

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2018

**G LLEWELLYN GILL & CO.
CHARTERED ACCOUNTANTS
P O BOX 546, CASTRIES**

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

DECEMBER 31, 2018

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ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

INDEPENDENT AUDITORS' REPORT

To the Members of:

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED**. ("the Credit Union"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies.

Basis for Qualified Opinion

IFRS 9, financial instruments became effective on January 1, 2018, That standard introduced an expected loss impairment model to replace the incurred loss model under IAS 39 for making provision for credit losses. The credit union has not complied with this provision of the standard as it utilised the incurred loss model in making its provision for 2018. The credit union therefore was not in compliance with International Financial Reporting Standards (IFRS)

In our opinion, except for the effects of the matter referred to in the basis for Qualified Opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Auditor's 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.

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.

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED
INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements
(Continued)

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

Auditor's 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 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:

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

**ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED
INDEPENDENT AUDITOR'S REPORT**

Report on the Audit of the Financial Statements
(Continued)

Other Legal Matters

This report is made solely to the Credit Union's members as a body. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members as a body, for our audit work, for this report, or for the opinion we have formed.

Castries, St Lucia
May 16, 2019

Chartered Accountants

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and balances with banks (Note 7)	\$ 1,457,969	\$ 2,040,977
Financial assets (Note 8)	3,358,522	3,269,819
Trade and other receivables (Note 9)	155,315	108,845
Investments (Note 10)	412,209	413,069
Loans to members (Note 11)	13,020,340	11,070,374
Capital assets (Note 12)	<u>466,249</u>	<u>528,708</u>
TOTAL ASSETS	\$ <u>18,870,604</u>	\$ <u>17,431,792</u>
LIABILITIES		
Members withdrawable shares and deposits	\$ 16,859,533	\$ 15,821,895
Accounts payable and accruals (Note 13)	<u>108,416</u>	<u>91,480</u>
Total Liabilities	<u>16,967,949</u>	<u>15,913,375</u>
MEMBERS' EQUITY		
Share Capital (Note 14)	707,687	575,441
Member Funds (Note 15)	48,778	21,472
Reserves (Note 16)	488,211	415,621
Retained earnings	<u>657,979</u>	<u>505,883</u>
Total Members' Equity	<u>1,902,655</u>	<u>1,518,417</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ <u>18,870,604</u>	\$ <u>17,431,792</u>

APPROVED BY THE BOARD:

_____ President

_____ Secretary

The accompanying notes form an integral part of these statements.

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CHANGES IN MEMBERS' EQUITY

YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
SHARE CAPITAL		
Share capital at beginning of year	\$ 575,440	\$ 450,002
Net shares purchased	<u>132,247</u>	<u>125,438</u>
Share capital at end of year	<u><u>707,687</u></u>	<u><u>575,440</u></u>
RESERVES		
Statutory reserve		
At beginning of year	415,621	375,871
Add : 25% of net surplus for the year	69,390	32,385
Entrance Fees	<u>3,200</u>	<u>7,365</u>
At end of year	<u><u>488,211</u></u>	<u><u>415,621</u></u>
MEMBER FUNDS		
Education fund		
At beginning of year	21,472	16,104
Add : 10% of net surplus for the year	27,756	12,954
Training expenses for the year	<u>(450)</u>	<u>(7,586)</u>
At end of year	<u><u>48,778</u></u>	<u><u>21,472</u></u>
TOTAL MEMBER FUNDS	<u><u>48,778</u></u>	<u><u>21,472</u></u>
UNDIVIDED EARNINGS		
At beginning of year	505,882	442,526
Total Comprehensive Income for the year	<u>277,559</u>	<u>129,541</u>
	783,441	572,067
Statutory reserve	<u>(69,390)</u>	<u>(32,385)</u>
Education fund	<u>(27,756)</u>	<u>(12,954)</u>
Dividends	<u>(28,316)</u>	<u>(20,846)</u>
At end of year	<u><u>657,979</u></u>	<u><u>505,882</u></u>
MEMBERS' EQUITY, END OF YEAR	\$ <u><u>1,902,655</u></u>	\$ <u><u>1,518,415</u></u>

The accompanying notes form an integral part of these statements.

