St. Lucia Civil Service Co-operative Credit Union Ltd. (Trading as Jannou Credit Union)

Financial Statements

Year Ended December 31, 2019

(Expressed in Eastern Caribbean Dollars)

Contents

Tel: 758-452-2500
Fax: 758-452-7317
www.bdoecc.com

Mercury Court
Choc Estate
P.O. Box 364
Castries
LC04 101
St. Lucia

INDEPENDENT AUDITOR'S REPORT

To the Members of St. Lucia Civil Service Co-operative Credit Union Ltd. (Trading as Jannou Credit Union)

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of St. Lucia Civil Service Co-operative Credit Union Ltd. (Trading as Jannou Credit Union)(the Credit Union), which comprise the statement of financial position as at December 31, 2019, and the statements of changes in members' equity, comprehensive income and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Qualified Opinion

In July 2014, the IASB issued IFRS 9 Financial Instruments (IFRS 9), which replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) and is effective for annual periods beginning on or after January 1, 2018. As described in Note 3(a) for the year ended December 31, 2019 the Credit Union has not adopted IFRS 9 and the associated disclosure requirements of IFRS 7 and has classified its financial assets, financial liabilities and determined its impairment allowance for financial assets in accordance with IAS 39 which is no longer applicable, in this respect the financial statements are not in accordance with IFRS. The effects on the financial statements of the failure to adopt IFRS 9 have not been determined. Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the recorded financial assets and liabilities in the financial statements and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in members' equity and statement of cash flows.

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 27 to the financial statements, which describes event subsequent to the date of the financial statements indicating that the Company's net income is likely to be negatively impacted due to the outbreak of COVID-19.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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

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

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

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

Other Information Included in the Credit Union's 2019 Annual Report

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Statements (Cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

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

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

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

BDO

Chartered Accountants
Castries, St. Lucia
September 10, 2020

Statement of Financial Position
As at December 31, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	2019 $	2018 $
ASSETS			
Cash	7	56,532,201	38,223,395
Financial investments:			
- Loans and receivables	8	61,689,102	58,430,228
- Available –for-sale (AFS)	8	709,373	1,709,478
Other receivables	9	621,630	533,706
Loans and advances to members	10	161,361,676	162,733,504
Property and equipment	11	5,251,699	5,121,649
TOTAL ASSETS		286,165,681	266,751,960
LIABILITIES AND MEMBERS' EQUITY			
Liabilities			
Other payables and accruals	12	1,441,523	1,081,281
Deposits from members	13	29,981,026	25,956,262
Withdrawable shares	14	196,099,780	181,616,493
		227,522,329	208,654,036
Members' Equity			
Share capital	16	16,480,111	15,186,509
Statutory reserve	17	31,561,349	29,562,503
Education reserve	18	500,000	500,000
Development fund	19	538,156	538,156
Disaster fund		230,112	230,112
Funeral and burial benefits scheme	20	851,885	851,885
Fair value reserve	21	26,571	26,571
Retained earnings		8,455,168	11,202,188
		58,643,352	58,097,924
TOTAL LIABILITIES AND MEMBERS' EQUITY		286,165,681	266,751,960

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

APPROVED ON BEHALF OF THE BOARD:-

Director

Director

Statement of Changes in Members' Equity
For the Year Ended December 31, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	Share Capital $	Statutory Reserve $	Education Reserve $	Development Fund $	Disaster Fund $	Funeral and Burial Benefits Scheme $	Fair Value Reserve $	Retained Earnings $	Total $
Balance as at December 31, 2017		13,877,478	27,064,801	500,000	538,156	230,112	865,885	29,843	9,102,789	52,209,064
New shares issued	16	1,356,984	-	-	-	-	-	-	-	1,356,984
Shares withdrawn	16	(47,953)	-	-	-	-	-	-	-	(47,953)
Total comprehensive income for the year		-	-	-	-	-	-	(3,272)	9,965,928	9,962,656
Allocation for - Statutory reserve	17	-	2,491,482	-	-	-	-	-	(2,491,482)	-
- Education reserve	18	-	-	154,325	-	-	-	-	(154,325)	-
- Benefits paid	20	-	-	-	-	-	(14,000)	-	14,000	-
Entrance fees	17	-	6,220	-	-	-	-	-	-	6,220
Dividends	15	-	-	-	-	-	-	-	(2,983,367)	(2,983,367)
Patronage refund	15	-	-	-	-	-	-	-	(2,405,680)	(2,405,680)
Members' training expenses	18	-	-	(154,325)	-	-	-	-	154,325	-
Balance as at December 31, 2018		15,186,509	29,562,503	500,000	538,156	230,112	851,885	26,571	11,202,188	58,097,924
New shares issued	16	1,293,602	-	-	-	-	-	-	-	1,293,602
Total comprehensive income for the year		-	-	-	-	-	-	-	5,746,234	5,746,234
Allocation for - Statutory reserve	17	-	1,993,186	-	-	-	-	-	(1,993,186)	-
- Education reserve	18	-	-	370,083	-	-	-	-	(370,083)	-
Entrance fees	17	-	5,660	-	-	-	-	-	-	5,660
Dividends	15	-	-	-	-	-	-	-	(3,219,537)	(3,219,537)
Patronage refund	15	-	-	-	-	-	-	-	(3,280,531)	(3,280,531)
Members' training expenses	18	-	-	(370,083)	-	-	-	-	370,083	-
Balance as at December 31, 2019		16,480,111	31,561,349	500,000	538,156	230,112	851,885	26,571	8,455,168	58,643,352

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

Statement of Comprehensive Income
For the Year Ended December 31, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	2019 $	2018 $
Income			
Interest income on loans and advances to members		17,763,852	17,824,344
Interest expense		(4,211,310)	(3,876,965)
Net Interest Income		13,552,542	13,947,379
Other Income			
Investment income	22	2,085,079	1,956,510
Other operating income	23	308,998	267,393
		2,394,077	2,223,903
Operating Income		15,946,619	16,171,282
General and Administrative Expenses			
Operating and administrative expenses	24	7,635,323	6,580,536
Impairment losses/(write back) on loans and advances to members	10	2,541,668	(375,182)
Loss on disposal of assets	11	23,394	-
		10,200,385	6,205,354
NET INCOME FOR THE YEAR		5,746,234	9,965,928
Other Comprehensive Loss			
To be reclassified to profit or loss in subsequent periods			
Fair value decrease in AFS investments	21	-	(3,272)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,746,234	9,962,656

