

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

Financial Statements

December 31, 2015



COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Community First Co-operative Credit Union Limited ("the Credit Union"), which comprise the statement of financial position as at December 31, 2015, the statements of profit or loss and other comprehensive income, changes in members' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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 misstatement, 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 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 judgement, 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 policies 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 Community First Co-operative Credit Union Limited as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



INDEPENDENT AUDITORS' REPORT *(cont'd)*

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

Other Matter

The financial statements of the Credit Union as at and for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on June 16, 2015.

A handwritten signature in black ink, appearing to read 'KPMG'.

Chartered Accountants
June 15, 2016

Antigua and Barbuda

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Statement of Financial Position

December 31, 2015

(expressed in Eastern Caribbean dollars)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
Assets			
Cash and cash equivalents	9	\$ 10,320,342	12,527,793
Loans and advances	10	96,321,058	88,685,866
Investment securities	11	12,754,109	8,267,165
Other assets	12	306,742	427,074
Property and equipment	13	12,156,928	12,333,726
Total Assets		\$ 131,859,179	122,241,624
Liabilities and Members' Equity			
Liabilities:			
Bank overdraft	14	\$ 82,650	-
Members' deposits	15	112,974,813	105,534,689
Other liabilities	16	446,249	541,012
Total Liabilities		113,503,712	106,075,701
Members' Equity:			
Permanent shares	17	\$ 3,559,690	3,281,260
Reserves	18	9,166,526	8,768,239
Retained earnings		5,629,251	4,116,424
Total Members' Equity		18,355,467	16,165,923
Total Liabilities and Members' Equity		\$ 131,859,179	122,241,624

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

..........Chairman.....Treasurer

The notes on pages 7 to 43 are an integral part of these financial statements.

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2015

(expressed in Eastern Caribbean dollars)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
Interest income		\$ 8,337,551	7,882,156
Interest expense		(2,361,829)	(3,008,618)
Net interest income		5,975,722	4,873,538
Other income	20	675,314	616,851
Operating income		6,651,036	5,490,389
Operating expenses			
General and administrative expenses	19	(4,584,949)	(4,240,411)
Provision for impairment	10	(537,130)	(1,122,444)
		(5,122,079)	(5,362,855)
Finance income			
Investment income		371,902	243,293
Profit for the year		\$ 1,900,859	370,827
Total comprehensive income for the year		\$ 1,900,859	370,827

The notes on pages 7 to 43 are an integral part of these financial statements.

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Statement of Cash Flows

Year ended December 31, 2015

(expressed in Eastern Caribbean dollars)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
Cash flows from operating activities			
Profit for the year		\$ 1,900,859	370,827
Items not affecting cash:			
Depreciation	13	436,678	344,129
Loss on disposal of property and equipment		2,277	-
Provision for impairment – loans	10	537,130	1,122,444
Interest expense on members' deposits		2,361,829	3,008,618
Interest income		(8,337,551)	(7,882,156)
Operating loss before changes in working capital		(3,098,778)	(3,036,138)
Change in loans and advances		(8,192,417)	(11,681,353)
Change in other assets		120,332	78,731
Change in other liabilities		(94,763)	49,041
Change in members' deposits		7,632,857	15,702,364
Cash (used in)/generated from operations		(3,632,769)	1,112,645
Interest received		8,274,905	7,721,305
Interest paid		(2,554,562)	(2,980,513)
Net cash generated from operating activities		2,087,574	5,853,437
Cash flows from investing activities			
Purchase of investment securities		(4,404,203)	(5,199,748)
Purchase of property and equipment	13	(262,157)	(605,757)
Net cash used in investing activities		(4,666,360)	(5,805,505)
Cash flows from financing activities			
Proceeds from issuance of permanent shares		278,430	166,855
Entrance fees		10,255	7,155
Dividends paid	25	-	(135,798)
Net cash generated from financing activities		288,685	38,212
(Decrease)/increase in cash and cash equivalents		(2,290,101)	86,144
Cash and cash equivalents, beginning of year		12,527,793	12,441,649
Cash and cash equivalents, end of year		\$ 10,237,692	12,527,793
Represented by:			
Cash and cash equivalents		\$ 10,320,342	12,527,793
Bank overdraft		(82,650)	-
		\$ 10,237,692	12,527,793

The notes on pages 7 to 43 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, 2015

(expressed in Eastern Caribbean dollars)

