Financial assets fully derecognized during the year	(11,009,772)	(391,719)	(1,193,014)	–	(12,594,505)
Loans fully written off, net of recoveries	–	–	(797,354)	–	(797,354)
Changes in principal and interest	16,457,467	40,613	953,011	–	17,451,091
Gross carrying amount as at July 31, 2022	99,494,554	1,358,707	688,558	–	101,541,819

5. Mortgages and personal loans (continued)

Unemployment rate, Cayman Islands GDP growth, Cayman Islands inflation and KYD prime rate are used to determine forward looking Expected Credit Losses for the loan portfolio.

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

	Base	**Upside**	**Downside**
Mortgage and Personal loans	70%	15%	15%

Impact on ECL measured on collective basis

		Change in ECL	
Collateral haircut	Change in threshold	**2023**	**2022**
Loans	(+ 5) %	$ 25,919	$ 53,154

Set out above are the changes to the ECL as at July 31, 2023, that would result from reasonably possible variations in the most significant assumption affecting the ECL allowance.

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

	July 31	
	2023	**2022**
Mortgage loans	$ 1,655,000	$ 5,466,000
Personal loans	45,900	593,429
	$ 1,700,900	$ 6,059,429

5. Mortgages and personal loans (continued)

Repossession of collateral

As at July 31, 2023, the Group does not hold repossessed collateral (2022: $Nil).

Loans written off

During the year ended July 31, 2023, the Board approved to write off $311,213 (2022: $1,038,827) of loans which related to loans due from 80 (2022: 156) members. These loans were written off after careful consideration by the Board of Directors because they had been delinquent for a significant period of time, and all efforts to secure repayment were exhausted and proved unsuccessful. The members involved have been recorded in the Register of Loans Written Off, and these members may not avail of future lending facilities of the Credit Union, until such time as their previously outstanding indebtedness is repaid.

Loans renegotiated that would otherwise be past due or impaired

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

Limitations on lending to one borrower and significant loans

The maximum amount that the Credit Union may lend to one single member/borrower may not exceed a 3% of the Credit Union's total gross loans to all members; currently 3% is a maximum of $ 12,693,601. As at July 31, 2023, gross carrying value of the largest loan issued to a member is $5,000,000 (2022: $2,085,518). The total value of loans held by members who hold total loans in excess of $250,000 as at July 31, 2023, is $195,983,184 in 841 loans (2022: $149,768,160 in 712 loans).

6. Fixed assets and Right-of-Use assets

As at July 31, 2023:

	Freehold Land	Building	Assets Under Construction	Computer Equipment	Computer software	Furniture and Fittings	Motor Vehicles	Right of Use Assets	Total
Cost									
Balance July 31, 2022	$ 227,775	$ 7,221,979	$ 121,560	$ 1,129,822	$ 1,633,992	$ 1,356,420	$ 47,500	$ 176,050	$ 11,915,098
Additions	–	19,282	542,741	112,871	86,577	54,390	–	778,984	1,594,845
Write offs	–	–	(7,612)	–	(10,000)	–	–	–	(17,612)
Transfers	–	168,447	(272,364)	41,720	–	62,197	–	–	–
Reclassification	–	–	(35,991)	–	(85,854)	–	–	(14,438)	(136,283)
Disposals	–	–	–	–	–	–	–	–	–
Balance July 31, 2023	$ 227,775	$ 7,409,708	$ 348,334	$ 1,284,413	$ 1,624,715	$ 1,473,007	$ 47,500	$ 940,596	$ 13,356,048
Depreciation									
Balance July 31, 2022	$ –	$ 2,427,434	$ –	$ 674,035	$ 722,049	$ 1,114,653	$ 24,860	$ 79,276	$ 5,042,307
Charge for the year	–	189,814	–	165,526	118,789	91,887	5,660	59,201	630,877
Write offs	–	–	–	–	(3,750)	–	–	–	(3,750)
Transfers	–	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–	–
Balance July 31, 2023	$ –	$ 2,617,248	$ –	$ 839,561	$ 837,088	$ 1,206,540	$ 30,520	$ 138,477	$ 5,669,434
Net book value									
July 31, 2023	$ 227,775	$ 4,792,460	$ 353,334	$ 444,852	$ 787,627	$ 266,467	$ 16,980	$ 802,119	$ 7,698,614
Net book value									
July 31, 2022	$ 227,775	$ 4,794,545	$ 121,560	$ 455,787	$ 911,943	$ 241,767	$ 22,640	$ 96,774	$ 6,872,791

