

Community First Co-operative Credit Union Limited

Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

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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**, which comprise the statement of financial position as of December 31, 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and 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 the auditors' 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, the auditors 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 accompanying financial statements present fairly, in all material respects, the financial position of **Community First Co-operative Credit Union Limited** as of December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Accountants

June 16, 2015

St. John's, Antigua

Community First Co-operative Credit Union Limited

Statement of Financial Position


As of December 31, 2014


(expressed in Eastern Caribbean dollars)

	Notes	2014 \$	2013 \$
Assets			
Cash and cash equivalents	9	12,527,793	12,489,781
Loans and advances	10	88,685,866	77,966,106
Investment securities	11	8,267,165	3,067,417
Other assets	12	427,074	505,805
Property and equipment	13	12,333,726	12,072,098
Total assets		122,241,624	106,101,207
Liabilities			
Bank overdraft	14	—	48,132
Members' deposits	15	105,534,689	89,804,220
Other liabilities	16	541,012	491,971
Total liabilities		106,075,701	90,344,323
Members' equity			
Permanent shares	17	3,281,260	3,114,405
Reserves	18	8,768,239	8,901,219
Retained earnings		4,116,424	3,741,260
Total members' equity		16,165,923	15,756,884
Total liabilities and members' equity		122,241,624	106,101,207

The notes on pages 1 to 35 are an integral part of these financial statements.

Approved for issue on behalf of the Board of Directors on June 9, 2015

 Chairman

 Treasurer

Community First Co-operative Credit Union Limited

Statement of Comprehensive Income

For the year ended December 31, 2014

(expressed in Eastern Caribbean dollars)

	Notes	2014 \$	2013 \$
Interest income		7,882,156	7,188,126
Interest expense		(3,008,618)	(2,645,436)
Net interest income		4,873,538	4,542,690
Other income	20	616,851	667,857
Operating income		5,490,389	5,210,547
Operating expenses			
General and administrative expenses	19	(4,240,411)	(3,748,833)
Provision for impairment	10	(1,122,444)	(968,872)
		(5,362,855)	(4,717,705)
Finance income			
Investment income		243,293	214,685
Profit for the year		370,827	707,527
Other comprehensive income			
Adjustments to revaluation surplus		—	16,888
Total comprehensive income for the year		370,827	724,415

The notes on pages 1 to 35 are an integral part of these financial statements.

Community First Co-operative Credit Union Limited

Statement of Cash Flows

For the year ended December 31, 2014

(expressed in Eastern Caribbean dollars)

	Notes	2014 \$	2013 \$
Cash flows from operating activities			
Profit for the year		370,827	707,527
Items not affecting cash:			
Depreciation	13	344,129	378,165
Provision for impairment – loans	10	1,122,444	968,872
Interest expense on members' deposits		3,008,618	2,645,436
Interest income		(7,882,156)	(7,188,126)
Operating loss before changes in working capital		(3,036,138)	(2,488,126)
Increase in loans and advances		(11,681,353)	(4,963,248)
Decrease in other assets		78,731	34,553
Increase in other liabilities		49,041	58,092
Increase in members' deposits		15,702,364	9,051,975
Cash generated from operations		1,112,645	1,693,246
Interest received		7,721,305	7,053,777
Interest paid		(2,980,513)	(2,607,897)
Net cash generated from operating activities		5,853,437	6,139,126
Cash flows from investing activities			
(Purchases)/redemption of investment securities		(5,199,748)	1,462,301
Purchase of property and equipment	13	(605,757)	(150,535)
Net cash (used in)/generated from investing activities		(5,805,505)	1,311,766
Cash flows from financing activities			
Proceeds from issuance of permanent shares		166,855	167,285
Entrance fees		7,155	5,830
Dividends paid	25	(135,798)	(228,550)
Net cash generated from/ (used in) financing activities		38,212	(55,435)
Increase in cash and cash equivalents		86,144	7,395,457
Cash and cash equivalents, beginning of year		12,441,649	5,046,192
Cash and cash equivalents, end of year		12,527,793	12,441,649
Represented by:			
Cash and cash equivalents	9	12,527,793	12,489,781
Bank overdraft	14	–	(48,132)
		12,527,793	12,441,649

The notes on pages 1 to 35 are an integral part of these financial statements

Community First Co-operative Credit Union Limited

Statement of Changes in Members' Equity

For the year ended December 31, 2014

(expressed in Eastern Caribbean dollars)

