Mabouya Valley Co-operative Credit Union Society Limited

Financial Statements

Year Ended December 31, 2022

(Expressed in Eastern Caribbean Dollars)

Contents

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INDEPENDENT AUDITOR'S REPORT

To the Members of Mabouya Valley Co-operative Credit Union Society Limited.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mabouya Valley Co-operative Credit Union Society Limited (the Credit Union), which comprise the statement of financial position as at December 31, 2022, and the statements of changes in equity, comprehensive income and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2022, 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 Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in St. Lucia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Information Included in the Credit Union's 2021 Annual Report

Other information consists of the information included in the Credit Union's 2022 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Credit Union's 2022 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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 IFRSs, 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.

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.

Auditor's Responsibility 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Auditor's Responsibility for the Audit of the Financial Statements (Cont'd)

- 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 auditor's 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 auditor's 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.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Chartered Accountants
Castries, St. Lucia
September 22, 2023

Mabouya Valley Co-operative Credit Union Society Limited

Statement of Financial Position
As at December 31, 2022
(Expressed in Eastern Caribbean Dollars)

	Notes	2022 $	2021 $
ASSETS			
Cash	6	4,666,403	5,022,424
Investment securities	7	7,145,910	7,095,580
Loans and advances to members	8	11,683,282	8,338,979
Receivables and prepayments	10	1,071,360	294,910
Property and equipment	11	353,525	354,692
TOTAL ASSETS		24,920,480	21,106,585
LIABILITIES AND MEMBERS' EQUITY			
Liabilities			
Members' deposits	12	21,748,956	18,440,120
Accounts payable and accruals	13	114,181	80,049
Total Liabilities		21,863,137	18,520,169
Members' Equity			
Members' shares	14	1,009,524	933,914
Statutory reserve	15	1,166,786	1,061,734
Members' funds	16-17	190,489	125,123
Undivided earnings		690,544	465,645
Total Members' Equity		3,057,343	2,586,416
TOTAL LIABILITIES AND MEMBERS' EQUITY		24,920,480	21,106,585

The accompanying notes form an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD:-

President

Treasurer

Statement of Changes in Members' Equity
For the Year Ended December 31, 2022
(Expressed in Eastern Caribbean Dollars)

	Notes	Development Fund $	Education Fund $	Statutory Reserve $	Undivided Earnings $	Permanent Shares $	Total $
Balance as at January 1, 2021		67,309	34,854	1,017,370	373,324	864,857	2,357,714
Total comprehensive income for the year 2021		-	-	-	167,856	-	167,856
Allocation for:							
- Statutory reserve	15	-		41,964	(41,964)	-	-
- Education fund	16	-	16,786	-	(16,786)	-	-
- Development fund	17	16,786	-	-	(16,786)	-	-
Entrance fees	15	-		2,400	-	-	2,400
Members' training expense	16	-	(10,611)	-	-	-	(10,611)
New shares issued 2021	14	-	-	-	-	69,057	69,057
Balance as at December 31, 2021		84,095	41,029	1,061,734	465,644	933,914	2,586,416
Total comprehensive income for the year 2022		-	-	-	408,909	-	408,909
Allocation for:							
- Statutory reserve	15	-		102,227	(102,227)	-	-
- Education fund	16	-	40,891	-	(40,891)	-	-
- Development fund	17	40,891	-	-	(40,891)	-	-
Entrance fees	15	-		2,825	-	-	2,825
Members' training expense	16	-	(16,417)	-	-	-	(16,417)
New shares issued 2022	14	-	-	-	-	75,610	75,610
Balance as at December 31, 2022		124,986	65,503	1,166,786	690,544	1,009,524	3,057,343

Statement of Comprehensive Income
For the Year Ended December 31, 2022
(Expressed in Eastern Caribbean Dollars)

	Notes	2022 $	2021 $
Interest income			
Interest on loans		973,297	808,282
Interest on investments		308,998	249,390
		1,282,295	1,057,672
Interest expense			
Interest on members deposits		72,956	55,814
Interest on members withdrawable shares		175,682	89,543
		248,638	145,357
Net interest income		1,033,657	912,315
Other income	23	191,662	158,133
Impairment losses - loans and advances to members	9	(106,909)	(290,105)
		84,753	(131,972)
Non-interest and operating expenses			
Operating expenses	18	124,346	122,711
Personnel expenses	19	251,204	221,649
Member meeting expenses	20	31,449	29,789
Occupational expenses	21	116,519	116,171
Board and committee expenses	22	11,458	13,143
CUNA insurance		172,538	107,490
Bank charges		1,987	1,534
		709,501	612,487
Net surplus being total comprehensive income for the year		408,909	167,856

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows
For the Year Ended December 31, 2022
(Expressed in Eastern Caribbean Dollars)