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

As at July 31, 2022:

	Freehold Land	Building	Assets Under Construction	Computer Equipment	Computer software	Furniture and Fittings	Motor Vehicles	Right of Use Assets	Total
Cost									
Balance July 31, 2021	$ 227,775	$ 7,221,979	$ 663,676	$ 718,232	$ 697,905	$ 1,265,850	$ 19,205	$ 117,376	$ 10,931,998
Additions	–	–	651,967	143,643	26,014	74,507	28,295	58,674	983,100
Transfers	–	–	(1,194,083)	267,947	910,073	16,063	–	–	–
Disposals	–	–	–	–	–	–	–	–	–
Balance July 31, 2022	$ 227,775	$ 7,221,979	$ 121,560	$1,129,822	$1,633,992	$ 1,356,420	$ 47,500	$ 176,050	$ 11,915,098
Depreciation									
Balance July 31, 2021	$ –	$ 2,237,405	$ –	$ 572,008	$ 660,113	$ 1,017,781	$ 19,205	$ 38,084	$ 4,544,596
Charge for the year	–	190,029	–	102,027	61,936	96,872	5,655	41,192	497,711
Disposals	–	–	–	–	–	–	–	–	–
Balance July 31, 2022	$ –	$ 2,427,434	$ –	$ 674,035	722,049	$ 1,114,653	$ 24,860	$ 79,276	$ 5,042,307
Net book value									
July 31, 2022	$ 227,775	$ 4,794,545	$ 121,560	$ 455,787	$ 911,943	$ 241,767	$ 22,640	$ 96,774	$ 6,872,791
Net book value									
July 31, 2021	$ 227,775	$ 4,984,574	$ 663,676	$ 146,224	$ 37,792	$ 248,069	$ –	$ 79,292	$ 6,387,401

Included in depreciation of Computer Equipment of $165,526 is $44,424, which is claimed against Information Technology Fund.

Included in depreciation of Computer Software of $118,361 is $98,871, which is claimed against Information Technology Fund.

Reclassifications of $136,283 relates to inventory property of $121,845 previously reported under assets under construction and receivable and other assets of $14,438 previously reported under right of use assets.

Included in additions to right of use assets is an addition of $699,504 for the new lease agreement entered in June 2023 for Credit Union’s new branch in Savannah and remeasurement of lease liability by $79,480 for the existing leased premises due to increase in monthly rental expenses and reassessment of incremental borrowing rate.

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

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

	2023	2022
Opening balance at August 1, 2022	$ 74,428	$ 82,550
Additions	778,985	30,205
Accretion of interest	23,426	5,903
Payments	(57,508)	(44,230)
Closing balance at July 31, 2023	$ 819,331	$ 74,428

As of July 31, 2023, total gross carrying amount of fully depreciated fixed assets still in use is at $2,286,235 (2022: $2,093,357).

7. Investment property

During the year ended December 31, 1999, at two separate Special General Meetings the membership approved both an amendment of the Credit Union Rules to allow for the investment of funds in real estate and the purchase of two parcels (at a cost of $ 1,175,870) of land adjoining the Credit Union's current premises at 58 Huldah Ave. The Cayman Islands Government completed a road widening project on Smith Road in 2017 and this resulted in the Credit Union having to sell a small portion of this property. The Credit Union received $24,289 for the property recorded at cost of $4,196 (net of impairment). The last revaluation was performed in 2021 in line with the Group's policy, and the fair value was $3,944,000.

During the year ended July 31, 2005, the Credit Union purchased land in Cayman Brac at a cost of $126,308. The last revaluation was performed in 2021 in line with the Group's policy, and the fair value was $190,000.