	Notes	Permanent shares \$	Reserves \$	Retained earnings \$	Total \$
Balance at December 31, 2012		2,947,120	8,194,426	3,335,095	14,476,641
Transactions with members					
Dividends paid	25	—	—	(228,550)	(228,550)
Issuance of permanent shares	17	167,285	—	—	167,285
		167,285	—	(228,550)	(61,265)
Other reserves movements					
Statutory reserve	18	—	176,883	(176,883)	—
Entrance fees	18	—	5,830	—	5,830
Revaluation surplus transfer		—	(87,183)	87,183	—
		—	95,530	(89,700)	5,830
Comprehensive income					
Profit for the year		—	—	707,527	707,527
<i>Other comprehensive income</i>					
Adjustments to revaluation surplus		—	611,263	16,888	628,151
Total comprehensive income		—	611,263	724,415	1,335,678
Balance, 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

The notes on pages 1 to 35 are an integral part of these financial statements.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(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) and IFRIC interpretations as issued by the International Accounting Standard Board (IASB). 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 and revised standards that are effective for the Company's annual periods beginning on or after January 1, 2014

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have been applied in preparing these financial statements

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

These amendments clarify the application of certain offsetting criteria in IAS 32, including:

- the meaning of 'currently has a legally enforceable right of set-off'
- that some gross settlement mechanisms may be considered equivalent to net settlement.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies ... *continued*

The amendments have been applied retrospectively in accordance with their transitional provisions. As the Credit Union does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the financial statements for any period presented.

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

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

Management anticipates that all 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 and interpretations not either adopted or listed are not expected to have a material impact on the Credit Union's financial statements.

IFRS 9 'Financial instruments' (2014)

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Credit Union's management has yet to assess the impact on the Credit Union's financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for reporting periods beginning on or after 1 January 2017. The Credit Union's management have not yet assessed the impact of IFRS 15 on these financial statements.

4 Summary of 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.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... continued

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 statement of comprehensive income, 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.

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 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.

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 statement of comprehensive income 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.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... continued

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 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 as 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.

(a) *Initial recognition of financial instruments*

(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. Loans and receivables are considered as current assets if maturity is within twelve (12) months from the reporting date. Otherwise, these are classified as noncurrent 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 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 of cash in bank, fixed deposits, treasury bills, loans and advances, loan interest receivable and other receivables.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... continued

4.5 Financial instruments ... continued

(a) Initial recognition of financial instruments ... continued

(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 cost less any impairment charges as the fair value cannot currently be estimated reliably. Impairment charges are recognised 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 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 Investment Securities (note 11).

(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 the statement of comprehensive income when the liabilities are derecognised, as well as through the amortisation process.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... continued

4.5 Financial instruments ... continued

(a) Initial recognition of financial instruments ... continued

(iv) Financial liabilities at amortised cost ... continued

Other financial liabilities comprises bank overdraft (note 14), members' deposits (note 15), 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.

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 statement of comprehensive income.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... continued

4.5 Financial instruments ... continued

(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 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 statement of comprehensive income.

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.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... *continued*

4.5 Financial instruments ... *continued*

(c) *Identification and measurement of impairment ... continued*

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 statement of comprehensive income. 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 realise the asset and settle the liability simultaneously.

4.6 Cash and cash equivalents

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

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.

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.

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 members' equity under the heading of revaluation reserves (note 18). However, the increase shall be recognised in statement of comprehensive income to the extent that it reverses a revaluation decrease of the same asset previously recognised in statement of comprehensive income.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... continued

4.7 Property and equipment and depreciation ... continued

ii. Subsequent measurement ... continued

Land and building ... continued

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in the statement of comprehensive income. 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 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 shall be 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 per annum:

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.

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 the statement of comprehensive income.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... *continued*

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 risks factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount.

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 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.

4.10 Employee benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... *continued*

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

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

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

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 the statement of comprehensive income upon utilisation of the service or as incurred.

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 the statement of comprehensive income 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.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

5 Significant management judgement in applying accounting policies and estimation uncertainty ... *continued*

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.

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 cashflows were to differ by +/-10% due to variation in collections costs and time to collection estimation, the impairment provision would have differed and had an impact on the Credit Union's profit for the year. The impairment provision would be an estimated \$244,786 lower or \$73,150 higher.