	Notes	2022 $	2021 $
Cash Flows from Operating Activities			
Net surplus for the year		408,909	167,856
Adjustments for:			
Interest income on investments		(308,998)	(249,390)
Interest expense		248,638	145,357
Impairment losses on loans and advances		106,909	290,105
Depreciation	11	17,187	18,382
Cash flows before changes in operating assets and liabilities		472,645	372,310
Increase in loans and advances to members		(3,445,500)	(1,474,082)
Increase/(decrease) in receivables and prepayments		(776,450)	394,341
Increase in members deposits		1,099,798	1,539,794
Increase in members withdrawal shares		2,203,325	1,044,731
Training expense		(16,417)	(10,611)
Increase (decrease) in accounts payable and accruals		34,132	(62,889)
Net cash (used in)/generated from operating activities		(428,466)	1,803,593
Interest received from investments		308,998	249,390
Interest paid		(248,638)	(145,357)
Net cash (used in)/generated from operating activities		(368,106)	1,907,626
Cash Flows from Investing Activities			
Purchase of property and equipment	11	(16,020)	(941)
Purchase of investment securities		(50,330)	(1,623,578)
Net cash used in investing activities		(66,350)	(1,624,519)
Cash Flows from Financing Activities			
Proceeds from share issue	14	75,610	69,057
Entrance fees	15	2,825	2,400
Net cash generated from financing activities		78,435	71,457
(Decrease)/increase in Cash		(356,021)	354,564
Cash - Beginning of the Year		5,022,424	4,667,860
Cash - End of the Year	6	4,666,403	5,022,424

The accompanying notes form an integral part of these financial statements.

1. Corporate Information

On 23rd December 2010, the La Resource Co-operative Credit Union by a resolution passed in accordance with Section 10 and 48 of the Co-operative Societies Act revised edition Chapter 12.06 of 2001 and regulation 19 of the Co-operative Society regulations amended its name to Mabouya Valley Co-operative Credit Union Society Limited. The La Resource Co-operative Credit Union Limited was previously registered as Society #31 in accordance with the provision of the Co-operative Society Law No 17 of the Laws of Saint Lucia (1946) and the regulations made on the 8th day of January 1980.

The registered office and principal place of business of the credit union is in the Mabouya Valley Basin, Saint Lucia. The objectives of the society are:

- To promote thrift among its members by providing ways and means whereby savings can be affected and whereby shares in the society can be acquired.
- To educate its members in the co-operative on principles and methods in family financial management and in the efficient management of its affairs.
- To undertake all other acts and things as are incidental or conducive to or consequential upon the attainment of the above objects.

2. Date of Authorisation of Issue

These financial statements were authorised for issue by the Board of Directors on September 20, 2023.

3. Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of Preparation

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Areas involving a higher degree of judgment or complexity, or areas where estimations and assumptions are significant to the financial statements are disclosed in Note 5.

These financial statements of Mabouya Valley Co-operative Credit Union Society Limited are prepared under the historical cost convention except the following material items in the statement of financial position that are measured at fair value. Equity investments are recognised at fair value through other comprehensive income whereas, land and building measured at revalued amounts.

The Credit Union presents its statements of financial position on a non-classified basis in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the year-end date(current) and more than twelve months after the year-end date (non-current), present in the notes. The Credit Union classifies its expenses by the nature of expenses.

The following are non-current balances: non-current investment securities, property, plant and equipment, long- term portion of members' loans and advances, non-current savings, deposits and borrowing.

3. Significant Accounting Policies (Cont'd)

(a) Basis of Preparation (Cont'd)

The following are current balances: cash and cash equivalents, current investment securities, current portion of loans and advances due within one year, accounts payables and accruals, and current shares and deposits, accounts receivable and prepaid expenses.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(b) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition including: cash, treasury bills, deposits with other banks, and other short-term securities.

(c) Financial Instruments

The Credit Union classifies financial assets to the following IFRS 9 measurement categories:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVOCI)
- Debt instruments at fair value through profit or loss (FVTPL)
- Equity instruments designated as measured at FVOCI
- Equity instruments at FVTPL

IFRS 9 classification is based on the business model in which a financial asset is managed and its contractual cash flows. As at the reporting date, no financial instruments were measured at FVOCI.

On initial recognition, financial assets are classified by the Credit Union as follows:

Debt Instruments

Debt instruments, including loans and debt securities, are classified into one of the following measurement categories:

- Amortized cost;
- FVOCI; and
- FVTPL

Investments in debt instruments are measured at amortized cost if it meets both of the following conditions and is not designated as fair value through profit or loss (FVTPL).

- The asset is held within a business model whose objective is to hold assets 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 (SPPI) on the outstanding principal balance.

3. Summary of Significant Accounting Policies (Cont'd)

(c) Financial Instruments (Cont'd)

Business model assessment

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The Credit Union's business model assessment is based on the following categories:

- *Hold to Collect* – The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- *Hold to collect and sell* – both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- *Other Business model – this business model is neither hold-to-collect nor hold-to-collect and sell.* The Credit Union determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives. The model is not assessed on an instrument-by-instrument basis, but rather at a portfolio level and based on factors such as:
  - How the performance of the financial assets held within that business model are evaluated and reported to the credit Union's management personnel.
  - The risks that affect the performance of the assets held within a business model (and, in particular, the way those risks are managed).
  - The expected frequency, value and timing of sales activity.

The stated policies and objectives for the portfolio and the operation are those policies in practice, in particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching duration of the financial assets to the duration of the financial liabilities that are funding those assets or realising cash flows through the sale of the assets.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the credit Union's expectations, the Credit Union does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of contractual cash flows

As a second step in the classification process the Credit Union assesses the contractual terms of the financial assets to identify whether they meet the solely payments of principal and interest (SPPI) test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as profit margin.

3. Summary of Significant Accounting Policies (Cont'd)

(c) Financial Instruments (Cont'd)

Debt instruments measured at amortized cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost. Interest income on these investments is recognized in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss (ECL) approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit loss (ACL) in the statement of financial position.

Debt instruments measured at fair value through other comprehensive income.

Investments in debt instruments are measured at fair value through other comprehensive income where they meet the following two conditions and they have not been designated at FVTPL:

- Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- Are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest revenue and foreign exchange gains and losses are recognized in profit and loss. Upon disposal, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to the income statement.