7. Investment property (continued)

During the year ended July 31, 2010, the Credit Union purchased additional land on Smith Road, Grand Cayman, at a total cost of $455,297. A building that was situated on the property was demolished during the year ended July 31, 2012, leading to the fall in value of the property and as a result an impairment loss of $215,297 was recognized in the Consolidated Statement of Comprehensive Income for the year ended July 31, 2012. As of July 20, 2018, this property was valued at $229,000, as a result an impairment loss of $11,000 has been recognized in the Statement of Comprehensive Income for the year 2017. The Cayman Islands Government completed a road widening project on Smith Road in 2017 and this resulted in the Credit Union having to sell a small portion of this property. The last revaluation was performed in 2021 in line with the Group's policy, and the fair value was $366,000.

During the year ended July 31, 2014, the Credit Union purchased land on Huldah Avenue for $376,401. This land was valued based on market data, by an independent appraiser with a relevant and recognized professional qualification as of May 3, 2015, at $316,000, as a result an impairment loss of $60,401 has been recognized in the Statement of Comprehensive Income for the year 2015. The last revaluation was performed in 2021 in line with the Group's policy, and the fair value was $632,000.

Investment properties were valued based on market data, by independent appraisers with a relevant and recognized professional qualification. In accordance with the Group policy valuations are performed every three years for disclosure purposes with any impairment losses being recognized in the Consolidated Statement of Comprehensive Income.

In accordance with IAS 40 Revised "*Investment Property*", management have determined it appropriate to account for these investments in land at cost less impairment, as the land is currently not being occupied.

	2023	2022
Balance, beginning of year	$ 1,878,071	$ 1,833,496
Additions/(disposals)	–	44,575
Impairment charge	–	–
Balance, end of year	$ 1,878,071	$ 1,878,071

8. Members' and Non-members' deposits

Members' deposits comprise the following:

	2023	2022
Regular savings	$ 31,032,618	$ 26,418,900
Term deposits	4,167,668	890,235
	$ 35,200,286	$ 27,309,135

Included in members' deposits are deposits of $472,169 (2022: $564,182) placed by directors, employees and committee members of the Credit Union (Note 19).

8. Members' and Non-members' deposits (continued)

Interest of $93,206 (2022: $54,125) was paid to members holding term deposits during the financial year ended July 31, 2023.

Included in Non-members' deposits are deposits of $31,720,758 (2022: $Nil). Pursuant to rule 5 and rule 17 of the Rules, deposits are accepted from Non-member core employers. Interest of $111,588 (2022: $Nil) was accrued for non-members holding term deposits during the financial year ended July 31, 2023.

9. Members' shares

The members' equity in the Credit Union is unlimited and is divided into shares of a par value of $25 each. The liability of each member, in case of liquidation, is limited to the value of the shares held by the member at the par value. Per rule 15 of the Amended Credit Union rules, the maximum amount of shares which may be held by any one member shall not exceed 3% of total members' shares. Unless provided as collateral for loans, money paid in on shares, or instalments of shares, may be withdrawn in whole or in part on any day when the Credit Union is open for business. However, the Board of Directors have the right to require a member to give up to six months' notice of intention to withdraw.

Members' shares are non-interest bearing but may attract a dividend. Rule 15 of the Amended Credit Union rules provides that a dividend may be paid to members out of the net surplus of the Credit Union after the transfer to the Statutory Reserve (Note 10). However, the Cooperative Societies Act prescribes that the dividend paid to each member may not exceed six percent per annum on the lowest balance of fully paid shares outstanding during each month (Note 14).

Included in members shares are shares of $7,552,137 (2022: $7,359,414) placed by directors, employees and committee members of the Credit Union (Note 19).

10. Statutory reserve

The Act and Rule 32 require that 20% of the net surplus (before dividends on member shares) (Note 20) of each financial year be set aside to the Statutory Reserve. During the year ended July 31, 2023, Credit Union transferred 20% (2022: 20%) or $3,342,917 (2022: 2,449,984) to the Statutory Reserve from the Undistributed Surplus.

Rule 32 of the Amended Credit Union rules also requires that all entrance fees ($10 per member) and transfer fees be credited to this reserve. During the year ended July 31, 2023, the total entrance fees credited to this reserve was $16,225 (2022: $11,705).

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

10. Statutory reserve (continued)

Permanent shares

At the AGM held November 2019, it was approved to pay a permanent share dividend to 13,354 active members at July 31, 2019, in the amount of $333,850. This was classified as part of the reserves. New members joining after August 1, 2019, were required to pay $25 as a permanent share that will be held until their account is closed. During the year ended July 31, 2023, the total permanent shares credited to this reserve was $36,525 (2022: $32,555).

