



Chartered Accountants
& Business Advisors

**PSCU CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
AND ITS SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019



Chartered Accountants
& Business Advisors

**PSCU CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
AND ITS SUBSIDIARY**

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PSCU CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

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PSCU Credit Union Co-operative Society Limited

Management is responsible for the following:

- preparing and fairly presenting the accompanying financial statements of PSCU Credit Union Co-operative Society Limited, which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, appropriated funds and undivided earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- ensuring that the Society keeps proper accounting records;
- selecting appropriate accounting policies and applying them in a consistent manner;
- implementing, monitoring and evaluating the system of internal control that assures security of the Society's assets, detection/prevention of fraud, and the achievement of Society operational efficiencies;
- ensuring that the system of internal control operated effectively during the reporting period;
- producing reliable financial reporting that comply with laws and regulations, including the Co-operative Societies Act; and
- using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Society will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Signed

Date:

4/6/2020

Signed

Date:

04/06/2020



Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT

The Members
PSCU Credit Union Co-operative Society Limited
and its Subsidiary

Opinion

We have audited the consolidated financial statements of PSCU Credit Union Co-operative Society Limited and its Subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of comprehensive income, appropriated funds and undivided earnings and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Other information included in the Credit Union's 2019 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we concluded that there is a material misstatement of this other information, we are required to communicate the matter to the Board of Directors.

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Partners Renée-Lisa Philip Mark K. Superville

INDEPENDENT AUDITORS' REPORT (Cont'd)

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT (Cont'd)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with the Board of Directors 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.

PKF


Barataria
TRINIDAD
4 June 2020

**PSCU CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
AND ITS SUBSIDIARY**


STATEMENT OF FINANCIAL POSITION

Credit Union 31 December		<u>ASSETS</u>		Group 31 December	
<u>2018</u>	<u>2019</u>		<u>Notes</u>	<u>2019</u>	<u>2018</u>
(\$)	(\$)			(\$)	(\$)
		Cash Resources:			
5,008,229	7,253,626	Cash in hand and at bank	5	9,499,252	6,383,104
<u>36,811,772</u>	<u>45,140,310</u>	Short-term investments	6	<u>45,140,310</u>	<u>36,811,772</u>
		Total Cash Resources		<u>54,639,562</u>	<u>43,194,876</u>
		Other Assets:			
4,650,693	7,719,803	Accounts receivable and prepayments	7	8,264,469	5,111,645
6,063,121	9,500,000	Due from subsidiary		-	-
253,259,513	252,551,879	Loans to members	8	252,551,879	253,259,513
6,970,875	6,930,507	Long-term investments	9	6,930,507	6,970,875
1,100,000	1,100,000	Investment property	10	1,100,000	1,100,000
20,088,697	20,045,447	Fixed assets	11	41,355,529	41,106,985
-	347,108	Lease assets	12	<u>347,108</u>	-
<u>292,132,899</u>	<u>298,194,744</u>	Total Other Assets		<u>310,549,492</u>	<u>307,549,018</u>
<u>333,952,900</u>	<u>350,588,680</u>	Total Assets		<u>365,189,054</u>	<u>350,743,894</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>					
		Current Liabilities:			
7,633,067	10,393,569	Accounts payable and accruals	13	10,881,598	7,867,865
-	-	Corporation Tax payable		37,798	132,439
73,203,281	79,810,092	Members' deposits		79,810,092	73,203,281
220,059,086	224,206,594	Members' shares	14	224,206,594	220,059,086
-	-	Loans – current portion	15	-	1,659,316
-	216,708	Lease liabilities – current portion	12	<u>216,708</u>	-
<u>300,895,434</u>	<u>314,626,963</u>	Total Current Liabilities		315,152,790	302,921,987
		Non-Current Liabilities:			
-	-	Loans – non-current portion	15	-	1,119,124
-	-	Deferred taxation	16	1,602,737	1,505,483
-	114,674	Lease liabilities – non-current portion	12	<u>114,674</u>	-
<u>300,895,434</u>	<u>314,741,637</u>	Total Liabilities		<u>316,870,201</u>	<u>305,546,594</u>
		Members' Equity:			
11,601,508	12,278,870	Reserve Fund	17	12,653,076	11,942,517
1,839,286	1,728,700	Education Fund	18	1,915,805	2,009,792
6,000	6,000	Dividend Equalisation Fund	19	6,000	6,000
-	1,019,703	Revaluation Reserve	20	7,613,243	7,613,243
636,162	-	Investment Remeasurement Reserve	21	1,019,703	636,162
<u>18,974,510</u>	<u>20,813,770</u>	Undivided earnings		<u>25,111,026</u>	<u>22,989,586</u>
<u>33,057,466</u>	<u>35,847,043</u>	Total Members' Equity		<u>48,318,853</u>	<u>45,197,300</u>
<u>333,952,900</u>	<u>350,588,680</u>	Total Liabilities and Members' Equity		<u>365,189,054</u>	<u>350,743,894</u>