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

Statement of Cash Flows
For the Year Ended December 31, 2019
(Expressed in Eastern Caribbean Dollars)

	2019 $	2018 $
Cash Flows from Operating Activities		
Net income for the year	5,746,234	9,965,928
Adjustments for:		
Depreciation	240,848	271,180
Provision for loan losses	2,541,668	171,279
Loss on disposal of property and equipment	23,394	-
Interest income on loans and advances to members	(17,763,852)	(17,824,344)
Investment income	(2,085,079)	(1,956,510)
Interest expense	4,211,310	3,876,965
Bank charges	39,380	44,455
Operating loss before working capital changes	(7,046,097)	(5,451,047)
Increase in other receivables	(87,923)	(109,688)
Increase in loans and advances to members	(1,176,053)	(2,407,184)
Increase/(decrease) in other payables and accruals	360,242	(21,306)
Increase in deposits from members	4,024,764	3,057,388
Increase in withdrawable shares	14,483,287	11,971,805
Entrance fees	5,660	6,220
Cash generated from operations	10,563,880	7,046,188
Interest received from members'	17,770,065	17,851,725
Interest expense paid	(4,211,310)	(3,876,965)
Bank charges paid	(39,380)	(44,455)
Net cash generated from operating activities	24,083,255	20,976,493
Cash Flows from Investing Activities		
Interest received	2,008,379	1,788,827
Purchase of investment securities	(7,524,606)	(15,787,790)
Proceeds from sale of investments securities	5,342,536	3,923,816
Purchase of property and equipment	(394,292)	(779,007)
Net cash used in investing activities	(567,983)	(10,854,154)
Cash Flows from Financing Activities		
Increase in share capital	1,293,602	1,309,031
Dividends	(3,219,537)	(2,983,367)
Patronage refund	(3,280,531)	(2,405,680)
Net cash used in financing activities	(5,206,466)	(4,080,016)
Increase in Cash	18,308,806	6,042,323
Cash - Beginning of Year	38,223,395	32,181,072
Cash - End of Year	56,532,201	38,223,395
Represented by:		
Cash at bank	464,407	508,509
Cash in hand	56,067,794	37,714,886
	56,532,201	38,223,395

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

1. Introduction

St. Lucia Civil Service Co-operative Credit Union Ltd. (Trading as Jannou Credit Union) ("the Credit Union") is a co-operative society registered in St. Lucia as a Credit Union under the Co-operative Societies Act Cap 12.06 of 2001 on September 28, 1972.

Its principal activity is that of providing financial services and other benefits to its members.

2. Date of Authorisation of Issue

These financial statements were authorised for issue by the Board of Directors on September 10, 2020.

3. Significant Accounting Policies

The principal accounting policies adopted are stated in order to assist in a general understanding of the financial statements. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Statement of Compliance

The financial statements comprise of the statements of financial position, changes in members' equity, comprehensive income, cash flows and the notes.

These financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) as at December 31, 2019 (the reporting date), except for the provisions of IFRS 9 and associated disclosure requirements under IFRS 7. The Credit Union has not adopted IFRS 9 and has classified its financial assets, financial liabilities and determined its impairment allowance for financial assets in accordance with IAS 39 which is no longer applicable for the year ended December 31, 2019. These financial statements have been prepared under the historical cost convention, except for available-for-sale (AFS) investments measured at fair value.

(b) Basis of Preparation

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Critical accounting estimates may be made in determining impairment of financial assets as set out in Note 4.

The cash flows from operating activities are determined by using the indirect method. The net surplus is therefore adjusted by non-cash items, and all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated. Interest received on investments is classified as investing activities and bank charges are classified as operating activities. The cash flows from investing and financing activities are determined by using the direct method. Management determines the classification of the cash flows into operating, investing and financing activities.

The Credit Union classifies its expenses by the nature of expense method.

3. Significant Accounting Policies (Cont'd)

(b) Basis of Preparation (Cont'd)

Amendments to International Financial Reporting Standards effective in the 2019 financial year

The Credit Union applied for the first-time, unless otherwise indicated, certain amendments to the standards, which are effective for annual periods beginning on or after January 1, 2019. The amendments had no significant impact on the Credit Union's financial statements.

IFRS 9, 'Financial Instruments'

These amendments which are effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The Credit Union has not adopted IFRS 9 and thus the financial statements are not in accordance with this standard, as disclosed in Note 3(a).

IFRS 16, 'Leases'

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

3. Significant Accounting Policies (Cont'd)

(b) Basis of Preparation (Cont'd)

Amendments to International Financial Reporting Standards effective in the 2019 financial year

IFRS 16, 'Leases' (Cont'd)

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The standard will have no impact on the financial statement of the Credit Union.

Amendment to IFRS 9, 'Financial Instruments'

IFRS 9, 'Financial Instruments' was amended to clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ("SPPI") condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The application of this amendment did not have a material impact on amounts reported in respect to the Credit Union's financial statements.

Amendment to IAS 12, 'Income Taxes'

IAS 12, 'Income Taxes' was amended to clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

The application of this amendment did not have a material impact on amounts reported in respect to the Credit Union's financial statements.

New and revised International Financial Reporting Standards that have been issued but are not yet effective and have not been early adopted

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

IAS 1, *'Presentation of Financial Statements'* and IAS 8, *'Accounting Policies, Changes in Accounting Estimates and Errors'* were amended to clarify when information is material. In particular, the amendments clarify:

(a) That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

3. Significant Accounting Policies (Cont'd)

(b) Basis of Preparation (Cont'd)

New and revised International Financial Reporting Standards that have been issued but are not yet effective and have not been early adopted (Cont'd)

(b) The meaning of "primary users of general-purpose financial statements" to whom those financial statements are directed, by defining them as "existing and potential investors, lenders and other creditors" that must rely on general purpose financial statements for much of the financial information they need.

This amendment is applicable for annual periods beginning on or after January 1, 2020. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Credit Union's financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective and expected to have a material impact on the financial statements of the Credit Union.