At the SGM held on September 29, 2022, Pursuant to rule 6 of the Amended Credit Union rules, it was approved that members are required to subscribe to a minimum of 2 permanent shares with a par value of $50 each. The Amended Credit Union rules were certified and accepted by the Registrar General of the Cayman Islands on July 7, 2023.

11. Information Technology fund

The Credit Union established this fund in 1993 by appropriation from the undistributed surplus to enable the Credit Union to set aside funds to provide longer-term mortgage loans to members. At the AGM on November 28, 2018, the members agreed to transfer $693,400 from the mortgage fund to supplement the dividend. Members resolved that the remaining balance of $904,974 should be designated for Information Technology ("IT Fund") purposes. Included in $256,370 of expenses claimed from Information Technology fund are $142,867 of depreciation of computer equipment and computer software, and $113,503 of non-interest expenses.

12. Development fund

The Credit Union established this fund in 1992 by appropriation from undistributed surplus for future development of the Group. During the current financial year there were no changes made to the development fund.

13. Scholarship fund and training fund

On November 30, 2022, at the AGM in respect of the year ended July 31, 2022, the members resolved to transfer an amount of $200,000 (2022: $300,000) to the scholarship fund and $131,493 (2022: $206,482) to training of the volunteers and staff. This was satisfied by way of appropriation of funds from the Undistributed Surplus in accordance with rule 34 of The Amended Credit Union rules (Note 21).

14. Dividends paid/payable

On November 30, 2022, at the AGM in respect of the year ended July 31, 2022, the members resolved to pay a dividend of 2.3% or $9,468,388 (2022: 2.1% or $7,744,278) This was satisfied by way of appropriation of funds from the Undistributed Surplus and was recorded in the financial statements for the year ended July 31, 2023.

Dividends on members shares of $9,444,543 (2022: $7,744,278) are credited directly to members' shares accounts and unpaid dividends of $23,845 due to closure of member accounts are accumulated in undistributed surplus.

15. Loan interest rebate/payable

In 2023 a 2% (2022:2%) loan interest rebate was accrued in amount of $450,000 (2022: $340,228) and is recorded as a debit to loan interest income and a credit in accounts payable and accrued expenses.

16. Services fees – cash advances

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

The Credit Union does not charge any interest on cash advances but levies a service fee of 12% (2022: 12%) of the total value of the sum advanced. During the year ended July 31, 2023, the cash advance fees earned was $431,490 (2022: $363,994) and is included within interest income – service fees cash advances, in the Consolidated Statement of Comprehensive Income.

17. Benevolent fund and member beneficiary benefits

During the year, the Credit Union paid $57,689 (2022: $84,611) in beneficiary benefits and total is claimed from the benevolent fund.

18. Pension plan

The Credit Union and its employees make contributions (7% and 3% respectively) to a defined contribution pension plan regulated in the Cayman Islands. During the year, the Credit Union made $373,404 (2022: $289,305) in pension contributions and this amount is included in salaries and other personnel costs in the Consolidated Statement of Comprehensive Income.

19. Related-party transactions and balances

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

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

	2023	2022
Salaries and other short-term benefits	$ 280,275	$ 196,240
Defined contributions pension costs	18,032	12,146
	$ 298,307	$ 208,386

19. Related-party transactions and balances (continued)

During the November 2019 AGM, it was approved in accordance with rule 36, that all directors and committee member are eligible for a fixed honorarium where a fixed per meeting fee will be paid in the amounts of: $400 for chairman of the board, $250 for all other directors, $125 for chairman of committees and $100 for members of committees. As such an amount of $91,700 was accrued for the payments due to directors for the year ended July 31, 2023.

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

20. Commitments

As at July 31, 2023, the Credit Committee had approved a number of commitments for undrawn loans to a value of $20,420,656 (2022: $12,675,436). The ECL on these undrawn loans is $3,857 (2022: $3,144), the below table reflects the breakdown of the ECL:

	2023	2022
Stage 1 – Mortgage loans	$ 3,561	$ 2,425
Stage 1 – Personal loans	296	719
	$ 3,857	$ 3,144

The Credit Union leases premises for its storage. The lease term is one year and renewable for another year. The Credit Union currently pays $2,700 (2022: $2,616) per month. The Credit Union continued to occupy this leased premises through the date of approval of these consolidated financial statements. The future lease payment for this non-cancellable lease contract is $32,400 within one year and $75,600 within five years.

