

**Community First Co-operative Credit
Union Limited**

Financial Statements
December 31, 2013
(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, 2013, 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, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


Chartered Accountants

June 23, 2014
St. John's, Antigua

Community First Co-operative Credit Union Limited

Statement of Financial Position

As of December 31, 2013

(expressed in Eastern Caribbean dollars)

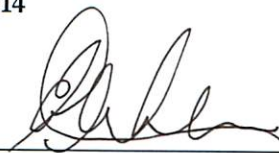
	Notes	2013 \$	2012 \$
Assets			
Cash and cash equivalents	9	12,489,781	5,053,393
Loans and advances	10	77,966,106	73,837,381
Investment securities	11	3,067,417	4,529,718
Other assets	12	505,805	540,358
Property and equipment	13	12,072,098	11,671,577
Total assets		106,101,207	95,632,427
Liabilities			
Bank overdraft	14	48,132	7,201
Members' deposits	15	89,804,220	80,714,706
Other liabilities	16	491,971	433,879
Total liabilities		90,344,323	81,155,786
Members' Equity			
Permanent shares	17	3,114,405	2,947,120
Reserves	18	8,901,219	8,194,426
Retained earnings		3,741,260	3,335,095
Total Members' Equity		15,756,884	14,476,641
Total liabilities and members' equity		106,101,207	95,632,427

The notes on pages 1 to 36 are an integral part of these financial statements.

Approved for issue on behalf of the Board of Directors on June 23, 2014



Chairman



Treasurer

Community First Co-operative Credit Union Limited

Statement of Comprehensive Income

For the year ended December 31, 2013

(expressed in Eastern Caribbean dollars)

	Notes	2013 \$	2012 \$
Interest income		7,188,126	6,768,581
Interest expense		<u>(2,645,436)</u>	<u>(2,399,776)</u>
Net interest income		<u>4,542,690</u>	<u>4,368,805</u>
Other income	20	<u>667,857</u>	<u>754,684</u>
Operating income		<u>5,210,547</u>	<u>5,123,489</u>
Operating expenses			
General and administrative expenses	19	<u>(3,748,833)</u>	<u>(3,857,636)</u>
Provision for impairment	10	<u>(968,872)</u>	<u>(153,888)</u>
		<u>(4,717,705)</u>	<u>(4,011,524)</u>
Finance income			
Investment income		214,685	219,975
Profit for the year		<u>707,527</u>	<u>1,331,940</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>707,527</u>	<u>1,331,940</u>

The notes on pages 1 to 36 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, 2013

(expressed in Eastern Caribbean dollars)

	Notes	2013 \$	2012 \$
Cash flows from operating activities			
Profit for the year		707,527	1,331,940
Items not affecting cash:			
Depreciation	13	378,165	449,904
Provision for impairment – loans	10	574,331	163,097
Provision for impairment – delinquent loan interest		211,347	(8,707)
Interest expense on members' deposits		2,645,436	2,399,776
Interest income		(7,188,126)	(6,768,581)
Operating loss before changes in working capital		(2,671,320)	(2,432,571)
Increase in loans and advances		(4,780,054)	(9,625,738)
Decrease in other assets		34,553	10,068
Increase in other liabilities		58,092	33,233
Increase in members' deposits		9,051,975	7,690,406
Cash generated from/(used in) operations		1,693,246	(4,324,602)
Interest received		7,053,777	6,688,907
Interest paid		(2,607,897)	(2,374,562)
Net cash generated from/(used in) operating activities		6,139,126	(10,257)
Cash flows from investing activities			
Redemption/(purchases) of investment securities		1,462,301	(138,902)
Purchase of property and equipment	13	(150,535)	(230,819)
Net cash generated from/(used in) investing activities		1,311,766	(369,721)
Cash flows from financing activities			
Proceeds from issuance of permanent shares		167,285	71,660
Entrance fees		5,830	6,165
Dividends paid		(228,550)	(226,372)
Net cash used in financing activities		(55,435)	(148,547)
Increase/(decrease) in cash and cash equivalents		7,395,457	(528,525)
Cash and cash equivalents, beginning of year		5,046,192	5,574,717
Cash and cash equivalents, end of year		12,441,649	5,046,192
Represented by:			
Cash and cash equivalents		12,489,781	5,053,393
Bank overdraft		(48,132)	(7,201)
		12,441,649	5,046,192