	<u>Notes</u>	<u>Permanent shares</u>	<u>Reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at December 31, 2013		\$ 3,114,405	8,901,219	3,741,260	15,756,884
Transactions with members					
Dividends paid	25	–	–	(135,798)	(135,798)
Issuance of permanent shares	17	166,855	–	–	166,855
		166,855	–	(135,798)	31,057
Other reserves movements					
Statutory reserve	18	–	92,706	(92,706)	–
Entrance fees	18	–	7,155	–	7,155
Revaluation surplus transfer		–	(87,183)	87,183	–
Loan loss reserve		–	(145,658)	145,658	–
		–	(132,980)	140,135	7,155
Comprehensive income					
Profit for the year		–	–	370,827	370,827
Total comprehensive income		–	–	370,827	370,827
Balance at December 31, 2014		\$ 3,281,260	8,768,239	4,116,424	16,165,923
Transactions with members					
Dividends paid	25	–	–	–	–
Issuance of permanent shares	17	278,430	–	–	278,430
		278,430	–	–	278,430
Other reserves movements					
Statutory reserve	18	–	475,215	(475,215)	–
Entrance fees	18	–	10,255	–	10,255
Revaluation surplus transfer		–	(87,183)	87,183	–
Loan loss reserve		–	–	–	–
		–	398,287	(388,032)	10,255
Comprehensive income					
Profit for the year		–	–	1,900,859	1,900,859
Total comprehensive income		–	–	1,900,859	1,900,859
Balance at December 31, 2015		\$ 3,559,690	9,166,526	5,629,251	18,355,467

The notes on pages 7 to 43 are an integral part of these financial statements.

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

1 Nature of operations

The principal activities of Community First Co-operative Credit Union Limited (“the Credit Union”) are to provide ways and means through which savings can be effected and a source of credit made available to its members.

2 General information and statement of compliance with IFRS

Community First Co-operative Credit Union Limited was registered on January 18, 1982 under the Co-operative Laws of Antigua and Barbuda. The organisation 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, 2005.

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

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They 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 are measured at fair value

3 Changes in accounting policies

3.1 New standards and interpretations not yet adopted

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

Management anticipates that all of the relevant pronouncements will be adopted in the Credit Union’s accounting policies for the first period beginning after the effective date of the pronouncement. New standards, amendments to standards and interpretations not listed are not expected to have a material impact on the Credit Union’s financial statements.

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3 Changes in accounting policies *(cont'd)*

3.1 New standards and interpretations not yet adopted *(cont'd)*

Effective January 1, 2018

- IFRS 15, *Revenue from Contracts with Customers*, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and IFRIC 13, *Customer Loyalty Programmes*.

The new standard is to be applied retrospectively for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The Credit Union is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

- IFRS 9, *Financial Instruments (2014)*. IFRS 9 (2014) replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and supersedes the previously published versions of IFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). IFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. IFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The Credit Union is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

Given the nature of the Credit Union's operations, this standard is expected to have a pervasive impact on the Credit Union's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

3.2 New and revised standards that are effective for annual reporting periods beginning on or after January 1, 2015

A number of new standards and amendments to standards and interpretations are effective for annual reporting periods beginning on or after January 1, 2015, and have been applied in preparing these financial statements as follows:

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

3 Changes in accounting policies (cont'd)

3.2 New and revised standards that are effective for annual reporting periods beginning on or after January 1, 2015 (cont'd)

IAS 24, *Related Party Disclosures*, has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

The adoption of these amendments did not have any significant impact on the Credit Union's financial statements.

4 Summary of significant accounting policies

4.1 Overall considerations

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

4.2 Revenue recognition

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

(i) Interest income

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

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

(ii) Other income

Other income is recognised on the accrual basis.

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

4 Summary of significant accounting policies (cont'd)

4.3 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

4.4 Leases

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

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

4.5 Financial instruments

The Credit Union recognises 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 or 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 or loss or other financial liabilities at amortised 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 the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

4 Summary of significant accounting policies (cont'd)

4.5 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 or loss. Loans and receivables are considered as current assets if maturity is within twelve (12) months from the reporting date. Otherwise, these are classified as non-current assets.

After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Amortised 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 amortisation is included in profit or loss. The losses arising from impairment of such loans and receivables are also recognised in profit or loss.