The Credit Union leases premises for its branch in Cayman Brac. The lease term is 2 years and renewable for another two years. The future lease payment for this non-cancellable lease contract is $14,850 within one year and $6,188 within five years.

The Credit Union leases premises for its branch in Savanah. The lease term is 5 years and renewable for another 5 years. The future lease payment for this non-cancellable lease contract is $100,125 within one year, $529,875 within five years and $409,219 beyond 5 years.

21. Capital management

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

As per rule 34 of The Amended Credit Union rules, the net surplus of the Credit Union shall be applied as follows:

i. at least 20% of net income shall be carried to the statutory reserve in accordance with rule 34 (Note 10);

ii. the remainder shall be utilized as the AGM may decide in any one or more of the following ways:
   - to pay to members a dividend not exceeding what is prescribed by Act (at present 6% per annum) on fully paid shares;
   - to promote co-operative education among members; and for any social, charitable or cultural purposes, subject to Section 36 of the Act;
   - to create any special reserve;
   - to pay fees; and
   - to create and maintain a share transfer fund to be used as prescribed in rule 15.

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

Management considers that the Credit Union has complied with these requirements during the years ended July 31, 2022 and 2023.

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

22. Financial risk management

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

i. Introduction and overview

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

22. Financial risk management (continued)

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

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

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

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

ii. Credit risk

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

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

Cash at bank and fixed deposits

The Group seeks to mitigate its credit risk by placing its cash at banks and fixed deposits with reputable financial institutions. At July 31, 2023, all of the cash at bank and fixed deposits are placed with two unrated financial institutions, being Cayman National Bank Ltd. and Butterfield Bank (Cayman) Limited. Both banks hold Class A banking licenses, which in the opinion of management, are stable financial institutions and in addition are regulated by the Cayman Islands Monetary Authority and as such, the credit risk was evaluated as low.

22. Financial risk management (continued)

ii. Credit risk (continued)

Loans to members

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

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

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

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

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

- Loan be made to members only, for provident and productive purposes only;
- Satisfactory proof of employment or income to support members repayment capacity;
- Limit of debt service ratio to generally 50% of members income for regular out of share loan products;
- Completion of the required loan application forms and approval by Manager of Loans, Internal Credit Committee and Credit Committee;
- Loans to officers, members of the Board or Committees require approval by the Board of Directors and Supervisory Committee in conjunction with the Credit Committee;
- Certain repayment requirements on pre-existing loans prior to approval for additional loans;
- Loans are not granted to delinquent members, or only to former delinquent members after a period of 6 – 12 months during which time their accounts must have been maintained satisfactorily;
- Completion of satisfactory credit checks at all local financial institutions for any amount at Credit Union's discretion;
- Significant loans in excess of $400,000 (2022: $400,000) require the formal approval of the Board of Directors, in addition to that of the Credit Committee;

22. Financial risk management (continued)

ii. Credit risk (continued)

Loans to members (continued)

- The period of the loan shall generally not exceed 35 years (2022: 35 years); and
- The extension of credit is generally limited to 80% of the value of the collateral obtained (in the case of land and structure) or 100% in the case of raw land, in addition to the other conditions of lending as discussed above.

Collateral required for loans

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

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

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

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

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

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

In addition to the "Xpress or Overdraft Loans", the Credit Union also offers cash advances to members which are also unsecured. Cash advances are issued for a period of one month. Generally, the maximum repayment period of Xpress or Overdraft loans is up to 36 months (2022: 36 months). These lending products are only offered to members after careful consideration of the members' repayment ability and assessment of credit status.