The notes on pages 1 to 36 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, 2013

(expressed in Eastern Caribbean dollars)

	Notes	Permanent shares \$	Reserves \$	Retained earnings \$	Total \$
Balance at December 31, 2011		2,875,460	7,904,921	2,512,868	13,293,249
Transactions with members					
Dividends paid		–	–	(226,373)	(226,373)
Issuance of permanent shares	17	71,660	–	–	71,660
		71,660	–	(226,373)	(154,713)
Other reserves movements					
Statutory reserve	18	–	349,533	(349,533)	–
Entrance fees	18	–	6,165	–	6,165
		–	355,698	(349,533)	6,165
Comprehensive income					
Profit for the year		–	–	1,331,940	1,331,940
Other comprehensive income					
Revaluation surplus transfer		–	(66,193)	66,193	–
Total comprehensive income		–	(66,193)	1,398,133	1,331,940
Balance at December 31, 2012		2,947,120	8,194,426	3,335,095	14,476,641
Transactions with members					
Dividends paid		–	–	(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
		–	182,713	(176,883)	5,830
Comprehensive income					
Profit for the year		–	–	707,527	707,527
Other comprehensive income					
Adjustments to revaluation surplus		–	611,263	16,888	628,151
Revaluation surplus transfer		–	(87,183)	87,183	–
Total comprehensive income		–	524,080	811,598	1,335,678
Balance at December 31, 2013		3,114,405	8,901,219	3,741,260	15,756,884

The notes on pages 1 to 36 are an integral part of these financial statements.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(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 annual periods beginning on or after January 1, 2013

The following new and revised standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 ‘Fair value measurements’

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances. IFRS 13 applies prospectively for annual periods beginning on or after January 1, 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Credit Union has applied IFRS 13 for the first time in the current year, see note 7.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(expressed in Eastern Caribbean dollars)

3 Changes in accounting policies...continued

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, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Credit Union.

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. Information on new standards, amendments and interpretations that are expected to be relevant to the Credit Union's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Credit Union's financial statements.

IFRS 9 'Financial instruments'

IFRS 9 'Financial instruments' (IFRS 9), aims to replace IAS 39 'Financial Instruments: Recognition and Measurement (IAS 39) in its entirety. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and liabilities and hedge accounting have been issued. The IASB is still considering limited amendments to the classification and measurement requirements already included in IFRS 9 and are working on finalising the new expected credit loss impairment model. It also has a separate active project on accounting for macro hedging which it continues to work on. The January 1, 2015 mandatory effective date of IFRS 9 has been removed to provide sufficient time for entities to make the transition to the new requirements. However, early adoption is permitted. The IASB will decide upon a new effective date when the entire IFRS 9 project is closer to completion. The Credit Union's management has yet to assess the impact of this new standard on the Credit Union's financial statements. However, management does not expect to implement IFRS 9 until all of its chapters have been published and its overall impact can be assessed.

Offsetting financial assets and financial liabilities (Amendments to IAS 32)

The Amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

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

The Amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the Credit Union's financial statements from these Amendments.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Credit Union.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(expressed in Eastern Caribbean dollars)

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.

4.2 Revenue recognition

(i) *Interest income*

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

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

(ii) *Other income*

Other income is recognised on the accrual basis.

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

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(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 either as financial liabilities at fair value through profit and loss or other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

(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 loans and advances, loan interest receivable and other receivables.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(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 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 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 profit or loss 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, 2013

(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 profit or loss.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(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 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 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, 2013

(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 profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity.

(d) *Offsetting Financial Instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to 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 that are readily convertible into know 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 profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(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 profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserves in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in 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	2%
Leasehold improvements	15%
Land improvements	5%
Office equipment	15%
Furniture and fixtures	10%
Computer equipment	33 ¹ / ₃ %
Motor vehicles	20%

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, 2013

(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 Borrowing costs

Borrowing costs that are directly attributable to the construction of a qualified asset are capitalised and included in the carrying value of property and equipment.

4.10 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.