Loans and receivables comprise loans and advances, loan interest receivable and other 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 investments are included in current assets if management intends to sell these financial assets within twelve (12) months from the reporting date. Otherwise these are classified as non-current assets.

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 Investment Securities (note 11).

(iii) Held-to-maturity financial assets

Financial assets with fixed maturities, and which 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 Investment Securities (note 11).

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

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

4.5 Financial instruments *(cont'd)*

(a) Initial recognition of financial instruments (cont'd)

(iv) Financial liabilities at amortised cost

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

Other financial liabilities comprise bank overdraft (note 14), members' deposits (note 15) and other liabilities (note 16).

(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.

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

4 Summary of significant accounting policies (cont'd)

4.5 Financial instruments (cont'd)

(b) Derecognition of financial assets and financial liabilities (cont'd)

(ii) Financial liability (cont'd)

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.

(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 amortised 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 amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated future 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.

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

4 Summary of significant accounting policies (cont'd)

4.5 Financial instruments (cont'd)

(c) Identification and measurement of impairment (cont'd)

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

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss 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 profit or loss. 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 profit or loss, 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 statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Credit Union in the management of its short-term commitments. 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 flows.

Cash and cash equivalents are measured at amortised cost.

4.7 Property and equipment and depreciation

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 the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

4 Summary of significant accounting policies (cont'd)

4.7 Property and equipment and depreciation (cont'd)

ii. Subsequent measurement

Land and building

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

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in members' equity under the heading of revaluation reserves (note 18). However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

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

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

Furniture, equipment and motor vehicle

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

iii. Depreciation

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

Building	50 years
Leasehold improvements	6.7 years
Land improvements	20 years
Office equipment	6.7 years
Furniture and fixtures	10 years
Computer equipment	3 years
Motor vehicles	5 years

Land and work in progress are not depreciated.

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

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

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

iii. Depreciation (cont'd)

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

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

4.8 Impairment of non-financial assets

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

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

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

4.9 Provisions

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

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

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

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

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(Expressed in Eastern Caribbean Dollars)

4 Summary of significant accounting policies (cont'd)

4.10 Employee benefits

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

4.11 Equity, reserves and dividend payments

a) Permanent shares

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

b) Reserves

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

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

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

Other reserves comprise interest on loans not recognised for regulatory purposes.

c) Retained earnings

Retained earnings include all current and prior period retained profits.

d) Dividends

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

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

4.12 Operating expenses

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

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

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5 Significant management judgement in applying accounting policies and estimation uncertainty

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.

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 future 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.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed annually to reduce any differences between loss estimates and actual loss experience.

To the extent that the net present value of estimated cash flows were to differ by +/- 10% due to variation in collection costs and time to collection estimation, the impairment provision would be an estimated \$218,032 (2014: \$244,786) lower or \$224,684 (2014: \$73,150) higher.

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

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6 Financial instrument risk

Risk management objectives and policies

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

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

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

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

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

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

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

6 Financial instrument risk (cont'd)

6.1 Credit risk analysis

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

i. Loans 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 and reputable 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:

	2015	2014
On-balance sheet		
Cash and cash equivalents	\$ 10,320,342	12,527,793
Loans and advances	96,321,058	88,685,866
Investments	12,754,109	8,267,165
Other assets	110,333	241,152
	<u>\$ 119,505,842</u>	<u>109,721,976</u>
Off-balance sheet		
Unused line of credit	<u>\$ 681,108</u>	<u>1,246,016</u>

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

Loans and advances

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired is subject to an informal internal rating by the Credit Union. All of the loans are standard monitoring and are subject to review annually.

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

6 Financial instrument risk *(cont'd)*

6.1 Credit risk analysis *(cont'd)*

Loans and advances *(cont'd)*

(a) Loans and advances neither past due nor impaired (cont'd)

	<u>Personal loans</u>	<u>Mortgage loans</u>	<u>Total</u>
As at December 31, 2015			
Standard monitoring	\$ 55,556,101	39,132,950	94,689,051
As at December 31, 2014			
Standard monitoring	\$ 48,056,641	35,891,983	83,948,624

(b) Loans and advances past due but not impaired

There are no loans and advances that are past due but not impaired. All delinquent loans are considered impaired and have been considered in the impairment assessment.

