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

FINANCIAL STATEMENTS

DECEMBER 31, 2022

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

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

DECEMBER 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Members of:

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **MON REPOS EASTERN CO-OPERATIVE CREDIT UNION (1968) LTD.** ("the Credit Union"), which comprise the statement of financial position as at 31 December 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at 31 December 2022 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 Society 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 Society or to cease operations, or has no realistic alternative but to do so.

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

Report on the Audit of the Financial Statements
(Continued)

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:

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

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

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

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

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

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

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

The prior year's figures were reported upon by another Accountant.

Castries, St Lucia
June 6, 2023

Chartered Accountants

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

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

	2022	2021
ASSETS		
Cash and balances with banks (Note 5)	$ 24,880,097	$ 30,772,042
Investment securities, held to maturity (Note 7)	17,297,509	15,312,604
Accounts receivable (Note 6)	348,955	429,589
Prepaid expenses	69,500	68,000
Investment securities, available for sale (Note 7)	353,194	356,557
Loans to members (Note 8)	99,614,140	82,976,511
Deferred building cost	115,821	58,846
Property, Plant and Equipment (Note 9)	1,824,558	1,768,380
TOTAL ASSETS	$ 144,503,774	$ 131,742,529
LIABILITIES		
Accounts payable and accruals (Note 10)	$ 2,977,013	$ 1,919,028
Members' regular deposits (Note 12)	43,299,581	39,261,814
Members' fixed deposits (Note 11)	44,090,152	41,793,937
Members' special deposits (Note 13)	37,151,638	33,112,335
Total Liabilities	127,518,384	116,087,114
MEMBERS' EQUITY		
Share Capital	4,263,130	3,800,550
Fair Value Reserve	1,210,526	1,210,526
Member Funds (Note 15)	629,760	553,585
Statutory Reserve (Note 16)	7,537,495	6,910,464
Retained earnings	3,344,479	3,180,290
Total Members' Equity	16,985,390	15,655,415
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 144,503,774	$ 131,742,529

APPROVED BY THE BOARD OF DIRECTORS ON June, 6, **2023**

_______________ President

_______________ Secretary

MON REPOS EASTERN CO-OPERATIVE CREDIT UNION (1968) LTD. (Saint Lucia)

The accompanying notes form an integral part of these statements.

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

STATEMENT OF CHANGES IN MEMBERS' EQUITY

YEAR ENDED DECEMBER 31, 2022

	2022	2021
MEMBERS' EQUITY SHARES		
Equity Shares at beginning of year	**$ 3,800,550**	$ 3,412,035
Net shares purchased	**462,580**	388,515
Equity Shares at end of year	**4,263,130**	3,800,550
RESERVES		
Statutory reserve		
At beginning of year	**6,910,464**	6,387,789
Add : 45% of net surplus for the year	**623,256**	518,980
Entrance Fees	**3,775**	3,695
At end of year	**7,537,495**	6,910,464
FAIR VALUE RESERVE		
At beginning of year	**1,210,526**	1,210,526
Fair value increase(decrease) in AFS investments	**-**	-
At end of year	**1,210,526**	1,210,526
MEMBER FUNDS		
Stablization Fund		
At beginning of year	**553,585**	490,154
Add : 5.5% of net surplus for the year	**76,175**	63,431
At end of year	**629,760**	553,585
TOTAL MEMBER FUNDS	**629,760**	553,585
RETAINED EARNINGS		
At beginning of year	**$ 3,180,290**	$ 2,949,234
Total Comprehensive Income for the year	**1,385,013**	1,153,288
	4,565,303	4,102,522
Statutory reserve	**(623,256)**	(518,980)
Stablization fund	**(76,175)**	(63,431)
Dividends and Patronage	**(521,393)**	(339,821)
At end of year	**3,344,479**	3,180,290
MEMBERS' EQUITY, END OF YEAR	**$ 16,985,390**	$ 15,655,415

The accompanying notes form an integral part of these statements.