(c) Foreign Currencies

The financial statements are presented in Eastern Caribbean dollars which is the currency of the primary economic environment in which the Credit Union operates (its functional currency). All values are rounded off to the nearest dollar, unless otherwise indicated.

Assets and liabilities expressed in foreign currencies are translated into the functional currency at the rates of exchange ruling at the date of the financial statements. Transactions arising during the year involving foreign currencies are translated into the functional currency and recorded at the rates of exchange prevailing on the dates of the transactions. Differences arising from fluctuations in exchange rates as well as including differences between buying and selling rates, are included in the Statement of Comprehensive Income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the revaluation reserve in equity.

(d) Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

(e) Cash

Cash comprise balances with less than three months' maturity from the date of acquisition and includes cash on hand, cash at bank and other short-term securities.

(f) Financial Assets

The Credit Union allocates financial assets to the following IAS 39 categories: loans and receivables and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

3. Significant Accounting Policies (Cont'd)

(f) Financial Assets (Cont'd)

(i) Available-for-Sale

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the statement of comprehensive income. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the statement of income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the Credit Union's right to receive payment is established.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available- for- sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as loans and advances to members or as investment securities. Interest on loans and advances to members and investment securities are included in the statement of comprehensive income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statement of comprehensive income.

3. Significant Accounting Policies (Cont'd)

(f) Financial Assets (Cont'd)

(iii) Impaired financial assets

Assessment of impairment

The Credit Union assesses at each financial reporting date whether a financial asset or group of financial assets is impaired. It assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The determination of impairment losses for financial losses for financial assets is inherently subjective because it requires material estimates, including the amount and timing of expected recoverable future cash flows. These estimates may change significantly from time to time, depending on available information.

Evidence of impairment

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment on financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in Statement of Comprehensive Income. Such impairments loss shall not be reversed.

3. Significant Accounting Policies (Cont'd)

(f) Financial Assets (Cont'd)

(iv) Impaired financial assets (Cont'd)

Impairment on financial assets carried at cost (Cont'd)

If there is an objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment on AFS investments

When a decline in the fair value of an AFS investment has been recognized in equity as other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity shall be reclassified from equity to Profit or Loss even though the financial asset has not been derecognized.

The amount of the cumulative loss that is reclassified from equity and recognized in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in Profit or Loss.

Impairment losses recognized in profit or loss for equity investments classified as AFS investments are not subsequently reversed through Profit or Loss. Impairment losses recognized in profit or loss for debt instruments classified as AFS investment are subsequently reversed in the Statement of Comprehensive Income if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Reversal of impairment loss

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the Statement of Comprehensive Income, to the extent that the carrying amount of the asset does not exceed its cost or amortized cost at the reversal date.

3. Significant Accounting Policies (Cont'd)

(g) Property and Equipment

Items of property, plant and equipment except for land are recorded initially at cost and subsequently measured at cost less accumulated depreciation and impairment losses. Land is measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the assets. Purchased software that is integral to the functionality of related equipment is capitalised as cost of that equipment. Subsequent expenditure is capitalised when it will result in future economic benefits to the Credit Union.

Depreciation is calculated on the straight-line basis, so as to write down the cost of property, plant and equipment to their residual values, over their estimated useful lives. The estimated useful lives of property, plant and equipment are as follows: -

Assets	Estimated Useful Lives
Freehold buildings	50 years
Leasehold improvements	5 years
Furniture and equipment	5 - 10 years

Gains or losses arising on the disposal or retirement of an item of property and equipment are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognised in the Statement of Comprehensive Income.

(h) Financial Liabilities

The Credit Union classifies its financial liabilities as Other Financial Liabilities. This classification pertains to financial liabilities that are not held for trading or not designated as at fair value through profit or loss upon the inception of the liability. Included in this category are liabilities arising from operations or borrowings.

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act.

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced, or formally agreed with the supplier, including amounts due to employees.

The Credit Union recognizes a provision if a present obligation has arisen as a result of a past event, payment is probable, and the amount can be reliably measured. The amount recognized is the best estimate of the expenditure required to settle the present obligation at financial reporting date, that is, the amount the Credit Union would rationally pay to settle the obligation to a third party.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognized as finance cost.

The Credit Union's other payables and accruals, deposit from members and withdrawable shares are classified as other financial liabilities.

3. Significant Accounting Policies (Cont'd)

(i) Offsetting Financial Instruments

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

Pursuant to Section 109 of the 2001 Act the Credit Union has a legally enforceable right to offset members' deposits against any related loan balances that are over 90 days overdue.

(j) Members' Equity

Share Capital is determined using the nominal value of shares that have been issued.

Reserves are set aside by the Credit Union whereby allocations are transferred from Retained Earnings as necessary.

Retained earnings include all current and prior period results of operations as disclosed in the Statement of Comprehensive Income.

(k) Interest Income and Expenses

Interest income and expenses are recognised in the Statement of Comprehensive Income for all interest-bearing instruments on an accrual basis using the effective yield method based on the actual purchase price.

(l) Fees and Other Revenue

Fees and other revenue are recognised on an accrual basis when the related service has been provided, except for interest on funds placed with the central financing facility of the St. Lucia Co-operative League that is recognised on a cash basis.

Income from operating leases is recognised on the straight-line basis over the term of the lease.

(m) Expenses

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be reliably measured. Expenses are recognised: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the Statement of Financial Position as an asset.

Expenses in the Statement of Comprehensive Income are presented using the nature of expense method. These are costs incurred that are associated with the premium revenue and costs attributable to administrative and other business activities of the Credit Union.

3. Significant Accounting Policies (Cont'd)

(n) Leases

Accounting policy applicable from January 1, 2019

The Credit Union as a lessee

Short-term Leases and Leases of Low-value Assets – The Credit Union has elected to account for low-value assets and short-term leases (defined as leases with a lease term of 12 months or less) using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Accounting policy applicable before January 1, 2019

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(o) Income Tax

The Credit Union is exempt from income tax under Section 25(1)(q) of the Income Tax Act, Cap 15.02 of the revised laws of St. Lucia.

(p) Dividend Distributions

Dividend distributions to the Credit Union's members are recognised as a liability in the Credit Union's financial statements in the period in which the dividends are approved by the members.

