COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Financial Statements

December 31, 2018

(Expressed in Eastern Caribbean Dollars)

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Community First Co-operative Credit Union Limited ("the Credit Union"), which comprise the statement of financial position at December 31, 2018, the statements of profit or loss and other comprehensive income, changes in member's equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

INDEPENDENT AUDITORS' REPORT*(cont'd)*

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements *(cont'd)*

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements *(cont'd)*

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

Chartered Accountants
June 25, 2019

Antigua and Barbuda

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Statement of Financial Position

December 31, 2018

(expressed in Eastern Caribbean dollars)

	Notes		2018	2017
Assets				
Cash and cash equivalents	9	$	18,973,113	13,305,971
Loans and advances	10		165,761,024	134,012,070
Investment securities	11		15,337,177	21,502,485
Other assets	12		989,814	671,138
Property and equipment	13		13,273,143	12,348,169
Total Assets		$	214,334,271	181,839,833
Liabilities and Members' Equity				
Liabilities:				
Members' deposits	14		180,917,717	153,074,089
Other liabilities	15		1,028,683	458,331
Total Liabilities			181,946,400	153,532,420
Members' Equity:				
Permanent shares	16	$	6,161,285	5,553,760
Reserves	17		11,994,422	11,104,122
Retained earnings			14,232,164	11,649,531
Total Members' Equity			32,387,871	28,307,413
Total Liabilities and Members' Equity		$	214,334,271	181,839,833

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

President .... **Treasurer** ....

The notes on pages 8 to 52 are an integral part of these financial statements.

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

	Notes		2018	2017
Interest income		$	14,180,477	11,155,555
Interest expense			(3,196,795)	(2,726,625)
Net interest income			10,983,682	8,428,930
Other income	19		1,314,844	1,285,599
Operating income			12,298,526	9,714,529
Operating expenses				
General and administrative expenses	18		(6,998,790)	(5,910,405)
Provision for impairment	10		(2,192,489)	-
			(9,191,279)	(5,910,405)
Finance income				
Investment income			793,862	640,141
Profit for the year		$	3,901,109	4,444,265
Total comprehensive income for the year		$	3,901,109	4,444,265

The notes on pages 8 to 52 are an integral part of these financial statements.

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Statement of Changes in Member's Equity

Year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

	Notes		Permanent shares	Reserves	Retained earnings	Total
Balance at December 31, 2016		$	3,924,910	10,067,389	8,485,316	22,477,615
Transactions with members						
Dividends paid	24		-	-	(256,167)	(256,167)
Issuance of permanent shares	16		1,628,850	-	-	1,628,850
			1,628,850	-	(256,167)	1,372,683
Other reserves movements						
Statutory reserve			-	1,111,066	(1,111,066)	-
Entrance fees			-	12,850	-	12,850
Revaluation surplus transfer			-	(87,183)	87,183	-
			-	1,036,733	(1,023,883)	12,850
Comprehensive income						
Profit for the year			-	-	4,444,265	4,444,265
Balance at December 31, 2017		$	5,553,760	11,104,122	11,649,531	28,307,413
Transactions with members						
Dividends paid	24		-	-	(443,516)	(443,516)
Issuance of permanent shares	16		607,525	-	-	607,525
			607,525	-	(443,516)	164,009
Other reserves movements						
Statutory reserve			-	962,143	(962,143)	-
Entrance fees			-	15,340	-	15,340
Revaluation surplus transfer			-	(87,183)	87,183	-
			-	890,300	(874,960)	15,340
Comprehensive income						
Profit for the year			-	-	3,901,109	3,901,109
Balance at December 31, 2018		$	6,161,285	11,994,422	14,232,164	32,387,871

The notes on pages 8 to 52 are an integral part of these financial statements.

COMMUNITY FIRST CO-OPERATIVE CREDIT UNION LIMITED

Statement of Cash Flows

Year ended December 31, 2018

(expressed in Eastern Caribbean dollars)

	Notes	2018	2017
Cash flows from operating activities			
Profit for the year		$ 3,901,109	4,444,265
Items not affecting cash:			
Depreciation	13	513,394	461,777
Provision for credit losses		2,192,489	-
Interest expense on members' deposits		3,196,795	2,726,625
Interest income		(14,180,477)	(11,155,555)
Operating loss before changes in working capital		(4,376,690)	(3,522,888)
Change in loans and advances		(33,941,443)	(20,980,965)
Change in other assets		(318,676)	(78,435)
Change in other liabilities		570,351	(108,463)
Change in members' deposits		27,843,629	19,257,934
Cash used in operations		(10,222,831)	(5,432,817)
Interest received		14,180,477	10,982,194
Interest paid		(3,196,795)	(2,725,206)
Net cash generated from operating activities		760,853	2,824,171
Cash flows from investing activities			
Purchase of investment securities		6,165,308	(3,902,728)
Purchase of property and equipment	13	(1,438,368)	(890,837)
Net cash generated from/(used in) investing activities		4,726,940	(4, 793,565)
Cash flows from financing activities			
Proceeds from issuance of permanent shares		607,525	1,628,850
Entrance fees		15,340	12,850
Dividends paid	24	(443,516)	(256,167)
Net cash generated from financing activities		179,349	1,385,533
Increase/(decrease) in cash and cash equivalents		5,667,142	(583,861)
Cash and cash equivalents, beginning of year		13,305,971	13,889,832
Cash and cash equivalents, end of year		$ 18,973,113	13,305,971

The notes on pages 8 to 52 are an integral part of these financial statements.