Impairment on debt instruments at FVOCI is calculated using the expected credit loss (ECL) approach. The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Statement of Financial Position, which remains at fair value.

Equity instruments

All equity securities are measured at fair value. On initial recognition the Credit Union may make an irrevocable decision to present in OCI gains and losses from changes in fair value of certain equity instruments. When insufficient information is available to measure fair value, then the instrument is measured at cost when it represents the best estimate of fair value. When an equity instrument classified at FVOCI is sold the cumulative profit or loss recorded in OCI is not recycled to profit or loss. Dividends recorded from securities measured at FVOCI are recognised in profit or loss.

A financial instrument with a reliably measurable fair value can be designated at FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the selling or repurchasing.

3. Summary of Significant Accounting Policies (Cont'd)

(c) Financial Instruments (Cont'd)

Financial Liabilities

At initial recognition financial liabilities are measured at fair value plus or minus, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Financial liabilities other than loan commitments, financial guarantees and derivatives are subsequently measured at amortised cost.

Impairment of financial assets

Scope

The adoption of IFRS 9 has fundamentally changed the Credit Union's impairment model by replacing IAS 39's incurred loss approach with a forward looking three-stage expected credit loss (ECL) approach.

Expected credit loss impairment model

The three stage ECL allowance model is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (LTECL), unless there has been no significant increase or deterioration in credit risk since origination, in which case, the allowance is based on the 12 months expected credit loss (12m ECL). The 12m ECL is the portion of the LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both lifetime expected credit losses and 12 month expected credit losses are calculated on an individual basis but for purposes of determining the probability of default and loss given default financial assets are grouped according to common characteristics.

The three-stage approach applied by the Credit Union is as follows:

<u>Stage 1: 12-months ECL</u>

The Credit Union assesses ECLs on exposures where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. For these exposures, the Credit Union recognises a provision on the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months. Stage 1 loans include those instruments that are in arrears for 30 days or less and those facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

<u>Stage 2: Lifetime ECL-not credit impaired</u>

The Credit Union assesses ECLs on exposures where there has been a significant increase in credit risk since initial recognition but is not credit impaired. This category includes loans which are over 30 days but less than 90 days in arrears. For these exposures, the Credit Union recognises as a provision a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset).

3. Summary of Significant Accounting Policies (Cont'd)

(c) Financial Instruments (Cont'd)

Impairment of financial assets (Cont'd)

Stage 3: Lifetime ECL- credit impaired

The Credit Union identifies, individually, ECLs on those exposures that are assessed as credit impaired based on whether one or more events that have a detrimental effect on the estimated future cash flows of that asset have occurred. Loans that are overdue for 90 days or more are considered credit impaired. For exposures that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather that the gross carrying amount. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

Measurement of ECL

ECLs are probability weighted estimates of credit losses. They are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and cash flows that the Credit Union expects to receive);
- *Financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *Undrawn loan commitments*: the present value of the difference between contractual cash flows that are due to the Credit Union if the commitment is drawn down and the cash flows that the Credit Union expects to receive.

The inputs used to estimate the expected credit losses are as follows:

- *Probability of Default (PD)* - The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.
- *Exposure at default (EAD)* – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- *Loss Given Default (LGD)* – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of EAD.

Forward looking information

The standard requires the incorporation of forward-looking information in the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk. It considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

3. Summary of Significant Accounting Policies (Cont'd)

(c) Financial Instruments (Cont'd)

Impairment of financial assets (Cont'd)

Macroeconomic factors

The standard also requires incorporation of macroeconomic factors in models for ECLs. In its models, the Credit Union conducted an assessment of a range of forward-looking economic information as possible inputs, such as GDP growth, non-performing loans ratios and inflation.

The standard recognises that the inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be used as temporary adjustments using expert credit judgement.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Credit Union considers both quantitative and qualitative information and analysis based on its historical experience and credit risk assessment. The Credit Union considers as a backstop that significant increase in credit risk occurs when as asset is more than 30 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECLs to 12-months.

Expected Life

For instruments in Stage 2 or 3, loss allowances reflect expected credit losses over the expected remaining life of the instrument. For most instruments, the expected life is limited to the remaining contractual life.

Presentation of allowances for ECLs

Loss allowances for ECLs are presented in the Statement of Financial Position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- Undrawn loan commitments and financial guarantees generally as a provision in other liabilities.
- Debt instruments measured at fair value through OCI and the ECLs are not recognized in the Statement of Financial Position because the carrying amounts of these assets remain their fair values. However, the loss allowance is disclosed and is recognized in the fair value reserve in equity with a corresponding charge to profit and loss. The accumulated loss recognised in OCI is recycled to profit or loss upon derecognition of the assets.

3. Summary of Significant Accounting Policies (Cont'd)

(c) Financial Instruments (Cont'd)

Impairment of financial assets (Cont'd)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then the assessment is made of whether the financial asset should be derecognized in ECLs and measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discontinued from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit Impaired Financial Assets

At each reporting date the Credit Union assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit impaired (referred to as "Stage 3 financial assets"). 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.

Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the borrower;
- A breach of contract such as default or past due events;
- The restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
    - Adverse changes in the payment status of borrowers in the group; or
    - National or economic conditions that correlate with defaults on the assets in the group.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, loans that are overdue for 90 days or more are considered credit impaired.