22. Financial risk management (continued)

ii. Credit risk (continued)

Management of credit risk, post credit origination

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

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

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

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

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

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

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

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

22. Financial risk management (continued)

ii. Credit risk (continued)

Management of credit risk, post credit origination (continued)

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

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

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

iii. Market risk

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

iv. Currency risk

The Group is exposed to currency risk in relation to monetary assets and liabilities denominated in foreign currencies. The Group holds $23,092,530 of its cash at bank and fixed deposits denominated in United States dollars, in addition to the two securities held as investments (Note 4), which are also denominated in United States dollars. The Group accepts deposits from members and non-members, which are also denominated in Unites States dollars. The value of such monetary assets will fluctuate because of changes in the exchange rates at which these are converted into Cayman Islands dollars. Management considers this risk to be minimal as all foreign currency holdings are denominated in the United States dollar, which has a fixed rate of exchange to the Cayman Islands dollar.

22. Financial risk management (continued)

v. Equity price risk

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

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

		2023		2022
Change in equity price of investments				
+ 10%	$	251,646	$	307,219
- 10%	$	(251,646)	$	(307,219)

vi. Interest rate risk

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

22. Financial risk management (continued)

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

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

		2023		**2022**
Interest earned on loans				
+ 0.05%	$	211,428	$	179,757
- 0.05%	$	(211,428)	$	(179,757)
Interest earned on fixed deposits				
+ 0.10%	$	116,227	$	112,651
- 0.10%	$	(116,227)	$	(112,651)
Interest paid on member deposits:				
+ 0.50%	$	176,266	$	136,546
- 0.50%	$	(176,266)	$	(136,546)
Interest paid on non-member deposits:				
0.50%	$	158,604	$	–
-0.50%	$	(158,604)	$	–

22. Financial risk management (continued)

The tables below summarize the Group's exposure to interest rate risk, as of July 31, 2023 and 2022.

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

July 31, 2023	Under Six Months	Six Months to one Year	One Year to Four Years	Five Years to ten Years	Over ten Years	Non-Interest Bearing	Total
Assets							
Cash on hand and at bank	$ 17,537,677	$ –	$ –	$ –	$ –	$ –	$ 17,537,677
Fixed deposits	84,075,996	32,151,211	–	–	–	–	116,227,207
Securities at fair value through P&L	–	–	–	–	–	2,516,458	2,516,458
Mortgages and personal loans	3,455,580	5,017,161	30,735,388	77,556,902	307,099,518	–	423,864,549
Receivable & other assets						313,914	313,914
	$ 105,069,253	$ 37,168,372	$ 30,735,388	$ 77,556,902	$ 307,099,518	$ 2,830,372	$ 560,459,805
Liabilities							
Accounts payable and accrued expenses	$ –	$ –	$ –	$ –	$ –	$ 2,018,572	$ 2,018,572
Members' shares	–	–	–	–	–	449,630,183	449,630,183
Members' deposits:							
- Regular savings	31,032,618	–	–	–	–	–	31,032,618
- Term deposits	2,469,251	1,691,145	7,272	–	–	–	4,167,668
Non-members' deposits	31,720,758	–	–	–	–	–	31,720,758
	$ 65,275,627	$ 1,691,145	$ 7,272	$ –	$ –	$ 451,648,755	$ 518,569,799

July 31, 2022	Under Six Months	Six Months to one Year	One Year to Four Years	Five Years to ten Years	Over ten Years	Non-Interest Bearing	Total
Assets							
Cash on hand and at bank	$ 22,872,380	$ –	$ –	$ –	$ –	$ –	$ 22,872,380
Fixed deposits	–	112,650,932	–	–	–	–	112,650,932
Securities at fair value through P&L	–	–	–	–	–	3,072,188	3,072,188
Mortgages and personal loans	8,352,017	6,238,460	26,595,220	73,596,661	247,836,089	–	362,618,447
Receivable & other assets						726,011	726,011
	$ 31,224,397	$ 118,889,392	$ 26,595,220	$ 73,596,661	$ 247,836,089	$ 3,798,199	$ 501,939,958
Liabilities							
Accounts payable and accrued expenses	$ –	$ –	$ –	$ –	$ –	$ 2,064,529	$ 2,064,529
Members' shares	–	–	–	–	–	436,568,536	436,568,536
Members' deposits:							
- Regular savings	26,418,900	–	–	–	–	–	26,418,900
- Term deposits	432,121	456,848	1,266	–	–	–	890,235
Non-members' deposits	–	–	–	–	–	–	–
	$ 26,851,021	$ 456,848	$ 1,266	$ –	$ –	$ 438,633,065	$ 465,942,200