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

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2022

	2022	2021
INCOME		
Members' loan interest	**$ 7,279,390**	$ 6,362,282
Investment interest	**682,597**	583,935
	7,961,987	6,946,217
Interest Expense		
Interest and bank charges	**18,667**	17,977
Members fixed deposit interest	**1,579,999**	1,633,422
Members deposits and special savings interest	**1,474,950**	1,267,333
	3,073,616	2,918,732
Net Interest Income	**4,888,371**	4,027,485
Provision for Impairment of loans & advances	**(542,389)**	(122,992)
CUNA and Credit Life Insurance	**(988,633)**	(804,236)
Other Income (Note 20)	**1,082,260**	966,468
Net Interest and Other Income	**4,439,609**	4,066,725
OPERATING EXPENSES		
Marketing	**81,050**	74,579
Depreciation	**147,704**	148,648
Insurance	**30,049**	30,912
Office supplies and stationery	**134,724**	134,558
Other expenses (Note 21)	**588,707**	403,837
Rent	**108,000**	96,000
Salaries, benefits and allowances	**1,782,340**	1,855,960
Utilities	**178,659**	164,490
	3,051,233	2,908,984
SURPLUS FOR THE YEAR	**1,388,376**	1,157,741
OTHER COMPREHENSIVE INCOME		
Fair value increase (decrease) in available-for- sale investments	**(3,363)**	(4,453)
TOTAL COMPREHENSIVE INCOME	**$ 1,385,013**	$ 1,153,288

The accompanying notes form an integral part of these statements.

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

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

	2022	2021
Cash flows from Operating Activities		
Total Comprehensive Income for the year	**$ 1,385,013**	$ 1,153,288
Add (deduct): charges to income not involving cash		
Depreciation	**147,704**	148,648
Provision for Impairment of Loans	**542,389**	122,992
Loss on disposal of assets	**5,201**	4,297
Provision for impairment of Investments	**3,363**	4,453
	2,083,670	1,433,678
Net change in non-cash working capital balances related to operations		
Decrease in accounts receivable	**80,634**	71,519
(Increase) in investments	**(1,984,905)**	(1,994,429)
(Increase) in prepaid expenses	**(1,500)**	-
(Increase) in loans to members	**(17,180,018)**	(11,975,891)
Increase in members fixed and other deposits	**10,373,284**	13,380,179
Increase in accounts payable and accruals	**1,057,985**	97,357
Net cash flow (used in) provided by operating activities	**(5,570,850)**	1,012,413
Cash flows from Investing Activities		
Purchase of fixed assets	**(209,082)**	(119,858)
Deferred building cost	**(56,975)**	(58,846)
Net cash flow (used in) investing activities	**(266,057)**	(178,704)
Cash flows from Financing Activities		
Dividends and patronage refunds	**(521,393)**	(339,821)
Increase in members' equity shares	**462,580**	388,515
Entrance fees	**3,775**	3,695
Net cash flow (used in) provided by financing activities	**(55,038)**	52,389
(DECREASE)/INCREASE IN CASH	**(5,891,945)**	886,098
CASH AND CASH EQUIVALENTS, beginning of year	**30,772,042**	29,885,944
CASH AND CASH EQUIVALENTS, end of year	**$ 24,880,097**	$ 30,772,042

The accompanying notes form an integral part of these statements.

1. LEGAL STATUS

The Mon Repos Eastern Co-operative Credit Union (1968) Ltd, 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.

The Mon Repos Eastern Co-operative Credit Union (1968) Ltd is not subject to income tax in accordance with Subsection 25(1)(p) of the Income Tax Act No. 1 of 1989.

2. 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 specifically stated otherwise.

(a) Basis of Presentation

The Mon Repos Eastern Co-operative Credit Union (1968) Ltd financial statements have been prepared under the historical cost convention in conformity with International Financial Reporting Standards (IFRS).

The preparation of the financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions that could affect the reported amounts of assets, liabilities, disclosures of contingent assets and liabilities, and the amounts of revenue and expenditures during the year. Actual amounts could differ from those reported. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key sources of estimation include: securities impairment, determination of fair value of financial instruments, and the allowance for credit losses.

The financial statements are presented in Eastern Caribbean dollars (ECD$), the functional and presentation currency.

(b) Revised standards effective and relevant to the Credit Union

a) New standards and revisions issued and effective for the financial year beginning January 1st, 2022.

IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)
IAS 17 - Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
Annual Improvements to IFRS Standards 2018-2020 - Standards Amended IFRS 1, IFRS 9, IFRS 16 and IAS 41.

IAS 16 – Property, Plant and Equipment
This amendment addresses Proceeds before Intended Use and prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceed and related cost in profit or loss.

IAS 17 - Onerous Contracts
This amendment specifies that the 'cost of fulfilling ' a contract comprises the 'costs that relate directly to the contract'.
Annual Improvements to IFRS's 2018 to 2020 Cycle was issued in May 2020.
IFRS 1 - First time adoption of International Financial Reporting Standards - This relates to a Subsidiary as a First time Adopter.
IFRS 9, Financial Instruments – Fees in the "10 percent" test for derecognition of financial liabilities
IAS 16 - as above and
IAS 41 Agriculture - Taxation in fair value Measurements

There are no other IFRS or IFRIC interpretations that are not yet effective and expected to have a material impact on the financial statements of the Credit Union.

Early adoption of standards
The Credit Union did not early-adopt any new or amended standards in 2022.

(c) Financial assets
The Credit Union allocates financial assets to the following IAS 39 categories: loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

a) Held-to-maturity
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Credit Union's management has the positive intention and ability to hold to maturity, other than:
(a) those that the Credit Union upon initial recognition designates as at fair value through profit or loss; (b) those that the Credit Union designates as available for sale; and c) those that meet the definition of loans and receivables. These are initially recognized at fair value including direct and incremental transaction costs and measured subsequently as amortised cost, using the effective interest rate method. Interest on held-to-maturity investments is included in the statement of income. In case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognized in the statement of income.
If the Credit Union were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale investments.

b) Available-for-sale
Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.
Available-for-sale financial assets are initially recognized at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognized in the statement of income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognized in the statement of comprehensive income is recognized in the statement of comprehensive income. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognized in the statement of income. Dividends on available for-sale equity instruments are recognized in the statement of income when the Credit Union's right to receive payment is established.

c) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short-term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value though profit or loss; (b) those that the entity upon initial recognition designates as available-for-sale; or (c) those for with the holder may not recover substantially all of the initial investment, other than because of credit deterioration.

Loans and receivables are initially recognized at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as loans and advances to members or as investment securities. Interest on loans and advances to members and investment securities are included in the statement of income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognized in the statement of income.

(d) Foreign currency translation
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign gains and losses resulting from the settlement of such transactions and from the translations at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.
Translation differences on non-monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity, if any.

(e) Impairment of financial assets
IFRS 9 has fundamentally changed the Credit Unions's impairment model by replacing IAS 39's incurred loss approach with a forward-looking three-stage expected credit loss (ECL) approach. The expected credit loss model is applicable to the following categories of financial assets:
(a) Members' Loans
(b) Individual receivables and prepayments

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Credit Union expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.
ECLs are recognised in three (3) stages:

Stage 1
When financial assets are first recognised, the Credit Union recognises an allowance based on 12-months ECLs. Stage 1 financial assets also includes facilities where the credit risk has improved and the financial assets have been reclassified from Stage 2.

Stage 2
When financial assets have shown a significant increase in credit risk since origination, the Credit Union records an allowance for the Lifetime ECLs. Stage 2 also includes facilities, where the credit risk has improved, and financial assets have been reclassified from Stage 3.

Stage 3
Stage 3 comprise of financial assets that are considered to be impaired. Here the Credit Union records an allowance for the Lifetime ECLs.

The mechanics of the ECL calculations are outlined below in the "Three Stage/Bucket Approach" the MRECCU has used to recognize credit impairment and how the provision for expected loan losses are made:and the key elements are as follows:

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.

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.

Assets carried at amortised cost

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

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of income. If a loan or held-to-maturity investment has variable interest rates, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Credit Union may measure impairment on the basis of an instrument's fair value using the observable market price.

The calculation of the present value of the estimated future cash flows of the collateral financial asset reflects the cash flows that may or may not result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for the loan impairment in the statement of income.

If, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (subsequent to an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of income.