3. Summary of Significant Accounting Policies (Cont'd)

(c) Financial Instruments (Cont'd)

Impairment of financial assets (Cont'd)

Definition of default

The Credit Union considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- Significant financial difficulty of the borrower;
- Default or delinquency of principal and interest by a borrower;
- Restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not normally consider;
- Measurable decrease in the estimated cash flows from the loan or the underlying assets that secure the loan; or
- The disappearance of an active market for a security because of financial difficulties.

The Credit Union considers that default has occurred and classifies the financial asset as credit impaired when it is more than 90 days past due.

Write-offs

The write-off of a financial asset is a derecognition event. Loans and related impairment losses are either written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of collateral. In circumstances where the new realizable value on any collateral has been determined and there is no reasonable expectation of recovery, write-off may be earlier.

(d) Property and Equipment

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

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Co-operative and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the declining balance method to allocate cost to their residual values over their estimated useful lives, as follows:

Assets	**Depreciation Rate**
Leasehold Improvement	20%
Furniture and equipment	10% - 25%
Computer Software	33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of income.

3. Significant Accounting Policies (Cont'd)

(e) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of income over the period of the borrowings using the effective interest method.

(f) Members' Shares

Members' shares issued by the Co-operative are classified as equity to the extent that they do not meet the definition of a financial liability. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, from the proceeds.

(g) Dividend on Members' Shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(h) Interest Income and Expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Co-operative estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees 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.

(i) Fee and Commission Income

Fees, commissions and other income are recognised on an accruals basis when the related service has been provided.

(j) Dividend Income

Dividend income from available-for-sale equities is recognised when the right to receive payment is established.

3. Significant Accounting Policies (Cont'd)

(k) Foreign Currency Translation

(i) Functional and presentation currency

Items in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Eastern Caribbean dollars, which is the Co-operative's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary items are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity, if any.

(l) Provisions

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

(m) Taxation

The Co-operative is not liable to income taxes in accordance with Section 25(1) (q) of the Income Tax Act Cap 15.02.

(n) Financial Instruments

Financial instruments carried on the statement of financial position include cash, investment securities, loans and advances to members, deposits and shares from members, borrowings, accounts payable and accruals. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

(o) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where necessary, comparative figures have been adjusted to conform with changes in the presentation in the current year.

4. Financial Risk Management

Objectives, policies and processes

The Board of Directors has overall responsibility for risk management. The authority for designing and operating the processes that addresses the objectives is delegated to the Treasurer.

Strategy in using financial instruments

By its nature, the Co-operative's activities are principally related to the use of financial instruments. The Co-operative accepts deposits and shares from members and seeks to earn an interest margin by lending to members while maintaining sufficient liquidity to meet all claims that may fall due.

The Co-operative also seeks to raise its interest margins by obtaining above average margins, net of allowances, through investing in various financial instruments.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency and interest rate risks.

(a) Credit Risk

The Co-operative takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Co-operative's portfolio, could result in losses that are different from those provided at the reporting date. Management therefore carefully manages its exposure to credit risk.

The Co-operative structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis. Limits on the level of credit risk by products are approved by the Board of Directors.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and personal guarantees.

Impairment and Provisioning Policies

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. Some accounts are reviewed monthly and others quarterly and sometimes when individual circumstances require.

Impairment losses on individually assessed accounts are determined by an evaluation of the incurred loss at the financial reporting date on a case by case basis and are applied to all individually significant accounts. The assessment encompasses collateral held and the anticipated receipts for those individual accounts. This forms our specific provisioning.

The collective provisioning requires our judgment about the risks of default and loss associated with a pool of accounts. These accounts are in a segment that is considered to be "Pass" and or "Special Mention". Management determines whether objective evidence of impairment exist based on the following criteria:

- Delinquency in payments of principal and interest
- Cash flow constraints of members
- Breach of loan covenants
- Deterioration of members competitive position
- Deterioration in the value of collateral
- Economic conditions

4. Financial Risk Management (Cont'd)

(a) Credit Risk (Cont'd)

Maximum exposure to credit risk before collateral held or other credit enhancements are as follows:

	2022 $	2021 $
Maximum exposure to credit risk:-		
Cash at bank	4,666,403	5,022,424
Investment securities	7,145,910	7,095,580
Loans and advances to members	11,683,282	8,338,979
Receivables	1,071,360	294,910
	24,566,955	20,751,893

Credit risk from financial assets is minimised through advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. The risk accepted in relation to one borrower is restricted to 10% of the shareholder's equity. Exposure to credit risk is also managed in part by obtaining collateral and guarantees for loans receivable. The collateral may consist of real estate, member deposits and shares, equipment or vehicles. The credit quality of each individual investment is internally assessed based on the financial strength, reputation and market position of the issuing company and the ability of that company to service the debt.

The above table represents a worst case scenario of credit risk exposure to the Co-operative at December 31, 2021 and 2020, without taking account of any collateral held. For financial assets included in the statement of financial position, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

4. Financial Risk Management (Cont'd)

(a) Credit Risk (Cont'd)

(i) Loans and advances to members past due but not impaired

Loans up to 90 days past due are not considered impaired unless information is available to indicate otherwise. Therefore, the gross amount of loans and advances by class to members that were past due but not impaired were as follows:

	2022 $	2021 $
Past due up to 30 days	1,714,691	1,270,309
Past due 31 – 60 days	435,611	469,671
Past due 61 – 90 days	331,818	348,310
	2,482,119	2,088,290

(i) Loans and advances to members individually impaired

The table below shows the individually impaired loans and advances to members before taking into consideration the cash flows from collateral held.

