

**COMMUNITY FIRST CO-OPERATIVE  
CREDIT UNION LIMITED**

Financial Statements

December 31, 2012



# COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors

### COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

We have audited the accompanying financial statements of Community First Co-operative Credit Union Limited ("Credit Union"), which comprise the statement of financial position as at December 31, 2012, statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

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

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Community First Co-operative Credit Union Limited as at December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants  
April 29, 2013

Antigua and Barbuda

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Statement of Financial Position

December 31, 2012

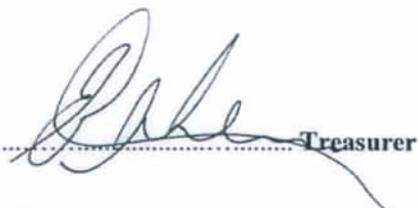
(Expressed in Eastern Caribbean Dollars)

	Notes	2012	2011
<b>Assets</b>			
Cash and cash equivalents	6	\$ 5,053,393	5,575,920
Loans and advances – net	7	73,002,663	64,286,360
Investments	8	4,517,885	4,390,816
Other assets	9	552,191	550,426
Property and equipment – net	10	11,671,577	11,890,662
<b>Total Assets</b>		<b>\$ 94,797,709</b>	<b>86,694,184</b>
<b>Liabilities and Members' Equity</b>			
<b>Liabilities</b>			
Bank overdraft	11	\$ 7,201	1,203
Members' deposits	12	79,879,988	72,999,086
Other liabilities	13	433,879	400,646
<b>Total Liabilities</b>		<b>\$ 80,321,068</b>	<b>73,400,935</b>
<b>Members' Equity</b>			
Permanent shares	14	2,947,120	2,875,460
Reserves	15	8,194,426	7,904,921
Retained earnings		3,335,095	2,512,868
<b>Total Members' Equity</b>		<b>\$ 14,476,641</b>	<b>13,293,249</b>
<b>Total Liabilities and Members' Equity</b>		<b>\$ 94,797,709</b>	<b>86,694,184</b>

Approved on behalf of the Board



Director



Treasurer

The notes on pages 6 to 37 are an integral part of these financial statements.

**COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED**

## Statement of Comprehensive Income

Year ended December 31, 2012

*(Expressed in Eastern Caribbean Dollars)*

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
<b>Interest income</b>		\$ 6,775,007	6,049,282
Interest expense		(2,399,776)	(2,228,645)
<b>Net interest income</b>		<u>4,375,231</u>	<u>3,820,637</u>
Other income	17	748,258	481,463
Operating income		<u>5,123,489</u>	<u>4,302,100</u>
<b>Operating expenses:</b>			
Administrative expenses	16	(4,011,524)	(3,692,719)
<b>Finance income/cost:</b>			
Investment income		219,975	229,836
Finance cost		-	(2,783)
		<u>219,975</u>	<u>227,053</u>
<b>Net income</b>		\$ <u>1,331,940</u>	<u>836,434</u>
<b>Other comprehensive income</b>			
Revaluation of land and building	10 (b)	-	3,642,875
<b>Total comprehensive income</b>		\$ <u>1,331,940</u>	<u>4,479,309</u>

*The notes on pages 6 to 37 are an integral part of these financial statements.*

**COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED**

Statement of Changes in Members' Equity

Year ended December 31, 2012

*(Expressed in Eastern Caribbean Dollars)*

	<u>Notes</u>	<u>Permanent Shares</u>	<u>Reserves</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>Balance at December 31, 2010</b>		\$ 2,826,545	4,061,678	1,871,572	8,759,795
Additions		48,915	-	-	48,915
Statutory reserve	15	-	213,766	(213,766)	-
Revaluation reserve	10(b)	-	3,642,875	-	3,642,875
Transfer of depreciation on revaluation of building from reserves		-	(18,628)	18,628	-
Entrance fees	15	-	5,230	-	5,230
<b>Total comprehensive income</b>		-	-	836,434	836,434
<b>Balance at December 31, 2011</b>		2,875,460	7,904,921	2,512,868	13,293,249
Additions		71,660	-	-	71,660
Statutory reserve	15	-	349,533	(349,533)	-
Revaluation reserve	10(b)	-	-	-	-
Transfer of depreciation on revaluation of building from reserves		-	(66,193)	66,193	-
Dividends paid		-	-	(226,373)	(226,373)
Entrance fees	15	-	6,165	-	6,165
<b>Total comprehensive income</b>		-	-	1,331,940	1,331,940
<b>Balance at December 31, 2012</b>		\$ 2,947,120	8,194,426	3,335,095	14,476,641