Impairment of other non-financial assets
Assets carried at fair value
The Credit Union assesses at each balance sheet date whether there is objective evidence that the financial asset or group of financial asset is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss is removed from equity and recognized in the statement of income. Impairment losses recognized in the statement of income on equity instruments are not reversed through the statement of income.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(f) Cash and cash equivalents
For the purpose of Cash Flow Statement, cash and cash equivalents comprise balances of cash on hand and cash at bank.

(g) Accounts receivable
Accounts receivable represent the principal amounts due at the balance sheet date less, where applicable, any provision for impairment.

(h) Property, plant and equipment

Property, plant and equipment, except for land, are stated at historical cost less accumulated depreciation. Additions to property, plant and equipment are recognized as separate items when it is probable that future economic benefits will flow to the Credit Union and the cost of the items can be measured reliably. Cost comprises the purchase price, and cost directly attributable to bringing the asset to the location and condition necessary for its intended use, and the initial estimate of any disposal costs. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis, so as to allocate cost to their residual values over their estimated useful lives as follows:

Furniture & Equipment	10%
Computer hardware & software	20% & 25%
Leasehold improvements	2%-20%
Buildings	5%

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

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

(i) Financial liabilities

The Credit Union's financial liabilities are measured at amortised cost and include members' deposits and savings, trade payables and accrued liabilities. Financial liabilities are derecognized when extinguished.

(j) Members' Equity shares

This represents the paid up equity shares of members at a par value of $ 5 per share. Members are encouraged to maintain a minimum of 20 shares with a value of $ 100.

(k) Dividends on members' equity shares

Dividends on ordinary shares are recognized as a reduction of retained earnings under members' equity and in the year declared. Dividend declaration is based on a rate that is not more than that recommended by the Board of Directors for distribution. Members, at Annual General Meeting, may not approve a rate that is higher than that recommended by the Board of Directors.

(l) Interest income & expense

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate period to the net carrying amount of the financial asset or financial liability.

(m) Fees and commission income
Fees, commissions and other income are recognized on an accrual basis when related service has been provided.

(n) Dividend income
Dividend income from available-for-sale equities is recognized when the right to receive payment is established.

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

(p) Financial instruments
Financial instruments carried on the balance sheet include cash and cash equivalents, investment securities, loans to members, deposits and shares to members. The particular recognition methods adopted are disclosed in the individual classes of assets.

(q) Fair Value of Financial Instruments
Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and are best evidences by the quoted market values, if they exist. The following methods and assumptions were used to estimate the fair value of financial instruments.

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

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

Loans and advances to members
Loans and advances are net of their provisions for impairment. The estimated values of loans and advances represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Except for the Eastern Caribbean Financial Holding Limited's shares which trade on the Eastern Caribbean Securities Exchange, there were no other financial instruments that traded in any active market.
The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available. The carrying amounts of all financial liabilities are assumed to approximate their fair values.

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

3. 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 society 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 Society. 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, 2022	December 31, 2021
Cash Balances with Banks	**24,880,097**	30,772,042
Investments	**17,297,509**	15,312,604
Trade and other Receivables	**348,955**	429,589
Loans to members	**99,614,140**	82,976,511
	142,140,701	129,490,746
Less Commitments	**3,554,908**	3,707,457
	138,585,793	125,783,289

(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 2022

DECEMBER 31, 2022

	Up to 1 year	Beyond 1 year	Total
Current Assets			
Cash	**$ 24,880,097**	**$ -**	**$ 24,880,097**
Held to Maturity Investments	**17,297,509**	**-**	**17,297,509**
Accounts receivable	**348,955**	**-**	**348,955**
Loans to members	**24,903,535**	**74,710,605**	**99,614,140**
	67,430,096	**74,710,605**	**142,140,701**
Current Liabilities			
Accounts Payable and Accruals	**2,977,013**	**-**	**2,977,013**
Members fixed and other deposits	**54,824,319**	**32,565,414**	**87,389,733**
Members special savings	**11,145,492**	**26,006,147**	**37,151,639**
	68,946,824	**58,571,561**	**127,518,385**
Net Position	**$ (1,516,728)**	**$ 16,139,044**	**$ 14,622,316**