22. Financial risk management (continued)

vii. Liquidity risk

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

The Group's liquidity management process includes the following:

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

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

On a monthly basis, the Chief Financial Officer prepares a liquidity report, which compares total loans to total deposits (including shares) placed by members and non-members, cash on hand and cash at bank, including the funds placed on term deposits with other financial institutions. This report is shared with the Chief Executive Officer and to the Board of Directors. Furthermore, on a daily basis, management regularly reviews the total funds drawn down under loans, including loan commitments compared to available funds to ensure that sufficient liquid resources are available. An important element of the credit policies is a review of funds available to ensure that loan applications are not approved without first considering the level of liquid resources available prior to entering into that commitment with the member. The report also includes a summary of those members with significant amounts placed on deposit. As at July 31, 2023, approximately 10% (2022: 10%) of the member shares are held by 21 (2022: 25) members.

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

22. Financial risk management (continued)

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

The loan portfolio comprises loans, issued at varying terms from 3 months to 35 years (2022: 3 months to 35 years). As outlined above, all loans generally require a minimum level of members shares (loan to share ratio). For some members with loans, access to members' shares is generally restricted where the loan balance exceeds the members share balance. The members' shares available for withdrawal are limited to the amount of shares in excess of that members' loan. Notwithstanding this, there are a significant number of members with no loans, which represents the most significant risk from a liquidity perspective. In the normal course of business these funds are available on demand. However, as described in Note 9 the Board of Directors have the right to require members to provide up to six months notice prior to withdrawal of those funds.

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

July 31, 2023	**Under Six Months**	**Six Months to One Year**	**One Year to Four Years**	**Five Years to Ten Years**	**Over Ten Years**	**Non-Fixed Maturity**	**Total**
Cash inflows							
Cash on hand and at bank	$ 17,537,677	$ –	$ –	$ –	$ –	$ –	$ 17,537,677
Fixed deposits	64,695,605	51,531,602	–	–	–	–	116,227,207
Securities at fair value through P&L	–	–	–	–	–	2,516,458	2,516,458
Mortgages and personal loans	3,455,580	5,017,161	30,735,388	77,556,902	307,099,518	–	423,864,549
Receivable & other assets	313,914						313,914
	$ 86,002,776	$ 56,548,763	$ 30,735,388	$ 77,556,902	$ 307,099,518	$ 2,516,458	$ 560,459,805
Cash outflows							
Accounts payable and accrued expenses	$ 2,018,572	$ –	$ –	$ –	$ –	$ –	$ 2,018,572
Members' shares	–	–	–	–	–	449,630,183	449,630,183
Members' deposits:	–	–	–	–	–	–	–
- Regular savings	31,032,618	–	–	–	–	–	31,032,618
- Term deposits	1,306,959	2,853,437	7,272	–	–	–	4,167,668
Non-members' deposits	31,720,758	–	–	–	–	–	31,720,758
	$ 66,078,907	$ 2,853,437	$ 7,272	$ –	$ –	$ 449,630,183	$ 518,569,799
Off-balance sheet cash outflows							
Loan commitments	$ 20,420,656	$ –	$ –	$ –	$ –	$ –	$ 20,420,656
Net exposure	$ (496,787)	$ 53,695,326	$ 30,728,116	$ 77,556,902	$ 307,099,518	$(447,113,725)	$ 21,469,350