*The notes on pages 6 to 37 are an integral part of these financial statements.*

# COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

## Statement of Cash Flows

Year ended December 31, 2012

*(Expressed in Eastern Caribbean Dollars)*

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities</b>			
Net income		\$ 1,331,940	836,434
<b>Adjustments for:</b>			
Depreciation	10	449,904	407,695
Interest expense on members' deposits		2,399,776	2,228,645
Interest expense on long-term debt		-	2,783
Interest income		(6,775,007)	(6,049,282)
Provision for impairment – loans	7	163,097	165,286
Provision for impairment – delinquent loan interest		(8,707)	84,197
Gain on sale of motor vehicle		-	(8,600)
Write off of investments		-	(2,150,269)
<b>Operating loss before changes in working capital</b>		(2,438,997)	(4,483,111)
Change in loans and advances		(8,791,020)	(2,982,484)
Change in other assets		(1,765)	(236,991)
Change in other liabilities		33,233	(89,948)
Change in members' deposits		6,855,688	3,140,968
Cash used in operations		(4,342,861)	(4,651,566)
Interest received		6,695,333	5,911,589
Interest paid		(2,374,562)	(2,210,050)
<b>Net cash used in operating activities</b>		(22,090)	(950,027)
<b>Cash flows from investing activities</b>			
Change in investments		(127,069)	640,766
Purchase of property and equipment	10	(230,819)	(111,289)
Proceeds from the sale of motor vehicle		-	15,000
<b>Net cash (used in)/provided by investing activities</b>		(357,888)	544,477
<b>Cash flows from financing activities</b>			
Dividends paid		(226,372)	-
Repayment of long-term debt		-	(107,143)
Interest paid		-	(2,783)
Proceeds from issuance of permanent shares		71,660	48,915
Entrance fees		6,165	5,230
<b>Net cash used in financing activities</b>		(148,547)	(55,781)
<b>Decrease in cash and cash equivalents</b>		(528,525)	(461,331)
<b>Cash and cash equivalents, beginning of year</b>		5,574,717	6,036,048
<b>Cash and cash equivalents, end of year</b>		\$ 5,046,192	5,574,717
<b>Represented by:</b>			
Cash and cash equivalents		\$ 5,053,393	5,575,920
Bank overdraft		(7,201)	(1,203)
		\$ 5,046,192	5,574,717

*The notes on pages 6 to 37 are an integral part of these financial statements.*

# COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2012

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*(Expressed in Eastern Caribbean Dollars)*

1. **Reporting Entity:**

Community First Co-operative Credit Union Limited (“the Credit Union”) was registered on January 18, 1982 under the Co-operative Laws of Antigua and Barbuda. The organization was established on April 7, 1959 under the Co-operative Society Ordinance 1958, the Co-operative Societies Rule 1960 and with subsequent amendments. The Credit Union changed its name to Community First Co-operative Credit Union Limited effective January 31, 2006. The principal activities of the Credit Union are to provide ways and means through which savings can be effected and a source of credit will be made available to its members.

The registered office of the Credit Union is located at Old Parham Road, St. John’s, Antigua.

2. **Basis of Preparation:**

(a) *Statement of Compliance:*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standard Board (IASB).

These financial statements were approved by the Board of Directors on April 29, 2013.

(b) *Basis of Measurement:*

These financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Land and building are measured at fair value
- Available-for-sale investments

(c) *Functional and Presentation Currency:*

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

(d) *Use of Estimates and Judgments:*

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, significant areas of estimation, uncertainty, and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4.

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 2. **Basis of Preparation:** (*cont'd*)

#### (e) *New Standards and Interpretations not yet Adopted:*

At the date of authorization of these financial statements for issue, there are a number of standards and interpretations which have been issued but are not yet effective as follows (effective date included):

- IFRS 9 – Financial Instruments (2009)/(2010) – January 1, 2015
- Revised IAS 24 – Related Party Disclosures (2009)
- IFRS 13– Fair Value Measurement – January 1, 2013
- IAS 19 Employee Benefits (2011) – January 1, 2013

### 3. **Summary of Significant Accounting Policies:**

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

#### (a) *Revenue Recognition:*

##### (i) *Interest Income:*

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

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

##### (ii) *Other Income:*

Other income is recognised on the accrual basis.

#### (b) *Foreign Currency Transactions:*

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

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 3. Summary of Significant Accounting Policies: (*cont'd*)

(c) *Impairment of Non-financial Assets:*

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in net income, except to the extent they reverse gains previously recognised in other comprehensive income.

(d) *Lease Payments:*

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

(e) *Financial Instruments:*

The Credit Union recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

(a) *Initial Recognition of Financial Instruments:*

Financial instruments are recognised initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably available, the fair value of the consideration is estimated as the sum of all the cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities. The initial measurement of financial instruments includes transaction costs, except for financial instruments at fair value through profit and loss.

