MON REPOS EASTERN CO-OPERATIVE CREDIT UNION

Financial Statements
For the Year Ended December 31, 2020
(Expressed in Eastern Caribbean Dollars)

INDEX

A.P.Walcott and Associates

Chartered Accountants
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Tapion, Castries, St Lucia

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of:
Mon Repos Eastern Co-operative Credit Union

Opinion
We have audited the financial statements of the Mon Repos Eastern Co-operative Credit Union, which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of 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 referred to above present fairly, in all material respects, the financial position of the Mon Repos Eastern Co-operative Credit Union as of December 31, 2020, and the results of its operations 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 these 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 Mon Repos Eastern Co-operative Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Saint Lucia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 company or to cease operations or has no realistic option but to do so.

Those charged with governance are responsible for overseeing the company'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.

INDEPENDENT AUDITORS' REPORT, continued

As part of an audit in accordance with ISAs, we exercise professional judgement 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 that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.

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

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

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

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

We communicate with the Board of Directors (the group charged with governance of the Credit Union) 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.

A P Walcott & Associates
Chartered Accountants
16th March, 2021

MON REPOS EASTERN CO-OPERATIVE CREDIT UNION LIMITED
Statement of Comprehensive Income
As at December 31, 2020
(Expressed in Eastern Caribbean Dollars)

	Note	2020 EC$	2019 EC$
ASSETS			
Cash on Hand		1,335,339	1,086,929
Cash in bank	5	28,550,605	27,287,487
Investment securities	7	13,441,615	7,137,290
Accounts receivable	8	1,406,168	722,245
Members' loans	9	70,524,121	65,163,128
Property and equipment	2&13	1,801,467	1,901,456
		117,059,315	**103,298,535**
LIABILITIES			
Accounts payable and accruals	10	2,272,583	2,040,329
Members' deposits	12	31,519,654	25,153,912
Members' fixed deposits	14	38,865,248	33,921,717
Members' regular shares	15	29,952,092	28,073,867
		102,609,577	**89,189,825**
MEMBERS' EQUITY			
Members' equity shares	16	3,412,035	3,127,070
Stabilzation Fund	18	490,154	490,154
Fair Value Reserve	19	1,210,526	1,210,526
Statutory reserve	20	6,387,789	6,312,181
Retained earnings		2,949,234	2,968,779
		14,449,738	14,108,710
		117,059,315	**103,298,535**

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

President

Secretary

MON REPOS EASTERN CO-OPERATIVE (ST. LUCIA) CREDIT UNION (1968) LTD.

MON REPOS EASTERN CO-OPERATIVE CREDIT UNION LIMITED
Statement of Comprehensive Income
As at December 31, 2020
(Expressed in Eastern Caribbean Dollars)

	2020 $	2019 $
MEMBER FUNDS		
Stabilization Fund		
Opening Balance	490,154	392,663
Add 10% of Net Surplus for the year	-	97,491
Less Expenses for the year	-	
Closing Balance	**490,154**	**490,154**
Members Equity Shares		
Opening Balance	3,127,070	2,715,945
Net Share purchase	284,965	411,125
Closing Balance	**3,412,035**	**3,127,070**
Statutory Reserves		
Opening Balance	6,312,181	5,510,679
Add 45% of Net Surplus for the year	-	797,657
Add 25% Net Surplus for the year	72,443	-
Entrance Fees	3,165	3,845
Closing Balance	**6,387,789**	**6,312,181**
Fair Value Reserve		
Opening Balance	1,210,526	647,494
Add : Contributions for the year	-	563,032
Closing Balance	**1,210,526**	**1,210,526**
Retained Earnings		
Opening Balance	2,968,779	2,809,772
Total comprehensive income for the year	289,771	1,772,571
Appropriations to member reserves	(72,443)	(895,149)
Dividends and patronage payments	(236,873)	(718,416)
Closing balance	**2,949,234**	**2,968,779**

MON REPOS EASTERN CO-OPERATIVE CREDIT UNION LIMITED
Statement of Comprehensive Income
As at December 31, 2020
(Expressed in Eastern Caribbean Dollars)