(c) Loans and advances individually impaired

At the reporting date, the categories of loans and advances which were impaired were the personal loans and the mortgage loans categories. The gross amount of these categories was \$4,346,018 (2014: \$6,588,433) and the individual impairment allowance was \$2,093,307 (2014: \$2,566,159). The fair value of the collateral was \$2,252,710 (2014: \$2,363,479).

(d) Loans and advances re-negotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferred payments. Following restructuring, a previously overdue account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators of criteria which, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continual review. Restructuring is most commonly applied to term loans, in particular customer finance loans. There were no renegotiated loans which were impaired at December 31, 2015 or 2014.

6.1.1 Bonds and equity investments

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

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

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(Expressed in Eastern Caribbean Dollars)

6 Financial instrument risk (cont'd)

6.1.2 Repossessed collateral

The Credit Union had no repossessed collateral in its statement of financial position as of December 31, 2015 (2014: nil).

6.2 Liquidity risk analysis

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

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

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

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6 Financial instrument risk (cont'd)

6.2 Liquidity risk analysis (cont'd)

Non-derivative financial liabilities and assets held for managing liquidity risk.

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

As of December 31, 2015

	Carrying amount	Up to 1 month	1–3 months	3–12 months	1-5 years	Over 5 years	Total
Liabilities							
Bank overdraft	\$ 82,650	82,650	–	–	–	–	82,650
Members' deposits	112,974,813	95,336,416	4,079,338	13,788,469	–	–	113,204,223
Other liabilities	446,249	446,249	–	–	–	–	446,249
	<u>\$ 113,503,712</u>	<u>95,865,315</u>	<u>4,079,338</u>	<u>13,788,469</u>	<u>–</u>	<u>–</u>	<u>113,733,122</u>

As of December 31, 2014

	Carrying amount	Up to 1 month	1–3 months	3–12 months	1-5 years	Over 5 years	Total
Liabilities							
Members' deposits	\$ 105,534,689	79,418,469	3,229,951	23,425,274	–	–	106,073,694
Other liabilities	541,012	541,012	–	–	–	–	541,012
	<u>\$ 106,075,701</u>	<u>79,959,481</u>	<u>3,229,951</u>	<u>23,425,274</u>	<u>–</u>	<u>–</u>	<u>106,614,706</u>

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

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(Expressed in Eastern Caribbean Dollars)

6 Financial instrument risk *(cont'd)*

6.2 Liquidity risk analysis *(cont'd)*

Assets held for managing liquidity risk

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

- Un-restricted cash in bank
- Certificates of deposit
- Loans and receivables investment securities
- Unimpaired loans

6.3 Market risk analysis

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

(i) Currency risk

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

(ii) Price risk

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

(iii) Interest rate risk

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

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

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

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

6 Financial instrument risk (cont'd)

6.3 Market risk analysis (cont'd)

(iii) Interest rate risk (cont'd)

As of December 31, 2015

	<u>Interest rate%</u>	<u>Up to 1 month</u>	<u>1 to 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Non-interest bearing</u>	<u>Total</u>
Assets								
Cash and cash equivalents		\$ 10,320,342	–	–	–	–	–	10,320,342
Loans and advances	6.36-18	967,740	2,341,055	11,285,320	37,967,110	43,759,833	–	96,321,058
Investment securities	3-8	998,703	–	9,421,300	1,981,785	276,281	76,040	12,754,109
Other assets		–	–	–	–	–	110,333	110,333
Total financial assets		12,286,785	2,341,055	20,706,620	39,948,895	44,036,114	186,373	119,505,842
Liabilities								
Bank overdraft		–	–	–	–	–	82,650	82,650
Members' deposits	2-7	93,334,980	4,059,930	13,581,991	–	–	1,997,912	112,974,813
Other liabilities		–	–	–	–	–	446,249	446,249
Total financial liabilities		\$ 93,334,980	4,059,930	13,581,991	–	–	2,526,811	113,503,712
Total interest repricing gap		\$ (81,048,195)	(1,718,875)	7,124,629	39,948,895	44,036,114	(2,340,438)	6,002,130

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Notes to the Financial Statements

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(Expressed in Eastern Caribbean Dollars)

6 Financial instrument risk (cont'd)

6.3 Market risk analysis (cont'd)

(iii) Interest rate risk (cont'd)