(q) Related Parties

Parties are considered related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Individuals, associates or companies that directly or indirectly control or are controlled by or under common control are considered related parties. The key management personnel of the Credit Union are also considered to be related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely legal form. Transactions between related parties are accounted for at arm's-length prices or terms similar to those offered to non-related entities in an economically comparable market.

4. Critical Accounting Judgments, Estimates and Assumptions

The Credit Union makes certain judgments, estimates and assumptions regarding the future. Judgments, estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the succeeding pages.

4.1. Judgments

In the process of applying the accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements:

Determination of functional currency

The provisions for IFRS require management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Credit Union considers the following:

(a) the currency that mainly influences sales prices for services (this will often be the currency in which sales prices for its services are denominated and settled);
(b) the currency that mainly influences labor and other costs of providing services (this will often be the currency in which such costs are denominated and settled);
(c) the currency in which funds from financing activities are generated; and
(d) the currency in which receipts from operating activities are usually retained.

Based on the economic substance of the underlying circumstances relevant to the Credit Union, the functional currency is determined to be Eastern Caribbean Dollars. The determination of functional currency was based on the primary economic environment in which the Credit union generates and expends cash.

Classification of financial instruments

The Credit Union classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the guidelines set by IAS 32 and IAS 39 on the definitions of a financial asset, a financial liability or an equity instrument.

The substance of a financial instrument, rather than its legal form, and management's intention and ability to hold the financial instruments to maturity generally governs its classification in the Statement of Financial Position.

4. Critical Accounting Judgments, Estimates and Assumptions (Cont'd)

4.2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of financial instruments

The Credit Union carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Credit Union utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect profit or loss and equity.

The fair values of financial assets and liabilities as at December 31, 2019 and 2018 are disclosed in Note 5(d).

Allowance for impairment on loans

The Credit Union reviews its loan portfolio to assess impairment at least annually. In determining whether an impairment loss should be recorded in the Statement of Comprehensive Income, the Credit Union makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

Useful lives of property and equipment

The Credit Union estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of each asset are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of the assets is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets.

It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment would increase recorded cost of sales and operating expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of property and equipment in 2019 and 2018.

5. Financial Risk Management

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

The Supervisory Committee oversees how management monitors compliance with the Credit Union's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Credit Union. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Supervisory Committee and to the Board of Directors.

The Credit Union's activity of accepting funds from members and of investing deposit receipts in loans and other investments exposes the Credit Union to various financial risks. Financial risks include credit, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The effects of these risks are disclosed in the sections below.

5. Financial Risk Management (Cont'd)

(a) Credit Risk

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Credit Union.

Credit risk from financial assets is minimised through advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. The risk accepted in relation to one borrower is restricted to 10% of the shareholder's equity. Exposure to credit risk is also managed in part by obtaining collateral and guarantees for loans receivable. The collateral may consist of real estate, member deposits and shares, equipment, or vehicles.

The maximum exposure to credit risk before collateral held or other credit enhancements are as follows:

	2019 $	2018 $
Credit risk exposure relating to on-statement of financial position items: -		
Cash at bank	56,067,794	37,714,886
Financial investments	62,398,475	60,139,706
Other receivables	621,630	533,706
Loans and advances to members	161,361,676	162,733,504
	280,449,575	261,121,802
Credit risk exposure relating to off-statement of financial position items: -		
Loans commitments	3,168,392	2,833,619
	283,617,967	263,955,421

Credit risk in respect of loans and advances is limited as this balance is shown net of impairment losses on loans and advances. The maximum exposure to credit risk for loans and advances to members at the reporting date by category was: -

	2019 $	2018 $
Social	5,988,476	6,448,296
Insurance	550,011	613,207
Debt Consolidation	5,925,992	6,182,156
Education	9,749,727	10,627,190
Medical	1,902,329	1,845,166
Mortgages and Real Estate	58,588,305	61,583,363
Renovations	7,533,724	7,051,865
Christmas Wish maker	12,709,892	11,172,468
Vehicles	9,728,971	10,348,567
Refinancing	416,922	557,353
Consumer loans/other	56,504,345	51,769,384
	169,598,694	168,199,015

5. Financial Risk Management (Cont'd)

(a) Credit Risk (Cont'd)

(i) Loans and advances to members

Loans and advances to members are summarized as follows:

	2019 $	2018 $
Neither past due nor impaired	160,624,122	161,266,825
Past due but not impaired	1,686,867	638,705
Impaired but not deemed total loss	281,129	528,546
Impaired	7,006,576	5,764,939
Gross	169,598,694	168,199,015
Allowance for impairment losses	(9,225,164)	(6,459,870)
Net	160,373,530	161,739,145

The total impairment provision for loans and advances to members is $9,225,164 (2018 - $6,459,870) and is comprised as follows:-

	2019 $	2018 $
Individually impaired loans	5,007,665	3,157,278
General portfolio provision	4,217,499	3,302,592
	9,225,164	6,459,870

(ii) Loans and advances to members past due but not impaired

Loans up to 90 days past due are not considered impaired unless information is available to indicate otherwise. Therefore, the gross amount of loans and advances to members that were past due but not impaired were as follows:

	2019 $	2018 $
Past due up to 30 days	351,378	50,071
Past due 31 – 60 days	512,621	237,375
Past due 61 – 90 days	822,868	351,259
	1,686,867	638,705

5. **Financial Risk Management (Cont'd)**

(a) **Credit Risk (Cont'd)**

(iii) Loans and advances to members individually impaired

The table below shows the individually impaired loans and advances to members before taking into consideration the cash flows from collateral held.

The breakdown of the gross amount of individually impaired loans and advances by class are as follows:

	Manufacturing and business $	Personal $	Education $	Mortgage $	Total $
As at December 31, 2019					
Individually impaired loans	130,195	5,166,498	39,710	1,951,302	7,287,705
As at December 31, 2018					
Individually impaired loans	222,671	5,190,640	240,695	639,479	6,293,485

Interest is not accrued on impaired financial assets.

Total fair value of collaterals pledged for the above individually impaired loans and advances to members amounted to $8,107,904 (2018 : $7,150,069).