The breakdown of the gross amount of individually impaired loans and advances by class are as follows:

	Manufacturing And Business $	Personal $	Education $	Mortgage $	Total $
As at December 31, 2022					
Individually impaired loans	109,875	1,049,134	6,261	77,253	1,242,523
As at December 31, 2021					
Individually impaired loans	73,224	787,063	12,942	443,334	1,316,563

4. Financial Risk Management (Cont'd)

(a) Credit Risk (Cont'd)

The Co-operative operates primarily in Saint Lucia. Based on the country of domicile of its counterparties, exposure to credit risk is concentrated in this location, except for investments which have other exposures.

The following table breaks down the Co-operative's credit exposure at gross amounts without taking into account any collateral held or other credit support by the industry sectors of the Co-operative's counterparties.

	Financial Institutions $	Manufac-turing Business $	Personal $	Govern-ment $	Education $	Mortgage $	Other $	Total $
As at December 31, 2022								
Financial assets								
Cash at bank	4,235,215							4,235,215
Investments securities	3,275,259			3,870,650				7,145,909
Loans and advances to members	-	342,200	6,343,626		135,295	5,769,579		12,590,699
Receivables	1,012,455						58,905	1,071,360
	8,522,929	342,200	6,343,626	3,870,650	135,295	5,769,579	58,905	25,043,184
As at December 31, 2021								
Financial assets								
Cash at bank	4,625,218							4,625,218
Investments securities	3,243,227			3,852,353				7,095,580
Loans and advances to members		285,289	4,728,724		31,545	4,103,606		9,149,164
Receivables	258,313						36,597	294,910
	8,126,758	285,289	4,728,724	3,852,353	31,545	4,103,606	36,597	21,164,872

4. Financial Risk Management (Cont'd)

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Co-operative is exposed to equity securities, price risk arising from available-for-sale investments securities

(c) Currency Risk

The Co-operative takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The co-operative's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since 1974.

4. Financial Risk Management (Cont'd)

(d) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Co-operative takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Co-operative's exposure to interest rate risks. Included in the table are the Co-operative's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 6 months $	6 to 12 months $	1 to 5 Years $	Over 5 Years $	Non-interest bearing $	Total $
As at December 31, 2022						
Financial assets						
Cash at bank	4,075,118				160,097	4,235,215
Investment securities	2,232,759	1,042,500	2,867,298	1,003,353		7,145,909
Loans and advances to Members	316,516	378,861	6,756,993	5,138,330		12,590,699
Receivables	184,075				887,285	1,071,360
Total financial assets	6,808,468	1,421,361	9,624,291	6,141,683	1,047,382	25,043,183
Financial liabilities						
Members' deposits and withdrawable shares	21,748,956					21,748,956
Accounts payable and accruals					114,181	114,181
Total financial liabilities	21,748,956				114,181	21,863,137
Total interest repricing gap	(14,490,488)	1,421,361	9,624,291	6,141,683	933,201	3,180,046

4. Financial Risk Management (Cont'd)

(d) Interest Rate Risk (Cont'd)

	Up to 6 months $	6 to 12 months $	1 to 5 Years $	Over 5 years $	Non-interest bearing $	Total $
As at December 31, 2021						
Financial assets						
Cash at bank	3,654,181	-	-	-	971,037	4,625,218
Investment securities	2,200,727	2,891,500	1,000,000	1,003,353	-	7,095,580
Loans and advances to Members	53,398	324,532	4,574,201	4,197,033	-	9,149,164
Receivables	110,768	-	-		184,142	294,910
Total financial assets	6,019,074	3,216,032	5,574,201	5,200,386	1,155,179	21,164,872
Financial liabilities						
Members' deposits and withdrawable shares	18,440,120	-	-	-	-	18,440,120
Accounts payable and accruals		-	-	-	80,049	80,049
Total financial liabilities	18,440,120	-	-	-	80,049	18,520,169
Total interest repricing gap	(12,421,046)	3,216,032	5,574,201	5,200,386	1,075,130	2,644,703

4. Financial Risk Management (Cont'd)

(d) Interest Rate Risk (Cont'd)

The Co-operative manages part of its credit risk through the insistence of borrowing members acquiring Savings.

The table below summaries the interest rates on the financial assets and liabilities held at the reporting date:

	2022 %	2021 %
Financial Assets		
Cash and cash equivalents	0-0.50	0-0.50
Investments	3.00-7.10	3.00-7.10
Member loans and advances	7.00-12.00	7.00-12.00
Financial Liabilities		
Deposits from members	1.00	1.00
Withdrawable shares	1.00	1.00

(e) Liquidity Risk

Liquidity risk is the risk that the Co-operative is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Co-operative is exposed to daily calls on its available cash resources from maturing members' deposits and loan draw downs. The Co-operative does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board of Directors sets limits on the minimum proportion of maturing funds available to meets such calls and on the minimum level of borrowing facilities that should be in placed to cover withdrawals at unexpected levels of demand.

(f) Liquidity Risk Management

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Co-operative. It is unusual for the Co-operative to be completely matched as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses

The contractual maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Co-operative and its exposure to changes in interest rates.

4. Financial Risk Management (Cont'd)

(g) Non-derivatives Cash Flows

The table below presents the cash flows payable by the Co-operative under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Co-operative manages the inherent liquidity risk based on expected undiscounted cash inflows.