		2020	2019
Income	Note	$	$
Interest On Members Loans		5,941,543	6,670,976
Other Income	23	454,515	284,900
Interest On Investment and Deposits		416,135	274,155
Loan Processing Fees		187,769	205,100
Commissions		163,610	109,523
Bad Debts Recovered		133,420	139,399
Gross Income		**7,296,992**	**7,684,054**
Expenditure			
Interest On Fixed Deposits		1,533,404	1,521,925
Salaries and Allowances		1,642,362	1,347,911
Interest On Regular Shares and Deposits		1,393,779	1,190,347
Cuna Insurance		441,093	416,721
Credit Life Insurance		271,173	80,432
Staff Welfare Benefits		153,286	16,200
Depreciation		138,177	121,744
Stationery, Office Supplies and Expenses		133,835	120,192
Rent		96,000	69,000
Legal and Professional Fees		90,197	114,113
Telephone and Faxes		85,724	83,622
Electricty		75,768	77,890
League Dues		75,000	74,322
Repairs and Maintenance		189,496	93,174
ATM Costs		66,140	73,451
Honoraria		55,000	55,000
Advertising and Promotions		42,292	111,838
Sponsorship		40,208	46,698
Audit Fees		27,500	28,950
Lease Armotization		25,264	27,561
Staff and Officers Insurance		9,811	9,095
Annual General Meeting		21,363	36,085
Insurance		20,313	19,734
Scholarship and Education Expenses		18,533	40,101
Board and Committee Expenses		15,275	13,500
Interest and Bank Charges		14,979	14,460
Special Events		9,606	21,880
Travelling Expenses		25,957	26,756

MON REPOS EASTERN CO-OPERATIVE CREDIT UNION LIMITED
Statement of Comprehensive Income
As at December 31, 2020
(Expressed in Eastern Caribbean Dollars)

	Note	2020 $	2019 $
Donations		8,825	37,850
Property Taxes		3,420	3,420
Water		2,034	2,212
Miscellaneous Expenses		32	3,302
Shortages/ Overages		(382)	1,445
Total Expenses		**6,737,328**	**5,900,930**
Net Surplus before Bad Debt Expenses		559,664	1,783,124
Bad Debt Expense		(271,604)	-
Net Surplus For The Year		288,060	1,783,124
Other Comprehensive Income:			
Gain/(Loss) on Disposal Of Assets		(470)	(6,827)
Gain / (Loss) on Investment	24	2,181	(3,726)
Total Comprehensive Income For The Year		**289,771**	**1,772,571**

MON REPOS EASTERN CO-OPERATIVE CREDIT UNION LIMITED
Statement of Comprehensive Income
As at December 31, 2020
(Expressed in Eastern Caribbean Dollars)

	2020	2019
Cash flows from operating activities	**$**	**$**
Total comprehensive income for the year	289,771	1,772,571
Adjustments for :		
Loss On Asset Disposal	470	6,827
Armotization	25,264	27,561
Depreciation	138,177	121,744
	453,682	1,928,703
Operating profit/ (loss) before working capital items		
Increase In Investments	(6,304,325)	(2,591,063)
(Increase)/Decrease In Accounts Receivable	(683,922)	552,713
(Increase)/Decrease In members loans	(5,360,993)	765,193
Increase In members deposits	6,365,742	6,464,819
Increase In Payables and accurals	232,254	254,566
Cash flows from/(used) in operations	(5,751,245)	5,446,229
Cash Flows from investing activity		
Purcahse Of Equipment	(63,921)	(137,574)
Cash flows used in investing activities	(63,921)	(137,574)
Cash Flow From Financing Activities		
Increase In Members Shares	2,163,190	741,737
Payments of Dividends and Patronage	(236,874)	(332,651)
Increase in Members Fixed Deposits	4,943,532	4,678,696
Entrance Fees	3,165	3,845
Net cash flow from financing activities	6,873,013	5,091,627
Net increase /(Decrease) in Cash and cash equivalents	1,511,528	12,328,985
Cash and cash equivalents - beginning of the year	28,374,416	16,045,432
Cash and cash equivalents - end of year	**29,885,944**	**28,374,416**
Represented by:		
Cash in Bank	29,885,944	28,374,416
Bank Overdraft	-	-
	29,885,944	**28,374,416**

STATUS OF THE CREDIT UNION

The Mon Repos Eastern Co-operative Credit Union (1968) Limited, came into being as a result of a merger between the Mon Repos Community Credit Union (1968) Limited and the Micoud Co-operative Credit Union Limited, as from January 01, 2007. The former Societies were registered under the Co-operative Societies Ordinance/Act #82, and had obtained Certificates of Continuance from the Registrar of Co-operative, under the new Act #28 of 1999. The new entity operates in compliance with this new Act. The registered office of the Credit Union is Mon Repos Micoud.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention, except for available-for-sale financial assets that are measured at fair value. The methods used to measure fair value are discussed further in Note 3.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires, management to exercise its judgment in the process of applying the Credit Union’s accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the revisions are made and in any future periods they affect.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates in applying accounting policies are significant to the amounts recognized in the financial statements are reported in the notes on property and equipment, provision for loan losses, financial instruments classification, and impairment.

Income recognition

Interest income is recognized in the statement of comprehensive income for all interest-bearing instruments on the accrual basis, via the effective interest method. Interest income includes interest on members' loans, cash deposits and other investment securities.