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
INCOME		
Interest on members' loans	\$ 1,416,059	\$ 1,253,817
Interest on fixed and savings deposits	<u>166,305</u>	<u>146,388</u>
	<u>1,582,364</u>	<u>1,400,205</u>
Interest Expense		
Interest and bank charges	4,272	4,053
Members deposit interest	<u>256,582</u>	281,712
	<u>260,854</u>	<u>285,765</u>
Net Interest Income	<u>1,321,510</u>	1,114,440
Provision for Impairment of loans & advances	(98,776)	(20,241)
Provision for Impairment of Investments	(860)	(14,615)
CUNA Insurance	<u>(208,549)</u>	(166,539)
Other Income (Note 19)	<u>64,381</u>	<u>70,741</u>
Net Interest and Other Income	<u>1,077,706</u>	<u>983,786</u>
OPERATING EXPENSES		
Advertising and promotions	25,924	44,789
Depreciation	89,627	91,014
Insurance	10,342	10,642
Office supplies and stationery	40,532	65,527
Other expenses (Note 20)	169,196	169,302
Rent	20,250	21,975
Salaries, benefits and allowances	342,692	353,302
Security services	41,960	44,069
Utilities	<u>59,624</u>	<u>53,625</u>
	<u>800,147</u>	<u>854,245</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ <u>277,559</u>	\$ <u>129,541</u>

The accompanying notes form an integral part of these statements.

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Cash flows from Operating Activities		
Total Comprehensive Income for the year	\$ 277,559	\$ 129,541
Add (deduct): charges to income not involving cash		
Depreciation	89,627	91,014
Provision for Impairment of Loans	98,776	20,241
Provision for impairment of Investments	<u>860</u>	<u>14,615</u>
	466,822	255,411
Net change in non-cash working capital		
balances related to operations		
(Increase) in accounts receivable	(33,437)	(17,343)
(Increase) in held-top maturity financial assets	(88,703)	(54,305)
(Increase) in loans to members	(2,048,741)	(1,320,541)
Increase in members fixed and other deposits	1,037,638	1,964,126
Increase in accounts payable and accruals	16,933	(16)
Prepaid Expenses	<u>(13,033)</u>	<u>126</u>
Net cash flow provided by (used in) operating activities	<u>(662,521)</u>	<u>827,458</u>
Cash flows from Investing Activities		
Purchase of fixed assets	<u>(27,168)</u>	<u>(112,077)</u>
Net cash flow provided by (used in) investing activities	<u>(27,168)</u>	<u>(112,077)</u>
Cash flows from Financing Activities		
Dividends	(28,316)	(20,846)
Payments from education fund	(450)	(7,586)
Increase in members' shares	132,247	125,439
Entrance fees	<u>3,200</u>	<u>7,365</u>
Net cash flow provided by (used in) financing activities	<u>106,681</u>	<u>104,372</u>
INCREASE/(DECREASE) IN CASH	(583,008)	819,753
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,040,977</u>	<u>1,221,224</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u>1,457,969</u>	\$ <u>2,040,977</u>

The accompanying notes form an integral part of these statements.

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. LEGAL STATUS

Elk's City of Castries Co-operative Credit Union Limited was registered on March 19, 1962 in accordance with the Co-operative societies law, chapter 82 of the Laws of St Lucia (1957 revision). The Credit Union was renamed on August 10, 1994. The Credit Union was issued with a Certificate of Continuance by the Registrar of Co-operatives under the new Act No. 28 of 1999.

The principal activity of the Credit Union is to provide cost effective financial services to its members by way of loan facilities and deposit instruments.

The registered office and principal place of business of the Credit Union is No. 79, Brazil Street Castries, St.Lucia.

2. BASIS OF PRESENTATION

The financial statements have been prepared under the historical basis except for financial assets and liabilities designated at fair value through profit or loss, all of which have been measured at fair value. The financial statements are presented in Eastern Caribbean dollars (ECD\$)

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. The Society is also required to comply with Sections 119 (3) (a) and (b) re its liquidity reserve and other reserves. The Credit Union has not complied with part (b) of the provisions.