DECEMBER 31, 2021

	Up to 1 year	Beyond 1 year	Total
Current Assets			
Cash	$ 30,772,042	$ -	$ 30,772,042
Held to Maturity Investments	15,312,604	-	15,312,604
Accounts receivable	429,589	-	429,589
Loans to members	20,744,128	62,232,383	82,976,511
	67,258,363	62,232,383	129,490,746
Current Liabilities			
Accounts Payable and Accruals	1,919,028	-	1,919,028
Members fixed and other deposits	52,432,846	28,622,905	81,055,751
Members special deposits	9,933,700	23,178,634	33,112,334
	64,285,574	51,801,539	116,087,113
Net Position	$ 2,972,789	$ 10,430,844	$ 13,403,633

(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 rates for 2022 ranged from 1.25%. to 4.25 %.
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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.
The Credit Union makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management does not consider that there are estimates and assumptions that will have a significant risk, causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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.

5. CASH AND BALANCES WITH BANKS

	2022	2021
Cash on hand	**$ 3,794,486**	$ 3,170,315
Cash at banks	**21,085,611**	27,601,727
	$ 24,880,097	$ 30,772,042
Cash at Banks		
Bank of St. Lucia Limited - Current A/C- Vieux Fort	**$ 2,723,494**	$ 8,309,189
Bank of St. Lucia Limited - Current A/C- Mon Repos	**5,959,441**	8,132,192
Bank of St. Lucia Limited - Current A/C- Micoud	**7,642,636**	6,400,126
Bank of St. Lucia Limited - Savings A/C	**4,760,040**	4,760,220
	$ 21,085,611	$ 27,601,727

6. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2022	2021
Western Union Receivable	**$ 275,890**	$ 342,190
CUNA Insurance	**(3,668)**	29,842
Prepaid Insurance	**16,012**	16,012
ATM Receivable	**(2,740)**	20,700
Other	**63,461**	20,845
	$ 348,955	$ 429,589

7. INVESTMENT SECURITIES

	2022	2021
Securities Available-for-sale		
St Lucia Co-operative League - (64,041 shares)	**320,205**	320,205
Eastern Caribbean Financial Holdings Ltd. (9,088 shares)	**32,989**	36,352
	353,194	356,557
	$ 353,194	$ 356,557
Held to maturity		
Bank of St Lucia Limited – Certificates of deposit	**$ 301,935**	$ 300,177
SDA Credit Union – Certificates of deposit	**550,000**	300,000
St. Lucia Co-operative League – Certificate of deposit	**112,529**	109,930
CLICO International Life Insurance Co. Ltd	**-**	449,888
ECHMB	**2,000,000**	-
Government of Saint Lucia –Five year 6% Bonds	**2,000,000**	2,000,000
Government of Saint Lucia –Two year 4.5% Treasury Note	**8,075,934**	8,075,934
Government of Saint Lucia- One year 3.5% Treasury Bills	**4,000,000**	4,000,000
Interest Receivable on Investments	**257,111**	233,117
Investments-held to maturity	**17,297,509**	15,469,046
Less allowance for impairment	**-**	(156,442)
Investment securities, held to maturity, net of allowance for impairment	**$ 17,297,509**	$ 15,312,604
Total investment securities, net of allowance for impairment	**$ 17,650,703**	$ 15,669,161

Pursuance to Section 119 (3) of the Co-operative Society's Act, the Credit Union is required to maintain a liquidity reserve calculated to be 15.0% of members' shares and deposits.

The above held to Maturity investments as well as cash on hand and at banks satisfy the requirement as at December 31, 2022.