1. Nature of operations

The principal activity of the Community First Co-operative Credit Union Limited ("the Credit Union") is to encourage financial prudence through savings and provide loans and other financial products and services 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.

The accompanying financial statements are the financial statements of the Credit Union and have been prepared in accordance with IFRS and International Financial Reporting Standards Interpretations Committee (IFRIC) interpretations as issued by the International Accounting Standards Board (IASB) under the historical cost convention, as modified by the revaluation of land and buildings and financial assets at fair value through other comprehensive income.

3. Basis of Preparation

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standard Board (IASB). These financial statements were approved by the Board of Directors on June 25, 2019.

(b) Going Concern

These financial statements have been prepared on the going concern basis, which assumes that the Credit Union will continue in operation for the foreseeable future. They do not purport to give effect to adjustments, if any, that may be necessary should the Credit Union be unable to realise its assets and discharge its liabilities in other than the ordinary course of business.

3. Basis of Preparation *(cont'd)*

(c) Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Credit Union has adopted the following amendments to standards and new interpretations effective from January 1, 2018. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Credit Union's financial statements.

- IAS 1, *Presentation of Financial Statements,* has been amended to clarify or state the following:

  - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard;

  - the order of notes to the financial statements is not prescribed;

  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;

  - specific criteria are now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI; and

  - the presentation in the statement of OCI of items arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

- IFRS 9, *Financial Instruments,* IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of the adoption of IFRS 9, the Credit Union has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require separate presentation in the statement of profit or loss and OCI of interest revenue calculated using the effective interest method. Additionally, the Credit Union has adopted consequential amendments to IFRS 7 *Financial Instruments*: *Disclosures* that are applied to disclosures about 2018, but have not been applied to the comparative information. The key changes to the Credit Union's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 4.

3. Basis of Preparation *(cont'd)*

(c) Adoption of New or Revised Standards, Amendments to Standards and Interpretations *(cont'd)*

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Credit Union classifies financial assets under IFRS 9, see Note 4.5. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

For an explanation of how the Credit Union classifies financial liabilities under IFRS 9, see Note 4.5. Financial Instruments. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

- IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces two Standards, IAS 18 Revenue and IAS 11 Construction Contracts. It provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:
1. Identify the contract with the customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. In applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The application of this standard had no significant impact in the Credit Union's financial statements.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. Comparative periods generally have not been restated.

3. Basis of Preparation *(cont'd)*

(d) **New Standards and interpretation of amendments to existing standards issued but not effective during the year**

- IAS 7, *Disclosure Initiative* – The amendments requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

- IAS 12, *Recognition of Deferred Tax Assets for Unrealised Losses* The amendments clarifies the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

- Improvements to IFRS 2015-2017 cycle, contain amendments to certain standards and interpretations. Below are the main amendments applicable to the Credit Union:

  IFRS 3, *Business combinations and IFRS11 Joint Arrangements*, the amendment clarifies that when an entity obtains control of a business that is a joint operation, it premeasures previously held interests in that business. These changes also clarify that when an entity obtains control of a business that is a joint operation, the entity does not re-measure previously held interest in that business.

  IAS 23, *Borrowing Costs*, this amendment clarifies that if any specific borrowing remains outstanding after the related asset is ready for it intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2019. The Credit Union has not early adopted the following new or amended standards in preparing these financial statements.

- IFRS 16*, Leases,* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognizing new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting. Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers,* is also adopted.

  The Credit Union is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

3. Basis of Preparation *(cont'd)*

(d) New Standards and interpretation of amendments to existing standards issued but not effective during the year

- *IFRIC 23 Clarification of uncertainty in tax accounting*. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, where there is uncertainty over income tax treatments under IAS 12. An entity is required to reassess its judgements and estimates if facts and circumstances change. The requirements are applied by recognising the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the entity first applies them without adjusting comparatives information.

- *Amendment to IFRS 9 Prepayment*. The amendment to the financial instrument Standard, IFRS 9, allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value though OCI if a specific conditions net – instead of at fair value through profit or loss.

4. Summary of significant accounting policies

4.1 Overall considerations

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

4.2 Revenue recognition

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

(i) *Interest income*

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

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

(ii) *Other income*

Other income is recognised on the accrual basis.

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

4.3 Foreign currency translation

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

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

4.4 Leases

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

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

4.5 Financial Instruments

The Credit Union recognises a financial asset or a liability in the statement of financial position when it becomes party to the contractual provision of the instruments.

(a) Initial recognition and measurement of financial instruments

At initial, recognition, the Credit Union measures its financial assets and financial liabilities at their fair values plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability such as fees and commissions.

If the Credit Union determines that the fair value of its financial assets and liabilities at initial recognition differs from the transaction price, the difference is recognised as follows:

- If that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss.

- In all other cases, the difference between the fair value at initial recognition and the transaction price is deferred. After initial recognition, the recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

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

4.5 **Financial Instruments**

(b) Classification and subsequent measurement of financial assets

The Credit Union classifies the financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

(i) the Credit Union's business model for managing the financial assets; and

(ii) the contractual cash flow characteristics of the financial asset.

Based on these factors, the Credit Union classifies its asset into one of the following three measurements:

Financial assets at amortised cost

A financial asset is measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Credit Union estimates the expected cash flows by considering all the contractual terms of the financial instrument, but does not consider the expected credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

The Credit Union's financial assets measured at amortised cost include loan to members, investments in fixed deposits and treasury bills and cash and cash equivalents.

Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

4.5 **Financial Instruments** *(cont'd)*

(b) Classification and subsequent measurement of financial assets (cont'd)

Financial assets at fair value through other profit or loss (FVTPL)

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. The Credit union does not have any assets measured at FVTPL.