These financial statements were approved by the Board of Directors and authorised for issue on 4 June 2020 and signed on their behalf by:


President


Treasurer


Chairman
Supervisory Committee

(The accompanying notes form part of these consolidated financial statements)

**PSCU CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
AND ITS SUBSIDIARY**

STATEMENTS OF COMPREHENSIVE INCOME

Credit Union			Group	
For the year ended			For the year ended	
31 December			31 December	
<u>2018</u>	<u>2019</u>		<u>2019</u>	<u>2018</u>
(\$)	(\$)		(\$)	(\$)
Income:				
29,616,988	29,875,973	Interest on loans	29,875,973	29,616,988
615,551	971,973	Investment income	981,428	624,114
2,029,289	2,222,712	Miscellaneous income	2,222,712	2,029,289
171,600	184,040	Rental income	1,865,524	2,746,536
-	292	Gain on foreign exchange	292	-
<u>32,433,428</u>	<u>33,254,990</u>		<u>34,945,929</u>	<u>35,016,927</u>
Expenses:				
1,199,454	1,050,618	Cost of funds	1,219,032	1,498,501
2,495,012	2,335,925	Administrative expenses	2,653,506	2,550,031
1,302,778	1,440,115	Risk management expenses	1,501,130	1,364,590
11,999,754	13,320,360	Personnel expenses	13,325,360	11,999,754
8,153,228	7,641,683	General expenses	8,275,558	8,886,215
765,103	763,924	Board and Committees' expenses	788,222	789,178
<u>25,915,329</u>	<u>26,552,625</u>		<u>27,762,808</u>	<u>27,088,269</u>
6,518,099	6,702,365	Net surplus before taxation	7,183,121	7,928,658
-	-	Taxation	(148,780)	(431,793)
6,518,099	6,702,365	Net surplus for the year	7,034,341	7,496,865
Other comprehensive income:				
<u>Items that may not be reclassified subsequently to profit or loss:</u>				
(34,693)	383,541	Net fair value (loss)/gain on financial assets classified as Fair Value through Other Comprehensive Income	383,541	(34,693)
<u>6,483,406</u>	<u>7,085,906</u>	Total Comprehensive Income for the year	<u>7,417,882</u>	<u>7,462,172</u>

(The accompanying notes form part of these consolidated financial statements)