Subsequent to initial recognition, the Credit Union classifies its financial assets in the following categories: held-to-maturity investments, available for sale investments and loans and receivables. Financial liabilities are classified either as financial liabilities at fair value through profit and loss or other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 3. Summary of Significant Accounting Policies: (*cont'd*)

#### (e) Financial Instruments: (*cont'd*)

##### (a) Initial Recognition of Financial Instruments: (*cont'd*)

###### (i) Loans and Receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as available for sale financial assets or financial assets at fair value through profit and loss.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the profit or loss. The losses arising from impairment of such loans and receivables are also recognised in profit or loss.

Loans and receivable comprise loans and advances and loans interest receivables.

###### (ii) Available for Sale Financial Assets:

Available for sale financial assets are those non-derivative financial assets which are designated as such or do not qualify to be classified as designated as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

Available for sale financial assets are measured at fair value with gains and losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in profit or loss.

Available for sale financial assets comprise equity securities classified under Investments (Note 8).

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 3. Summary of Significant Accounting Policies: (*cont'd*)

#### (e) Financial Instruments: (*cont'd*)

##### (a) Initial Recognition of Financial Instruments: (*cont'd*)

##### (iii) Held-to-maturity Financial Assets:

Financial assets with fixed maturity profiles where management has both the intent and the capability to hold to maturity are classified as held to maturity. Held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprise debt securities classified under Investments (Note 8).

##### (iv) Financial Liabilities at Amortised Cost:

Financial liabilities at amortised cost are classified in this category if these are not held for trading or not designated as at fair value through profit or loss upon the inception of the liability. These include liabilities arising from operations or borrowings.

Financial liabilities at amortised cost are initially recognised at cost, less directly attributable transaction costs. After initial recognition, financial liabilities at amortised cost are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognised in the profit or loss when the liabilities are derecognised, as well as through the amortization process.

Financial liabilities at amortised cost comprise bank overdraft (Note 11), members' deposits (Note 12) and other liabilities (Note 13).

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 3. Summary of Significant Accounting Policies: (*cont'd*)

#### (e) Financial Instruments: (*cont'd*)

##### (b) Derecognition of Financial Assets and Financial Liabilities:

###### (i) Financial Asset:

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 asset have expired;
- the Credit Union retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement; or
- the Credit Union has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Credit Union has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Credit Union’s continuing involvement in the asset.

###### (ii) Financial Liability:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired.

When 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, and the difference in the respective carrying amounts is recognised in profit or loss.

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 3. Summary of Significant Accounting Policies: (*cont'd*)

#### (e) Financial Instruments: (*cont'd*)

##### (c) Identification and Measurement of Impairment:

At each reporting date, the Credit Union assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Credit Union considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) 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.

In assessing collective impairment, the Credit Union uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by the historical modeling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the profit or loss.

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 3. Summary of Significant Accounting Policies: (*cont'd*)

#### (e) Financial Instruments: (*cont'd*)

##### (c) Identification and Measurement of Impairment: (*cont'd*)

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in equity to other comprehensive income. The cumulative loss that is removed from equity and recognised in other comprehensive income is the difference between the acquisition cost, net of any principal repayment and amortisation and the current fair value, less any impairment loss previously recognised in other comprehensive income. Changes in impairment provision attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in other comprehensive income, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity.

##### (d) Offsetting Financial Instruments:

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

##### (e) Cash and Cash Equivalents:

Cash and cash equivalents comprise cash balances and call deposits. Bank overdraft which is repayable on demand forms an integral part of the business and is included as a component of cash and cash equivalents for the purpose of the statement of cash flow.

##### (f) Property and Equipment:

###### i. Initial Measurement:

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

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 3. Summary of Significant Accounting Policies: (*cont'd*)

#### (f) Property and Equipment: (*Cont'd*)

##### ii. Subsequent Measurement:

###### *Land and Building:*

After recognition, land and building, whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The Credit Union valued its land and building on the basis of an independent appraisal done by L. Lowell Jarvis ABIA, professional valuator, in December 2000, December 2006, August 2007 and September 2011.

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

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

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

Land is not depreciated.

##### iii. Furniture, Equipment and Motor Vehicle:

After recognition, an item of property and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 3. Summary of Significant Accounting Policies:

(f) *Property and Equipment: (cont'd)*

iv. *Depreciation:*

Depreciation is calculated on the straight line method to write off the cost to their residual values over their estimated useful lives as follows:

Building	2% per annum
Leasehold improvements	15% per annum
Land improvements	5% per annum
Office equipment	15% per annum
Furniture and fixtures	10% per annum
Computer equipment	33 <sup>1</sup> / <sub>3</sub> % per annum
Motor vehicles	20% per annum

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

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

(g) *Borrowing Costs:*

Borrowing costs that are directly attributable to the construction of the building have been capitalised and included in the carrying value of property and equipment.