4. PRESENTATION OF FINANCIAL STATEMENTS

The Credit Union presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 24 (b).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL ASSETS IFRS 9

IFRS 9 became effective for all accounting periods from January 1, 2018. This Standard addresses financial asset classification as well as a new method of accounting for Impairment Losses. The new classifications are highlighted below.

Financial Assets - initial recognition and subsequent measurement

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to members and balances due to members, are initially recognised on the date that the Credit Union becomes a party to the contractual provisions of the instrument. Loans and advances to members are recognised when funds are transferred to the members' account. The Credit Union recognises due to members balances when funds reach the Credit Union.

Initial measurement of financial assets

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention when acquiring them. All financial assets are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Financial assets at amortised cost

The Credit Union classifies financial assets or financial liabilities at amortised cost if it is held within its business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Financial assets measured at fair value through other comprehensive income

A debt instrument shall be measured at fair value through other comprehensive income if it is held in in a business model whose objective is both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. The credit union did not hold any such assets at December 31, 2018.

Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at FVPL upon initial recognition when one of the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- o The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, or
- o The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in net gain or loss on financial assets and liabilities designated at FVPL.

Loans and advances to Members

Loans and advances to Members include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, loans and advances to members are subsequently measured at amortised cost less allowance for impairment.

Impairment of financial assets

The Credit Union assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset, or a group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the member is experiencing significant financial difficulty; or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Under IFRS 9 which became effective on January 1, 2018, new impairment requirements require the use of an expected credit loss model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The credit union did not apply the new method in its determination of impairments for 2018.

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

IFRS 15 Revenue from Contracts with Customers

This standard became effective on January 1, 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price.

Recognition of Revenue

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. As regards the credit union, interest on members' loans is recognized as income only to the extent that payments are received and or accrued for not more than ninety (90) days. Income on fixed and other deposits are recognized on the accrual basis. Commissions and non-productive loan income is recognized when received.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand and short term deposits with original maturities of less than one year. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value. For the purpose of the cash flow statement, cash and cash equivalents comprise balances of cash on hand and current accounts.

Property, Plant & Equipment

Land and Building comprise the main office. All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisitions of the items.

Subsequent costs are recognized as a separate asset when it is probable that future economic benefits will flow to the organization and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred. Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives as follows:

Building	- 5%
Furniture and equipment	- 10%- 15%
Leasehold Improvements	33%

Impairment of Loans

Loans originate by the Credit Union by providing money directly to the borrower with fixed or determinable payments that are not quoted in an active market. Third party expenses, such as legal fees incurred in securing the loans are treated as part of the cost of the transaction. All loans and advances are recognized when cash is advanced to borrowers.

An allowance for impairment is established if there is objective evidence that the Credit Union will not be able to collect all amounts due according to the original contractual terms of loans.

Objective evidence that loans are impaired includes observable data, historical patterns and information on loans pending legal consultation. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows discounted at the loans original interest rate.

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognized in the Income Statement.

The provision for impairment is considered to be adequate. When a loan is written off it is charged off against the impairment account. Subsequent recoveries are credited to the impairment account.

Provisions

Provisions are recognised when the Society has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Income Tax

The credit union is not liable to Income taxes in accordance with Section 25 (1) (q) of the Income Tax Act Cap. 15.02 of Revised Laws of St. Lucia.

Dividends

Dividends are recognized in equity in the period in which they are paid.

Shares

The market value of shares is at the nominal value of \$ 5.00 per share in accordance with the By Laws of the Credit Union.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Credit Union's financial statements are disclosed below. The Credit Union intends to adopt these standards, if applicable, when they become effective.

IFRS 16- Leases - This standard is applicable to annual reporting periods beginning on or after January 1, 2019. The standard replaces IAS 17 'Leases' and for lessees will eliminate the classification of operating leases and financial lessees.

Comparative figures

Where changes have been made in the presentation of the current years' figures, comparative amounts have been restated.