**PSCU CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
AND ITS SUBSIDIARY**

STATEMENTS OF APPROPRIATED FUNDS AND UNDIVIDED EARNINGS

Credit Union - 2019	<u>Reserve Fund</u> (\$)	<u>Education Fund</u> (\$)	<u>Dividend Equalisation Fund</u> (\$)	<u>Investment Remeasurement Fund</u> (\$)	<u>Undivided Earnings</u> (\$)	<u>Total</u> (\$)
Balance as at 1 January 2019	11,601,508	1,839,286	6,000	636,162	18,974,510	33,057,466
Total Comprehensive Income for the year	-	-	-	383,541	6,702,365	7,085,906
Appropriations:						
(a) 10% to Reserve fund	670,237	-	-	-	(670,237)	-
(b) 5% to Education fund	<u>-</u>	<u>335,118</u>	<u>-</u>	<u>-</u>	<u>(335,118)</u>	<u>-</u>
	12,271,745	2,174,404	6,000	1,019,703	24,671,520	40,143,372
Adjustments:						
Entrance fees	7,125	-	-	-	(7,125)	-
Education expenses	-	(445,704)	-	-	445,704	-
Dividends and Honoraria - 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,296,329)</u>	<u>(4,296,329)</u>
Balance as at 31 December 2019	<u>12,278,870</u>	<u>1,728,700</u>	<u>6,000</u>	<u>1,019,703</u>	<u>20,813,770</u>	<u>35,847,043</u>

(The accompanying notes form part of these consolidated financial statements)

**PSCU CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
AND ITS SUBSIDIARY**

STATEMENTS OF APPROPRIATED FUNDS AND UNDIVIDED EARNINGS (CONTINUED)

Credit Union - 2018	<u>Reserve Fund</u> (\$)	<u>Education Fund</u> (\$)	<u>Dividend Equalisation Fund</u> (\$)	<u>Investment Remeasurement Reserve</u> (\$)	<u>Undivided Earnings</u> (\$)	<u>Total</u> (\$)
Balance as at 1 January 2018	10,942,918	1,730,840	6,000	670,855	19,850,935	33,201,548
Adjustment for Expected Credit Loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(974,488)</u>	<u>(974,488)</u>
Restated balance as at 1 January 2018	10,942,918	1,730,840	6,000	670,855	18,876,447	32,227,060
Total comprehensive income for the year	-	-	-	(34,693)	6,518,099	6,483,406
Appropriations:						
(a) 10% to Reserve Fund	651,810	-	-	-	(651,810)	-
(b) 5% to Education Fund	<u>-</u>	<u>325,905</u>	<u>-</u>	<u>-</u>	<u>(325,905)</u>	<u>-</u>
	11,594,728	2,056,745	6,000	636,162	24,416,831	38,710,466
Entrance fees	6,780	-	-	-	(6,780)	-
Education expenses	-	(217,459)	-	-	217,459	-
Dividends and Honoraria – 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,653,000)</u>	<u>(5,653,000)</u>
Balance as at 31 December 2018	<u>11,601,508</u>	<u>1,839,286</u>	<u>6,000</u>	<u>636,162</u>	<u>18,974,510</u>	<u>33,057,466</u>

(The accompanying notes form part of these consolidated financial statements)

**PSCU CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
AND ITS SUBSIDIARY**

STATEMENTS OF APPROPRIATED FUNDS AND UNDIVIDED EARNINGS (CONTINUED)

Group - 2019	<u>Reserve Fund</u> (\$)	<u>Education Fund</u> (\$)	<u>Dividend Equalisation Fund</u> (\$)	<u>Revaluation Reserve</u> (\$)	<u>Investment Remeasurement Reserve</u> (\$)	<u>Undivided Earnings</u> (\$)	<u>Total</u> (\$)
Balance as at 1 January 2019	11,942,517	2,009,792	6,000	7,613,243	636,162	22,989,586	45,197,300
Total comprehensive income for the year	-	-	-	-	383,541	7,034,341	7,417,882
(a) 10% to Reserve Fund	703,434	-	-	-	-	(703,434)	-
(b) 5% to Education Fund	<u>-</u>	<u>351,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(351,717)</u>	<u>-</u>
	12,645,951	2,361,509	6,000	7,613,243	1,019,703	28,968,776	52,615,182
Entrance fees	7,125	-	-	-	-	(7,125)	-
Education expenses	-	(445,704)	-	-	-	445,704	-
Dividends and Honoraria – 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,296,329)</u>	<u>(4,296,329)</u>
Balance as at 31 December 2019	<u>12,653,076</u>	<u>1,915,805</u>	<u>6,000</u>	<u>7,613,243</u>	<u>1,019,703</u>	<u>25,111,026</u>	<u>48,318,853</u>