Dividend income is realized in the statement of comprehensive income on the date that the Co-operative's right to receive the dividend is established, which is the dividend declaration date in the case of listed securities.

Income from commissions and fees is recognized on the accrual basis, and income on non-productive loans is realized when received.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand and cash in bank.

Members' Loans

The Credit Union's loans and advances are made by disbursement of funds to its members with fixed or determinable payments that are not quoted in an active market, and are stated net of the allowance for loan losses. Specific and general provisions for loan losses are based on the end of the year appraisal of individual loan balances. The specific provision relates to the facilities that are identified as being bad and/or doubtful, whereas the general provision is made for those facilities that are inherently weak in the portfolio, but have not been specifically identified. Loans are written down to estimated realizable value when the normal financing arrangement with the borrower has ceased. Interest on the facility up to that time is credited to operations, and a provision is made as deemed appropriate. Fees and other incidental legal expenses incurred in securing the loans are expensed.

A credit risk provision for impairment is made, if there is objective evidence that the Co-operative will not be able to collect all amounts that are due according to the original contractual terms of the loan. Objective evidence includes observable data, default or delinquency in interest or principal payments, and information that the borrower is experiencing financial difficulty. The amount of the provision is the difference between the carrying amount and the present value of the estimated future cash flows discounted at the loan's original interest rate, including amounts recoverable from guarantees and collateral held.

Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of software that is integral to the functioning of related equipment is included in the cost of that equipment.

Parts of an item of property and equipment that have different lives are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of items of property and equipment are determined by comparing the proceeds with the carrying amount of the items, and are realized at the net amount as “other operating income/expenses” in the statement of comprehensive income. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

The cost of replacing an item of property and equipment is recognized in the carrying amount of the item when it is probable that future economic benefits embodied in the part will flow to the Co-operative and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of repairs and replacements of a routine nature are recognized in the statement of comprehensive income at the time they are incurred.

Land and buildings comprise the main office. Land is not depreciated. Depreciation expense is recognized in the statement of comprehensive income and is computed on the straight-line basis to allocate the cost of each part of an item of property and equipment to their residual values over their estimated useful lives as follows:

Building	5%
Leasehold Improvements	2% - 20%
Furniture and equipment	10%
Computer hardware and software	20% & 25%

Provisions

A provision is established, if as result of a past event the Credit Union has a present legal or constructive obligation that can be reliably estimated, and it is probable that an outflow of economic resources will be required to settle it. Provisions are determined by discounting the expected future cash flows at the pre-tax rate, that reflects the current market assessments of the time value of money, and where appropriate, the risks specifically related to the liability.

Foreign currency transactions

Transactions in foreign currencies are translated into Eastern Caribbean Dollars (EC dollars), the Co-operative's functional currency, at exchange rates on the dates of the transactions. Monetary assets and liabilities dominated in foreign currencies at the financial position date (balance sheet) are translated to EC dollars at that date's prevailing exchange rate. Foreign currency differences arising on retranslation are recognized in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Income tax

The Credit Union is exempt from income tax under Section 25 (1)(p) of the Income Tax Act of St. Lucia.

Finance income and expenses

Finance income and expenses comprise interest income on funds invested, gains and losses on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets at fair value through profit or loss that are recognized in profit or loss. Interest income is realized as it accrues, in the statement of comprehensive income, using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at cost, less attributed transaction costs. Subsequent to the initial recognition, interest-bearing borrowings are stated at amortized cost, with any differences between cost and redemption value being recognized in the statement of comprehensive income, over the period of the borrowing using effective interest method.

Members' equity shares

The market value of members' equity shares is at the nominal value of $5.00 per share in accordance with the By-Laws of the Credit Union. Members are requested to have a minimum of twenty shares in the Credit Union to be considered as full financial members.

Members' regular shares

Members' regular shares are classified as a liability as they are redeemable at the option of the members. In the previous year, dividends declared on them were treated as an accrued expense, and was reported in the statement of changes in members' equity, as

Members' regular shares- Cont'd

a deduction from retained earnings. This year, interest paid on them is expensed and reflected in the statement of comprehensive income.

Financial instruments

The Credit union has no derivative or compound financial instruments.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, cash and cash equivalents, accounts receivable, members' loans, bank overdraft, accounts payable and accruals, members' deposits, members' fixed deposits, members' withdrawable shares and loans payable.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available sale.

Held-to-maturity investments

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturities that the Co-operative has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss, or available-for-sale. They are measured at amortized cost using the effective interest method, less any impairment losses.