Reclassifications

If the business model under which the holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Credit Union's financial assets. During the current financial year and previous accounting period there were no changes in the business models under which the Credit Union holds financial assets and therefore no reclassifications were made except for the new classifications under IFRS 9. Changes in contractual cash flows are considered under the accounting policy on *Modification of loans to members* in Note 4.5 (d) and *Derecognition of financial assets* in Note 4.5 (f).

(c) Impairment of Financial Assets

The Credit Union recognises a loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost and the exposure arising from loan commitments and financial guarantee contracts. The expected credit losses are assessed on a forward looking basis. The Credit Union's measurement of ECL reflects:

a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

b) the time value of money; and

c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The financial assets are grouped on the basis of shared credit risk characteristics to determine the average credit losses for each group of assets. The Credit Union considers this approach to be a reasonable estimate of the probability-weighted amount. The lifetime expected credit losses for the nonperforming financial assets are assessed on an individual basis. The Credit Union considers if there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking. At each reporting date, the Credit Union measures the loss allowance at an amount equal to the lifetime expected credit losses, if the credit risk on that financial instrument has increased significantly since initial recognition. The Credit Union considers the following factors in assessing changes in credit risk since initial recognition:

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

4.5 **Financial Instruments** *(cont'd)*

(c) *Impairment of Financial Assets (cont'd)*

- significant changes in internal price indicators of credit risk;
- changes in the rates or terms of an existing instrument that would be significantly different if the instrument was newly issued (e.g. more stringent covenants);
- significant increases in credit risk on other financial instruments from the same borrower;
- an actual or forecast significant adverse changes in the business, financial or economic conditions that are expected to significantly affect the borrower's ability to meet its debt obligations (e.g. increase in interest rates and unemployment rates);
- an actual or expected significant change in the financial instrument's external credit rating;
- an actual or expected internal credit rating downgrade for the borrower or decrease in behavioral scoring used to assess credit risk internally;
- an actual or expected significant change in the operating results of the borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of guarantees or credit enhancements reductions in financial support from a parent entity that are expected to reduce the borrower's incentive to make scheduled contractual payments;
- expected breaches of contract that may, for example, lead to covenant waivers or amendments, or interest payment holidays;
- existing or expected adverse changes in the regulatory, economic, or technological environment that significantly affect, or are expected to affect, the borrower's ability to meet its debt obligations;
- changes in the Credit Union's credit management approach in relation to the financial instrument (e.g. specific intervention with the borrower, more active or close monitoring of the instrument by the Credit Union);
- significant changes in the expected performance and behaviour of the borrower including changes in the payment status of borrowers in the (e.g. expected increase in delayed contractual payments); and
- past due information, including the rebuttable presumption of more than 30 days past due.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Credit Union under the contract and the cash flows that the Credit Union expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

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

4.5 **Financial Instruments** *(cont'd)*

(c) Impairment of Financial Assets (cont'd)

- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Credit Union if the holder of the commitment draws down the loan and the cash flows that the Credit Union expects to receive if the loan is drawn down; and

- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Credit Union expects to receive from the holder, the debtor or any other party.

The Credit Union measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Credit Union assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Credit Union considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

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

4.5 **Financial Instruments** *(cont'd)*

(c) Impairment of Financial Assets (cont'd)

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

- the borrower is past due more than 90 days on any material credit obligation to the Credit Union; or
- the borrower is unlikely to pay its credit obligations to the Credit Union in full.

This definition of default is used by the Credit Union for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Credit Union considers both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Credit Union uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired.

Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

(d) Modification of loans to members

When the Credit Union renegotiates or otherwise modifies, the contractual cash flows of its customer loans, the Credit Union assesses whether or not the new terms are substantially different from the original terms of the agreement. The Credit Union derecognises the original loan if the terms are substantially different and recognises the new loan at its fair value. The Credit Union also recalculates the new effective interest rate for the loan. The date of the modification is considered to be the date of initial recognition of the new loan when applying the impairment requirements and also assessing whether a significant increase in credit risk has occurred. The Credit Union also considers whether there may be evidence that the modified loan is credit-impaired at initial recognition. In this situation, the loan is recognised as an originated credit-impaired financial asset. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset as a result of the borrower being unable to make the originally agreed payments. Differences in the carrying amount are recognised as a gain or loss on derecognition in the profit or loss.

If the new terms are not substantially different the original loan is not derecognised. The Credit Union recalculates the gross carrying amount of the loan and recognises a modification gain or loss in the profit and loss.

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

4.5 **Financial Instruments** *(cont'd)*

(d) Modification of loans to members

The gross carrying amount of the loan is recalculated as the present value of the renegotiated contractual cash flows discounted at the loan's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified loan and are amortised over the remaining term of the modified financial asset.

(e) Write offs

The Credit Union directly reduces the gross carrying amount of a financial asset when the Credit Union has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. This is the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Credit Union may apply enforcement activities to financial assets written off. Recoveries resulting from the Credit Union's enforcement activities will result in impairment gains, which will be presented in net impairment loss on financial assets' in the statement of profit or loss.

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

(f) Derecognition of financial assets

The Credit Union derecognises financial assets when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to receive the cash flows of the financial asset are retained but the contractual obligation to the pay the cash flows to one or more recipients is assumed in an arrangement where:

(i) The Credit Union has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition;

(ii) The Credit Union is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and

(iii) The Credit Union has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients

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

4.5 **Financial Instruments** *(cont'd)*

(g) Financial Liabilities:

Classification and subsequent measurement of financial liabilities

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost. Other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities. Other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specific in the contract is discharged, cancelled or expires).