(The accompanying notes form part of these financial statements)

**PSCU CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
AND ITS SUBSIDIARY**

STATEMENTS OF APPROPRIATED FUNDS AND UNDIVIDED EARNINGS (CONTINUED)

Group - 2018	<u>Reserve Fund</u> (\$)	<u>Education Fund</u> (\$)	<u>Dividend Equalisation Fund</u> (\$)	<u>Revaluation Reserve</u> (\$)	<u>Investment Remeasurement Reserve</u> (\$)	<u>Undivided Earnings</u> (\$)	<u>Total</u> (\$)
Balance as at 1 January 2018	11,186,051	1,852,408	6,000	7,613,243	670,855	23,034,059	44,362,616
Adjustment for Expected Credit Loss	-	-	-	-	-	(974,488)	(974,488)
Restated balance as at 1 January 2018	11,186,051	1,852,408	6,000	7,613,243	670,855	22,059,571	43,388,128
Total comprehensive income for the year	-	-	-	-	(34,693)	7,496,865	7,462,172
(a) 10% to Reserve Fund	749,686	-	-	-	-	(749,686)	-
(b) 5% to Education Fund	-	374,843	-	-	-	(374,843)	-
	11,935,737	2,227,251	6,000	7,613,243	636,162	28,431,907	50,850,300
Entrance fees	6,780	-	-	-	-	(6,780)	-
Education expenses	-	(217,459)	-	-	-	217,459	-
Dividends and Honoraria – 2017	-	-	-	-	-	(5,653,000)	(5,653,000)
Balance as at 31 December 2018	<u>11,942,517</u>	<u>2,009,792</u>	<u>6,000</u>	<u>7,613,243</u>	<u>636,162</u>	<u>22,989,586</u>	<u>45,197,300</u>

(The accompanying notes form part of these financial statements)

**PSCU CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
AND ITS SUBSIDIARY**

STATEMENTS OF CASH FLOWS

Credit Union		Group	
For the year ended		For the year ended	
31 December		31 December	
2018	2019	2019	2018
(\$)	(\$)	(\$)	(\$)
		Cash Flows from Operating Activities:	
6,518,099	6,702,365	Net surplus before taxation	7,183,121
		Items not involving cash:	7,928,658
3,731,342	2,485,584	Expected Credit Loss	1,312,820
1,065,104	959,855	Depreciation	2,485,584
-	216,539	Depreciation - ROUAs	216,539
-	21,600	Interest portion of lease payment	21,600
11,314,545	10,385,943		11,219,664
(817,293)	(3,069,110)	Net change in accounts receivable and prepayments	(3,152,824)
(74)	(3,436,879)	Net change in due from subsidiary	(6,500,000)
(78,862)	2,760,502	Net change in accounts payable and accruals	3,013,733
-	-	Taxation paid	(146,167)
<u>10,418,316</u>	<u>6,640,456</u>	Cash provided by Operating Activities	<u>4,434,406</u>
			<u>12,162,742</u>
		Cash Flows from Investing Activities:	
(5,075,267)	423,909	Net change in long-term investments	423,909
(7,241,029)	(1,777,950)	Net change in loans to members	(1,777,950)
(737,687)	(916,605)	Fixed asset purchases	(1,561,364)
<u>(13,053,983)</u>	<u>(2,270,646)</u>	Cash used in Investing Activities	<u>(2,915,405)</u>
			<u>(13,053,983)</u>
		Cash Flows from Financing Activities:	
(5,653,000)	(4,296,329)	Dividends and honoraria	(4,296,329)
(2,500,000)	-	Net change in loans	(2,778,440)
6,541,953	4,147,508	Net change in members' shares	4,147,508
3,499,717	6,606,811	Net change in members' deposits	6,606,811
-	-	Net change in share capital	6,500,000
-	(21,600)	Interest portion of lease payment	(21,600)
-	(232,265)	Principal portion of lease payment	(232,265)
<u>1,888,670</u>	<u>6,204,125</u>	Cash provided by Financing Activities	<u>9,925,685</u>
			<u>360,320</u>
(746,997)	10,573,935	Net change in cash resources	11,444,686
<u>42,566,998</u>	<u>41,820,001</u>	Net cash resources, beginning of year	<u>43,194,876</u>
<u>41,820,001</u>	<u>52,393,936</u>	Net cash resources, end of year	<u>54,639,562</u>
			<u>43,194,876</u>
		Represented by:	
5,008,229	7,253,626	Cash in hand and at bank	9,499,252
<u>36,811,772</u>	<u>45,140,310</u>	Short-term investments	<u>45,140,310</u>
<u>41,820,001</u>	<u>52,393,936</u>		<u>54,639,562</u>
			<u>43,194,876</u>