Any sale or reclassification of a significant amount of held-to-maturity investments, not close to their maturity date, would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Co-operative from classifying investment securities as held-to-maturity, for the current and the following two financial years.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading, or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Co-operative manages such investments, and makes purchase and sale decisions based on their fair value, in accordance with the Credit Union's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in the statement of comprehensive income when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in the statement of comprehensive income.

Available-for-sale financial assets

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. The Credit Union's investment in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to their initial recognition, they are measured at fair value; and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognized directly into equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to the statement of comprehensive income.

Unlisted securities whose fair value cannot be reliably measured are carried at cost. Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impaired losses.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that is impaired. It is deemed to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

For a financial asset measured at amortized cost, an impairment loss is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss for an available-for-sale financial asset is computed in relation to its fair value.

Individual financial assets of significant value are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the statement of comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly into equity.

Impairment of non-financial assets

The carrying amounts of the Credit Union's non-financial assets are reviewed at each reporting date to determine if there is any indication of impairment. If any such impairment exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to get it sold. In assessing the value in use, the

Impairment of non-financial assets- Cont'd

estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets (cash generating unit) that generates cash inflows from continuing use, which are largely independent of cash inflows of other assets or other cash generating units.

An impairment loss is recognized in the statement of comprehensive income, if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount; and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

IFRS 9

Introduction of IFRS 9 brings about fundamental changes to accounting for financial instruments. This standard replaces IAS 39 with amendments for classification and measurement, impairment methodology and hedge accounting.
Amendment involves classifications based on two tests:

(1) Business model
(2) Contractual cash flow test (loan and interest payments)

Financial assets are measured in either the following ways; fair value through profit and loss (FVTPL), fair value through other comprehensive income (FVTOCI), or amortized cost.

Financial liabilities are measured at either amortized cost or fair value through profit and loss (FVTPL).

IFRS 9 also includes the impairment model for financial assets and is based on the premise of expected losses with recognition in three stages:

1. On initial recognition where 12 month expected credit losses are measured through profit and loss or loss allowance.

IFRS 9- Cont'd

2. Significant increases in credit risk whereby credit risk is not considered to be low. Full lifetime expected losses are expected to be recognized through profit and loss.

3. Where credit risk increases significantly and asset is considered to be credit impaired, interest revenue is calculated based on the carrying value of the asset net of the loss allowance.

   Financial assets are expected to be assessed individually. IFRS 9 also identifies types of hedging relationships and prescribed special accounting provisions. The standard is effective for annual periods commencing Jan 1st, 2018.

   The World Council of Credit Unions (WOCCU) the international representative body for credit unions has successfully advocated at the level of the International Accounting Standards Board (IASB) for the use of a simplified approach for IFRS 9's application to Allowance for Loan Loss (ALL) accounting in the context of a non-complex cooperative financial institution.

   In March 2019 the WOCCU released a IFRS 9 Workbook which conforms to the IASB approved practical expedient approach to the calculation of IFRS 9's Allowance for Loan Loss. This workbook formed the basis for the approach adopted by the Mon Repos Eastern Co-operative Credit Union for the 2019 Financial Year's Allowance for Loan Loss. The MRECCU has implemented the use of a simplified approach to IFRS 9 for loan loss provisioning as of December 31st 2019.

   The MRECCU's simplified approach to the implementation of IFRS9 entails using a "Three Stage/ Bucket Approach" where the MRECCU's loan book is reserved for using three phases of credit deterioration. The following is a breakdown of the "Three Stage/Bucket Approach" the MRECCU has used to recognize credit impairment and how the provision for expected loan losses is made:

   - Bucket 1: Loans without signs of credit impairment, i.e. loans never in arrears ≥30 days.

     - Bucket 1 recognizes expected losses within the next 12 months. which is calculated by multiplying: (a) the percentage chance of a loan going from fully-performing to written-off within the next 12 months, by (b) the

     - expected lifetime losses on similar loans, also expressed as a percentage. This means multiplying a fraction by a fraction.

     - Bucket 1 loans are broken into particular Sub-buckets based on loan purpose (e.g., mortgages, education, personal vehicle loans, business loans, etc.) and a collective reserve amount is determined on a Sub-bucket-wide basis.

IFRS 9- Cont'd

- Bucket 2: Loans that have signs of credit impairment—i.e. the loan has been in arrears for ≥30 days at least once (even if later cured)—but have not met the criteria for Bucket 3.
    - Bucket 2 recognizes lifetime expected losses.
    - Similarly, Bucket 2 loans are broken into particular Sub-buckets based on loan purpose (e.g., mortgages, education, personal vehicle loans, business loans, etc.) and a collective reserve amount is determined on a Sub-bucket-wide basis.
- Bucket 3: Loans with serious credit impairment as well as large exposures with a history of arrearage
    - Bucket 3 is for any loan that becomes seriously impaired, such as in the case of long-term arrearage, as well as for the institution's largest exposures that are in arrears. Each problem loan in Bucket 3 is analyzed individually
    - Loans that are ≥90 days in arrears (unless later cured); and Any loan in arrears ≥30 days if it is one of the institution's largest 10 loans and/or the loan is ≥5% of the institution's total unimpaired regulatory capital (these loans stay in Bucket 3 even if cured).
    - Bucket 3 recognizes lifetime expected losses.