As of December 31, 2014

	Interest rate%	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets								
Cash and cash equivalents		\$ 12,527,793	–	–	–	–	–	12,527,793
Loans and advances	6.36-18	1,001,502	142,746	2,141,888	26,016,620	59,383,110	–	88,685,866
Investment securities	3-8	–	–	6,582,759	1,333,342	263,163	87,901	8,267,165
Other assets		–	–	–	–	–	241,152	241,152
Total financial assets		13,529,295	142,746	8,724,647	27,349,962	59,646,273	329,053	109,721,976
Liabilities								
Members' deposits	3-7	78,548,878	3,110,072	22,549,600	–	–	1,326,139	105,534,689
Other liabilities		–	–	–	–	–	541,012	541,012
Total financial liabilities		\$ 78,548,878	3,110,072	22,549,600	–	–	1,867,151	106,075,701
Total interest repricing gap		\$ (65,019,583)	(2,967,326)	(13,824,953)	27,349,962	59,646,273	(1,538,098)	3,646,275

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

6 Financial instrument risk *(cont'd)*

6.3 Market risk analysis *(cont'd)*

(iii) Interest rate risk (cont'd)

Fair value interest rate sensitivity analysis

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

Cash flow interest rate sensitivity analysis

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

6.4 Operational risk

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

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

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

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

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

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6 Financial instrument risk (cont'd)

6.4 Operational risk (cont'd)

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

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

7 Fair value of financial assets and liabilities

a) Financial instruments not measured at fair value

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

	Carrying Value		Fair Value	
	2015	2014	2015	2014
Financial assets				
Cash and cash equivalents	10,320,342	12,527,793	10,320,342	12,527,793
<i>Investment securities:</i>				
– Loans and receivables investment securities	\$ 11,184,844	7,612,758	11,184,844	7,612,758
– Held-to-maturity investment securities	1,493,225	578,367	1,493,225	570,179
Loans and advances	96,321,058	88,685,866	94,252,079	86,775,486
Other assets	110,333	241,152	110,333	241,152
	<u>\$ 119,429,802</u>	<u>109,645,936</u>	<u>117,360,823</u>	<u>107,727,368</u>
Financial liabilities				
Bank overdraft	82,650	–	82,650	–
Members' deposits	112,974,813	105,534,689	112,974,813	105,534,689
Other liabilities	446,249	541,012	446,249	541,012
	<u>\$ 113,503,712</u>	<u>106,075,701</u>	<u>113,503,712</u>	<u>106,075,701</u>

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Notes to the Financial Statements

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(Expressed in Eastern Caribbean Dollars)

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

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

(i) Loans and advances

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

(ii) Investment securities

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

(iii) Members' deposits

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

b) Fair value measurement of financial instruments

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

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

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at December 31, 2015 and December 31, 2014.

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Notes to the Financial Statements

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

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

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into Level 3 of the fair value hierarchy.

	<u>Level 3</u>	<u>Total</u>
December 31, 2015		
Financial assets		
Available-for-sale investments	\$ 76,040	76,040
	<u>Level 3</u>	<u>Total</u>
December 31, 2014		
Financial assets		
Available-for-sale investments	\$ 76,040	76,040

Measurement of fair value of financial instruments

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

Available-for-sale investments

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

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

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Notes to the Financial Statements

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

c) Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at December 31, 2015 and December 31, 2014.

	<u>Level 3</u>	<u>Total</u>
December 31, 2015		
Property and equipment		
Land	\$ 2,809,776	2,809,776
Buildings	<u>8,407,281</u>	<u>8,407,281</u>
Total assets	\$ <u>11,217,057</u>	<u>11,217,057</u>

	<u>Level 3</u>	<u>Total</u>
December 31, 2014		
Property and equipment		
Land	\$ 2,809,776	2,809,776
Buildings	<u>8,633,544</u>	<u>8,633,544</u>
Total assets	\$ <u>11,443,320</u>	<u>11,443,320</u>

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

Land and buildings

The appraisal was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use.

The land and buildings were revalued in October, 2011. They were previously revalued in July 2009.