	Up to 1 Month $	2 months to 1 year $	Over 1 year $	Total $
As at December 31, 2022				
Financial liabilities				
Members' deposits	9,271,547			9,271,547
Members' withdrawable shares	12,463,288			12,463,288
Accounts payable and accruals	114,181			114,181
Total financial liabilities	21,849,016			21,849,016
As at December 31, 2021				
Financial liabilities				
Members' deposits	8,180,157			8,180,157
Members' withdrawable shares	10,259,963			10,259,963
Accounts payable and accruals	80,049			80,049
Total financial liabilities	18,520,169			18,520,169

(h) Fair Values of Financial Assets and Liabilities

Fair Value Hierarchy

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market value if one exists. The following methods and assumptions were used to estimate the fair value of financial instruments.

The fair values of cash, accounts receivable and accounts payable and accruals, members' deposits, members' SSSA and other short-term instruments are assumed to approximate their carrying amounts due to their short-term nature. The fair value of off-statement of financial position commitments are also assumed to approximate the amounts disclosed in Note 32 due to their short-term nature.

4. Financial Risk Management (Cont'd)

(h) Fair Values of Financial Assets and Liabilities (Cont'd)

Investment Securities

Assets classified as available for sale are at fair value based on market prices or broker price quotations. For unlisted securities, fair value is estimated on their cost as the amounts are immaterial. For investment securities classified as loans and receivables fair value is estimated using discounted cash flows.

Loans and Advances to Members

Loans and advances are net of their provision for impairment. The estimated fair values of loans and advances represent 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.

	Level 2 $	Level 3 $	Total $
As at December 31, 2022			
Financial Assets for which at fair values are disclosed			
Investment securities	7,687,021		7,687,021
Loan and advances to members		13,026,631	13,026,631
	7,687,021	13,026,631	20,713,652
As at December 31, 2021			
Financial Assets for which at fair values are disclosed			
Investment securities	7,586,355	-	7,586,355
Loan and advances to members	-	9,690,152	9,690,152
	7,586,355	9,690,152	17,276,507

There were no financial instruments that traded in an active market. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. If all significant inputs required to fair value an instrument are observable, the instrument is Level 2.

If one or more significant inputs is not based on observable market data, the instrument is included in Level 3.

4. Financial Risk Management (Cont'd)

(h) Fair Values of Financial Assets and Liabilities (Cont'd)

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

	Carrying amount		Fair value	
	2022	2021	2022	2021
	$	$	$	$
Financial assets				
Loans and advances to members	12,590,699	9,149,164	13,026,631	9,690,152
Investments				
Investment securities	7,145,910	7,095,580	7,687,021	7,586,355

The carrying amounts of all financial liabilities are assumed to approximate their fair values.

(i) Capital Management

The Co-operative's objectives when managing capital are:-

- To comply with the statutory capital requirements of the Co-operative Societies Act of Saint Lucia and enforced by the Financial Services Regulatory Authority (FSRA);
- To safeguard the Co-operative's ability to continue as a going concern so that it can continue to provide returns for members and benefits for other stakeholders;
- To maintain a strong capital base in an effort to maintain members, creditors and other parties' confidence and to sustain future development of the Co-operative and;
- To provide cushion in the event of market instability.

The Board of Directors monitors the return on capital, which is defined as surplus for the year divided by average total assets, and also the level of dividends paid to members. Section 119 of the Co-operative Societies Act Cap 12.06 requires the Co-operative to maintain statutory and other reserves at not less than 10% of its liabilities. As at the year end the minimum reserve requirement was $2,186,314 (2021 - $1,837,481). The Co-operative was not in compliance at December 31, 2022.

4. Financial Risk Management (Cont'd)

(i) Capital Management (Cont'd)

Capital adequacy is monitored quarterly using the PEARLS ratios prescribed by the World Council of Credit Unions for determining capital adequacy and which has been adopted by the Financial Services Regulatory Authority (FSRA). PEARLS require that each credit union maintain minimum of 10% total assets as its capital base. As at year end the minimum capital required was $2,492,048 (2021 – $2,110,659). The regulatory capital is divided into two levels:-

- Institutional Capital: Share Capital, Retained Earnings, Statutory Reserves: and
- Transitionary Capital: Education and Development Fund.

	2022 $	2021 $
Institutional capital		
Share capital	1,009,524	933,914
Retained earnings	889,053	465,645
Statutory reserve	1,166,786	1,061,734
Total institutional capital	3,065,363	2,461,293
Transitionary capital		
Education fund	24,612	41,029
Development fund	84,095	84,095
Total transitionary fund	108,707	125,123
Total regulatory capital	3,174,070	2,586,416

The risk-weighted assets are measured by an estimation of market, credit, interest and other risk associated with each asset and with due consideration to the collateral proffered. In addition, management and Board of Directors monitor movements in asset levels on a monthly basis.

The Co-operative was in compliance with this requirement at year-end.

5. Critical Accounting Judgements, Estimates and Assumptions

The Co-operative makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Co-operative reviews its loan portfolio to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in the statement of income, the Co-operative makes judgement 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 a decrease can be identified with an individual loan in that portfolio.

(b) Impairment of available-for-sale equity investments

The Co-operative determines that available-for-sale 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 judgement. In making this judgement, the Co-operative evaluates among other factors, when there is evidence of deterioration in the financial health of investee industry and sector performance, changes in technology and operational and financial cash flows.

6. Cash

	2022 $	2021 $
Cash on hand	431,187	397,206
Cash at bank	4,235,215	4,625,218
	4,666,402	5,022,424

Interest earned on bank balances at an average rate of 0.50% (2020 – 0.50%) per annum. Under section 119 (3) of the Act, the Co-operative is required to maintain a liquidity reserve calculated as 15% of members shares and deposits. As at year end this amounted to $2,884,302 (2020 – $2,508,068).