Compliance with Cooperatives Society Regulation

In accordance with Regulation 30 of the Cooperatives Societies Act which relates tothe calculation of loss exposure on outstanding loans which have gone into default for more than 90 days which includes: a) Total gross loans, b) Total delinquency on loansand, c) Net loan delinquency(less cash collateral). The disclosure is as follows:

a)	Total gross loans	: $70,524,121.24
b)	Total delinquency on loans	: $3,672,325.95
c)	Net loan delinquency (less cash collateral):	: $1,417,404.96

Compliance with Cooperatives Society Regulation- Cont'd

In keeping with Regulation 30 (1) of the Cooperative Society Act, Chapter 12.06 (Schedule 3)

Duration of Period of overdue loans	Delinquent Loans	Collateral	Net Delinquent Loans	Percentage of Outstanding Loans Balance That is Deemed Loss Exposure	Provision
Less than 3 months	1,153,895.16	616,909.60	536,985.56	0	-
3 months but less than 6 months	476,307.94	355,024.37	121,283.57	25%	30,320.89
6 months but less than 9 months	224,589.50	74,148.47	150,441.03	50%	75,220.52
9 months but less than 1 year	385,178.83	154,679.35	230,499.48	75%	172,874.61
over 1 year	1,432,354.52	1,054,159.20	378,195.32	100%	378,195.32
TOTAL	**3,672,325.95**	**2,254,920.99**	**1,417,404.96**		**656,611.34**

2. DETERMINATION OF FAIR VALUES

A number of the Co-operative's accounting policies and disclosures require the determination of fair value, both for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purpose based on the methods described herein. Where applicable, additional information about the assumptions made in arriving at fair values is disclosed in the notes pertinent to the asset or liability.

The fair value of financial instruments that are not traded in an active market is determined by using varied valuation techniques. The Co-operative uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for loan payable. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

2. DETERMINATION OF FAIR VALUES- CONT'D

The estimated fair value of cash, and bank deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of borrowings that have no listed market price, is based on the discounted cash flows for new debt with similar years to maturity, at their stated interest rates. In case of the accounts payable and receivable, their nominal value less any estimated credit adjustments that may be applicable, are assured to approximate their fair values.

Estimates and adjustments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

For investments in equity and debt securities, the fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets, is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purpose only.

The fair value of accounts and other receivables is estimated as the present value of the future cash flows, discounted at the market rate of interest at the reporting date.

In case of non-derivative financial liabilities, fair value which is determined for disclosure purposes is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

3. FINANCIAL RISK MANAGEMENT

The Credit Union's activities expose it to a variety of risks namely credit risk, market risk and liquidity risk. The Board of Directors has overall responsibility for the oversight of the Credit Union's risk management framework.

Credit risk

The Credit Union is exposed to credit risk in that a member or counterparty to a financial instrument fails to meet its contractual obligations, and this arises principally from bank deposits, members' loans, accounts receivable, and investment securities.

Accounts receivable include interest due in respect of investments and also loan interest receivable. The Credit Union's bank deposits and available-for-sale financial assets are placed with highly reputable financial institutions.

Credit risk- Cont'd

Members' loans are presented net of a provision for impairment at the balance sheet date. The Credit Union is guided by its loan policy and the regulations in the Co-operative Societies Act, whilst being mindful of changes in the economy or in any particular segment that represents a concentration in its portfolio. Management performs periodic credit evaluations of its customers' financial condition.

Market risk

Market risk arise from changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Credit Union's income or the value of its holdings of financial instruments. Management closely monitors the market trends and essays to manage and control its exposure to market risk within acceptable parameters, while optimizing the returns that it earns.

Liquidity risks

Liquidity risk is the risk that the Credit Union will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management warrants the maintaining of sufficient cash flows and other committed credit facilities to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Management does not believe that significant liquidity risk exists as at December 31, 2020.

Currency risk

The Credit Union is not exposed to significant currency risk as its market is local, and consequently its transactions are in its functional currency.