4.11 Employee benefits

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

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ... *continued*

4.12 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.

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.

4.13 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 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 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.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(expressed in Eastern Caribbean dollars)

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

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 due to variation in collections costs and time to collection estimation, the impairment provision would have differed and had an adverse impact on the Credit Union's profit for the year.

5 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.

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 Financial Statements

December 31, 2013

(expressed in Eastern Caribbean dollars)

6 Financial instrument risk ... continued

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:

	2013	2012
	\$	\$
On balance sheet		
Cash and cash equivalents	12,489,781	5,053,393
Loans and advances	77,966,106	73,837,381
Investments	3,067,417	4,529,719
Other assets	505,805	540,358
	<hr/>	<hr/>
	94,029,109	83,960,851
	<hr/>	<hr/>
	2013	2012
	\$	\$
Off balance sheet		
Unused line of credit	5,860,673	4,007,400
	<hr/>	<hr/>

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.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(expressed in Eastern Caribbean dollars)

6 Financial instrument risk ... continued

6.1 Credit risk analysis ... continued

	Personal loans \$	Mortgage loans \$	Total \$
As at December 31, 2013			
Standard monitoring	41,581,693	32,380,007	73,961,700
As at December 31, 2012			
Standard monitoring	39,372,820	30,709,760	70,082,580

(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 \$4,864,004 (2012: \$3,963,070) and the individual impairment allowance is 1,214,775 (2012: \$640,444). The fair value of the collateral is \$4,225,034 (2012: \$3,581,170).

(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, 2013 or 2012.

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 Financial Statements

December 31, 2013

(expressed in Eastern Caribbean dollars)

6 Financial instrument risk ... *continued*

6.1.2 Repossessed collateral

During 2013, 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 disposed of as at December 31, 2013. Therefore, the Company has no repossessed collateral recorded in its statement of financial position as of December 31, 2013.

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, 2013

(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, 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	63,321,494	3,812,169	22,670,557	—	—	89,804,220
Other liabilities	491,971	—	—	—	—	491,971
	63,861,597	3,812,169	22,670,557	—	—	90,344,323

As of December 31, 2012

	Up to 1 month \$	1-3 months \$	3-12 months \$	1-5 years \$	Over 5 years \$	Total \$
Liabilities						
Bank overdraft	7,201	—	—	—	—	7,201
Members' deposits	57,180,148	4,425,573	17,794,504	—	1,314,481	80,714,706
Other liabilities	433,879	—	—	—	—	433,879
	57,621,228	4,425,573	17,794,504	—	1,314,481	81,155,786

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(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
- Certificates of deposit
- Loans and receivables investment securities
- Unimpaired loans

6.3 Market risk analysis

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

(i) *Currency risk*

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

(ii) *Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market. The Credit Union has no exposure to such risk since its existing available for sale investments are not listed in 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, 2013

(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 \$	Total \$
Assets							
Cash and cash equivalents	1	12,489,781	–	–	–	–	12,489,781
Loans and advances	6.375 - 15	685,923	159,754	2,366,272	20,075,786	55,537,969	78,825,704
Investments securities	4 - 5	–	–	2,567,417	500,000	–	3,067,417
Total financial assets		13,175,704	159,754	4,933,689	20,575,786	55,537,969	94,382,902
Liabilities							
Members' deposits	3 - 7	62,824,885	3,812,169	22,670,557	–	–	89,307,611
Total financial liabilities		62,824,885	3,812,169	22,670,557	–	–	89,307,611
Total interest repricing gap		(49,649,181)	(3,652,415)	(17,736,868)	20,575,786	55,537,969	5,075,291

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(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, 2012

	Interest rate%	Up to 1 month	1 to 3 months \$	3 to 12 months	1 to 5 years \$	Over 5 years \$	Total \$
Assets							
Cash and cash equivalents	1	5,053,393	—	—	—	—	5,053,393
Loans and advances	6.375 - 15	743,483	1,734,311	8,701,148	25,566,162	37,300,546	74,045,650
Investments	4 - 5	—	—	4,029,718	500,000	—	4,529,718
Total financial assets		5,796,876	1,734,311	12,730,866	26,066,162	37,300,546	83,628,761
Liabilities							
Members' deposit	3 - 6	56,721,078	4,425,573	17,794,504	—	1,314,481	80,255,636
Total financial liabilities		56,721,078	4,425,573	17,794,504	—	1,314,481	80,255,636
Total interest repricing gap		(50,924,202)	(2,691,262)	(5,063,638)	26,066,162	35,986,065	3,373,125