(iv) Repossessed assets

The Credit Union may foreclose on overdue loans by repossessing the pledged asset. The pledged asset may consist of real estate, equipment or vehicles which the Credit Union will seek to dispose of by sale. In some instances, the Credit Union may provide re-financing. There are no repossessed assets for the year ended December 31, 2019 and 2018.

5. Financial Risk Management (Cont'd)

(a) Credit Risk (Cont'd)

(v) Credit quality per class of financial assets

The table below shows the credit quality by class of financial assets (gross of allowance for credit losses) of the Credit Union based on their historical experience with the corresponding third parties as at December 31, 2019.

The credit quality of the Credit Union's financial assets is evaluated using internal audit rating. Financial assets are considered as neither past due nor impaired if the counterparties are not expected to default in settling their obligations, thus credit risk exposure is minimal. There counterparties include banks, members and other financial institutions who pay on or before due date.

	Neither past due nor impaired $	Impaired $	Total $
As at December 31, 2019			
Cash at bank	56,067,794	-	56,067,794
Financial investments	62,398,475	-	62,398,475
Other receivables	621,630	-	621,630
Loans and advances to members	162,310,989	7,287,705	169,598,694
	281,398,888	7,287,705	288,686,593

	Neither past due not impaired $	Impaired $	Total $
As at December 31, 2018			
Cash at bank	37,714,886	-	37,714,886
Financial investments	60,139,706	-	60,139,706
Other receivables	533,706	-	533,706
Loans and advances to members	161,905,530	6,293,485	168,199,015
	260,293,828	6,293,485	266,587,313

5. Financial Risk Management (Cont'd)

(a) Credit Risk (Cont'd)

(v) Credit quality per class of financial assets (Cont'd)

	Loans and Receivables - Bonds $	Loans and Receivables - Deposits $	Loans and Receivables - Treasury bills $	Total $
As at December 31, 2019				
CariBBB to CariBBB+	24,626,466	-	17,299,383	41,925,849
Unrated		19,763,253	-	19,763,253
Total	24,626,466	19,763,253	17,299,383	61,689,102
As at December 31, 2018				
CariBBB to CariBBB+	18,834,517	-	18,933,640	37,768,157
Unrated	-	20,662,071	-	20,662,071
Total	18,834,517	20,662,071	18,933,640	58,430,228

5. Financial Risk Management (Cont'd)

(b) Liquidity Risk

Liquidity risk is the exposure that the Credit Union may encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns.

The contractual maturities of assets and liabilities, and the ability of the Credit Union to meet payment obligations associated with financial liabilities when they fall due and to replace funds when they are withdrawn, are important factors in assessing the liquidity of the Credit Union.

Projections and examination of the Credit Union's asset and liability maturity structure to facilitate the matching of asset and liability maturity dates as far as possible and providing for any shortfall or excess cash situations is a fundamental part of the Credit Union's liquidity risk management.

Management undertakes continuous review of cash inflows and outflows and seeks to maintain a loans-to-savings ratio not exceeding 85%. For the purpose of this ratio savings include deposits from members and shareholder balances.

The table below presents the cash flows payable by the Credit Union for financial liabilities by remaining contractual maturity dates at the date of the financial statements. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Credit Union manages the inherent liquidity risk based on expected undiscounted cashflows.

	Carrying amounts $	Contractual Cash flows $	6 months or less $	6 - 12 months $	1 - 2 years $	2 - 5 years $	More than 5 years $
As at December 31, 2019							
Other payables and accruals	1,441,523	1,441,523	1,441,523	-	-	-	-
Deposits from members	29,981,026	29,981,026	29,981,026	-	-	-	-
Withdrawable shares	196,099,780	196,099,780	196,099,780	-	-	-	-
	227,522,329	227,522,329	227,522,329	-	-	-	-
As at December 31, 2018							
Other payables and accruals	1,081,281	1,081,281	1,081,281	-	-	-	-
Deposits from members	25,956,262	25,956,262	25,956,262	-	-	-	-
Withdrawable shares	181,616,493	181,616,493	181,616,493	-	-	-	-
	208,654,036	208,654,036	208,654,036	-	-	-	-

5. Financial Risk Management (Cont'd)

(c) Interest Rate Risk

The Credit Union is exposed to interest rate risk, which arises when a change in market interest rate affects the current or future yields of financial assets and financial liabilities. The occurrence of an increase in interest rates on financial liabilities may result in financial loss to the Credit Union.

Interest on loans and advances to members and deposits from members is fixed to maturity.

The table below summarises the exposures to interest rate risks of the Credit Union's financial assets and financial liabilities. Amounts are stated at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Immediately rate sensitive $	1 - 3 months $	3 - 12 months $	Greater than 12 months $	Non-rate sensitive $	Total $
As at December 31, 2019						
Financial Assets						
Cash at bank	56,067,794	-	-	-	-	56,067,794
Financial investments	-	2,604,289	37,206,862	21,213,325	1,373,999	62,398,475
Other receivables	-	-	-	-	621,630	621,630
Loans and advances to members	-	1,551,170	7,924,270	150,898,090	988,146	161,361,676
Financial Liabilities						
Other payables and accruals	-	-	-	-	(1,441,523)	(1,441,523)
Deposits from members	(29,981,026)	-	-	-	-	(29,981,026)
Withdrawable shares	(196,099,780)	-	-	-	-	(196,099,780)
Total interest sensitivity gap	(170,013,012)	4,155,459	45,131,132	172,111,415	1,542,252	52,927,246

5. Financial Risk Management (Cont'd)

(c) Interest Rate Risk (Cont'd)

	Immediately rate sensitive $	1 - 3 months $	3 - 12 months $	Greater than 12 months $	Non-rate sensitive $	Total $
As at December 31, 2018						
Financial Assets						
Cash at bank	37,714,886	-	-	-	-	37,714,886
Financial investments	1,180,661	9,592,799	27,294,489	19,774,353	2,297,404	60,139,706
Other receivables	-	-	-	-	533,706	533,706
Loans and advances to members	-	1,409,595	7,930,569	152,398,981	994,359	162,733,504
Financial Liabilities						
Other payables and accruals	-	-	-	-	(1,081,281)	(1,081,281)
Deposits from members	(25,956,262)	-	-	-	-	(25,956,262)
Withdrawable shares	(181,616,493)	-	-	-	-	(181,616,493)
Total interest sensitivity gap	(168,677,208)	11,002,394	35,225,058	172,173,334	2,744,188	52,467,766

5. **Financial Risk Management (Cont'd)**

(c) **Interest Rate Risk (Cont'd)**

At the reporting date, the carrying values of the Credit Union's interest-bearing, fixed-rate financial instruments were: -

	2019 $	2018 $
Financial Assets		
Loans and receivables	61,024,476	57,842,302
Loans and advances to members	160,373,530	161,739,145
	221,398,006	219,581,447
Financial Liabilities		
Deposits from members	29,981,026	25,956,262
Withdrawable shares	196,099,780	181,616,493
	226,080,806	207,572,755

The table below summarises the interest rates on financial assets and liabilities held at the reporting date.