4.6 **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Credit Union in the management of its short-term commitments. Bank overdraft which is repayable on demand forms an integral part of the business and is included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash and cash equivalents are measured at amortised cost.

4.7 **Property and equipment and depreciation**

(a) 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.

(b) Subsequent measurement

Land and building

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

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in members' equity under the heading of revaluation reserves (note 17). However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

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

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

(b) Subsequent measurement (cont'd)

Land and building (cont'd)

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

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

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

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

Building	25 years
Equipment	10 years
Furniture and fixtures	5 years
Office equipment	5 years
Computer equipment	5 years
Telephone equipment	5 years
Motor vehicles	5 years

Land is not depreciated.

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

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

4.8 Impairment of non-financial assets

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

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use.

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

4.8 **Impairment of non-financial assets** *(cont'd)*

To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

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

4.9 **Provisions**

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

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

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

4.10 **Employee benefits**

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

4.11 **Equity, reserves and dividend payments**

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

b) *Reserves*
Statutory reserves comprise amounts required to be set aside as stipulated by the Co-operative Societies Act (see Note 17).

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

4.11 Equity, reserves and dividend payments *(cont'd)*

b) Reserves (cont'd)

General reserves comprise donated capital and entrance fees set aside as stipulated by the Credit Union's By-laws (see Note 17).

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

Other reserves comprise provision for loan losses recognised for regulatory purposes.

c) Retained earnings

Retained earnings include all current and prior period retained profits.

d) Dividends

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

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

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

4.12 Effect of change in accounting policy

The Credit Union has adopted IFRS 9 as issued by the IASB July 2014, with a date of transition of January 1, 2018, which resulted in changes in accounting policies and adjustment to the amount previously recognised in the financial statements. IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39), and has had a significant effect on the Credit Union in the following areas:

(a) The Credit Union applied the expected credit loss (ECL) model when calculating impairment losses on its financial assets measured at amortised costs (such as loan to members). This resulted in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the Credit Union considered the probability of a default occurring over the contractual life of its member loan balances on initial recognition of those assets.

(b) Equity investments classified as available-for-sale financial assets under IAS 39 have been classified as being at Fair Value through Other Comprehensive Income (FVTOCI) under IFRS 9. All fair value gains in respect of those assets are recognised in other comprehensive income and accumulated in the equity investment reserve, and these are not recycled to profit or loss. Previously, under IAS 39, impairments of such assets were recognised in profit or loss, and gains and losses accumulated in reserves were recycled to profit or loss on disposal.

The Credit Union adopted IFRS 9 with a transition date of 1 January 2018. The Credit Union has chosen not to restate comparatives on adoption of IFRS 9 and, therefore, are not reflected in the restated prior year financial statements. Rather, these changes have been processed at the date of initial application (January 1, 2018) and recognised in the opening equity balances.

(Expressed in Eastern Caribbean Dollars)

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

4.12 **Effect of change in accounting policy** *(cont'd)*

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of January 1, 2018 is as follows:

		IAS 39 carrying amount as at December 31, 2017	Reclassifications	ECL Remeasurement	IFRS 9 carrying amount as at January 1, 2018
Financial assets					
Cash and cash equivalents	$	13,305,917	-	-	13,305,917
Loans to members		134,012,070	-	-	134,012,070
Investment securities					
Available-for-sale Investments		76,040	(76,040)	-	-
Financial assets at FVTOCI		-	4,595,330	-	4,595,330
Financial assets at amortised cost		21,246,445	(4,519,290)	-	16,727,155
Other receivables		671,138	-	-	671,138
Non-financial assets		12,348,169	-	-	12,348,169
Total assets	$	181,839,833	-	-	181,839,833
Financial liabilities					
Members' deposits	$	153,074,089	-	-	153,074,089
Accounts and other payables		458,331	-	-	458,331
Total liabilities	$	153,532,420	-	-	153,532,420

(Expressed in Eastern Caribbean Dollars)

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

4.12 **Effect of change in accounting policy** *(cont'd)*

		IAS 39 carrying amount as at December 31, 2017	Reclassifications	ECL Remeasurement	IFRS 9 carrying amount as at January 1, 2018
Members' equity					
Accumulated surplus	$	11,649,531	-	-	11,649,531
Members shares		5,553,760	-	-	5,553,760
Reserves		11,104,122	-	-	11,104,122
Total members' equity	$	28,307,413	-	-	28,307,413

5. Significant management judgements in applying accounting policies and estimation uncertainty

In the application of the Credit Union's accounting policies, which are described in note 4, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have the most significant effect on the amounts recognised on the financial statements are described below.

5.1 Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Credit Union determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Credit Union monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Credit Union's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5.2 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for the financial assets measured at amortized cost, FVTPL and FVTOCI is an area that requires the use of modeling and assumptions about future economic conditions and credit behaviors (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgement are also required in applying the account requirements for measuring ECL, such as:

- Determining credit for significant increase in credit risk
- Choosing appropriate model and assumptions for the measurement of proportional loss
- Establishing groups of similar financial assets for the purposes of measuring ECL
- Recovery rates on unsecured exposures
- Drawdown of approved facilities
- Determination of macroeconomic drivers (management overlay)
- Determination of life of revolving credit facilities
- Models and assumptions used

5. **Significant accounting estimates and judgements and key sources of estimated uncertainty** *(cont'd)*

5.3 Valuation of Stage 3 loan facilities

The proposed cash flow was discounted using the yield of the facilities. The Credit Union makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. 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 timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

5.4 Expected Credit Loss on Financial Assets at FVTOCI - Equity Investments:

The Credit Union determines Fair Value equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgement, the Credit Union evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. These factors may give rise to uncertainty regarding the recoverability of the carrying value in the subsequent period and/or the eventual recoverability of the amounts invested in full.