(h) *Provisions:*

Provisions are recognised when the Credit Union has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(i) *Employee Benefit:*

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

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 3. **Summary of Significant Accounting Policies:** (*cont'd*)

(j) *Permanent Shares:*

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

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

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

(k) *Other Liabilities:*

Other liabilities are stated at their cost.

### 4. **Critical Accounting Estimates and Judgements:**

The Credit Union makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognised prospectively by including it in profit or loss in the period of change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

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

(a) i. *Fair Value of Financial Instruments:*

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 4 (a) (i). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risk affecting the specific instrument.

The Credit Union's accounting policy on fair value measurements is discussed in Note 4 (a) (i).

The Credit Union measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 4. Critical Accounting Estimates and Judgements: (*cont'd*)

#### (a) i. Fair Value of Financial Instruments: (*cont'd*)

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly – i.e. as prices or indirectly – i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair value of cash and cash equivalents, loans and advances except for the non-current portion, other current assets, bank overdraft, members' deposits except for long-term member deposits and other liabilities are not materially different from their carrying amounts due to their short-term to maturity.

The fair value of non-current loans from customers is equivalent to the present value of the estimated future cash flows, discounted at the market rate of interest as at the reporting date.

The fair value of long-term fixed deposits is equivalent to the present value of the estimated future cash flows discounted at the prevailing market interest rate of government notes with similar contractual terms.

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

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 4. **Critical Accounting Estimates and Judgements:** (*cont'd*)

#### (b) *Member Loan Loss Provision:*

Provision for loan loss is established if there is objective evidence that the Credit Union will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount of the loan and the recoverable amount, being the estimated present value of the expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate.

This allowance is considered adequate by management to absorb all credit related losses in its portfolio and is deducted from the related asset category. The amount provided during the year is charged to profit or loss as provision for credit losses. Full or partial write-offs of loans are generally recorded when management believes there is no realistic prospect of full recovery. Actual write-offs, net of recoveries, are deducted from the allowance for credit losses.

### 5. **Financial Risk Management:**

#### (a) *Financial Risk Factors:*

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

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

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

#### *Risk Management Framework*

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

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

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (cont'd)

December 31, 2012

(Expressed in Eastern Caribbean Dollars)

### 5. Financial Risk Management: (cont'd)

#### (a) Financial Risk Factors: (cont'd)

##### *Risk Management Policies:*

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

#### (b) Credit Risk:

Credit risk is the risk of financial loss to the Credit Union if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Credit Union's receivables from members.

##### *i. Loans and advances:*

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

##### *ii. Cash and Cash Equivalents:*

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

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

	<b>2012</b>	<b>2011</b>
<b>On Balance Sheet</b>		
Cash and cash equivalents	\$ 5,053,393	5,575,920
Loans and advances - net	73,002,663	64,286,360
Investments - net	4,517,885	4,390,816
Other assets - net	552,191	550,426
	<b>\$ 83,126,132</b>	<b>74,803,522</b>
<b>Off Balance Sheet</b>		
Unused line of credit	\$ 1,265,713	3,514,440

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

**COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED**Notes to Financial Statements (*cont'd*)

December 31, 2012

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*(Expressed in Eastern Caribbean Dollars)***5. Financial Risk Management:** (*cont'd*)*(b) Credit Risk: (cont'd)*

The tables below show the credit quality and aging analysis by class of financial assets.

	2012			
	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Cash and cash equivalents	\$ 5,053,393	-	-	5,053,393
Investments	4,517,885	-	-	4,517,885
Loans and advances	<u>69,247,862</u>	<u>-</u>	<u>3,963,070</u>	<u>73,210,932</u>
<b>Total</b>	<b>\$ <u>78,819,140</u></b>	<b><u>-</u></b>	<b><u>3,963,070</u></b>	<b><u>82,782,210</u></b>

	2011			
	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Cash and cash equivalents	\$ 5,755,920	-	-	5,755,920
Investments	4,390,816	-	-	4,390,816
Loans and advances	<u>60,292,378</u>	<u>-</u>	<u>3,993,982</u>	<u>64,286,360</u>
<b>Total</b>	<b>\$ <u>70,439,114</u></b>	<b><u>-</u></b>	<b><u>3,993,982</u></b>	<b><u>74,433,096</u></b>

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 5. **Financial Risk Management:** (*cont'd*)

#### (c) *Liquidity Risk:*

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

- liquidity risk measurement and management limits, including limits on maximum net cash outflow over a specified short-term horizons;
- holdings of liquid assets to support its operations which can generally be converted to cash within a reasonable time;
- liquidity stress testing PEARLS-specific ratios; and
- liquidity contingency planning.

**COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED**

Notes to Financial Statements (*cont'd*)

December 31, 2012

*(Expressed in Eastern Caribbean Dollars)*

**5. Financial Risk Management:** (*cont'd*)

(c) *Liquidity Risk:* (*cont'd*)

Residual contractual maturities of financial liabilities are as follows:

**As at December 31, 2012**

	<u>Up to 1 month</u>	<u>1–3 months</u>	<u>3–12 months</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<b>Liabilities</b>						
Bank overdraft	\$ 7,201	-	-	-	-	7,201
Members deposits	57,180,148	4,425,573	16,959,786	-	1,314,481	79,879,988
Other liabilities	433,879	-	-	-	-	433,879
	<u>\$ 57,621,228</u>	<u>4,425,573</u>	<u>16,959,786</u>	<u>-</u>	<u>1,314,481</u>	<u>80,321,068</u>

**As at December 31, 2011**

	<u>Up to 1 month</u>	<u>1–3 months</u>	<u>3–12 months</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<b>Liabilities</b>						
Bank overdraft	\$ 1,203	-	-	-	-	1,203
Members deposits	53,937,031	2,828,731	15,083,358	-	1,149,966	72,999,086
Other liabilities	400,646	-	-	-	-	400,646
	<u>\$ 54,338,880</u>	<u>2,828,731</u>	<u>15,083,358</u>	<u>-</u>	<u>1,149,966</u>	<u>73,400,935</u>

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 5. Financial Risk Management: (*cont'd*)

(d) *Market Risk:*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and price risk will affect the value of the Credit Union's assets, the amount of its liabilities and/or income. Market risk arises from fluctuations in the value of liabilities and the value of investments held. The Credit Union is exposed to market risk on certain of its financial assets.

(i) *Currency Risk:*

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

(ii) *Price Risk:*

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

(iii) *Interest Rate Risk:*

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

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

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

**COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED**

Notes to Financial Statements (*cont'd*)

December 31, 2012

*(Expressed in Eastern Caribbean Dollars)*

5. **Financial Risk Management:** (*cont'd*)

(d) *Market Risk: (cont'd)*

(iii) *Interest Rate Risk: (cont'd)*

**As at December 31, 2012**

	<b>Interest Rate</b>	<b>Up to 1 month</b>	<b>1–3 months</b>	<b>3–12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>							
Cash and cash equivalents	1% \$	5,053,393	-	-	-	-	5,053,393
Loans and advances (gross amount excluding interest)	6.375 - 15%	743,483	1,734,311	7,866,430	25,566,162	37,300,546	73,210,932
Investments	4 - 5%	-	-	4,017,885	500,000	-	4,517,885
		<u>5,796,876</u>	<u>1,734,311</u>	<u>11,884,315</u>	<u>26,066,162</u>	<u>37,300,546</u>	<u>82,782,210</u>
<b>Liabilities</b>							
Members' deposit	3 - 5%	57,180,148	4,425,573	16,959,786	-	1,314,481	79,879,988
	\$	<u>57,180,148</u>	<u>4,425,573</u>	<u>16,959,786</u>	<u>-</u>	<u>1,314,481</u>	<u>79,879,988</u>

**COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED**

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

5. **Financial Risk Management:** (*cont'd*)

(d) *Market Risk:* (*cont'd*)

(iii) *Interest Rate Risk:* (*cont'd*)

**As at December 31, 2011**

	<u>Interest Rate</u>	<u>Up to 1 month</u>	<u>1–3 months</u>	<u>3–12 months</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<b>Assets</b>							
Cash and cash equivalents	1% \$	5,575,920	-	-	-	-	5,575,920
Loans and advances	6.375 - 15%	708,576	1,662,413	7,679,434	24,556,207	29,813,284	64,419,914
Investments	4 – 5%	-	-	2,442,185	1,948,631	-	4,390,816
		<u>6,284,496</u>	<u>1,662,413</u>	<u>10,121,619</u>	<u>26,504,838</u>	<u>29,813,284</u>	<u>74,386,650</u>
<b>Liabilities</b>							
Members' deposit	3 – 6%	<u>53,937,031</u>	<u>2,828,731</u>	<u>15,083,358</u>	<u>-</u>	<u>1,149,966</u>	<u>72,999,086</u>
		<u>\$ 53,937,031</u>	<u>2,828,731</u>	<u>15,083,358</u>	<u>-</u>	<u>1,149,966</u>	<u>72,999,086</u>

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## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 5. **Financial Risk Management:** (*cont'd*)

#### (d) *Market Risk:* (*cont'd*)

##### (iii) *Interest Rate Risk:* (*cont'd*)

###### *Fair value of interest rate sensitivity analysis:*

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

###### *Cash flow interest rate sensitivity analysis:*

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

#### (e) *Operational Risk:*

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

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

The primary responsibility for development and implementation of controls to address operational risk is assigned to management within the Credit Union. This responsibility is supported by the development of overall Credit Union's standards for the management of operational risk in the following areas:

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

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 5. Financial Risk Management: (*cont'd*)

#### (e) Operational Risk: (*cont'd*)

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

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

#### (f) Capital Management:

The Credit Union has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. This capital management process aims to achieve three major objectives: exceed regulatory thresholds, meet longer-term internal capital targets, maintain strong credit ratings and provide the Credit Union's members with a source of finance.