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

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8 Capital management policies and procedures

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

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

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

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

	Regulatory requirement	2015 %	2014 %
1. Net Loans/Total Assets	70% to 80%	73.1	72.5
2. Institutional Capital/Total Assets	10% minimum	11.3	9.9
3. Total Delinquency/Total Loans	5% maximum	6.0	6.5

9 Cash and cash equivalents

	2015	2014
Cash on hand	\$ 1,675,163	1,450,773
Cash in bank	8,645,179	11,077,020
Total cash and cash equivalents	\$ 10,320,342	12,527,793

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(Expressed in Eastern Caribbean Dollars)

10 Loans and advances

	2015	2014
Personal loans	\$ 50,331,253	46,992,493
Mortgage loans	41,700,837	38,751,985
Christmas loans	5,207,029	3,801,164
Overdrafts	632,462	961,415
Loans and advances to members	97,871,581	90,507,057
Less: Provision for loan losses	(2,405,568)	(2,696,331)
	95,466,013	87,810,726
Loan interest receivable	855,045	875,140
Total loans and advances to members	\$ 96,321,058	88,685,866
Current	3,137,284	1,774,588
Non-current	93,183,774	86,911,278
	\$ 96,321,058	88,685,866
	2015	2014
Provision for loan losses		
Balance at beginning of the year	\$ 2,696,331	1,573,887
Amounts written off during the year	(827,893)	–
Provisions for credit losses	537,130	1,122,444
Balance at end of the year	\$ 2,405,568	2,696,331

The average interest rate earned on the loans and advances during the financial year was 8.8% (2014: 9.5%).

The Credit Union's loan loss provision has been made in accordance with the requirements of IAS 39. Under the PEARLS methodology, the Credit Union provides for loan losses at the rate of thirty-five (35%) percent on balances less than twelve (12) months old and one hundred (100%) percent on balances more than twelve (12) months old on the net amount of delinquent loans according to the policy by the Board of Directors. This basis of provision is a requirement of Antigua and Barbuda Co-operative Societies Regulations 2010, Section 201 (compliance with PEARLS). As of December 31, 2015 the provision for credit losses in accordance with the PEARLS methodology amounted to \$1,211,808 (2014: \$1,576,738).

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

*(Expressed in Eastern Caribbean Dollars)***11 Investment securities**

	2015	2014
Loans and receivables		
Six (6) month treasury bill		
Government of St. Lucia	\$ 1,965,428	—
One (1) year fixed deposits		
Antigua Commercial Bank Ltd.	3,583,273	3,482,182
National Co-operative Credit Union (Dominica)	1,942,163	1,345,000
Capita Financial Services Inc.	1,540,000	1,000,000
	<u>7,065,436</u>	<u>5,827,182</u>
One (1) year treasury bills		
Government of Antigua and Barbuda	955,020	654,500
Three (3) year fixed deposits		
Grenada Public Service Co-operative Credit Union	1,000,000	1,000,000
Total loans and receivables	\$ 10,985,884	<u>7,481,682</u>
Held-to-maturity		
Two (2) year bond		
Government of St. Lucia	\$ 297,738	<u>297,737</u>
Three (3) year bond		
Government of St. Vincent	500,000	—
Five (5) year bond		
Government of Dominica	400,000	—
Seven (7) year bond		
Government of Antigua and Barbuda	249,173	<u>249,173</u>
Total held-to-maturity	\$ 1,446,911	<u>546,910</u>

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

*(Expressed in Eastern Caribbean Dollars)***11 Investment securities (cont'd)**

	2015	2014
Available-for-sale - Equity securities		
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>
Interest receivable	245,274	162,533
Total investment securities	\$ 12,754,109	8,267,165
	2015	2014
Current	\$ 10,496,043	6,720,254
Non-current	2,258,066	1,546,911
	<u>\$ 12,754,109</u>	<u>8,267,165</u>

Investments classified as available-for-sale are shown at cost since they are not actively traded in any market and their fair value cannot be reliably determined.

12 Other assets

	2015	2014
Other receivables	\$ 110,333	241,152
Prepayments	139,017	135,233
Unused office supplies	57,392	50,689
Total other assets	\$ 306,742	427,074

All amounts are short-term. The net carrying value of other assets is considered a reasonable approximation of the fair value.