The Credit Union recognised ECL on equity investments during the year of nil (2017: nil).

6. Financial Risk Management

Risk management objectives and policies

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

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

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

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

6. Financial Risk Management *(cont'd)*

Risk management objectives and policies *(cont'd)*

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 to members, placing deposits and investing in bonds.

i. *Loans to members*

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 and Barbuda.

ii. *Cash and cash equivalents*

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

6. **Financial Risk Management** *(cont'd)*

6.1 **Credit risk analysis** *(cont'd)*

iii. Maximum exposure to credit risk

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

		2018	2017
On-balance sheet			
Cash and cash equivalents	$	18,973,113	13,305,971
Loans to members		165,761,024	134,012,070
Investments		15,337,177	21,502,485
Other receivables		729,957	416,041
	$	200,801,271	169,236,567
Off-balance sheet			
Unused line of credit		415,344	18,000
	$	201,216,615	169,254,567

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

Loans to members

(a) Expected credit loss on loans to members

The Expected Credit Loss, commonly referred to as ECL, represents the amount the Credit Union is likely to lose in the event of a default. The Credit Union is required to categorise the loans in their respective stages as outlined in the IFRS 9 Standard.

Expected credit loss (ECL) on loans to members are analysed below:

		Gross Amount	ECL	Net Amount
Stage 1	$	162,523,503	7,117	162,516,386
Stage 2		646,875	510,055	136,820
Stage 3		6,855,011	3,747,193	3,107,818
As at December 31, 2018	$	170,025,389	4,264,365	165,761,024

6. **Financial instrument risk** *(cont'd)*

6.1 **Credit risk analysis** *(cont'd)*

Loans to members *(cont'd)*

(a) Expected credit loss on loans to members (cont'd)

Stage 1 loans
Loans placed in this stage include loans for which there is no evidence of a significant increase in credit risk since the origination date and loans that are due to mature within 12 months of the reporting date providing that such loans were not in a state of default.

Stage 2 loans
Loans placed in this stage include loans past due between for 1 to 89 days and loans that experienced a significant increase in credit risk even if past due days threshold is not met.

Stage 3 loans
Loans placed in this stage are loans that are past due 90 days and over and loans that show evidence of impairment even if the 90 days threshold is not met.

One of the crucial requirements of IFRS 9 is for the Credit Union to determine whether there is a significant increase in credit risk (SIICR) from the date of loan origination to the current or the reporting date. In the event of a SIICR, the loan must be placed in Stage 2 and will require a lifetime provision. The loan should remain in this Stage until there is evidence that the event(s) that resulted in the increase in the credit risks have been satisfactorily cured. It is only then that these loans should be transitioned back to Stage 1. SIICR is determined by observing to the extent to which adverse changes in one or more of the credit risk drivers could increase the likelihood of the default since the origin of the loan. A change in members' employment arrangement, payment method, industry or personal conditions could be deemed significant enough to trigger a migration of loans to Stage 2 even if the past due days quantitative SIICR threshold is not met.

(b) Loans to members re-negotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferred payments. Following restructuring, a previously overdue account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators of criteria which, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continual review. Restructuring is most commonly applied to term loans, in particular customer finance loans. There were no renegotiated loans which were impaired at December 31, 2018 or 2017.

(c) Repossessed collateral

The Credit Union had no repossessed collateral in its statement of financial position as of December 31, 2018 (2017: nil).

6. Financial instrument risk *(cont'd)*

6.1 Credit risk analysis *(cont'd)*

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.

6.2 Liquidity risk analysis

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

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

6. **Financial instrument risk** *(cont'd)*

6.2 **Liquidity risk analysis** *(cont'd)*

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, 2018

		Carrying amount	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities								
Members' deposits	$	180,917,717	161,151,817	4,048,161	15,717,739	-	-	180,917,717
Other liabilities		1,028,683	1,028,683	-	-	-	-	1,028,683
	$	181,946,400	162,180,500	4,048,161	15,717,739	-	-	181,946,400

As of December 31, 2017

		Carrying amount	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities								
Members' deposits	$	153,074,089	133,712,737	4,389,569	14,971,783	-	-	153,074,089
Other liabilities		458,331	458,331	-	-	-	-	458,331
	$	153,532,420	134,171,068	4,389,569	14,971,783	-	-	153,532,420

6. Financial instrument risk *(cont'd)*

6.2 Liquidity risk analysis *(cont'd)*

Assets held for managing liquidity risk

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

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

6.3 Market risk analysis

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

(i) *Currency risk*

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

(ii) *Price risk*

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

(iii) *Interest rate risk*

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

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

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

(Expressed in Eastern Caribbean Dollars)

6. **Financial instrument risk** *(cont'd)*

6.3 **Market risk analysis** *(cont'd)*

(iii) Interest rate risk (cont'd)

As of December 31, 2018

	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		$ 18,973,113	-	-	-	-	-	18,973,113
Loans and advances	6.36-18	3,414,494	125,761	2,566,230	53,943,888	109,975,016	-	170,025,389
Investment securities	3-8	-	1,018,647	12,517,203	1,325,287	400,000	76,040	15,337,177
Other assets		-	-	-	-	-	809,782	809,782
Total financial assets		22,387,607	1,144,408	15,083,433	55,269,175	110,375,016	885,822	205,145,461
Liabilities								
Members' deposits	2-7	157,098,147	4,048,161	15,717,739	-	-	4,053,670	180,917,717
Other liabilities		-	-	-	-	-	1,028,683	1,028,683
Total financial liabilities		$ 157,098,147	4,048,161	15,717,739	-	-	5,082,353	181,946,400
Total interest repricing gap		$ (134,710,540)	(2,903,752)	(634,306)	55,269,175	110,375,016	(4,196,531)	23,199,061