The following bank deposits and investments securities have been identified to meet the requirements of the Act.

	2022 $	2021 $
Cash at bank – FNB	4,143,255	4,158,310
Cash at bank – BOSL	91,960	466,908
Capita Financial Services Inc.- Fixed Deposit	1,099,764	1,067,732
Financial Investments & Consultancy Services Ltd. – Fixed Deposit	2,175,496	2,175,496
First Citizens Investment Services Ltd -Government Treasury Bills	3,870,650	3,852,353
	11,381,125	11,720,799

The liquid assets that have been identified by the Co-operative to meet the requirements of the Act amount to $11,381,125 (2021 - $11,720,799). As at the year end, the Co-operative met the liquidity reserve requirement.

7. Investment Securities

	2022 $	2021 $
Held to Maturity		
Capita Finance Investment	1,099,764	1,067,732
Financial Investment & Consultancy Services Ltd	2,175,496	2,175,496
British American- Fixed deposit (BAICO)	102,292	102,292
First Citizen's Investments Services Ltd.	3,870,650	3,852,353
	7,248,202	7,197,873
Less: Fixed deposit impairment	(102,292)	(102,292)
Total investment securities	7,145,910	7,095,581

8. Loans and Advances to Members

	2022 $	2021 $
Loans and advances to members	12,590,699	9,149,159
Provision for impairment of loans	(976,019)	(869,110)
	11,614,680	8,280,049
Interest receivable on loans	68,602	58,930
	11,683,282	8,338,979

Interest is earned at rates ranging between 9% - 12% (2020: 9%-12%) per annum.

9. Provision for Impairment of Loans

Movement in provision for impairment of loans is as follows:-

	2022 $	2021 $
Balance – at beginning of year	869,110	579,005
Written-off during the year	-	-
Provision made during the year	106,909	290,105
Balance – at end of year	976,019	869,110

9. Provision for Impairment of Loans (Cont'd)

Provision for Loans and advances to members are summarized as follows: -

Year: 2022	Value	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$	$
Personal loans	**1,780,799**	49,423	-	27,492	76,915
Mortgages and real estate	**5,969,775**	314,592	624	125,508	440,724
Vehicle	**2,451,641**	25,586	-	115,423	141,009
Business	**290,254**	25,011	-	37,996	63,007
Education	**218,309**	14,364	-	5,361	19,725
Debt consolidation	**1,801,009**	129,520	2,419	53,028	184,967
Agriculture	**19,205**	16,921	-	-	16,921
Refinancing	**59,707**	1,828	-	30,923	32,751
	12,590,699	577,245	-	395,731	976,019
Allowance for loss	**12,590,699**	577,245	3,043	395,731	976,019

Year: 2021	Value	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$	$
Personal loans	**1,575,771**	75,415	10,981	117,125	203,521
Mortgages and real estate	**4,103,606**	212,546	1,757	116,135	330,438
Vehicle	**1,941,783**	30,883	873	109,065	140,821
Business	**257,407**	21,691	-	33,205	54,896
Promotional	**55,453**	-	-	-	-
Education	**77,460**	3,119	-	-	3,119
Debt consolidation	**912,562**	74,367	-	-	74,367
Agriculture	**48,552**	826	-	-	826
Refinancing	**173,054**	707	23,470	36,945	61,122
Other	**3,519**	-	-	-	-
	9,149,164	419,554	37,081	412,475	869,110
Allowance for loss	**8,280,054**	419,554	37,081	412,475	869,110

10. Receivables and Prepayments

	2022	2021
	$	$
Investment interest receivable	184,075	110,768
Western union receivable	828,379	147,545
Prepaid expenses	7,266	5,354
Other	51,640	31,243
	1,071,360	294,910

11. Property and Equipment

	Furniture and Equipment $	Computer and Equipment $	Land $	Computer Software $	Leasehold Improvement $	Total $
Cost						
At December 31, 2020	78,406	103,290	275,591	25,199	96,325	578,811
Additions	941	-	-	-	-	941
At December 31, 2021	79,347	103,290	275,591	25,199	96,325	579,752
Additions	4,593	11,427	-	-	-	16,020
At December 31, 2022	83,940	114,717	275,591	25,199	96,325	595,772
Accumulated Depreciation						
At December 31, 2020	29,519	76,013	-	13,988	87,159	206,679
Charge for the year (Note 21)	7,340	5,475	-	3,733	1,833	18,381
At December 31, 2021	36,859	81,488	-	17,721	88,992	225,060
Charge for the year (Note 21)	7,120	6,110	-	2,490	1,467	17,187
At December 31, 2022	43,979	87,598	-	20,211	90,459	242,247
Net Book Value						
At December 31, 2022	39,961	27,119	275,591	4,988	5,866	353,525
At December 31, 2021	42,488	21,802	275,591	7,478	7,333	354,692
At December 31, 2020	48,887	27,277	275,591	11,211	9,166	372,132

12. Members' Deposits

	2022 $	2021 $
Members' deposits	9,285,669	8,180,157
Members' withdrawable shares	12,463,287	10,259,963
	21,748,956	18,440,120

Interest paid on members' deposits and withdrawable shares were at a rate of 1.0% (2020: nil) per annum.