(The accompanying notes form part of these financial statements)

**PSCU CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
AND ITS SUBSIDIARY**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. Registration and Objectives:

The Society is registered under the Co-operative Societies Act Chapter 81:03. Its objectives are to promote the economic welfare of its members, encourage the spirit and practice of thrift, self-help and co-operation and promote the development of co-operative ideas. Its registered office is situated at #24 Sackville Street, Port-of-Spain. Its fully owned subsidiary, PSCU Property Management Limited, incorporated in Trinidad and Tobago, is included in these consolidated statements.

2. Significant Accounting Policies:

a) Basis of financial statements preparation -

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Trinidad and Tobago dollars, rounded to the nearest dollar. These consolidated financial statements are stated on the historical cost basis, except for the measurement at fair value of available-for-sale investments and certain other financial instruments.

b) Basis of consolidation -

The consolidated financial statements incorporate the financial statements of PSCU Credit Union Co-operative Society Limited and its wholly owned subsidiary, PSCU Property Management Limited. The Society has the power to govern the financial and operating policies of PSCU Property Management Limited so as to obtain benefits from its activities.

The results of PSCU Property Management Limited are included in the consolidated Statement of Comprehensive Income from the date of incorporation. Where necessary, adjustments are made to the financial statements of PSCU Property Management Limited to bring the accounting policies used in line with those used by PSCU Credit Union Co-operative Society Limited.

All significant inter-company transactions and balances have been eliminated on consolidation.

c) Use of estimates -

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Society's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of income and expenditure during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant Accounting Policies (Cont'd):

d) New Accounting Standards and Interpretations -

The Society has not applied the following standards, revised standards and interpretations because the society has not opted for early adoption or they are not yet effective, do not apply to the activities of the Society or have no material impact on its financial statements:

IFRS 1	First-time Adoption of Financial Reporting Standards - Amendments regarding the deletion of short-term exemptions for first-time adopters (effective for accounting periods beginning on or after 1 January 2018).
IFRS 2	Share-based Payment - Amendments regarding the classification and measurement of share-based payment transactions (effective for accounting periods beginning on or after 1 January 2018).
IFRS 4	Insurance Contracts - Amendments regarding the application of IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective for accounting periods beginning on or after 1 January 2018).
IFRS 9	Financial Instruments - Amendments regarding the application of IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective for accounting periods beginning on or after 1 January 2018).
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation (effective for accounting periods beginning on or after 1 January 2019).
IFRS 15	Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018).
IFRS 16	Leases (effective for accounting periods beginning on or after 1 January 2019).
IFRS 17	Insurance Contracts (effective for accounting periods beginning on or after 1 January 2021).
IAS 28	Investment in Associates - Amendments regarding the long-term interests in associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2019).
IAS 40	Investment Property - Amendments regarding the transfer of investment property (effective for accounting periods beginning on or after 1 July 2018).

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31 DECEMBER 2019

2. Significant Accounting Policies (Cont'd):

d) New Accounting Standards and Interpretations (cont'd) -

IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for accounting periods beginning on or after 1 January 2018).