(Expressed in Eastern Caribbean Dollars)

6. **Financial instrument risk** *(cont'd)*

6.3 **Market risk analysis** *(cont'd)*

(iii) Interest rate risk (cont'd)

As of December 31, 2017

	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		$ 13,305,971	-	-	-	-	-	13,305,971
Loans and advances	6.36-18	3,431,153	60,986	2,098,674	51,231,295	79,615,687	-	136,437,795
Investment securities	3-8	-	998,475	17,491,260	1,946,079	990,631	76,040	21,502,485
Other assets		-	-	-	-	-	492,081	492,081
Total financial assets		16,737,124	1,059,461	19,589,934	53,177,374	80,606,318	568,121	171,738,332
Liabilities								
Members' deposits	2-7	129,733,853	4,372,451	14,730,710	-	-	4,237,074	153,074,089
Liabilities		-	-	-	-	-	458,331	458,331
Total financial liabilities		$ 129,733,853	4,372,451	14,730,710	-	-	4,695,405	153,532,420
Total interest repricing gap		$ (112,996,729)	(3,312,990)	4,859,224	53,177,374	80,606,318	(4,127,284)	18,205,912

6. Financial instrument risk *(cont'd)*

6.3 Market risk analysis *(cont'd)*

(iii) Interest rate risk (cont'd)

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

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

6.4 Operational risk

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

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

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

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

6. Financial instrument risk *(cont'd)*

6.4 Operational risk *(cont'd)*

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

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

7. Fair value of financial assets and liabilities

a) Financial instruments not measured at fair value

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

		Carrying Value		Fair Value	
		2018	2017	2018	2017
Financial assets					
Cash and cash equivalents	$	18,973,113	13,305,971	18,973,113	13,305,971
Investment securities:					
– Loans and receivables investment securities		13,510,536	19,183,543	13,510,536	19,183,543
– Held-to-maturity investment securities		1,725,287	2,242,902	1,725,287	2,242,902
Loans and advances		165,761,024	134,226,485	165,761,024	134,226,485
Other assets		729,957	416,041	729,957	416,041
	$	200,699,917	169,374,942	200,699,917	169,374,942
Financial liabilities					
Members' deposits	$	180,917,717	153,074,089	180,917,717	153,074,089
Other liabilities		1,028,682	458,331	1,028,682	458,331
	$	181,946,399	153,532,420	181,946,399	153,532,420

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

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

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

b) Fair value measurement of financial instruments

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

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

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at December 31, 2018 and December 31, 2017.

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

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

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

		Level 3	Total
December 31, 2018			
Financial assets			
Fair value through other comprehensive Income (FVTOCI)	$	76,040	76,040

		Level 3	Total
December 31, 2017			
Financial assets			
Fair value through other comprehensive Income (FVTOCI)	$	76,040	76,040

Measurement of fair value of financial instruments

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

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

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

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

c) **Fair value measurement of non-financial assets**

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at December 31, 2018 and December 31, 2017.

		Level 3	Total
December 31, 2018			
Property and equipment			
Land	$	2,809,776	2,809,776
Buildings		9,218,732	9,218,732
Total assets	$	12,028,508	12,028,508

		Level 3	Total
December 31, 2017			
Property and equipment			
Land	$	2,809,776	2,809,776
Buildings		9,218,732	9,218,732
Total assets	$	12,028,508	12,028,508

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.

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 re-valued 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	2018 %	2017 %
1.	Net Loans/Total Assets	70% to 80%	77.3	73.7
2.	Institutional Capital/Total Assets	10% minimum	12.2	12.5
3.	Total Delinquency/Total Loans	5% maximum	4.7	4.9

9. Cash and cash equivalents

		2018	2017
Cash on hand	$	2,941,299	1,936,264
Cash in bank		16,031,814	11,369,707
Total cash and cash equivalents	$	18,973,113	13,305,971

10. Loans to members

		2018	2017
Personal loans	$	93,190,062	70,940,576
Mortgage loans		69,738,727	54,962,315
Christmas loans		5,079,012	8,574,937
Overdrafts		745,983	782,864
Loans and advances to members		168,753,784	135,260,692
Less: Provision for loan losses		4,264,365	2,405,568
		164,489,419	132,855,124
Loan interest receivable		1,271,605	1,156,946
Total loans and advances to members	$	165,761,024	134,012,070
Current		29,058,692	35,541,081
Non-current		136,702,332	98,470,988
	$	165,761,024	134,012,070

The movement in allowance for loan impairment is as follows:

		2018	2017
Provision for loan losses			
Balance at beginning of the year	$	2,405,568	2,405,568
Amounts written off during the year		(333,692)	-
Provisions for credit losses		2,192,489	-
Balance at end of the year	$	4,264,365	2,405,568

The average interest rate earned on the loans and advances during the financial year was 9.46% (2017:9.05%).

The Credit Union's loan loss provision has been made in accordance with the requirements of IFRS 9. 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 set by the Board of Directors. This basis of provision is a requirement of Antigua and Barbuda Co-operative Societies Regulations 2010, Section 201 (compliance with PEARLS). As of December 31, 2018, the provision for credit losses in accordance with the PEARLS methodology amounted to $2,470,070 (2017: $1,875,685).