Approval of Financial Statements

The financial statements were approved for issue by the Board of Directors on May 16, 2019.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Credit Union's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Credit Union's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Credit Union's control and are reflected in the assumptions if and when they occur.

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Going concern

The Credit Union's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Credit Union's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

7. CASH AND BALANCES WITH BANKS

	<u>2018</u>	<u>2017</u>
Cash on hand	\$ 75,024	\$ 73,414
Cash at banks	<u>1,382,945</u>	<u>1,967,563</u>
	<u>\$ 1,457,969</u>	<u>\$ 2,040,977</u>

8. FINANCIAL ASSETS

	<u>2018</u>	<u>2017</u>
Certificate of deposits	\$ 2,726,420	\$ 2,637,717
Government of St. Lucia Treasury Bills.	<u>632,102</u>	<u>632,102</u>
	<u>\$ 3,358,522</u>	<u>\$ 3,269,819</u>

The rates of Interest on the Certificates of Deposits and Government Treasury Bills range from 2.5% to 4.5%.

The Certificate of deposits are held in principal to meet the requirements for the liquidity reserve required to be maintained under Section 119(3) of the Co-operatives Act, Cap 12.06, Revised Laws of St. Lucia. At the end of 2017 the reserve was met.

9. TRADE AND OTHER RECEIVABLE

	<u>2018</u>	<u>2017</u>
Fixed and other interest receivable	\$ 83,238	\$ 81,818
FIP Death Benefit	-	14,683
Prepaid expenses	21,652	8,619
Other	<u>50,425</u>	<u>3,725</u>
	<u>\$ 155,315</u>	<u>\$ 108,845</u>

10. INVESTMENTS

	<u>2018</u>	<u>2017</u>
Financial assets measured at fair value through profit and loss		
Eastern Caribbean Financial Holdings Ltd		
2018 - 28,656 shares (2017 - 28,656 shares)	\$ 132,104	\$ 132,964
St Lucia Co-operative League	250,105	250,105
First National Bank 2018 - 10,000 Shares,(2017- 10,000)	<u>30,000</u>	<u>30,000</u>
	<u>\$ 412,209</u>	<u>\$ 413,069</u>

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

11. LOANS TO MEMBERS

	<u>2018</u>	<u>2017</u>
Loans	\$ 13,550,248	\$ 11,503,951
Provision for Impairment of Loans	<u>(529,908)</u>	<u>(433,577)</u>
	\$ <u>13,020,340</u>	\$ <u>11,070,374</u>

Provision for Impairment of Loans

Balance at beginning of year	\$ 433,577	\$ 418,772
Charges for the year	98,776	20,241
Write Offs/Recoveries	<u>(2,445)</u>	<u>(5,436)</u>
	\$ <u>529,908</u>	\$ <u>433,577</u>

In accordance with Schedule of the Co-operative Societies Regulations the Value of delinquent loans and their exposure are as follows:

Duration and Period of Overdue Loans	Percentage of Outstanding Loan Balance That is deemed Loss Exposure	
3 months but less than 6 months	25%	\$ 75,464
6 months but less than 9 months	50%	\$ 100,391
9 months but less than 1 year	75%	\$ 146,842
1 year or more	100%	\$ <u>350,716</u>
		\$ <u>673,413</u>

12. PROPERTY, PLANT & EQUIPMENT

	<u>2016</u>			<u>2017</u>
	<u>B/forward</u>	<u>Additions</u>	<u>Disposals</u>	<u>C/forward</u>
Cost				
Land	\$ 169,500	\$ -	\$ -	\$ 169,500
Buildings	438,361	-	-	438,361
Furniture & Equipment	279,000	24,560	-	304,459
Leasehold improvements	<u>209,264</u>	<u>87,517</u>	-	<u>296,781</u>
	<u>1,096,125</u>	<u>112,077</u>	-	<u>1,209,101</u>
Depreciation				
Buildings	234,320	21,918	-	256,239
Furniture & Equipment	178,048	29,718	-	207,766
Leasehold improvements	<u>177,009</u>	<u>39,379</u>	-	<u>216,388</u>
	<u>589,377</u>	<u>91,015</u>	-	<u>680,393</u>
Net book value	\$ <u>506,748</u>			\$ <u>528,708</u>