22. Financial risk management (continued)

July 31, 2022	Under Six Months	Six Months to One Year	One Year to Four Years	Five Years to Ten Years	Over Ten Years	Non-Fixed Maturity	Total
Cash inflows							
Cash on hand and at bank	$ 22,872,380	$ –	$ –	$ –	$ –	$ –	$ 22,872,380
Fixed deposits	–	112,650,932	–	–	–	–	112,650,932
Securities at fair value through P&L	–	–	–	–	–	3,072,188	3,072,188
Mortgages and personal loans	8,352,017	6,238,460	26,595,220	73,596,661	247,836,089	–	362,618,447
Receivable & other assets	726,011	–	–	–	–	–	726,011
	$ 31,950,408	$ 118,889,392	$ 26,595,220	$ 73,596,661	$ 247,836,089	$ 3,072,188	$ 501,939,958
Cash outflows							
Accounts payable and accrued expenses	$ 2,064,529	$ –	$ –	$ –	$ –	$ –	$ 2,064,529
Members' shares	–	–	–	–	–	436,568,536	436,568,536
Members' deposits:	–	–	–	–	–	–	–
- Regular savings	26,418,900	–	–	–	–	–	26,418,900
- Term deposits	432,121	456,848	1,266	–	–	–	890,235
Non-members' deposits	–	–	–	–	–	–	–
	$ 28,915,550	$ 456,848	$ 1,266	$ –	$ –	$ 436,568,536	$ 465,942,200
Off-balance sheet cash outflows							
Loan commitments	$ 12,657,436	$ –	$ –	$ –	$ –	$ –	$ 12,657,436
Net exposure	$ (9,622,578)	$ 118,432,544	$ 26,593,954	$ 73,596,661	$ 247,836,089	$(433,496,348)	$ 23,340,322

23. Financial instruments and other – fair values

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

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

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

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

As noted in Note 9 members shares are non-interest bearing, however, they may attract dividends. The directors consider that the carrying value of members' shares approximate their fair value due to the inherent characteristics of the instruments for the years ending July 31, 2023 and 2022. As outlined above, members shares are non-interest bearing, may attract a dividend and an element of those members shares act as collateral against members' loans. Members' savings accounts are available on demand. Members' and non-members' term deposits are at rates that re-price on each roll over date.

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

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgment by the Group. The Group considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The carrying amounts of the Group's financial assets and liabilities at the balance sheet date approximated their fair value due to the relative short-term nature of the balances and/or fact that interest rates on loans reflect rates for new similar loans. Per the fair value hierarchy of IFRS 13, all financial assets and liabilities are classified as Level 3 except for securities at FVPL (Level 2), cash on hand and at bank (Level 1) and Fixed deposits (Level 1). The fair value of the investment property is disclosed in Note 7, and is based upon prices for similar properties, and is considered a Level 2 fair value.

The valuation techniques used in the fair value measurements categorized within Level 2 and 3 of the fair value hierarchy as at July 31, 2023, are as shown below:

Securities at fair value through profit or loss	Market price, but not frequently traded
Mortgage and personal loans including interest receivable, net of loan loss provision	Discounted cash flow method
Investment property	Sales comparison approach, Depreciated replacement cost approach and/or Investment approach
Members' deposits, shares, and Non-members' deposits	Discounted cash flow method

24. Interest income

Interest income comprises of the following:

	2023	2022
Mortgage loans	$ 16,884,918	$ 13,225,955
Personal loans	6,383,286	5,926,574
Interest rebate	(450,000)	(340,228)
Total interest on loans	$ 22,818,204	$ 18,812,301

25. Other income

Other income comprises of fee income related to member services, loan application fees, delinquent loan fees and miscellaneous income.

26. Receivable and other assets

Receivables and other assets are comprised of prepayments and other miscellaneous assets. During the financial year no receivables (2022: $Nil) were written off as uncollectible after being outstanding for more than 365 days.

27. Accounts payable and accrued expenses

Included in the Accounts payable and accrued expenses of $2,018,572 (2022: $2,064,529) are $306,663 (2022: $1,563,754) regular accounts payable, accrual of $297,540 for staff training and scholarships (2022: $506,482), and $95,408 ($16,725) of unposted incoming member funds awaiting outstanding documentation for posting.

28. Inventory property

Inventory property comprises of planning and architectural fees relating to the Verdant Terrace Development project managed by CICSA CU Investment Ltd. This includes a development of residential and commercial purpose build facility, which will be funded from excess cash not loaned to members of the Credit Union.

29. Contingent liabilities

The Group is intermittently involved in a number of claims or potential claims arising from its operations. Where appropriate, management establishes provisions after taking into consideration the advice of attorneys and other specialists. It is management’s policy to rigorously assert its position in such cases. Management has assessed that there is no contingent liabilities for the year ending July 31, 2023 and 2022.

30. Taxation

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

31. Subsequent events

On October 26, 2023, the Board of Directors recommended a dividend payment of 3.0% and the development fund reserve of $627,904 to be transferred to the statutory reserve which is subject to approval at the Annual General Meeting in November 2023.

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