(Expressed in Eastern Caribbean Dollars)

11. Investment securities

		2018	2017
Financial assets at amortised costs			
One (1) year fixed deposits			
Capita Financial Services Inc.	$	3,376,626	3,252,424
National Co-operative Credit Union (Dominica)		3,150,232	3,091,972
Eastern Caribbean Home Mortgage Bank		1,526,250	-
FND Enterprise Credit Union		1,080,000	1,040,000
Antigua Commercial Bank Ltd.		388,750	383,795
First Citizens		-	3,579,824
		9,521,858	11,348,051
Three (3) year fixed deposits			
Ariza Credit Union Ltd		1,194,674	1,153,070
Total assets at amortised costs	$	10,716,532	12,501,085
Fair value through other comprehensive Income (FVTOCI)			
Six (6) month treasury bill			
Government of St. Lucia		832,722	2,782,508
One (1) year treasury bills			
Government of Grenada		-	1,920,635
Government of Antigua and Barbuda		1,961,281	1,959,375
	$	1,961,281	3,880,010
Two (2) year bond			
Government of St. Lucia		300,138	296,823
Three (3) year bond			
Government of St. Vincent		400,000	900,000
First Citizens		438,505	434,704
Five (5) year bond			
Government of Dominica		411,665	411,665
Seven (7) year bond			
Government of Antigua and Barbuda		174,979	199,710
Total bonds	$	1,725,287	2,242,902

11 **Investment securities** *(cont'd)*

		2018	2017
Fair value through other comprehensive Income (FVTOCI) *(cont'd)*			
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
		76,040	76,040
Interest receivable		25,315	19,940
Total investment securities	$	15,337,177	21,502,485

		2018	2017
Current	$	13,765,672	18,010,533
Non-current		1,571,505	3,491,952
	$	15,337,177	21,502,485

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

12. **Other assets**

		2018	2017
Other receivables	$	729,957	416,041
Prepayments		180,032	176,953
Unused office supplies		79,825	78,144
Total other assets	$	989,814	671,138

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

(Expressed in Eastern Caribbean Dollars)

13. Property and equipment

	Land	Building	Leasehold improvements	Office equipment	Furniture and fixtures	Computer equipment	Motor vehicles	Work in progress	Total
Cost/valuation									
At December 31, 2016	$ 2,809,776	9,218,732	473,599	1,396,145	896,227	578,570	109,894	61,827	15,544,770
Additions	-	-	-	340,588	59,996	144,503	-	345,750	890,837
Transfer	-	-	-	-	-		-	-	-
At December 31, 2017	2,809,776	9,218,732	473,599	1,736,733	956,223	723,073	109,894	407,577	16,435,607
Additions	-	-	-	6,458	30,286	198,724	-	1,202,900	1,438,368
Transfer	-	-	-	-	-	-	-	-	-
At December 31, 2018	$ 2,809,776	9,218,732	473,599	1,743,191	986,509	921,797	109,894	1,610,477	17,873,975
Accumulated Depreciation									
At December 31, 2016	$ -	1,043,542	159,334	1,068,089	773,629	498,174	82,893	-	3,625,661
Charge for the year	-	232,091	21,038	105,271	28,802	74,575	-		461,777
At December 31, 2017	-	1,275,633	180,372	1,173,360	802,431	572,749	82,893	-	4,087,438
Charge for the year	-	232,091	21,039	119,199	29,370	84,694	27,001	-	513,394
At December 31, 2018	$ -	1,507,724	201,411	1,292,559	831,801	657,443	109,894	-	4,600,832
Carrying value									
At December 31, 2018	$ 2,809,776	7,711,008	271,188	450,632	154,708	264,354	-	1,610,477	13,273,143
At December 31, 2017	$ 2,809,776	7,943,099	293,227	563,373	153,789	150,324	27,001	407,577	12,348,169

13. **Property and equipment** *(cont'd)*

Revaluation reserve
Revaluation reserve represents the excess of appraised values over the cost of the Credit Union's land and building as a result of a professional valuation which has been adopted by the Credit Union. The Credit Union's property valuation was performed by an independent professional valuator in November 2015. The excess of the appraised value over cost amounted to EC$3,480,213, which was credited to the revaluation reserve.

The following are the historical cost carrying amounts of land and buildings carried at revalued amounts as of December 31, 2018.

		2018		
		Land	**Buildings**	**Total**
Cost	$	1,041,979	5,545,373	6,587,352
Accumulated depreciation		-	(1,440,516)	(1,440,516)
Net book values	$	1,041,979	4,104,857	5,146,836

		2017		
		Land	**Buildings**	**Total**
Cost	$	1,041,979	5,545,373	6,587,352
Accumulated depreciation		-	(1,320,473)	(1,320,473)
Net book values	$	1,041,979	4,224,900	5,266,879

(Expressed in Eastern Caribbean Dollars)

14. Members' Deposits

		2018	2017
Regular savings	$	109,250,247	92,803,921
Term deposits		21,874,251	20,426,709
Deposit accounts		30,774,271	25,368,576
Individual retirement accounts (CFIRA)		6,948,650	4,941,173
Checking accounts		3,343,093	2,671,943
School saving society		2,328,432	1,947,344
Education savings accounts (CFESA)		2,017,578	1,618,946
Thrift Fund		2,301,405	1,464,485
Summer Club		1,090,783	1,040,170
Insurance deposits		710,577	524,961
Holiday Club		1,250	100
Graduation Club		-	9,449
		180,640,537	152,817,777
Interest payable		277,180	256,312
Total members' deposits	$	180,917,717	153,074,089
Current		180,917,717	153,074,089
Non-current		-	-
	$	180,917,717	153,074,089

These deposits have various maturity profiles with interest rates varying from two percent (2 %) [2017: two percent (2%)]to six percent 6%) [2017: seven percent (7%)] per annum.