	2019 %	2018 %
Financial Assets		
Cash	0.5 - 1.75	0.5 - 1.75
Financial investments	1.75 – 6.95	1.75 – 6.95
Loans and advances to members	0 – 14.00	0 – 14.00
Financial Liabilities		
Deposits from members	2.00 – 0	2.00 – 0
Withdrawable shares	2.00	2.00

The following table demonstrates the sensitivity to a reasonably possible change in the interest rate, with all other variables held constant, of the Credit Union's profit and net assets.

	Change in interest rate	Effect on profit before tax	Effect on net assets
2019			
Cash in bank	±0.50%	±234,474	±234,474
Investment securities	±0.50%	±297,474	±297,474
Loans and advances to members	±0.50%	±806,307	±806,307
Members deposits	±0.50%	±139,843	±139,843
2018			
Cash in bank	±0.50%	±173,059	±173,059
Investment securities	±0.50%	±259,552	±259,552
Loans and advances to members	±0.50%	±803,106	±803,106
Members deposits	±0.50%	±122,138	±122,138

5. Financial Risk Management (Cont'd)

(d) Fair Value Hierarchy

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market value if one exists. The following methods and assumptions were used to estimate the fair value of financial instruments.

The fair values of cash resources, accounts receivable and accounts payable, members' deposits, and other short-term instruments are assumed to approximate their carrying amounts due to their short-term nature. The fair value of off-statement of financial position commitments are also assumed to approximate the fair value due to their short-term nature.

Investment Securities

Assets classified as available for sale are at fair value based on market prices or broker price quotations. For unlisted securities, fair value is estimated on their cost as the amounts are immaterial. For investment securities classified as loans and receivables fair value is estimated using discounted cash flows.

Loans and Advances to Members

Loans and advances are net of their provision for impairment. The estimated fair values of loans and advances represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Fair Values of Financial Assets and liabilities

The following table shows an analysis of financial instruments measured at fair value by level of the fair value hierarchy: -

	Level 1 $	Level 2 $	Level 3 $	Total $
As at December 31, 2019				
Financial Assets measured at fair value				
Securities available-for-sale - Listed	-	133,625	-	133,625
Securities available-for-sale - Unlisted	-	-	575,748	575,748
	-	133,625	575,748	709,373
Financial Assets for which fair values are disclosed				
Investment securities – loans and receivables	-	-	61,689,102	61,689,102
Loan and advances to members	-	-	161,361,676	161,361,676
	-	-	223,050,778	223,050,778
As at December 31, 2018				
Financial Assets measured at fair value				
Securities available-for-sale - Listed	-	133,625	-	133,625
Securities available-for-sale - Unlisted	-	-	1,575,853	1,575,853
	-	133,625	1,575,853	1,709,478
Financial Assets for which fair values are disclosed				
Investment securities – loans and receivables	-	-	58,430,228	58,430,228
Loans and advances to members	-	-	162,733,504	162,733,504
	-	-	221,163,732	221,163,732

5. Financial Risk management (Cont'd)

(d) Fair Value Hierarchy (Cont'd)

The fair value of financial instruments with quoted prices in an active market are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. If all significant inputs required to fair value an instrument are observable, the instrument is Level 2.

If one or more significant inputs is not based on observable market data, the instrument is included in Level 3.

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

	Carrying amount		Fair value	
	2019	2018	2019	2018
	$	$	$	$
Financial assets				
Loans and advances to members	160,373,530	161,739,145	150,869,492	147,903,465
Investment securities				
Loans and receivables	61,689,102	58,430,228	61,560,037	58,292,501

The carrying amounts of all financial liabilities are assumed to approximate their fair values.

There were no transfer between levels in the fair value hierarchy during the year.

6. Capital Risk Management

The Credit Union's objectives when managing capital are:-

- To comply with the statutory capital requirements of the Co-operative Societies Act of St. Lucia.
- To safeguard the Credit Union's ability to continue as a going concern so that it can continue to provide returns for members and benefits for other stakeholders; and
- To maintain a strong capital base to maintain members, creditors, and other parties' confidence and to sustain future development of the Credit Union.

The Board of Directors monitors the return on capital, which is defined as surplus for the year divided by total shares, as well as the level of dividends to members.

Section 119 of the Co-operative Societies Act Cap 12.06 requires the Credit Union to maintain statutory and other reserves at not less than 10% of its liabilities. The Credit Union is in compliance as at December 31, 2019.

Capital adequacy is monitored quarterly using the PEARLS ratios prescribed by the World Council of Credit Unions for determining capital adequacy and which has been adopted by the Financial Services Regulatory Authority (FSRA). PEARLS require that each Credit Union maintain minimum of 10% total assets as its capital base. As at year end the minimum capital required was $28,616,568 (2018 – $26,675,196). The regulatory capital is divided into two levels: -

- Institutional Capital: Share Capital, Statutory Capital, Retained Earnings.
- Transitionary Capital: Education Fund, Development Fund, Disaster Fund, Funeral and Burial Benefits Scheme and Fair Value Reserve.

	2019 $	2018 $
Institutional capital		
Share capital	16,480,111	15,186,509
Retained earnings	8,455,168	11,202,188
Statutory reserve	31,561,349	29,562,503
Total institutional capital	56,496,628	55,951,200
Transitionary capital		
Education reserve	500,000	500,000
Development fund	538,156	538,156
Disaster fund	230,112	230,112
Funeral and burial benefits scheme	851,885	851,885
Fair value reserve	26,571	26,571
Total transitionary fund	2,146,724	2,146,724
Total regulatory capital	58,643,352	58,097,924

The risk-weighted assets are measured by an estimation of market, credit, interest, and other risk associated with each asset and with due consideration to the collateral proffered. In addition, management, and Board of Directors monitor movements in asset levels on a monthly basis.