6 Financial instrument risk

Risk management objectives and policies

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.

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.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

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6 Financial instrument risk ... continued

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.

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 for members, placing deposits, investing in bonds, etc.

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:

	2014 \$	2013 \$
On balance sheet		
Cash and cash equivalents	12,527,793	12,489,781
Loans and advances	88,685,866	77,966,106
Investments	8,267,165	3,067,417
Other assets	241,152	328,746
	<hr/>	<hr/>
	109,721,976	93,852,050
	<hr/>	<hr/>
Off balance sheet		
Unused line of credit	1,246,016	5,860,673
	<hr/>	<hr/>

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

6 Financial instrument risk ... continued

6.1 Credit risk analysis ... continued

Credit risk in respect of financial assets are 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.

	Personal loans \$	Mortgage loans \$	Total \$
As at December 31, 2014			
Standard monitoring	<u>48,056,641</u>	<u>35,891,983</u>	<u>83,948,624</u>
As at December 31, 2013			
Standard monitoring	<u>41,581,693</u>	<u>32,380,007</u>	<u>73,961,700</u>

(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*

During the year, the categories of loans and advances which were impaired were the personal loans and the mortgage loans categories. The gross amount of these categories are \$6,588,433 (2013: \$4,864,004) and the individual impairment allowance is \$2,566,159 (2013: \$1,214,775). The fair value of the collateral is \$2,363,479 (2013: \$4,225,034).

(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 continuous 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, 2014 or 2013.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

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6 Financial instrument risk ... continued

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.

6.1.2 Repossessed collateral

During 2014, the Company obtained assets by taking possession of collateral held as security. These assets, which were residential properties, were used to reduce the outstanding balances and were disposed of as at December 31, 2014. Therefore, the Company has no repossessed collateral recorded in its statement of financial position as of December 31, 2014.

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 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

December 31, 2014

(expressed in Eastern Caribbean dollars)

6 Financial instrument risk ... continued

6.2 Liquidity risk analysis ... continued

Non-derivative financial liabilities held for managing liquidity.

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, 2014

	Up to 1 month \$	1-3 months \$	3-12 months \$	1-5 years \$	Over 5 years \$	Total \$
Liabilities						
Members' deposits	79,418,469	3,229,951	23,425,274	—	—	106,073,694
Other liabilities	541,012	—	—	—	—	541,012
	79,959,481	3,229,951	23,425,274	—	—	106,614,706

As of December 31, 2013

	Up to 1 month \$	1-3 months \$	3-12 months \$	1-5 years \$	Over 5 years \$	Total \$
Liabilities						
Bank overdraft	48,132	—	—	—	—	48,132
Members' deposits	70,646,411	8,092,822	12,040,651	—	—	90,779,884
Other liabilities	491,971	—	—	—	—	491,971
	71,186,514	8,092,822	12,040,651	—	—	91,319,987

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

6 Financial instrument risk ... *continued*

6.2 Liquidity risk analysis ... *continued*

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 Unions assets held for managing liquidity risk comprise:

- Un-restricted cash in bank
- 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 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 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 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 of maturity dates.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

6 Financial instrument risk ... continued

6.3 Market risk analysis ... continued

(iii) Interest rate risk ... continued

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
Investments 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	79,875,017	3,110,072	22,549,600	—	—	—	105,534,689
Other liabilities		—	—	—	—	—	541,012	541,012
Total financial liabilities		79,875,017	3,110,072	22,549,600	—	—	541,012	106,075,701
Total interest repricing gap		(66,345,722)	(2,967,326)	(13,824,953)	27,349,962	59,646,273	(211,959)	3,646,275

Community First Co-operative Credit Union Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

6 Financial instrument risk ... continued

6.3 Market risk analysis ... continued

(iii) Interest rate risk ... continued

As of December 31, 2013

	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	1	12,489,781	—	—	—	—	—	12,489,781
Loans and advances	6.375 - 15	(173,675)	159,754	2,366,272	20,075,786	55,537,969	—	77,966,106
Investments securities	4 - 5	—	—	2,567,417	500,000	—	—	3,067,417
Other assets		—	—	—	—	—	328,746	328,746
Total financial assets		12,316,106	159,754	4,933,689	20,575,786	55,537,969	328,746	93,852,050
Liabilities								
Members' deposits	3 - 7	63,321,494	3,812,169	22,670,557	—	—	—	89,804,220
Other liabilities		—	—	—	—	—	491,971	491,971
Total financial liabilities		63,321,494	3,812,169	22,670,557	—	—	491,971	90,296,191
Total interest repricing gap		(51,005,388)	(3,652,415)	(17,736,868)	20,575,786	55,537,969	(163,225)	3,555,859