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

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

	Regulatory Requirements	Percentages as at 31 December 2012	Percentages as at 31 December 2011
1. Net Loans/Total Assets	70% to 80%	75.9%	73.2%
2. Institutional Capital/Total Assets	10% minimum	12.0%	12.2%
3. Total Delinquency/Total Loan	5% maximum	5.4%	6.2%

**COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED**

Notes to Financial Statements (*cont'd*)

December 31, 2012

*(Expressed in Eastern Caribbean Dollars)*

**6. Cash and Cash Equivalents:**

	<b>2012</b>	<b>2011</b>
Cash on hand	\$ 777,196	730,023
Cash in bank	4,276,197	4,845,897
<b>Balance at end of the year</b>	<b>\$ 5,053,393</b>	<b>5,575,920</b>

**7. Loans and Advances - Net:**

	<b>2012</b>	<b>2011</b>
Personal loans	40,274,348	37,782,897
Christmas Loans	537,081	1,050,590
Mortgages	32,399,503	25,586,427
Loans and advances to members	\$ 73,210,932	64,419,914
<b>Less: Provision for loan losses</b>	<b>(640,444)</b>	<b>(477,347)</b>
	\$ 72,570,488	63,942,567
Loan interest receivable	\$ 579,940	500,766
Less: Provision for unrecoverable interest	(147,765)	(156,973)
Loan interest receivable	\$ 432,175	343,793
Total Loans and advances to members	73,002,663	64,286,360
<b>Provision for loan losses:</b>		
Balance at beginning of the year	\$ 477,347	312,061
Provision for credit losses/(recovery)	163,097	165,286
<b>Balance at the end of the year</b>	<b>\$ 640,444</b>	<b>477,347</b>

**COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED**

Notes to Financial Statements (*cont'd*)

December 31, 2012

*(Expressed in Eastern Caribbean Dollars)*

**7. Loans and Advances - Net:** (*cont'd*)

The average interest rate earned on the loans and advances during the financial year was 9% percent (2011 - 9%).

During the year, the Credit Union provided for loan losses at the rate of thirty-five (35%) percent on balances less than twelve (12) months old and one hundred (100%) percent on balances more than twelve (12) months old on the net amount of delinquent loans according to the policy by the Board of Directors. This basis of provision results in a provision in excess of the requirements of Antigua and Barbuda Co-operatives Societies Regulations 2010, Section 201 (compliance with PEARLS).

**8. Investments:**

**(a) Held to Maturity:**

	<b>2012</b>	<b>2011</b>
<b>One (1) year fixed deposits:</b>		
Caribbean Union Bank	\$ 1,035,869	-
Antigua Commercial Bank	1,392,790	2,366,145
	<u>\$ 2,428,659</u>	<u>2,366,145</u>
<b>Two (2) years fixed deposits:</b>		
Caribbean Union Bank	\$ 1,513,186	1,448,631
<b>Three (3) years bond:</b>		
Eastern Caribbean Home Mortgage Bank	\$ 500,000	500,000
<b>(b) Available for Sale: Equity Securities:</b>		
Antigua and Barbuda Co-operative League Shares	\$ 1,000	1,000
Eastern Caribbean Home Mortgage Bank	70,040	70,040
Eastern Caribbean Co-operative Central Ltd.	5,000	5,000
	<u>\$ 76,040</u>	<u>76,040</u>
<b>Total investments</b>	<u>\$ 4,517,885</u>	<u>4,390,816</u>

Investments classified as available-for-sale are shown at cost since these investments are not actively traded in any market and the fair values of the investments are not readily available.

**COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED**

Notes to Financial Statements (*cont'd*)

December 31, 2012

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*(Expressed in Eastern Caribbean Dollars)*

9. **Other Assets:**

	<b>2012</b>	<b>2011</b>
Other receivables	\$ 346,765	341,214
Prepayments	147,454	145,116
Unused office supplies	57,972	64,096
	<u>\$ 552,191</u>	<u>550,426</u>

**COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED**

Notes to Financial Statements (*cont'd*)

December 31, 2012

(Expressed in Eastern Caribbean Dollars)