IFRIC 23 Uncertainty over Income Tax Treatments (effective for accounting periods beginning on or after 1 January 2019).

e) Fixed assets -

Fixed assets are stated at historical cost less accumulated depreciation. Depreciation is provided using the straight-line method.

The following rates are considered appropriate to write-off the assets over their estimated useful lives are applied:

Building	-	2%
Building improvements	-	5% - 10%
Furniture and fixtures and fittings	-	10% - 25%
Office equipment	-	2 ½ % - 25%
Air-condition Units	-	10%
Computer equipment	-	10% - 25%
Motor vehicles	-	25%
Library	-	5%

No depreciation is provided on Land.

The assets' residual values and useful lives are reviewed at each reporting date, and adjusted as appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

f) Investment property held for sale -

This property is stated at its revalued amount. Any gains or losses arising on the sale of this property will be realised through the Statement of Comprehensive Income.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant Accounting Policies (Cont'd):

g) Financial instruments -

All recognised financial assets that are within the scope of International Financial Reporting Standard (IFRS) 9 are required to be subsequently measured at amortised cost or fair value on the basis of:

- (i) the entity's business model for managing the financial assets; and
- (ii) the contractual cash flow characteristics of the financial assets.

The Society reassess its business models each reporting period to determine whether they have changed. No such changes have been identified for the current year.

Principal is the fair value of the financial asset at initial recognition. Interest is consideration for the time value of money and for credit and other risks associated with the principal outstanding. Interest also has a profit margin element.

Initial measurement

All financial instruments are initially measured at the fair value of consideration given or received.

The Society measures fair values in accordance with IFRS 13, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Society uses a fair value hierarchy that categorises valuation techniques into three levels:

- (i) Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Assets and liabilities are classified as Level 1 if their value is observable in an active market. The use of observable market prices and model inputs, when available, reduces the need for management judgement and estimation, as well as the uncertainty related with the estimated fair value.
- (ii) Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for the asset or liability.
- (iii) Level 3 inputs are unobservable inputs. Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data.

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31 DECEMBER 2019

2. Significant Accounting Policies (Cont'd):

g) Financial instruments (cont'd) -

Subsequent measurement

Those financial assets such as members' loans and receivables, which are held within a business model with the sole objective of collecting contractual cash flows which comprise principal and interest only, are subsequently measured at amortised cost. Gains/losses arising on remeasurement of such financial assets are recognised in profit or loss as movements in Expected Credit Loss. When a financial asset measured at amortised cost is derecognised, the gain/loss is reflected in profit or loss.

Those financial assets such as bonds, which are held within a business model with the objectives of (i) collecting contractual cash flows which comprise principal and interest only, as well as (ii) selling the financial assets, are subsequently measured at Fair Value Through Other Comprehensive Income (FVTOCI). Gains/losses arising on remeasurement of such financial assets are recognised in OCI as *'Items that may be reclassified subsequently to P&L'* and are called *'Net FV gain/(loss) on financial assets classified as at FVOCI'*.

All other financial assets are subsequently measured at Fair Value Through Profit and Loss (FVTPL), except for equity investments, which the Society has opted, irrevocably, to measure at FVTOCI. Gains/losses arising on remeasurement of such financial assets are recognised in profit or loss as *'Net FV gain/(loss) on financial assets classified at FVTPL'*. When a financial asset measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss.

Gains/losses arising on remeasurement of equity investments, which the Society has opted, irrevocably, to measure at FVTOCI, are recognised in OCI as *'Items that may not be reclassified subsequently to P&L'* and are called *'Net FV gain/(loss) on equity financial assets classified as at FVOCI'*. When an equity investment measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but instead, transferred within equity.

Reclassification

If the business model under which the Society holds financial assets changes, the financial assets affected are reclassified accordingly from the first day of the first reporting period following the change in business model. Equity instruments which the Society opted to treat at FVTOCI cannot be reclassified.