8. MEMBERS' LOANS AND ADVANCES

	2022	2021
Balance opening	**$ 83,583,778**	$ 71,624,791
Additions	**44,911,134**	38,220,137
	128,494,912	109,844,928
Repayments	**(28,011,503)**	(26,261,150)
Balance closing	**100,483,409**	83,583,778
Provision for Impairment of Loans	**(869,269)**	(607,267)
	$ 99,614,140	$ 82,976,511

Sectorial analysis of members' loans & advances

	2022	2021
Regular Loans 1&2	**$ 13,246,073**	$ 13,251,615
Cash Covered Loans	**7,882,201**	7,391,367
Mortgage	**9,962,512**	11,758,450
Mixed Land Loans	**2,311,297**	2,808,652
Residential Land Loans	**13,314,947**	11,513,738
Vehicle	**5,895,605**	4,493,549
Sow a Seed Loans	**844,252**	1,198,684
Home Mortgage Loans	**32,194,471**	21,270,651
Fixed deposit Loans	**2,255,707**	1,139,635
RRR Loans	**6,006,683**	3,654,835
Debt Consolidation Loans	**2,088,590**	882,791
Restructured Loans	**307,345**	389,525
Contract Loans	**115,000**	1,173,016
Special Project Loans	**535,793**	546,338
Staff Loans	**475,065**	720,950
Youth Land and Mortgage Loans	**1,961,985**	88,000
Other	**314,288**	702,491
Accrued interest	**771,595**	599,491
	$ 100,483,409	$ 83,583,778

Provision for Impairment of Loans

	2022	2021
Balance at beginning of year	**$ 607,267**	$ 572,271
Charges for the year	**698,119**	123,554
Write Offs/Recoveries	**(436,117)**	(88,558)
	$ 869,269	$ 607,267

Regulation 30 (1) of the Co-operative Societies Act – Provisioning

Period Overdue Loans	**Delinquent Loans**	**Collateral**	**Net Loans Delinquent**	**Loss Exposure %**
Less than 3 months	$ 424,012	$ 558,439	$ (134,427)	-
3 months < 6 months	516,081	549,391	(33,310)	25
6 months < 9 months	99,109	109,781	(10,672)	50
9 months < 1 year	2,613,437	2,417,351	196,086	75
1 year and over	2,593,205	1,900,312	692,893	100
Totals	$ 6,245,844	$ 5,535,274	$ 710,570	

	2022 Provision	2021 Provision
Less than 3 months	$ -	$ -
3 months < 6 months	-	-
6 months < 9 months	-	32,711
9 months < 1 year	**147,065**	334,056
1 year and over	**692,893**	233,152
Totals	**$ 839,958**	$ 599,919

9. PROPERTY, PLANT & EQUIPMENT

	2021 B/forward	**Additions**	**Disposals**	**2022 C/forward**
Cost				
Land	$ 463,020	**$ -**	**$ -**	**$ 463,020**
Buildings	1,074,000	**-**	**-**	**1,074,000**
Furniture & equipment	931,562	**57,941**	**16,682**	**972,821**
Leasehold improvements	137,803	**151,142**	**-**	**288,945**
	2,606,385	**209,083**	**16,682**	**2,798,786**
Depreciation				
Buildings	107,400	**53,700**	**-**	**161,100**
Furniture & Equipment	592,802	**94,004**	**11,481**	**675,325**
Leasehold improvements	137,803	**-**	**-**	**137,803**
	838,005	**147,704**	**11,481**	**974,228**
Net book value				
Land	463,020			**463,020**
Buildings	966,600			**912,900**
Furniture & equipment	338,760			**297,496**
Leasehold improvements	-			**151,142**
Total	$ 1,768,380			**$ 1,824,558**

10. ACCOUNTS PAYABLE AND ACCRUALS

	2022	2021
Employee Benefits Payable	$ **536,918**	$ 520,617
Interest payable on Members' deposits	**766,413**	666,562
ATM Settlement Account	**356,770**	154,650
Audit fees	**30,000**	13,500
League dues payable	**75,000**	75,000
Provision Dividends and Patronage payable	**530,000**	345,000
Accruals and sundry payables	**681,912**	143,699
	$ **2,977,013**	1,919,028

11. MEMBERS' FIXED DEPOSITS

	2022	2021
Balance, opening	$ **41,793,937**	$ 39,308,385
Additions	**47,850,469**	46,445,998
	89,644,406	85,754,383
Withdrawals	**(45,554,253)**	(43,960,446)
Balance, closing	$ **44,090,153**	$ 41,793,937
Analysis of Members' Fixed Deposit		
Balance	$ **43,599,964**	$ 41,343,024
Accrued interest	**490,188**	450,913
	$ **44,090,152**	$ 41,793,937

The effective interest rates on Fixed Deposits range from 2.5% to 4.25% held over a twelve month period.