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

6 Financial instrument risk ... continued

6.3 Market risk analysis ... continued

(iii) Interest rate risk ... continued

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 risk 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'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

December 31, 2014

(expressed in Eastern Caribbean dollars)

6 Financial instrument risk ... continued

6.4 Operational risk ... continued

- 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 the Supervisory Committee. The results of the Supervisory Committee reviews are discussed with the management, with summaries to the Board of Directors.

7 Fair value measurement

a) Financial instruments not measured at fair value

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

	Carrying Value		Fair Value	
	2014	2013	2014	2013
	\$	\$	\$	\$
Financial assets				
<i>Investment securities:</i>				
– Loans and receivables investment securities	7,612,758	2,479,466	7,612,758	2,479,466
– Held to maturity investment securities	578,367	511,912	570,179	511,912
Loans and advances	88,685,866	77,966,106	86,775,486	76,423,465
Other assets	241,152	328,746	241,152	328,746
	97,118,143	81,286,230	95,199,575	79,743,589
Financial liabilities				
Members' deposits	105,534,689	89,804,220	105,534,689	89,804,220
Other liabilities	541,012	491,971	541,012	491,971
	106,075,701	90,296,191	106,075,701	90,296,191

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

7 Fair value measurement ... continued

a) Financial instruments not measured at fair value ... continued

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

(iii) *Member's 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 Credit Union has no financial instruments measured at fair value for the year ended December 31, 2014 and December 31, 2013.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

7 Fair value measurement ... continued

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, 2014 and December 31, 2013.

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

	Level 3	Total
December 31, 2013		
Property and equipment		
Land	2,809,776	2,809,776
Buildings	8,466,615	8,466,615
	<hr/>	
Total assets	11,276,391	11,276,391

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

7 Fair value measurement ... continued

c) Fair value measurement of non-financial assets

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.

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	2014 %	2013 %
1. Net Loans/Total Assets	70% to 80%	72.5	73.5
2. Institutional Capital/Total Assets	10% minimum	10.5	11.91
3. Total Delinquency/Total Loan	5% maximum	6.5	6.2

Community First Co-operative Credit Union Limited

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December 31, 2014

(expressed in Eastern Caribbean dollars)

9 Cash and cash equivalents

	2014 \$	2013 \$
Cash on hand	1,450,773	752,714
Cash in bank	11,077,020	11,737,067
Total cash and cash equivalents	12,527,793	12,489,781

10 Loans and advances

	2014 \$	2013 \$
Personal loans	46,992,493	41,004,501
Mortgage loans	38,751,985	34,423,012
Christmas loans	3,801,164	2,508,108
Overdrafts	961,415	890,083
Loans and advances to members	90,507,057	78,825,704
Less: Provision for loan losses	(2,696,331)	(1,573,887)
	87,810,726	77,251,817
Loan interest receivable	875,140	714,289
Total loans and advances to members	88,685,866	77,966,106
Current	1,774,588	2,352,351
Non-current	86,911,278	75,613,755
	88,685,866	77,966,106

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

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10 Loans and advances ... continued

	2014	2013
Provision for loan losses		
Balance at beginning of the year	1,573,887	788,209
Amounts written off during the year	—	(183,194)
Provisions for credit losses	1,122,444	968,872
	<hr/>	<hr/>
Balance at end of the year	2,696,331	1,573,887

The average interest rate earned on the loans and advances during the financial year was 9.5% (2013: 9.1%).