The Co-operative was in compliance with this requirement at year-end.

7. Cash

	2019 $	2018 $
Cash on hand	464,407	508,509
Cash at bank	56,067,794	37,714,886
	56,532,201	38,223,395

For the purposes of the Statement of Cash Flows, cash include fixed deposits which are held to meet the liquidity requirements of Section 119 (3) of the Co-operative Societies Act Cap 15.02 of the revised laws of St. Lucia.

8. Financial Investments

	2019 Cost $	2019 Carrying Value $	2018 Cost $	2018 Carrying Value $
Available-for-Sale (AFS) Investments				
Listed				
- Eastern Caribbean Financial Holding Limited 20,452 ordinary shares at $4.48 (2018 - $4.48)	204,520	91,625	204,520	91,625
- St. Lucia Electricity Services Ltd. 2,100 ordinary shares at $20.00 (2018 - $20.00)	40,000	42,000	40,000	42,000
Unlisted				
- St. Lucia Co-operative League	-	-	1,000,112	1,000,105
- Eastern Caribbean Home Mortgage Bank 1,642 ordinary shares at $152.36 (2018 - $152.36)	250,180	250,180	250,180	250,180
- 1st National Bank St. Lucia Limited 17,000 ordinary shares at $15.04 (2018 - $15.04)	305,000	325,568	305,000	325,568
Total AFS Investments		709,373		1,709,478
Loans and Receivables				
St. Lucia Government Bonds		12,008,108		12,465,291
St. Lucia Government Treasury Bills		1,575,000		1,575,000
St. Lucia Government Treasury Note		5,000,000		7,110,721
First Citizens Investment Services Ltd. Repurchase agreements		10,380,264		10,230,055
Eastern Caribbean Home Mortgage Bank Bond		12,462,000		5,999,700
		41,425,372		37,380,767
Fixed Deposits				
1st National Bank St. Lucia Limited		15,631,914		15,381,916
Bank of Saint Lucia Limited		3,967,190		3,898,958
St. Lucia Co-operative League		-		1,180,661
		19,599,104		20,461,535
Interest Receivable		664,626		587,926
Total Loans and Receivables		61,689,102		58,430,228
Total Financial Investments		62,398,475		60,139,706

9. Other Receivables

	2019 $	2018 $
Other receivables	813,884	725,960
Allowance for impairment	(192,254)	(192,254)
	621,630	533,706
Allowance for impairment		
Balance – beginning of year	192,254	192,254
Allowance for bad debts	-	-
Balance – end of year	192,254	192,254

10. Loans and Advances to Members

	2019 $	2018 $
Loans	115,957,910	111,874,750
Mortgages	53,640,784	56,324,265
	169,598,694	168,199,015
Allowance for impairment	(9,225,164)	(6,459,870)
	160,373,530	161,739,145
Interest receivable	988,146	994,359
	161,361,676	162,733,504
Allowance for Impairment		
Balance - beginning of year	6,459,870	8,932,409
Loans written off	-	(1,827,437)
Impairment losses/(write back)	2,765,294	(245,903)
Recoveries	-	(399,199)
Balance - end of year	9,225,164	6,459,870
Impairment Losses/(write back)		
Current year losses/(write back)	2,765,294	(245,903)
Direct write-offs	-	417,182
Recovery of amounts previously written-off	(223,626)	(546,461)
	2,541,668	(375,182)

11. Property and Equipment

	Land $	Freehold Buildings $	Leasehold Improvements $	Furniture and Equipment $	Total $
At December 31, 2017					
Cost	3,218,986	1,234,274	45,686	1,680,161	6,179,107
Accumulated depreciation	-	(368,440)	(44,938)	(1,151,907)	(1,565,285)
Net book value	3,218,986	865,834	748	528,254	4,613,822
Year ended December 31, 2018					
Opening net book value	3,218,986	865,834	748	528,254	4,613,822
Additions	-	491,659	-	287,348	779,007
Depreciation charge (Note 24)	-	(38,331)	(748)	(232,101)	(271,180)
Closing net book value	3,218,986	1,319,162	-	583,501	5,121,649
At December 31, 2018					
Cost	3,218,986	1,725,933	45,686	1,967,509	6,958,114
Accumulated depreciation	-	(406,771)	(45,686)	(1,384,008)	(1,836,465)
Net book value	3,218,986	1,319,162	-	583,501	5,121,649
Year ended December 2019					
Opening net book value	3,218,986	1,319,162	-	583,501	5,121,649
Additions	-	106,038	-	288,254	394,292
Disposals	-	-	-	(23,394)	(23,394)
Depreciation charge (Note 24)	-	(40,152)	-	(200,696)	(240,848)
Closing net book value	3,218,986	1,385,048	-	647,665	5,251,699
At December 31, 2019					
Cost	3,218,986	1,831,971	45,686	2,055,693	7,152,336
Accumulated depreciation	-	(446,923)	(45,686)	(1,408,028)	(1,900,637)
Net book value	3,218,986	1,385,048	-	647,665	5,251,699

Loss on Disposal

	Cost $	Accumulated Depreciation $	Net Book Value $	Proceeds $	Loss $
December 31, 2019					
Furniture and Equipment	200,070	176,676	23,394	-	23,394

12. Other Payables and Accruals

	2019 $	2018 $
Accruals	229,719	286,074
Other payables	1,211,804	795,207
	1,441,523	1,081,281

13. Deposits from Members

	2019 $	2018 $
Registered Homeowners Savings Plan (R.H.O.S.P.)	287,346	316,697
Special savings	24,738,130	21,183,077
S.O.C.A. savings	4,955,550	4,456,488
	29,981,026	25,956,262

Members fixed deposits are payable on demand and has effective interest rates ranging from 2% to 4% (2018: 2% - 4%).

14. Withdrawable Shares

The withdrawable shares have a nominal value of $5. The shares are allotted on the basis of the amount credited to the members' withdrawable shares account. There are no restrictions for the redemption of the shares.