12. MEMBERS' REGULAR DEPOSITS

	2022	2021
Balance, opening	$ **39,261,814**	$ 31,519,654
Additions	**183,911,987**	166,792,714
	223,173,801	198,312,368
Withdrawals	**(179,874,220)**	(159,050,554)
Balance, closing	$ **43,299,581**	$ 39,261,814

Sectorial analysis of members' deposits

	2022	2021
Members' Savings	$ **40,140,348**	$ 36,053,539
Club deposits	**1,283,493**	1,278,177
FIP	**37,728**	31,562
Bright Start Deposit	**1,836,985**	1,898,186
Other	**1,027**	350
	$ **43,299,581**	$ 39,261,814

13. MEMBERS' SPECIAL SAVINGS

	2022	2021
Balance, opening	**$ 33,112,335**	$ 29,952,092
Additions	**16,598,712**	15,839,069
	49,711,047	45,791,161
Withdrawals	**(12,559,409)**	(12,678,826)
Balance, closing	**$ 37,151,638**	$ 33,112,335

14. 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, 2022 were as follows:

	2022	2021
Loans	**$ 4,753,225**	$ 4,164,389
Shares and Deposits	**$ 1,239,962**	$ 1,099,483

15. MEMBER FUNDS

(a) 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, the Mon Repos Eastern Credit Union (1968) Ltd. has adopted a proactive stance and established a stabilization fund requiring a ten percent of net surplus contribution annually. However the allocations made to date have been at a rate of 5.5% annually.

16. 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 the year ended 2013, by way of resolution, the Board has agreed to an allocation of 45% of profits annually to the Statutory Reserves to ensure compliance with the Co-operative Societies Act.

17. 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 2019 the 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.

18. COMMITMENTS

Undisbursed Loans and Advances

As at the year-end date, total loans approved by the Co-operative but not fully disbursed totaled at end of 2022 were $3,554,908.23, (2021-$3,707,456.80).

19. MANAGEMENT & EMPLOYEE COST

	2022	2021
Salaries and wages	**$ 1,598,089**	$ 1,631,030
Travelling	**19,762**	5,134
Medical Insurance	**11,909**	13,775
NIC contributions, uniforms and other	**58,606**	76,292
	$ 1,688,366	$ 1,726,231

KEY MANAGEMENT COMPENSATION		
Salaries and wages and allowances	**$ 475,032**	$ 443,965

20. OTHER INCOME

	2022	2021
Credit Risk Fee	**$ 429,037**	$ 381,366
Loan Processing Fees	**304,329**	264,843
Commissions	**160,704**	167,926
Bad debts recovered	**131,613**	86,806
ATM Income	**5,170**	28,580
Gain/(Loss) Foreign Exchange	**21,437**	14,883
Phone Cards	**7,721**	7,268
Pass Book Sales	**4,075**	3,605
Sundry	**18,174**	11,191
	$ 1,082,260	$ 966,468

21. OTHER EXPENSES

		2022		2021
Annual general meeting	**$**	**16,949**	$	14,937
Audit		**30,000**		27,500
Board of director expenses		**13,565**		12,405
Education and training		**29,659**		4,340
Donations		**39,558**		22,810
Honorarium		**52,250**		-
League dues		**75,000**		67,500
Legal and professional fees		**69,250**		26,910
Scholarships		**13,000**		13,000
Loss on disposal of assets		**5,201**		4,297
Property tax		**3,420**		3,420
Courier		**43,360**		28,818
Repairs and maintenance		**90,634**		95,240
ATM Expenses		**91,076**		73,127
Sundry		**15,785**		9,533
	$	**588,707**	$	403,837

22. EVENTS AFTER REPORTING DATE

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020. The Covid 19 Pandemic brought with it many risks not only health but economic as well, The Credit Union was impacted in its operations by the adjustments which had to be made to facilitate its members during this time. At present the Protocols have been relaxed and life has almost returned to what can be deemed to be a state of normalcy. There are still financial risk in the Economy which may continue to affect its members, but the Credit Union remains responsive to help its members and looks forward to a more stable economic environment.