The Credit Union's loan loss provision under the PEARLS methodology was not materially different from IAS 39 for the year ended December 31, 2014. 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-operatives Societies Regulations 2010, Section 201 (compliance with PEARLS). As of December 31, 2014 the provision for credit losses in accordance with the PEARLS methodology amounted to \$1,576,738.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

11 Investment securities

	2014 \$	2013 \$
Loans and receivables		
One (1) year fixed deposits		
Antigua Commercial Bank Ltd.	3,482,182	1,425,997
National Co-operative Credit Union (Dominica)	1,345,000	1,000,000
Grenada Public Service Co-operative Credit Union	1,000,000	—
	<u>5,827,182</u>	<u>2,425,997</u>
One (1) year treasury bills		
Government of Antigua and Barbuda	<u>654,500</u>	<u>—</u>
Three (3) years fixed deposits		
Capital Financial Services Inc.	<u>1,000,000</u>	<u>—</u>
Total loans and receivables	<u>7,481,682</u>	<u>2,425,997</u>
Held to maturity		
Two (2) years bond		
Government of St. Lucia	<u>297,737</u>	<u>—</u>
Three (3) years bond		
Eastern Caribbean Home Mortgage Bank	<u>—</u>	<u>500,000</u>
Seven (7) years bond		
Government of Antigua and Barbuda	<u>249,173</u>	<u>—</u>
Total held to maturity	<u>546,910</u>	<u>500,000</u>

Community First Co-operative Credit Union Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

11 Investment securities ... continued

	2014 \$	2013 \$
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
	<hr/>	
Total available for sale – equity securities	76,040	76,040
	<hr/>	
Interest receivable	162,533	65,380
	<hr/>	
Total investment securities	8,267,165	3,067,417
	<hr/>	
	2014 \$	2013 \$
Current	6,720,254	2,567,417
Non-current	1,546,911	500,000
	<hr/>	
	8,267,165	3,067,417
	<hr/>	

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

12 Other assets

	2014 \$	2013 \$
Other receivables	241,152	328,746
Prepayments	135,233	128,488
Unused office supplies	50,689	48,571
	<hr/>	
Total other assets	427,074	505,805
	<hr/>	

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 Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

13 Property and equipment

	Land \$	Building \$	Leasehold improvements \$	Office equipment \$	Furniture and fixture \$	Computer equipment \$	Motor vehicles \$	Work in progress \$	Total \$
Cost/valuation									
At December 31, 2012	2,809,776	8,872,798	407,912	1,066,559	791,898	668,736	82,894	36,339	14,736,912
Additions	—	—	—	2,473	13,527	13,380	27,000	94,155	150,535
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
Accumulated depreciation									
At December 31, 2012	—	845,767	77,272	909,966	531,196	643,458	57,676	—	3,065,335
Charge for the year	—	188,567	20,396	70,841	70,225	19,957	8,179	—	378,165
Adjustment to revaluation reserve	—	(628,151)	—	—	—	—	—	—	(628,151)
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	20,396	50,582	77,016	8,951	8,179	—	344,129
At December 31, 2014	—	585,188	118,064	1,031,389	678,437	672,366	74,034	—	3,159,478
Carrying value									
At December 31, 2014	2,809,776	8,633,544	289,848	367,474	134,276	15,066	35,860	47,882	12,333,726
At December 31, 2013	2,809,776	8,466,615	310,244	88,225	204,004	18,701	44,039	130,494	12,072,098

Community First Co-operative Credit Union Limited

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December 31, 2014

(expressed in Eastern Caribbean dollars)

13 Property and equipment ... continued

(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 (ABIA) on September 2011. The excess of the appraised value over cost amounted to EC\$4,271,026, this 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, 2014.

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

14 Bank overdraft

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

15 Members' deposits

	2014 \$	2013 \$
Regular savings	54,828,237	47,892,024
Term deposits	27,467,820	23,039,161
Deposit accounts	16,236,166	13,299,311
Individual retirement accounts (CFIRA)	1,702,527	1,273,643
School saving society	1,399,396	1,244,343
Checking accounts	1,044,448	770,173
Education savings accounts (CFESA)	896,934	701,331
Thrift Fund	781,343	578,528
Summer club	371,313	302,635
Insurance deposits	266,023	195,287
Graduation club	15,668	10,825
Holiday Club	100	350
	105,009,975	89,307,611
Interest payable	524,714	496,609
Total members' deposits	105,534,689	89,804,220

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

15 Members' deposits ... continued

	2014 \$	2013 \$
Current	105,534,689	89,804,220
Non-current	—	—
	<u>105,534,689</u>	<u>89,804,220</u>

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

16 Other liabilities

	2014 \$	2013 \$
Trade payables	77,609	68,633
Accruals and other liabilities	463,403	423,338
	<u>541,012</u>	<u>491,971</u>