13. Accounts Payable and Accruals

	2022 $	2021 $
Trade payables	17,622	17,622
Rent payable	-	-
Accruals	14,500	-
Other payable	82,059	62,427
	114,181	80,049

14. Members' Shares

Below shows the movement in members' shares for the year: -

	2022		2021	
	Number of Shares	Share capital $	Number of shares	Share capital $
Balance – beginning of year	186,782	933,914	172,971	864,857
Net shares purchased	15,122	75,610	13,811	69,057
Balance – end of year	201,904	1,009,524	186,782	933,914

15. Statutory Reserve

The Co-operative maintains a reserve fund pursuant to Section 119 (2) of the Act, in which not less than twenty five percent (25%) of the net surplus before dividends are carried. In addition, all entrance fees, transfer and other fines are carried to this fund.

	2022 $	2021 $
Opening balance	1,061,734	1,017,370
Transfer from education and development fund	-	-
	1,017,370	1,017,370
Entrance fee	2,825	2,400
Add: 25% net surplus for the year	102,227	41,964
Closing balance	1,166,786	1,061,734

16. Education Fund

In accordance with a resolution passed by members, when the society indicates a surplus at least 10% of the surplus will be transferred to the education fund.

	2022 $	2021 $
Opening balance	41,029	34,854
Transfer to statutory reserve	-	-
	41,029	34,854
Add: 10% net surplus for the year	40,891	16,786
Less: training	(16,417)	(10,611)
Closing balance	65,503	41,029

17. Development Fund

In accordance with Section 120 of the Act, the society shall establish and maintain a development fund by contributing an amount not exceeding 10% of the society's realized surplus to the National League.

	2022 $	2021 $
Opening balance	84,095	67,309
Transfer to statutory reserve	-	-
	84,095	67,309
Add: 10% net surplus for the year	40,891	16,786
Closing balance	124,986	84,095

18. Operating Expenses

	2022 $	2021 $
Security expenses	36,119	36,690
License fees	5,812	5,515
Legal fees	5,194	3,700
Stationery and office supplies	42,734	42,280
League dues	-	920
Auditing fees	16,500	18,125
Insurance	8,477	8,477
Scholarship	2,500	3,000
Special events	7,010	4,004
	124,346	122,711

19. Personnel Expenses

	2022 $	2021 $
Salaries and wages	241,147	218,755
Staff expenses	10,057	2,894
	251,204	221,649
Average number of employees	9	8

20. Member Meeting Expenses

	2022 $	2021 $
Advertising and promotions	15,362	15,380
Special membership meeting	6,314	-
Donation	4,950	350
AGM expenses	4,823	14,059
	31,449	29,789

21. Occupational expenses

	2022 $	2021 $
Utilities	42,120	37,902
Repairs and maintenance	19,902	23,131
Depreciation (Note 11)	17,187	18,382
Rent expense	36,000	36,000
Travelling expense	1,310	756
	116,519	116,171

22. Board and Committee Expenses

	2022 $	2021 $
Meeting and other expenses	11,458	13,143

23. Other Income

	2022 $	2021 $
Commission and foreign exchange gains	87,947	79,982
Other income	41,611	26,837
Sale of passbooks	3,595	3,235
Recovered loans	21,255	48,079
	154,408	158,133

24. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

In the normal course of business, the Co-operative extends credit to members of the board of directors, credit committee, supervisory committee and members and other key management personnel. These transactions are entered into with related parties on commercial terms and conditions, at market rates.

The following are the loan balances of board of directors, members of the supervisory committee and credit committee and other management personnel.

	Management Personnel $	Committee Members $	Board of Directors $	Total $
Loans outstanding at January 1, 2022	39,472	-	31,386	70,858
Net issued/(repaid) during the year	105,166	-	417,270	522,436
Loans outstanding at December 31, 2022	144,638	-	448,656	593,294
Loans outstanding at January 1, 2021	58,279	121,511	55,181	234,971
Net issued/(repaid) during the year	(18,807)	(121,511)	(23,795)	(164,113)
Loans outstanding at December 31, 2021	39,472	-	31,386	70,858

24. Related Party Transactions (Cont'd)

The following are the aggregate of shares and deposits of board of directors, members of the supervisory committee and credit committee and other management personnel.

	Management Personnel $	Committee Members $	Board of Directors $	Total $
Shares and deposits at January 1, 2022	27,291	2,229	52,516	82,036
Net savings/(withdrawals) during the year	12,904	-	(3,323)	9,581
Shares and deposits at December 31, 2022	40,195	2,229	49,193	91,617
Shares and deposits at January 1, 2021	34,178	93,703	50,751	178,632
Net savings/(withdrawals) during the year	(6,887)	(91,474)	1,765	(96,596)
Shares and deposits at December 31, 2021	27,291	2,229	52,516	82,036

Key Management Compensation

	2022 $	2021 $
Salaries and other short-term benefits	116,956	91,756

25. Co-operative Societies Act Compliance Requirements

Liquidity Reserve Requirements. The liquid assets at the year-end comprised:

	2022 $	2021 $
Cash	4,666,403	5,022,424
Investment securities	7,145,910	7,095,580
	11,812,313	12,118,004
Total investment securities and cash	11,812,313	12,118,004
Total members savings and deposit	21,748,956	18,440,120
Liquidity ratio	54%	66%

Statutory Reserve Requirements

	2022 $	2021 $
Statutory and other reserves	1,173,266	1,186,857
Total liabilities	21,863,137	18,520,169
Reserve to liability ratio	5%	6%

26. Dividends

No dividend was paid for the year (2021: Nil).

27. Subsequent Event

There were no subsequent events that occurred after the financial reporting date and up to the date of the audit report.