Interest rate risk

The Credit Union is exposed to the effects of fluctuations in the prevailing levels of market interest rates both on fair value and cash flows risks. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise. Differences in contractual reprising or the maturity dates and changes in interest rates may expose the Credit Union to interest rate risk. The Credit Union's interest-bearing deposits are at fixed interest rates and mature within one year. The Credit Union's exposure and the interest rate on its financial assets and liabilities are as stated in Notes 8 and 15.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Credit Union makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year and in the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant chance of material adjustment in the next financial year are discussed below:

Provision for loan losses

Assets accounted for at amortized cost are evaluated for impairment on the basis described previously in accounting policy on impairment of financial assets in Note 2.

The specific counterparty component of the total allowances for impairment, applies to members' loans that are individually evaluated for impairment, and are based upon management's best estimate of the present value of cash flows that are expected to be received. In determining the estimates of cash flows, management makes informed judgments concerning the financial situation of the customer and the net realizable value of any collateral security that it holds. Each impaired asset is assessed on the strength of its own merit.

Assessed impairment allowances for groups of assets cover credit losses within the portfolio with similar economic characteristics, when there is objective evidence to suggest that they contain impaired balances, but the individual impaired items cannot yet be identified. In assessing the need for the general loan loss provision, management considers particulars such as credit quality, portfolio size, concentrations, and the relevant economics issues.

Adjustments in applying the Credit Union's accounting policies

The Credit Union's accounting policies provide scope for assets and liabilities to be designated on inception into different categories under certain circumstances.

Financial assets and liabilities are classified as "trading" if the Credit Union so determines it meets the description of trading assets and liabilities as set out in the accounting policy in Note 2 on financial instruments.

Financial assets are classified as held-to-maturity if the Credit Union so determines that it has both the positive intention and the ability to hold the assets until their maturity dates as required by the accounting policy on financial instruments in Note 2.

Fair value of financial instruments

Fair value estimates are made at a specific point in time based on the market conditions and information about the financial instruments. These estimates are highly subjective, with a great degree of uncertainty, and involve issues requiring a significant amount of judgment, and therefore cannot be determined with precision, changes in the

Fair value of financial instruments- Cont'd

assumptions that are made can significantly affect the estimates that are derived. The fair values of cash resources, members' deposits, accounts payable and accruals, dividend and patronage refunds payable, and loan payable are not materially different to their carrying amounts, due to their short term to maturity.

Members' loans are stated net of the provisions for impairment. The financial liabilities have no stated maturity except for members' fixed deposits, which are repayable on demand. The fair value of loan payable is not materially different from its carrying value as the interest rate on it is that of the market. It is impractical to determine the fair value of investments due to the availability of information on all the determinants of the fair value.

5. CASH IN BANK AND BANK OVERDRAFT

Cash in bank comprises of the combined balances of the current accounts held at the Bank of St. Lucia Limited (BOSL).

	2020	2019		
	$	$	A/C Type	Interest Rate
412160047 Current Account-VF	11,889,951	5,572,669	Current	0%
416092782 BOSL Current Account MR	9,469,529	13,440,482	Current	0%
430309000 BOSL Savings Account	3,901,764	3,301,854	Savings	2%
416125841 Current Account-MC	2,830,800	4,513,906	Current	0%
421526885 BOSL Current Account	458,561	458,576	Current	0%
	28,550,605	**27,287,487**		

6. PROVISION FOR LOAN LOSSES

	2020	2019
	$	$
Balance at the beginning of the year	418,610	1,096,006
Less: bad debts written off	(116,563)	(677,396)
Add: loans loss provision for the year	270,224	-
	572,271	**418,610**

7. INVESTMENT SECURITIES

	2020	2019
Securities available-for-sale	**$**	**$**
St. Lucia Co-operative League	320,205	320,205
Total securities available-for-sale	**320,205**	**320,205**
Securities held-to-maturity		
Government of St. Lucia - Note	8,075,934	3,000,000
Government of St. Lucia treasury bill	2,000,000	2,775,934
Government of St. Lucia 2- year bond	2,000,000	300,000
Bank of St. Lucia Limited - Fixed Income Certificate	159,579	159,579
Total securities held-to-maturity	**12,235,513**	**6,235,513**
Term deposits		
CLICO International Life Insurance Co. Ltd.	449,888	449,888
SDA Credit Union	300,000	-
Bank of St. Lucia Limited	138,521	136,474
St. Lucia Co-operative League	109,831	109,734
BOSL Shares	40,805	38,624
First Citizens Investment Services Ltd.	3,294	3,294
Sub Total term deposits	**1,042,340**	**738,014**
Less: provision for impairment-CLICO	(156,442)	(156,442)
Total Term Deposits	**885,898**	**581,572**
Total investments securities	**13,441,615**	**7,137,290**

The investment securities form part of the funds held to meet the liquidity requirements under Section 119(3) of the Co-operative Societies Act. The interest rates on the investments range from 1.50% to 4.75%.