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(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, 2013

(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 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) Fair value measurement of financial instruments

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Credit Union's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes listed debt instruments quoted on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The hierarchy requires the use of observable market data when available. The Credit Union considers relevant and observable market prices in its valuations where possible.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(expressed in Eastern Caribbean dollars)

6 Fair value measurement ... continued

a) Fair value measurement of financial instruments ... continued

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into Level 2 of a fair value hierarchy.

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Financial assets				
Loans and advances	–	76,423,465	–	76,423,465
Investments	–	3,067,417	–	3,067,417
Total assets	–	79,490,882	–	79,490,882
Financial liabilities				
Members' deposits	–	89,804,220	–	89,804,220
Total liabilities	–	89,804,220	–	89,804,220
Net fair value	–	10,313,338	–	10,313,338

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 2 are described below:

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

The fair value of loans and advances to members is equivalent to the present value of the estimated future cash flows, discounted at the market rate of interest as at the reporting date.

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

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(expressed in Eastern Caribbean dollars)

7 Fair value measurement ... *continued*

b) 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, 2013.

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Property and equipment				
Land	–	–	2,809,776	2,809,776
Buildings	–	–	8,466,615	8,466,615
Total assets	–	–	11,276,391	11,276,391

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.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(expressed in Eastern Caribbean dollars)

8 Capital management policies and procedures ... continued

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	2013 %	2012 %
1. Net Loans/Total Assets	70% to 80%	73.5	75.9
2. Institutional Capital/Total Assets	10% minimum	11.91	12.0
3. Total Delinquency/Total Loan	5% maximum	6.2	5.4

9 Cash and cash equivalents

	2013 \$	2012 \$
Cash on hand	752,714	777,196
Cash in bank	11,737,067	4,276,197
Total cash and cash equivalents	12,489,781	5,053,393

10 Loans and advances

	2013 \$	2012 \$
Personal loans	41,004,501	40,274,348
Mortgage loans	34,423,012	32,399,503
Christmas loans	2,508,108	537,081
Overdrafts	890,083	834,718
Loans and advances to members	78,825,704	74,045,650
Less: Provision for loan losses	(1,214,775)	(640,444)
	77,610,929	73,405,206

Community First Co-operative Credit Union Limited

Notes to Financial Statements

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(expressed in Eastern Caribbean dollars)

10 Loans and advances ... continued

	2013	2012
	\$	\$
Loan interest receivable	714,289	579,940
Less: Provision for unrecoverable interest	<u>(359,112)</u>	<u>(147,765)</u>
	<u>355,177</u>	<u>432,175</u>
Total loans and advances to members	<u>77,966,106</u>	<u>73,837,381</u>
Current	10,890,412	6,941,663
Non-current	<u>67,075,694</u>	<u>66,895,718</u>
	<u>77,966,106</u>	<u>73,837,381</u>
Provision for loan losses		
Balance at beginning of the year	640,444	477,347
Amounts written off during the year	(187,621)	-
Provisions for credit losses	<u>761,952</u>	<u>163,097</u>
Balance at end of the year	<u>1,214,775</u>	<u>640,444</u>

The average interest rate earned on the loans and advances during the financial year was 9.1% (2012: 9%).

The Credit Union's loan loss provision under the PEARLS methodology was not materially different from IAS 39 for the year ended December 31, 2013. 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).