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

13 Property and equipment

	Land	Building	Leasehold improvements	Office equipment	Furniture and fixtures	Computer equipment	Motor vehicles	Work in progress	Total
Cost/valuation									
At December 31, 2013	\$ 2,809,776	8,872,798	407,912	1,069,032	805,425	682,116	109,894	130,494	14,887,447
Additions	–	–	–	1,185	7,288	5,316	–	591,968	605,757
Transfer	–	345,934	–	328,646	–	–	–	(674,580)	–
At December 31, 2014	2,809,776	9,218,732	407,912	1,398,863	812,713	687,432	109,894	47,882	15,493,204
Additions	–	–	61,187	30,979	52,118	108,619	–	9,254	262,157
Transfer	–	–	–	–	–	11,541	–	(11,541)	–
Disposals	–	–	–	(123,746)	(14,282)	(237,658)	–	–	(375,686)
At December 31, 2015	\$ 2,809,776	9,218,732	469,099	1,306,096	850,549	569,934	109,894	45,595	15,379,675
Accumulated depreciation									
At December 31, 2013	\$ –	406,183	97,668	980,807	601,421	663,415	65,855	–	2,815,349
Charge for the year	–	179,005	20,393	50,583	77,016	8,954	8,178	–	344,129
At December 31, 2014	–	585,188	118,061	1,031,390	678,437	672,369	74,033	–	3,159,478
Charge for the year	–	226,263	20,395	77,458	81,054	23,329	8,179	–	436,678
Disposals	–	–	–	(121,469)	(14,282)	(237,658)	–	–	(373,409)
At December 31, 2015	\$ –	811,451	138,456	987,379	745,209	458,040	82,212	–	3,222,747
Carrying value									
At December 31, 2015	\$ 2,809,776	8,407,281	330,643	318,717	105,340	111,894	27,682	45,595	12,156,928
At December 31, 2014	\$ 2,809,776	8,633,544	289,851	367,473	134,276	15,063	35,861	47,882	12,333,726

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

13 Property and equipment (cont'd)

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 (ABIA), in September 2011. The excess of the appraised value over cost amounted to EC\$4,271,026, which was credited to the revaluation reserve.

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of December 31, 2015.

	2015		
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost	\$ 1,041,979	5,545,373	6,587,352
Accumulated depreciation	<u>–</u>	<u>1,089,523</u>	<u>1,089,523</u>
Net book values	\$ 1,041,979	4,455,850	5,497,829

	2014		
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost	\$ 1,041,979	5,545,373	6,587,352
Accumulated depreciation	<u>–</u>	<u>978,616</u>	<u>978,616</u>
Net book values	\$ 1,041,979	4,566,757	5,608,736

14 Bank overdraft

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

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

*(Expressed in Eastern Caribbean Dollars)***15 Members' deposits**

	2015	2014
Regular savings	\$ 65,713,923	54,828,237
Term deposits	19,737,407	27,467,820
Deposit accounts	18,349,735	16,236,166
Individual retirement accounts (CFIRA)	2,458,258	1,702,527
School saving society	1,531,367	1,399,396
Checking accounts	1,670,362	1,044,448
Education savings accounts (CFESA)	1,148,723	896,934
Thrift Fund	986,806	781,343
Summer Club	718,601	371,313
Insurance deposits	322,356	266,023
Graduation Club	5,194	15,668
Holiday Club	100	100
	<u>112,642,832</u>	<u>105,009,975</u>
Interest payable	331,981	524,714
Total members' deposits	\$ 112,974,813	105,534,689
Current	112,974,813	105,534,689
Non-current	-	-
	<u>\$ 112,974,813</u>	<u>105,534,689</u>

These deposits have various maturity profiles with interest rates varying from two (2%) (2014: three (3%)) percent to seven (7%) (2014: seven (7%)) percent per annum.

16 Other liabilities

	2015	2014
Trade payables	\$ 39,078	77,609
Accruals and other liabilities	407,171	463,403
	<u>\$ 446,249</u>	<u>541,012</u>

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

17 Permanent shares

	2015	2014
Issued and fully paid 711,938 (2014: 656,252) shares @ \$5.00 each	\$ 3,559,690	3,281,260

In accordance with the By-laws of the Community First Co-operative Credit Union Limited, 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. The Credit Union has the right to issue an unlimited number of shares; however, the maximum shareholding by any one member is restricted to 20% of the total share capital. During the year, the Credit Union issued 55,686 (2014: 33,371) permanent shares at \$5 each to its members for cash in the amount of \$278,430 (2014: \$166,855).

18 Reserves

	2015	2014
Statutory		
Balance at January 1	\$ 3,363,148	3,270,442
Appropriation of net income	475,215	92,706
Balance at December 31	3,838,363	3,363,148
General		
Entrance fees	121,297	111,042
Donated capital	10,209	10,209
	131,506	121,251
Revaluation reserve		
Balance at January 1	5,283,840	5,516,681
Revaluation surplus transfer	(87,183)	(87,183)
Loan loss reserve	-	(145,658)
Balance at December 31	5,196,657	5,283,840
Total reserves	\$ 9,166,526	8,768,239

In accordance with Section 125 (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 credited to a general reserve.