**PSCU CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant Accounting Policies (Cont'd):

g) Financial instruments (cont'd) -

Impairment

Financial assets are amortised costs are impaired at one of two levels:

- (i) Twelve-month Expected credit loss (ECL) – These are losses that result from default events that are possible within twelve months after the reporting date. Such financial assets are at 'Stage 1'.
- (ii) Lifetime ECL - These are losses that result from all possible default events over the life of the financial instrument. Such financial assets are at 'Stage 2' or 'Stage 3'.

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

ECL is a probability-weighted estimate of the present value of credit losses, measured as the present value of the difference between (i) the cash flows due to the Society under contract; and (ii) the cash flows that the Society expects to receive, discounted at the asset's effective interest rate.

Performing financial assets – Stage 1

For performing assets and those expected to perform normally, the loss allowance is the 12-month expected credit loss and is done immediately at initial recognition of asset.

Significant increase in credit risk – Stage 2

When an asset becomes 30 days past due, the Society considers that a significant increase in credit risk has occurred and the asset is deemed to be at Stage 2 and the loss allowance is measured as the lifetime ECL.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant Accounting Policies (Cont'd):

g) Financial instruments (cont'd) -

Credit-impaired financial assets – Stage 3

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

- (i) significant financial difficulty of the borrower or issuer;
- (ii) a breach of contract such as a default or past due event;
- (iii) granted to the borrower of a concession that the lender would not otherwise consider;
- (iv) the disappearance of an active market for a security because of financial difficulties; or
- (v) the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

The Society assesses whether debt instruments that are financial assets measured at amortised cost are credit-impaired at each reporting date. There is a rebuttable presumption that financial assets that are in defaulted for more than ninety (90) days are credit impaired. The Society also considers a financial asset to be credit impaired if the borrower is unlikely to pay its credit obligation. To determine this, the Society takes into account both qualitative indicators such as unemployment, bankruptcy, divorce or death and quantitative indicators, such as overdue status. The Society used its historical experience and forward-looking information that is available without undue cost or effort. If there has been a significant increase in credit risk the Society will measure the loss allowance based on lifetime rather than twelve-month ECL.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant Accounting Policies (Cont'd):

g) Financial instruments (cont'd) -

Modification and Derecognition of Financial Assets

The Society renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. This occurs particularly where, although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened. The revised terms usually include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan and /or a reduction in the amount of cash flows due. When a financial asset is modified, the Society assesses whether this modification results in derecognition of the original loan, such as when the renegotiation gives rise to substantially different terms.

In the case where the financial asset is derecognised, the new financial asset will have a loss allowance measured based on twelve-month ECL. If, however, there remains a high risk of default under the renegotiated terms, the loss allowance will be measured based on lifetime ECL.

When the modification does not result in derecognition, the Society will measure loss allowance at an amount equal to lifetime ECL.

Write-off

Loans and receivables are written off when the Society has no reasonable expectations of recovering the financial asset, for example, when the Society determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay. A write-off constitutes a derecognition event. Subsequent recoveries resulting from the Society's enforcement activities will result in gains.

Financial liabilities

Since the Society does not trade in financial liabilities, and since there are no measurement or recognition inconsistencies, all financial liabilities are initially measured at fair value, net of transaction costs and subsequently, at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount on initial recognition. Financial liabilities recognised at amortised cost are not reclassified.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant Accounting Policies (Cont'd):

g) Financial instruments (cont'd) -

Measurement of ECL

The key inputs used for measuring ECL are:

- (i) probability of default (PD);
- (ii) loss given default (LGD); and
- (iii) exposure at default (EAD).

The Society measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The Society's financial instruments are grouped on the basis of shared risk characteristics, such as:

- (i) credit risk grade;
- (ii) collateral type;
- (iii) date of initial recognition;
- (iv) remaining term to maturity;
- (v) industry;
- (vi) geographic location of the borrower;
- (vii) income bracket of the borrower; and
- (viii) the value of collateral relative to the financial asset.