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(expressed in Eastern Caribbean dollars)

11 Investment securities

	2013	2012
	\$	\$
Held to maturity		
One (1) year fixed deposits		
Antigua Commercial Bank Ltd.	1,425,997	1,371,151
National Co-operative Credit Union (Dominica)	1,000,000	–
Caribbean Union Bank Ltd.	–	1,000,000
	<u>2,425,997</u>	<u>2,371,151</u>
Two (2) years fixed deposits		
Caribbean Union Bank Ltd.	–	1,441,129
	<u>–</u>	<u>1,441,129</u>
Three (3) years bond:		
Eastern Caribbean Home Mortgage Bank	500,000	500,000
	<u>500,000</u>	<u>500,000</u>
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	65,380	141,398
	<u>65,380</u>	<u>141,398</u>
Total investment securities	<u>3,067,417</u>	<u>4,529,718</u>
Current	2,567,417	4,029,718
Non-current	500,000	500,000
	<u>3,067,417</u>	<u>4,529,718</u>

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.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(expressed in Eastern Caribbean dollars)

12 Other assets

	2013	2012
	\$	\$
Other receivables	328,746	334,932
Prepayments	128,488	147,454
Unused office supplies	48,571	57,972
	<hr/>	<hr/>
Total other assets	505,805	540,358

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, 2013

(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, 2011	2,809,776	8,872,798	209,192	1,044,228	789,028	661,838	82,894	36,339	14,506,093
Additions	–	–	198,720	22,331	2,870	6,898	–	–	230,819
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
Accumulated depreciation									
At December 31, 2011	–	666,924	61,016	769,164	455,956	612,874	49,497	–	2,615,431
Charge for the year	–	178,843	16,256	140,802	75,240	30,584	8,179	–	449,904
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
Carrying value									
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
At December 31, 2012	2,809,776	8,027,031	330,640	156,593	260,702	25,278	25,218	36,339	11,671,577

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(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, 2013.

	Land \$	Buildings \$	Total \$
Cost	1,041,979	5,545,373	6,587,352
Accumulated depreciation	–	(867,708)	(867,708)
Net book values	<u>1,041,979</u>	<u>4,677,665</u>	<u>5,719,644</u>

14 Bank overdraft

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

15 Members' deposits

	2013 \$	2012 \$
Regular savings	47,892,024	44,245,210
Term deposits	23,039,161	21,262,457
Deposit accounts	13,299,311	10,667,082
Individual retirement accounts (CFIRA)	1,273,643	824,710
School saving society	1,244,343	1,145,591
Checking accounts	770,173	647,122
Education savings accounts (CFESA)	701,331	482,217
Thrift Fund	578,528	463,874
Summer club	302,635	304,354
Insurance deposits	195,287	206,021
Graduation club	10,825	6,898
Holiday Club	350	100
	<u>89,307,611</u>	<u>80,255,636</u>
Interest payable	<u>496,609</u>	<u>459,070</u>
Total members' deposits	<u>89,804,220</u>	<u>80,714,706</u>

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(expressed in Eastern Caribbean dollars)

15 Members' deposits ... *continued*

	2013 \$	2012 \$
Current	87,250,718	78,943,905
Non-current	2,553,502	1,770,801
	<u>89,804,220</u>	<u>80,714,706</u>

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

16 Other liabilities

	2013 \$	2012 \$
Accounts payable and accruals	<u>491,971</u>	<u>433,879</u>

17 Permanent shares

	2013 \$	2012 \$
Issued and fully paid \$622,881 (2012: \$589,424)	<u>3,114,405</u>	<u>2,947,120</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 share restricted to a maximum of 20% of the total share capital held by any one member. During the year the Credit Union issued 33,457 (2012: 14,332) permanent shares at \$5 each to its members for cash.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(expressed in Eastern Caribbean dollars)

18 Reserves

	2013	2012
	\$	\$
Statutory		
Balance at January 1	3,093,559	2,744,026
Appropriation of net income	176,883	349,533
	<hr/>	<hr/>
Balance at December 31	3,270,442	3,093,559
	<hr/>	<hr/>
General		
Entrance fees	103,887	98,057
Donated capital	10,209	10,209
	<hr/>	<hr/>
	114,096	108,266
	<hr/>	<hr/>
Revaluation reserve		
Balance at January 1	4,992,601	5,058,794
Revaluation surplus transfer	(87,183)	(66,193)
Adjustments	611,263	—
	<hr/>	<hr/>
Balance at December 31	5,516,681	4,992,601
	<hr/>	<hr/>
Total reserves	8,901,219	8,194,426

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, 2013

(expressed in Eastern Caribbean dollars)