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

19 General and administrative expenses

	<u>Notes</u>	2015	<u>2014</u>
Payroll and related costs	21	\$ 1,835,355	1,716,761
Depreciation	13	436,678	344,129
Repairs and maintenance		341,187	303,200
CUNA insurance premiums		332,142	314,423
Stationery		219,029	177,506
Insurance		186,468	178,230
Utilities		160,316	166,116
Advertising		154,965	164,717
Building security		137,918	118,781
League fees and expenses		120,000	115,000
Audit fees		104,800	96,058
Education and training	22	93,635	55,410
Telephone and cables		78,044	70,544
Cleaning		67,368	66,776
Legal and other professional fees		44,180	57,917
Rent		38,640	28,290
Annual general meeting		38,550	38,550
Office and general expenses		33,292	32,801
Bank charges and interest		31,960	36,961
Directors' and committee expenses		31,015	31,662
Social events		25,810	34,009
Contribution and donations		24,817	23,821
Gasoline		8,546	8,581
Uniforms		7,556	43,296
Postage		3,488	414
Subscriptions		2,794	2,727
Miscellaneous		26,396	13,731
Total general and administrative expenses		\$ 4,584,949	4,240,411

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

20 Other income

	2015	2014
Fees and commissions	\$ 338,213	314,581
Loan fees	311,444	246,639
Other income	25,657	55,631
Total other income	\$ 675,314	616,851

21 Payroll and related costs

	2015	2014
Salaries and wages	\$ 1,449,098	1,353,021
Other benefits	256,200	242,577
Social security contributions	80,284	74,050
Medical benefits contributions	49,773	47,113
Total payroll and related costs	\$ 1,835,355	1,716,761
Number of employees	30	27

22 Education and training

	2015	2014
Convention and Organization of the Eastern Caribbean States (OECS) Summit	\$ 11,972	2,917
Caribbean Confederation of Credit Unions (CCCU)	37,821	23,056
Human Resources Development	43,842	29,437
Total education and training	\$ 93,635	55,410

23 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 the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

24 Related party balances and transactions

Related parties

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

- a) A person or a close member of that person's family is related to the Credit Union if that person:
 - i) has control or joint control over the Credit Union;
 - ii) has significant influence over the Credit Union; or
 - iii) is a member of the key management personnel of the Credit Union, or of a parent of the Credit Union.
- b) An entity is related to the Credit Union if any of the following conditions applies:
 - i) The entity and the Credit Union are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii) Both entities are joint ventures of the same third party.
 - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v) The entity is a post-employment benefit plan for the benefit of employees of either the Credit Union or an entity related to the Credit Union.
 - vi) The entity is controlled, or jointly controlled by a person identified in (a).
 - vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Related party balances

	Total loans		Total deposits	
	2015	2014	2015	2014
Board of directors	\$ 618,682	636,300	117,804	109,796
Credit committee	41,439	4,214	34,429	52,620
Supervisory committee	38,395	27,532	129,565	120,154
Key management personnel	309,135	326,995	542,800	567,759
Total related party balances	\$ 1,007,651	995,041	824,598	850,329

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Eastern Caribbean Dollars)

24 Related party balances and transactions (cont'd)

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.

	2015	2014
Interest income on loans	\$ 83,482	86,999
Interest expense on deposits	23,068	26,603
Accrued interest receivable on loans	638	711
Accrued interest payable on deposits	3,190	5,024

Interest rates on related party deposits range from 2.0% to 6% (2014: 3.5% to 6%). Interest rates on related party loans range from 7.5% to 12% (2014: 7.5% to 12%).

Remuneration of key management personnel

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

	2015	2014
Salaries and allowances	\$ 419,817	408,991
Other staff costs	58,931	58,931
	\$ 478,748	467,922

25 Dividends

During the year, the Credit Union paid no dividends (2014: \$135,798) to its members/shareholders. The dividend payments in 2014 represented 4.5% of share value. Dividends for 2015 have not yet been proposed. As the distribution of dividends requires approval at the Annual General Meeting, no liability in this respect is recognised in the 2015 financial statements.