8. ACCOUNTS RECEIVABLE

	2020	2019
	$	$
Interest on loans	528,399	375,298
Western Union Receivable	493,268	139,160
Interest accrued on Investments	216,203	85,107
Prepayment Building Rates	95,005	35,000
Accounts Receivable - Cuna Ins	35,000	47,355
Prepaid insurance	16,028	15,880
Commission Receivable	10,510	7,356
Interest accrued on Fixed Deposits	6,070	2,538
Accounts Receivable - Other	4,400	5,700
Surepay Receivable	750	380
Phone Cards on Hand	535	712
Returned cheques	-	60
Collections Receivable	-	7,700
	1,406,168	**722,245**

9. MEMBERS' LOANS

In 2020, the figure is $70,524,121 net of the provision of $572,271 for possible loan losses.

In the previous year, the provision for loan losses was$418,610 and the loan figure was $65,163,128 for 2019.

10. ACCOUNTS PAYABLE AND ACCRUALS

	2020	2019
	$	$
Interest on deposits and regular shares	721,944	624,116
Members Fixed deposits interest payable	443,137	517,148
Employee Benefits Payable	385,754	232,468
Provision for dividends	282,000	386,000
ATM Settlement Account	233,520	395
League dues payable	75,000	75,000
Accounts Payable & Accruals	74,588	153,797
Members credits	22,396	3,219
Audit fees payable	15,000	25,000
Utilities payable	13,570	13,880
Property taxes	3,420	3,420
Net wages payable	2,254	5,317
Salary Deductions Payable	-	136
Other Accrued Expenses	-	432
	2,272,583	**2,040,329**

11. DIVIDEND AND PATRONAGE REFUNDS

By resolution, the Board of Directors has agreed to pay dividends of 5% on equity shares and 2% patronage refunds for the year ended December 31, 2020. If this is ratified at the upcoming annual general meeting, it will cost the Co-operative about $282,000

12. MEMBERS' DEPOSITS

	2020	2019
	$	$
Members' savings	28,682,245	22,884,457
Bright Start savings	1,568,327	1,321,463
Clubs and groups	1,242,543	924,875
Family indemnity plan	26,539	23,117
	31,519,654	**25,153,912**

13. PROPERTY AND EQUIPMENT

	Land	Leasehld Improv.	Buildings	Furniture & Equipment	Total
Cost					
As at Dec. 31, 2018	362,528	137,803	940,707	689,248	2,130,286
Additions	100,493	-	133,293	137,574	371,360
Charge-backs	-	-	-	(31,813)	(31,813)
As at Dec. 31, 2019	463,021	137,803	1,074,000	795,009	2,469,833
Additions	-	-	-	63,921	63,921
Charge-backs	-	-	-	(8,452)	(8,452)
As at Dec. 31, 2020	**463,021**	**137,803**	**1,074,000**	**850,478**	**2,525,302**
Accum. Dep.					
As at Dec. 31, 2018	-	84,979	282,212	406,113	773,304
Charge-backs	-	-	(329,248)	-	(329,248)
Charge for the year	-	27,561	47,035	49,723	124,320
As at Dec. 31, 2019	-	112,540	-	455,836	568,377
Charge-backs	-	-	-	(7,982)	(7,982)
Charge for the year	-	25,264	53,700	84,477	163,441
As at Dec. 31, 2020	**-**	**137,803**	**53,700**	**532,331**	**723,836**
Net Book Value					
As at Dec. 31, 2020	**463,021**	**-**	**1,020,300**	**318,148**	**1,801,467**
As at Dec. 31, 2019	463,021	25,263	1,074,000	339,173	1,901,456
As at Dec. 31, 2018	362,528	52,824	658,495	283,135	1,356,982

14. MEMBERS' FIXED DEPOSITS

Members' fixed deposits are payable on demand, have varied maturity dates which become due within the next twelve months, and have effective interest rates ranging from 1.5% to 4.5%.

15. MEMBERS' REGULAR SHARES

	2020 $	2019 $
Opening balance of regular shares	28,073,867	27,743,255
Net shares purchased	1,878,225	330,612
Closing balance	**29,952,092**	**28,073,867**

16. MEMBERS' EQUITY SHARES

	2020 $	2019 $
Opening balance of equity shares	3,127,070	2,715,945
Net shares purchased	284,965	411,125
Closing balance	**3,412,035**	**3,127,070**

17. MEMBER FUNDS

By special resolution in 2010, the Board of Directors agreed to revise the allocations that were made the yearly surplus, to more adequately distribute it, with special emphasis on building institutional capital and concern for the community. In that regard, the percentages were adjusted with 27.5% being allocated to the Statutory Reserve, 5% each for the Education and Disaster Funds, and 2.5% each for the Employment Benefit Fund, the Audit Fund, and a newly created Community Development Fund.