15. Dividends Payable

	2019 $	2018 $
Dividends declared	3,219,537	2,983,367
Patronage refund	3,280,531	2,405,680
Converted to shares and distributed	(6,500,068)	(5,389,047)
Balance - end of the year	-	-

The dividend proposed and approved at the 2019 annual general meeting was paid by the issuance of additional ordinary shares, withdrawable shares, and deposits to members' savings accounts. The patronage refund of 10% (2018 – 10%) approved at the meeting was deposited to members' savings accounts.

16. Share Capital

	No. of Shares	2019 $	No. of Shares	2018 $
Ordinary Shares				
Balance - beginning of year	3,037,302	15,186,509	2,775,496	13,877,478
Issued	258,720	1,293,602	271,397	1,356,984
Withdrawn	-	-	(9,591)	(47,953)
Balance - end of year	3,296,022	16,480,111	3,037,302	15,186,509

The Credit Union is authorised to issue an unlimited number of ordinary and withdrawable shares, each with a par value of $5.00.

17. Statutory Reserve

	2019 $	2018 $
Balance - beginning of year	29,562,503	27,064,801
Allocation from retained earnings	1,993,186	2,491,482
Increase in allocation	-	-
Entrance fees	5,660	6,220
Balance - end of year	31,561,349	29,562,503

In accordance with Section 119 of the Co-operative Societies Act, the Credit Union is required to set aside a statutory reserve of at least 20% of net surplus (if any) each year. In addition, all entrance fees are placed in the statutory reserve.

18. Education Reserve

	2019 $	2018 $
Balance - beginning of year	500,000	500,000
Allocation from retained earnings	370,083	154,325
Transfer to retained earnings for training expenses	(370,083)	(154,325)
Balance - end of year	500,000	500,000

In accordance with a resolution passed by the members, the Credit Union is required to set aside an education reserve of 10% of net surplus (if any) after the statutory reserve allocation less training expenses once the reserve falls below $500,000 or such percentage as the Board of Directors may subsequently approve.

19. Development Fund

The Co-operative Societies Act and the Credit Union's By-laws allow the Credit Union, on the recommendation of the Board of Directors, to make an annual contribution to the National League not exceeding 10% of its realized surplus from operations to be used for the development of registered societies.

20. Funeral and Burial Benefits Scheme

	2019 $	2018 $
Balance - beginning of year	851,885	865,885
Transfer to retained earnings for benefits paid	-	(14,000)
Balance - end of year	851,885	851,885

The Credit Union approved the allocation of $60,000 per annum to the Funeral and Burial Benefits Scheme together with any additional sums as may be required and approved by the Board of Directors.

For the current year however, the board decided not to allocate any funds to this reserve.

21. Fair Value Reserve

	2019 $	2018 $
Balance - beginning of year	26,571	29,843
Fair value decrease in AFS investments	-	(3,272)
Balance - end of year	26,571	26,571

The fair value reserve arises on the restatement at fair value of the Credit Union's investments in Eastern Caribbean Financial Holdings Limited and St. Lucia Electricity Services Limited which are classified as available-for-sale investments.

22. Investment Income

	2019 $	2018 $
Interest on savings account - Bank of Saint Lucia Limited	77,468	58,991
Interest on savings account - 1st National Bank St. Lucia Limited	62,024	80,460
Interest on fixed deposits – other	379,140	405,094
Interest on government bonds and treasury bills	1,522,844	1,397,655
Other	43,603	14,310
	2,085,079	1,956,510

23. Other Operating Income

	2019 $	2018 $
Insurance administration fees	97,198	68,322
Family Indemnity Plan (FIP) income	136,414	122,345
Other	75,386	76,726
	308,998	267,393

Included in other is an amount of $2,926,560 received from British American Insurance Company (Judicial Manager appointed), being reimbursement of impaired investment plus interest written off in prior years.

24. Operating and Administrative Expenses

	2019 $	2018 $
Advertising and promotion	339,937	367,740
AGM expenses	102,676	87,391
Audit fees	59,551	57,452
Bank charges	39,380	44,455
Board and committee expenses	441,802	253,654
Credit union week	88,693	74,786
Cuna insurance	1,095,928	1,009,834
Depreciation (Note 11)	240,848	271,180
Donations	99,220	94,468
General insurance	52,392	41,999
League dues	48,288	75,000
Members expenses	998	3,253
Miscellaneous	-	14,000
Office supplies and stationery	139,481	153,159
Professional fees	317,328	83,995
Property taxes	32,204	32,500
Rent	28,688	21,038
Repairs and maintenance	596,578	296,561
Security	185,056	187,596
Scholarships	124,798	125,930
SOCA expenses	145,332	138,171
Staff-related expenses (Note 25)	3,073,732	2,824,070
Utilities	382,413	322,304
	7,635,323	6,580,536

25. Staff-related Expenses

Included in operating and administrative expenses are the following:-

	2019 $	2018 $
Senior Management		
Salaries	792,572	796,302
National Insurance contributions	25,250	24,000
Allowances	46,300	45,000
Bonus	28,140	32,775
Gratuity	41,100	33,600
	933,362	931,677
Other Staff Costs		
Salaries and wages	1,594,655	1,375,005
National Insurance contributions	79,379	72,728
Allowances	10,800	9,600
Bonus	48,200	52,942
Overtime	21,645	23,342
Uniforms	81,248	7,825
Staff training and development	140,665	131,265
Staff benefits	103,053	207,356
Gratuity	60,725	12,330
	2,140,370	1,892,393
	3,073,732	2,824,070

The total number of administrative staff as at December 31, 2019 was 51 (2018 - 51).

26. Related Party Transactions

The Credit Union recorded balances with its directors and senior management at the date of the financial statements as follows:-

	2019 $	2018 $
Shares and deposits	1,138,680	984,416
Loans and advances	1,647,875	1,461,344

27. Events after the Reporting Period

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) a pandemic. The extent of the impact of COVID-19 on the Credit Union will depend on future developments including the duration and spread of the virus and its impact on the international financial markets and the local economy. Should the international financial markets and the local economy be negatively impacted for an extended period, the financial results of the Credit Union may be materially adversely affected. In particular, the provision for expected credit losses which may increase with delinquency will negatively affect Net Income. Management will monitor the situation and will take the necessary actions to limit the adverse impacts of the pandemic.