19 General and administrative expenses

	Notes	2013 \$	2012 \$
Payroll and related cost	21	1,440,373	1,445,445
Depreciation	13	378,165	449,904
CUNA insurance premiums		285,718	275,715
Repairs and maintenance		223,478	294,764
Insurance		192,955	193,450
Building security		138,584	132,031
Stationery		136,285	141,881
Advertising		134,963	143,737
Utilities		119,645	130,883
League fees and expenses		115,000	119,840
Legal and professional fees		78,080	70,239
Cleaning		74,328	54,031
Audit fees		70,000	41,000
Telephone and cables		68,278	69,241
Education and training	22	55,402	36,549
Annual general meeting		38,550	37,500
Bank charges and interest		34,768	30,036
Traveling		28,800	28,300
Directors' and committee expenses		27,277	26,515
Rent	24	24,840	24,840
Social events		20,815	25,774
Contribution and donations		18,520	12,061
Office and general expenses		16,249	14,632
Uniforms		8,365	38,879
Gasoline		8,399	9,313
Miscellaneous		6,958	7,372
Subscriptions		2,701	2,661
Postage		1,337	1,043
Total general and administrative expenses		3,748,833	3,857,636

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(expressed in Eastern Caribbean dollars)

20 Other income

	2013	2012
	\$	\$
Fees and commission	376,722	333,653
Loan fees	186,828	272,470
Other income	104,307	148,561
Total other income	667,857	754,684

21 Payroll and related costs

	2013	2012
	\$	\$
Salaries and wages	1,157,197	1,159,707
Other benefits	182,243	202,257
Social security contributions	60,872	46,133
Medical benefits contributions	40,061	37,348
Total payroll and related costs	1,440,373	1,445,445
Number of employees	26	23

22 Education and training

	2013	2012
	\$	\$
Convention and Organization of the Eastern Caribbean States (OECS) Summit	21,140	9,237
Caribbean Confederation of Credit Unions (CCCU)	18,002	—
Human Resources Development	16,260	27,312
Total education and training	55,402	36,549

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, 2013

(expressed in Eastern Caribbean dollars)

24 Lease commitments

The maximum future lease payments under non-cancellable lease as follows:

	2013	2012
	\$	\$
Less than one year	24,840	24,840
Between one to five years	24,840	–
	<u>49,680</u>	<u>24,840</u>

The Credit Union entered into a lease agreement commencing October 1, 2012 for a period of 2 years for the Automated Teller Machine located at Vendors Mall, St. John's for an annual rent of \$24,840 in 2013 (2012: \$24,840).

25 Related party transactions and balances

Related parties

A party is related to the Credit Union, if:

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

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(expressed in Eastern Caribbean dollars)

25 Related party transactions and balances ... continued

Related party balances

	Total loans		Total deposits	
	2013	2012	2013	2012
	\$	\$	\$	\$
Board of directors	683,902	227,311	213,944	199,465
Credit committee	—	5,897	40,991	61,976
Supervisory committee	8,836	124,745	69,468	47,023
Key management personnel	411,484	460,225	559,905	605,033
Total related party balances	1,104,222	818,178	884,308	913,497

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.

	2013	2012
	\$	\$
Interest income on loans	93,142	78,727
Interest expense on deposits	31,563	28,449
Accrued interest receivable on loans	847	1,925
Accrued interest payable on deposits	6,252	5,913

Interest rates on related party deposits range 3.5% to 6%. Interest rates on related party loans range 7.5% to 12%.

Community First Co-operative Credit Union Limited

Notes to Financial Statements

December 31, 2013

(expressed in Eastern Caribbean dollars)

25 Related party transactions and balances ... *continued*

Remuneration of key management personnel

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

	2013	2012
	\$	\$
Salaries and wages	419,247	370,708
Other staff costs	51,655	24,917
	<u>470,902</u>	<u>395,625</u>

26 Dividends

During the year, the Credit Union paid dividends of \$228,550 (2012: \$226,372) to its members/shareholders. This represents a payment of 8% of share value (2012: 8% of share value). Dividends for 2013 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 2013 financial statements.

27 Comparatives

Certain comparative amounts for 2012 have been reclassified to conform with the current year's presentation.