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

	<u>2017</u>			<u>2018</u>
	<u>B/forward</u>	<u>Additions</u>	<u>Disposals</u>	<u>C/forward</u>
Cost				
Land	\$ 169,500	\$ -	\$ -	\$ 169,500
Buildings	438,361	-	-	438,361
Furniture & Equipment	304,459	27,168	-	331,627
Leasehold improvements	<u>296,781</u>	<u>-</u>	<u>-</u>	<u>296,781</u>
	<u>1,209,101</u>	<u>27,168</u>	<u>-</u>	<u>1,236,269</u>
Depreciation				
Buildings	256,239	21,918	-	278,157
Furniture & Equipment	207,766	31,052	-	238,818
Leasehold improvements	<u>216,388</u>	<u>36,657</u>	<u>-</u>	<u>253,045</u>
	<u>680,393</u>	<u>89,627</u>	<u>-</u>	<u>770,020</u>
Net book value	<u>\$ 528,708</u>			<u>\$ 466,249</u>

13. ACCOUNTS PAYABLE AND ACCRUALS

	<u>2018</u>	<u>2017</u>
Utilities	\$ 5,014	\$ 4,597
Security	2,859	3,959
Audit fees	6,125	6,125
Staff Incentive	900	1,400
Accruals and sundry payables	<u>93,518</u>	<u>75,399</u>
	<u>\$ 108,416</u>	<u>91,480</u>

14. SHARE CAPITAL

This represents the paid up shares of members at a par value of \$ 5 per share. Members are encouraged to maintain a minimum of 60 shares with a value of \$ 300.

15. MEMBER FUNDS

These comprised of Funds for the benefit of members established by the Credit Union. These funds are supported from allocations from the Net Surplus for the year as follows:

Education fund - 10%

16 RESERVES

Under Section 119(2) of the Co-operative Societies Act Cap. 12:06, Laws of St. Lucia, the credit union is required to appropriate at least 20% of the net surplus for each year to the statutory reserve fund. As per the By-laws of the credit union this appropriation has been set at 25%.

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

17. 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 by making financial and operational decisions. In this regard the balances of the Directors, Officers and Management at December 31, 2018 were as follows:

	<u>2018</u>	<u>2017</u>
Loans	\$ 868,082	\$ 907,721
Shares and Deposits	\$ 351,767	\$ 384,158

18. SENIOR MANAGEMENT COMPENSATION

	<u>2018</u>	<u>2017</u>
Senior management compensation	\$ <u>137,760</u>	\$ <u>122,880</u>

19 OTHER INCOME

	<u>2018</u>	<u>2017</u>
Other Income	\$ 10,647	\$ 16,177
Commissions on FIP	19,907	20,545
Loan processing fees	27,035	26,343
Sundry	<u>6,792</u>	<u>7,672</u>
	\$ <u>64,381</u>	\$ <u>70,737</u>

20. OTHER EXPENSES

	<u>2018</u>	<u>2017</u>
Annual general meeting	\$ 20,263	\$ 22,365
Board and Committee expenses	11,334	23,798
Donations	3,500	3,576
League dues	13,945	12,187
Legal and professional fees	3,807	50,634
Audit	18,125	12,125
Property tax	2,300	2,300
Repairs and maintenance	34,106	13,651
Scholarships	7,750	5,625
Meetings and seminars	42,492	12,182
Staff and officers appreciation	<u>11,574</u>	<u>10,859</u>
	\$ <u>169,196</u>	\$ <u>169,302</u>

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

21. CONTINGENT LIABILITIES

- (a) There were no legal obligations at the year end.
- (b) There were no capital commitments outstanding
- (c) At the year end, there were no loans approved by the credit union which had not been fully disbursed.

22. LEGAL CLAIMS

There were no Legal Claims against the Society at December 31, 2018.