**10. Property and Equipment:**

	<b>Land</b>	<b>Building</b>	<b>Leasehold Improvements</b>	<b>Office Equipment</b>	<b>Furniture and Fixture</b>	<b>Computer Equipment</b>	<b>Motor Vehicles</b>	<b>Work in Progress</b>	<b>Total</b>
<b>Cost/Valuation:</b>									
<b>At December 31, 2010</b>	\$ 2,476,526	5,563,173	209,192	1,015,243	773,521	639,439	74,000	32,835	10,783,929
Additions	-	-	-	28,985	15,507	22,399	40,894	3,504	111,289
Revaluation	333,250	3,309,625	-	-	-	-	-	-	3,642,875
Disposals	-	-	-	-	-	-	(32,000)	-	(32,000)
<b>At December 31, 2011</b>	\$ 2,809,776	8,872,798	209,192	1,044,228	789,028	661,838	82,894	36,339	14,506,093
Additions	-	-	198,720	22,331	2,870	6,898	-	-	230,819
Disposals	-	-	-	-	-	-	-	-	-
<b>At December 31, 2012</b>	\$ 2,809,776	8,872,798	407,912	1,066,559	791,898	668,736	82,894	36,339	14,736,912
<b>Accumulated Depreciation:</b>									
<b>At December 31, 2010</b>	\$ -	537,033	50,556	626,320	381,438	571,456	66,533	-	2,233,336
Charge for the year	-	129,892	10,460	142,843	74,518	41,418	8,564	-	407,695
Written back	-	-	-	-	-	-	(25,600)	-	(25,600)
<b>At December 31, 2011</b>	\$ -	666,925	61,016	769,163	455,956	612,874	49,497	-	2,615,431
Charge for the year	-	178,842	16,256	140,803	75,240	30,584	8,179	-	449,904
Written back	-	-	-	-	-	-	-	-	-
<b>At December 31, 2012</b>	\$ -	845,767	77,272	909,966	531,196	643,458	57,676	-	3,065,335
<b>Carrying Value:</b>									
<b>At December 31, 2012</b>	\$ 2,809,776	8,027,031	330,640	156,593	260,702	25,278	25,218	36,339	11,671,577
<b>At December 31, 2011</b>	\$ 2,809,776	8,205,873	148,176	275,065	333,072	48,964	33,397	36,339	11,890,662

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

10. **Property and Equipment:** (*cont'd*)

(b) *Revaluation Reserve:*

Revaluation reserve represents the excess of appraised values over the cost of the Credit Union's land and building as a result of a professional valuation which has been adopted by the Credit Union. The Credit Union's property valuation was performed by an independent professional valuator Mr. L. Lowell Jarvis on September 2011. The excess of the appraised value over cost amounted to EC\$3,642,875, this was credited to the revaluation reserve.

11. **Bank Overdraft:**

The bank overdraft account is non interest bearing and is unsecured.

12. **Members' Deposits:**

	2012	2011
Regular savings	\$ 44,231,562	41,198,180
Term deposits	21,262,457	18,920,873
Regular deposits	10,651,857	10,011,704
School saving society	1,145,110	1,089,108
Individual retirement accounts (CFIRA)	824,710	520,426
Thrift Fund	463,874	331,416
Education savings accounts (CFESA)	482,217	234,144
Summer club	304,354	181,801
Insurance deposits	206,021	86,024
Graduation club	6,898	4,983
Holiday Club	100	100
Checking accounts and overdrafts	(158,242)	(13,529)
	79,420,918	72,565,230
Interest payable – members' deposit	459,070	433,856
	\$ 79,879,988	72,999,086

These deposits have various maturity profiles with interest rates varying from three (3%) percent to six (7%) percent.

**COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED**

Notes to Financial Statements (*cont'd*)

December 31, 2012

*(Expressed in Eastern Caribbean Dollars)*

13. **Other Liabilities:**

	<b>2012</b>	<b>2011</b>
Accounts payable and accruals	\$ 433,879	400,646

14. **Permanent Shares:**

	<b>2012</b>	<b>2011</b>
Issued and fully paid 589,424 (2011: 575,092)	\$ 2,947,120	2,875,460

In accordance with the By-laws of the Community First Co-operative Credit Union Article VIII, the Credit Union is required to have a permanent capital base whereby each member must acquire shares at a minimum cost of one hundred (\$100) dollars. During the year the Credit Union issued 14,332 permanent shares at \$5 each to its members for cash.

On May 22, 2012 the Annual General Meeting of the Credit Union's Members approved the payment of dividend of eight (8%) percent of the permanent shares issued in 2011.

15. **Reserves:**

	<u>Note</u>	<b>2012</b>	<b>2011</b>
<b>Statutory:</b>			
Balance at January 1		\$ 2,744,026	2,530,260
Appropriation of net income		349,533	213,766
<b>Balance at December 31, 2012</b>		<b>3,093,559</b>	<b>2,744,026</b>
<b>General:</b>			
Entrance fees		98,057	91,892
Donated capital		10,209	10,209
		108,266	102,101
<b>Revaluation reserve</b>	10 (b)	4,992,601	5,058,794
		\$ 8,194,426	7,904,921

In accordance with Section 119 (2) of the Co-operative Societies Act, management is required to set aside a statutory reserve of twenty-five (25%) percent of the net profits (if any) each year. In addition, all entrance fees are placed to a general reserve.

**COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED**

Notes to Financial Statements (*cont'd*)

December 31, 2012

*(Expressed in Eastern Caribbean Dollars)*

16. **Administrative Expenses:**

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
Payroll and related costs	18	\$ 1,445,445	1,285,851
Depreciation	10	449,904	407,695
Repairs and maintenance		294,764	211,179
CUNA insurance premiums		275,715	250,448
Insurance		193,450	189,946
Provision for credit losses		153,888	249,484
Advertising		143,737	115,065
Stationery		141,881	119,139
Building security		132,031	134,145
Utilities		130,883	116,626
League fees and expenses		119,840	115,416
Legal and professional fees		70,239	61,162
Telephone and cables		69,241	71,442
Cleaning		54,031	55,991
Audit fees		41,000	44,678
Uniforms		38,879	3,142
Annual general meeting		37,500	41,350
Education and training	19	36,549	56,507
Bank charges and interest		30,036	18,783
Traveling		28,300	27,600
Board of directors' expenses		26,515	28,126
Social events		25,774	23,949
Rent	21	24,840	24,840
Office and general expenses		14,632	12,109
Contribution and donations		12,061	9,054
Gasoline		9,313	8,111
Miscellaneous		7,372	7,148
Subscriptions		2,661	2,500
Postage		1,043	1,233
		<u>\$ 4,011,524</u>	<u>3,692,719</u>

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

(Expressed in Eastern Caribbean Dollars)

17. **Other Income:**

	<b>2012</b>	<b>2011</b>
Loan fees	\$ 272,470	161,663
Gain on sale of fixed asset	-	8,600
Miscellaneous income	475,788	311,200
	<b>\$ 748,258</b>	<b>481,463</b>

18. **Payroll and Related Costs:**

	<b>2012</b>	<b>2011</b>
Salaries and wages	\$ 1,159,707	1,038,886
Social security contributions	46,133	42,400
Medical benefits contributions	37,348	32,198
Other benefits	202,257	172,367
	<b>\$ 1,445,445</b>	<b>1,285,851</b>
Number of employees	<b>23</b>	<b>23</b>

19. **Education and Training:**

	<b>2012</b>	<b>2011</b>
Human Resources Development	\$ 27,312	23,166
Convention and Organization of the Eastern Caribbean States (OECS) Summit	9,237	13,569
Caribbean Confederation of Credit Unions (CCCU)	-	19,772
	<b>\$ 36,549</b>	<b>56,507</b>

20. **Income Tax:**

Under Section 212 of the Income Tax laws of Antigua and Barbuda, the Credit Union is classified as a non-profit organization and is therefore exempt from the payment of income tax.

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 21. Lease Commitments:

The maximum future lease payments lease are as follows:

	<b>2012</b>	<b>2011</b>
Less than one year	\$ 24,840	24,840
Between one to five years	-	24,840
	<u>\$ 24,840</u>	<u>49,680</u>

The Credit Union is presently negotiating the new lease agreement which should have commenced on November 1, 2012, for the Automated Teller Machine located at Vendors Mall, St. John's for a rent of \$24,840 in 2012 (2011: \$24,840). The current year figure is based on the old lease agreement which expired on October 31, 2012.

### 22. Related Party Transactions and Balances:

(a) *Related Parties:*

A party is related to the Credit Union, if:

- (i) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Credit Union (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the Credit Union that gives it significant influence over the Credit Union; or has joint control over the Credit Union;
- (ii) the party is an associate of the Credit Union;
- (iii) the party is a joint venture in which the Credit Union is a venturer;
- (iv) the party is a member of the key management personnel of the Credit Union;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is the Credit Union that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Credit Union, or of any company that is a related party of the Credit Union.

## COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements (*cont'd*)

December 31, 2012

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(Expressed in Eastern Caribbean Dollars)

### 22. Related Party Transactions and Balances: (*cont'd*)

#### (b) Related Party Balances:

	<u>Loans</u>	<u>Deposits</u>
Board of directors	\$ 227,311	199,465
Credit committee	5,897	61,976
Supervisor committee	124,745	47,023
Key management personnel	460,225	605,033
Total related party balances as at December 31, 2012	\$ <u>818,178</u>	<u>913,497</u>

#### (c) Related Party Transactions:

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

Transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and conditions except for certain loans made available to officers.

	<u>2012</u>	<u>2011</u>
Interest income on loans	\$ 78,727	80,476
Interest expense on deposits	28,449	26,706
Accrued interest receivable on loans	1,925	2,276
Accrued interest payable on deposits	5,913	9,015

### 23. Comparatives:

Certain comparative figures for 2011 have been reclassified to conform with the current year's presentation.