17 Permanent shares

	2014 \$	2013 \$
Issued and fully paid \$656,252 (2013: \$622,881)	<u>3,281,260</u>	<u>3,114,405</u>

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 restricted to a maximum of 20% of the total share capital held by any one member. During the year the Credit Union issued 33,371 (2013: 33,457) permanent shares at \$5 each to its members for cash.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

18 Reserves

	2014 \$	2013 \$
Statutory		
Balance at January 1	3,270,442	3,093,559
Appropriation of net income	92,706	176,883
	<hr/>	<hr/>
Balance at December 31	3,363,148	3,270,442
General		
Entrance fees	111,042	103,887
Donated capital	10,209	10,209
	<hr/>	<hr/>
	121,251	114,096
Revaluation reserve		
Balance at January 1	5,516,681	4,992,601
Revaluation surplus transfer	(87,183)	(87,183)
Loan loss reserve	(145,658)	—
Adjustments	—	611,263
	<hr/>	<hr/>
Balance at December 31	5,283,840	5,516,681
Total reserves	8,768,239	8,901,219

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 placed to a general reserve.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

19 General and administrative expenses

	Notes	2014 \$	2013 \$
Payroll and related cost	21	1,716,761	1,469,173
Depreciation	13	344,129	378,165
CUNA insurance premiums		314,423	285,718
Repairs and maintenance		303,200	223,478
Insurance		178,230	192,955
Stationery		177,506	136,285
Advertising		164,717	134,963
Building security		118,781	138,584
Utilities		166,116	119,645
League fees and expenses		115,000	115,000
Audit fees		96,058	70,000
Telephone and cables		70,544	68,278
Cleaning		66,776	74,328
Legal and professional fees		57,917	78,080
Education and training	22	55,410	55,402
Uniforms		43,296	8,365
Annual general meeting		38,550	38,550
Bank charges and interest		36,961	34,768
Social events		34,009	20,815
Office and general expenses		32,801	16,249
Directors' and committee expenses		31,662	27,277
Rent		28,290	24,840
Contribution and donations		23,821	18,520
Miscellaneous		13,731	6,958
Gasoline		8,581	8,399
Subscriptions		2,727	2,701
Postage		414	1,337
Total general and administrative expenses		4,240,411	3,748,833

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

20 Other income

	2014 \$	2013 \$
Fees and commission	314,581	376,722
Loan fees	246,639	186,828
Other income	55,631	104,307
Total other income	616,851	667,857

21 Payroll and related costs

	2014 \$	2013 \$
Salaries and wages	1,353,021	1,153,497
Other benefits	242,577	214,743
Social security contributions	74,050	60,872
Medical benefits contributions	47,113	40,061
Total payroll and related costs	1,716,761	1,469,173
Number of employees	27	26

22 Education and training

	2014 \$	2013 \$
Convention and Organization of the Eastern Caribbean States (OECS) Summit	2,917	21,140
Caribbean Confederation of Credit Unions (CCCU)	23,056	18,002
Human Resources Development	29,437	16,260
Total education and training	55,410	55,402

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 Financial Statements

December 31, 2014

(expressed in Eastern Caribbean dollars)

24 Related party transactions and balances

Related party balances

	Total loans		Total deposits	
	2014	2013	2014	2013
	\$	\$	\$	\$
Board of Directors	636,300	683,902	109,796	213,944
Credit committee	4,214	—	52,620	40,991
Supervisory committee	27,532	8,836	120,154	69,468
Key management personnel	326,995	411,484	567,759	559,905
Total related party balances	995,041	1,104,222	850,329	884,308

Related party transactions

	2014	2013
	\$	\$
Interest income on loans	86,999	93,142
Interest expense on deposits	26,603	31,563
Accrued interest receivable on loans	711	847
Accrued interest payable on deposits	5,024	6,252

Interest rates on related party deposits range 3.5% to 6%. Interest rates on related party loans range 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:

	2014	2013
	\$	\$
Salaries and allowances	408,991	419,247
Other staff costs	58,931	51,655
	467,922	470,902

25 Dividends

During the year, the Credit Union paid dividends of \$135,798 (2013: \$228,550) to its members/shareholders. This represents a payment of 4.5% of share value (2013: 8% of share value). Dividends for 2014 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 2014 financial statements.