23. Events after reporting date

There have been no events after the reporting date that require disclosure in these financial statements

24. FINANCIAL RISK MANAGEMENT

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Credit Union is exposed to a variety of Credit, Liquidity and Market Risk as well as other Operational and Business Risks. The credit union seeks to minimize the effect that these risk will pose to the Business. The credit union's overall risk management policies and processes focus on identifying, analysing and monitoring all potential risks such as interest rate risk and credit risk that are faced by the Credit Union.. All treasury transactions are reported to and approved by the Directors.

(a) Credit risk

Credit risk is the risk that the Credit Union will incur a loss because its members or counterparties fail to discharge their contractual obligations. The Credit Union manages and controls credit risk by setting limits on the amount of risk it is willing to accept for its members and by monitoring exposures in relation to such limits.

The Credit Union has established a credit quality review process to provide early identification of possible changes in the credit worthiness of its members, including regular collateral revisions..

The credit quality review process aims to allow the Credit Union to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Impairment provisions are provided for losses that have been incurred at the Balance Sheet date. The credit union is guided by its loan policy and the regulations in the Co-operative Societies Act, taking into consideration changes in the economy or any particular segment that may represent a concentration in the credit union's portfolio.

The Maximum Exposure to Credit Risk is as follows:

	December 31, 2018	December 31, 2017
Cash Balances with Banks	\$ 1,457,969	\$ 2,040,977
Investments Loans and receivables	3,358,522	3,269,819
Trade and other Receivables	133,663	100,226
Loans to members	<u>13,020,340</u>	<u>11,070,374</u>
	<u>\$ 17,970,494</u>	<u>\$ 16,481,396</u>

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(b) Liquidity risk

Liquidity risk is defined as the risk that the Credit Union will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Credit Union might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Credit Union on acceptable terms. The Credit Union has developed internal control processes and contingency plans for managing liquidity risk.

The following table presents an aging of current assets and liabilities of the Credit Union for 2018

DECEMBER 2018

	Up to 1 year	Beyond 1 year	Total
Current Assets			
Cash	\$ 1,457,969	\$ -	\$ 1,457,969
Financial assets	3,358,522	-	3,358,522
Accounts receivable	133,663	-	133,663
Loans to members	<u>3,255,085</u>	<u>9,765,255</u>	<u>13,020,340</u>
	<u>8,205,239</u>	<u>9,765,255</u>	<u>17,970,494</u>
Current Liabilities			
Accounts payable	108,413	-	108,413
Members deposits	1,545,773	-	1,545,773
Member's withdrawable shares	<u>4,594,129</u>	<u>10,719,634</u>	<u>15,313,763</u>
	<u>6,248,315</u>	<u>10,719,634</u>	<u>16,967,949</u>
Net position	\$ <u>1,956,924</u>	\$ <u>(954,379)</u>	\$ <u>1,002,545</u>

DECEMBER 31, 2017

	Up to 1 year	Beyond 1 year	Total
Current Assets			
Cash	\$ 2,040,977	\$ -	\$ 2,040,977
Financial assets	3,269,819	-	3,269,819
Accounts receivable	100,226	-	100,226
Loans to members	<u>2,767,594</u>	<u>8,302,780</u>	<u>11,070,374</u>
	<u>8,178,616</u>	<u>8,302,780</u>	<u>16,481,396</u>
Current Liabilities			
Accounts payable	91,480	-	91,480
Member's deposits	1,517,675	-	1,517,675
Member's withdrawable shares	<u>4,291,267</u>	<u>10,012,955</u>	<u>14,304,222</u>
	<u>5,900,422</u>	<u>10,012,955</u>	<u>15,913,377</u>
Net position	\$ <u>2,278,194</u>	\$ <u>(1,710,175)</u>	\$ <u>568,019</u>

ELK'S CITY OF CASTRIES CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Credit Union classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately. Market risk arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

The interest rates on term contracts are fixed to the term of maturity. Rates on members deposits held are reviewed on an annual basis The rate for 2018 ranged from 2.5% to 4.5%.

The credit union is exposed to equity risks (fair value). Shareholdings in the Eastern Caribbean Financial Holding Company are traded on the open market through the Eastern Caribbean Securities Exchange. Investments are monitored by management and changes in value taken through the profit and loss account.

(d) Operational and Business Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Credit Union cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.