15. Other liabilities

		2018	2017
Trade payables	$	182,999	96,820
Accruals and other liabilities		845,684	361,511
	$	1,028,683	458,331

(Expressed in Eastern Caribbean Dollars)

16. Permanent shares

		2018	2017
Issued and fully paid 1,232,257 (2017: 1,110,752) shares @ $5.00 each	$	6,161,285	5,553,760

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 two hundred ($200) dollars. The Credit Union has the right to issue an unlimited number of shares; however, the maximum shareholding by any one member is restricted to 20% of the total share capital. During the year, the Credit Union issued 121,505(2017: 325,770) permanent shares at $5 each to its members for cash in the amount of $607,525(2017: $1,628,850).

17. Reserves

		2018	2017
Statutory			
Balance at January 1	$	5,925,060	4,813,994
Appropriation of net income		962,144	1,111,066
Balance at December 31		6,887,204	5,925,060
General			
Entrance fees		161,897	146,562
Donated capital		10,209	10,209
		172,106	156,771
Revaluation reserve			
Balance at January 1		5,022,291	5,109,474
Revaluation surplus transfer		(87,179)	(87,183)
Balance at December 31		4,935,112	5,022,291
Total reserves	$	11,994,422	11,104,122

In accordance with Section 125 (2) of the Co-operative Societies Act, management is required to set aside a statutory reserve of twenty-five (25%) percent of the net profits (if any) each year. In addition, all entrance fees are credited to a general reserve.

(Expressed in Eastern Caribbean Dollars)

18. General and administrative expenses

	Notes		2018	2017
Payroll & Related Cost	20	$	2,907,756	2,457,356
CUNA Insurance Premiums			548,570	491,821
Depreciation	13		513,394	461,777
Repairs & Maintenance			357,500	410,466
Rent			282,278	158,240
Bank Charges & Interest			265,381	149,270
Stationery			262,924	214,149
Insurance			214,234	164,202
Building Security			202,368	170,403
Advertising			192,377	209,085
Education & Training	21		175,169	121,998
League Fees & Expenses			155,000	120,000
Utilities			146,280	147,896
Telephone & Cables			132,524	101,520
Legal & Professional Fees			118,241	62,634
Cleaning			97,579	102,442
Audit Fees			80,375	63,250
Office & General Expenses			68,684	78,422
Social Events			59,584	38,235
Contribution & Donations			46,610	32,474
Directors' & Committee Expenses			44,903	49,826
Annual General Meeting			41,550	41,550
Uniforms			41,279	39,414
Subscriptions			13,903	2,400
Gasoline			8,102	9,896
Postage			1,836	1,583
Miscellaneous			20,389	10,096
Total general and administrative expenses		$	6,998,790	5,910,405

(Expressed in Eastern Caribbean Dollars)

19. Other Income

		2018	2017
Fees and commissions	$	491,370	411,467
Loan fees		758,614	517,632
Other income		64,860	356,500
Total other income	$	1,314,844	1,285,599

20. Payroll and related costs

		2018	2017
Salaries and wages	$	2,227,428	1,927,851
Other benefits		459,155	339,617
Social security contributions		145,672	123,338
Medical benefits contributions		75,501	66,550
Total payroll and related costs	$	2,907,756	2,457,356
Number of employees		39	39

21. Education and training

		2018	2017
Human Resources Development	$	126,879	53,911
Caribbean Confederation of Credit Unions (CCCU)		26,314	36,026
Leadership Summit – Trinidad & Tobago League - Panama		21,976	32,061
Total education and training	$	175,169	121,998

22. 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.

23. Related party balances and transactions

Related parties

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

a) A person or a close member of that person's family is related to the Credit Union if that person:

   i) has control or joint control over the Credit Union;

   ii) has significant influence over the Credit Union; or

   iii) is a member of the key management personnel of the Credit Union, or of a parent of the Credit Union.

b) An entity is related to the Credit Union if any of the following conditions applies:

   i) The entity and the Credit Union are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   iii) Both entities are joint ventures of the same third party.

   iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   v) The entity is a post-employment benefit plan for the benefit of employees of either the Credit Union or an entity related to the Credit Union.

   vi) The entity is controlled, or jointly controlled by a person identified in (a).

   vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Related party balances

		Total loans		Total deposits	
		2018	**2017**	**2018**	**2017**
Board of directors	$	334,603	870,719	250,009	240,429
Credit committee		43,695	34,421	42,908	39,767
Supervisory committee		19,371	97,683	211,424	252,860
Key management personnel		209,289	186,516	744,663	708,099
Total related party balances	$	606,958	1,189,339	1,249,004	1,241,155

23. **Related party balances and transactions** *(cont'd)*

Related party transactions

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

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

		2018	2017
Interest income on loans	$	50,581	70,054
Interest expense on deposits		33,962	28,395
Accrued interest receivable on loans		755	1,276
Accrued interest payable on deposits		2,202	2,311

Interest rates on related party deposits range from 1% to6% (2017: 1% to 6%). Interest rates on related party loans range from7.5% to 12% (2017: 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:

		2018	2017
Salaries and allowances	$	540,545	409,821
Other staff costs		77,144	26,824
	$	617,689	436,645

24. **Dividends**

During the year, the Credit Union paid $443,516 as dividends (2017: $256,167) to its members/shareholders. Dividends for 2018 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 2018 financial statements.