The newly proposed Co-operative Societies Act makes the operations of these funds obsolete. To be proactive the Mon Repos Eastern Credit Union has adopted the fund structure as stipulated by the proposed Co-operative Societies Act.

18. STABILIZATION FUND

The proposed Co-operatives Societies Act makes provision for the establishment of a stabilization fund by each co-operative society. The pooled funds are to be managed in accordance with section 126 of the proposed legislation. While this legislation has not yet been enacted; its enactment is so imminent that Mon Repos Eastern Credit Union has adopted a proactive stance and established a stabilization fund requiring a ten percent of net surplus contribution annually in order to be compliant in advance of implementation of new legislation. However, due to the profitability level no allocation was made in 2020.

19. EXCESS OF APPRAISED VALUE OF ASSETS

On, March 14th 2013 the Credit Union had a valuation done of the premises of the Mon Repos Branch. As a consequence of this, the estimated open market value of the land and building was stated at $1,036,000, resulting in a revaluation surplus of $647,494.

On, September 13th and December 5th 2019the Credit Union had a valuation done of the property of the Mon Repos Branch as well as the Micoud Branch. As a consequence of this, the estimated open market value of the land at the Mon Repos and Micoud Branch collectively was stated at $1,537,020, resulting in a revaluation surplus of $563,032 giving a grand total revaluation surplus of $1,210,526.

20. STATUTORY RESERVE

Under Section 119(2) of the Co-operative Societies Act No. 28 of 1999, the Credit Union is required to appropriate at least 20% of the net surplus for each financial year to the statutory reserve fund. From 2010, the Credit Union made a resolution to credit 27.5% of its yearly surplus to that reserve fund. Management decided to make an additional allocation of $300,000.00 in 2012, from the net surplus to this reserve.

From the year ended 2013, by way of resolution, management has allocated 45% of profits annually to the Statutory Reserves, to ensure compliance with section 125 of the proposed co-operative societies act. However in 2020, 25% was allocated as per Board approval.

21. LIQUIDITY RESERVE

Under Section 119 (3) (b) of the Co-operative Societies Act No. 28 of 1999, Chapter12.06 the Credit Union shall ensure that not less than 15% of its members' shares and deposits are kept in a liquidity reserve. This is at 30% in 2020.

22. COMMITMENTS AND CONTINGENCIES

As at the year-end date, total loans approved by the Co-operative but not fully disbursed totaled at end of 2020 were$2,185,376.31.At the previous year-end in 2019, the figure was $174,929.01. The Credit Union did not have any contingencies at the year-end date.

23. OTHER INCOME

	2020	**2019**
	$	**$**
Credit Risk Fee	347,599	97,308
Other Income	67,557	-
ATM Income	16,830	-
Foreign exchange gain	8,188	16,682
Income from phone cards	7,700	7,893
Pass Book Sales	3,170	4,430
Other Income - Statements	3,040	5,095
Deferred Revenue Realized	432	5,180
Bad Debt Recovery	-	131,025
Sundry Amounts	-	17,288
	454,515	**284,900**

24. GAIN/(LOSS) ON INVESTMENTS

	2020	**2019**
	$	**$**
Gain (Loss) on Other Investment	2,181	(3,726)
	2,181	**(3,726)**

25. SUBSEQUENT EVENTS

As of March 2020, the global economy is currently threatened by the advance of the Covid-19 virus which currently exists as a pandemic. The threat to institutions such as the Mon Repos Eastern Co-operative Credit Union is unquantifiable at this time.

26. RELATED PARTY TRANSACTIONS

A party is related to the Credit Union if that party directly or indirectly controls it, is controlled by it or under common control with it; and if the party has an interest in the Credit Union that gives it significant influence over it, or has joint control over the Credit Union.

In addition, a party is related to the Credit Union if the party is a member of the key management personnel of the Credit Union; is a close relative of the family of that member, or has close relations to that member, or any of the parties referred to in the preceding paragraph; or the party is a post-employment benefit plan for the benefit of employees of the Credit Union or any Credit Union that is a related party of the Credit Union.

26. RELATED PARTY TRANSACTIONS- CONT'D

A number of transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, or on commercial terms and conditions.

Included in members' loans at the year-end date were loans to directors and staff totaling $3,858,729.31 (2019- $3,431,065).

Shares and deposits held by directors and staff at that date totaled $1,210,274.39.(2019- $1,516,959.28).

27. DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of these financial statements.

28. COMPARATIVE FIGURES

Where changes have been made in the presentation of the current year's figures, comparative amounts have been reclassified.