The groupings are reviewed on a regular basis to ensure that each grouping is comprised of homogenous exposures.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant Accounting Policies (Cont'd):

g) Financial instruments (cont'd) -

Measurement of ECL (cont'd)

An analysis of the Society's credit risk exposure without taking into account the effects of collateral is provided in the following tables. The amounts in the table represent gross carrying amounts.

Loans	Stage 1 12 mth ECL (\$)	Stage 2 Lifetime ECL (\$)	Stage 3 Lifetime ECL (\$)	Total (\$)
Low risk	171,517,553	-	7,643	171,525,196
Medium Risk	57	12,905,731	569	12,906,357
Substandard	-	7,610,864	4,862	7,615,726
Doubtful	-	-	3,816,873	3,816,873
Impaired	<u>7,399</u>	<u>-</u>	<u>64,069,343</u>	<u>64,076,742</u>
Total gross carrying amount	<u>171,525,009</u>	<u>20,516,595</u>	<u>67,899,290</u>	<u>259,940,894</u>

The table below analyses the movement of the loss allowance on loans to members at amortised cost during the year.

	Stage 1 (\$)	Stage 2 (\$)	Stage 3 (\$)	Total (\$)
Loss allowance, beginning of year	1,137,028	151,297	4,165,594	5,453,919
Increase/decrease due to changes in credit risk	-	-	998,788	998,788
Write-offs	-	-	-	-
Loss allowance on new loans	1,049,563	260,350	176,883	1,486,796
Loss allowance on derecognised loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss allowance, end of year	<u>2,186,591</u>	<u>411,647</u>	<u>5,341,265</u>	<u>7,939,503</u>

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant Accounting Policies (Cont'd):

g) Financial instruments (cont'd) -

Collateral held as security

The Society holds the following types of collateral to mitigate credit risk associated with financial assets:

General loans	Shares in the Society
Mortgage lending *	Deed of Mortgage on property
Vehicle loans	Deed of Mortgage on vehicles

*The Society holds residential properties as collateral for the mortgage loans it grants to its members. The value of the collateral for residential mortgage loans is typically based on the collateral value at origination, updated based on changes in house prices. For credit-impaired loans, the value of collateral is based on the most recent appraisals.

Assets obtained by taking possession of collateral

The Society obtained the following assets during the year by taking possession of collateral held as security against loans held at the year end. The Society's policy is to realise collateral on a timely basis.

Property	187,000
Shares	2,802,027
Other	<u>840,391</u>
Total assets obtained by taking possession of collateral	<u><u>3,829,418</u></u>

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31 DECEMBER 2019

2. Significant Accounting Policies (Cont'd):

h) Revenue recognition -

Loan Interest

Interest charged on all loans to members is calculated between 0.56% to 1.75% per month on the outstanding balance at the end of each month in accordance with Section 12 of the By-laws and the General Loan Policy. Loan interest is accounted for on the cash basis.

Interest on non-performing loans is not accrued or taken into income on an ongoing basis because there is doubt as to the recoverability of the loans. Income from non-performing loans is taken into income on a cash basis, but only after specific provisions for losses have been made.

For non-performing loans, specific provisions are made for the unsecured portion of the loan. The amount of the provision is dependent upon the extent of the delinquency.

Investment Income

Income from investments is accounted for on the accruals basis except for dividends, which are accounted for on a cash basis, consistent with International Accounting Standard (IAS) 18.

i) Dividends payable to members -

Dividends are computed on the basis of the average value of shares held throughout the year, the average being determined on the basis of the lowest value of shares held in each month. Dividends that are proposed and declared after the reporting date are not shown as a liability in accordance with IAS #10 but are disclosed as a note to the financial statements.

j) Foreign currency -

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling at the reporting date. All revenue and expenditure transactions denominated in foreign currencies are translated at the average rate and the resulting profits and losses on exchange from these trading activities are recorded in the Statement of Comprehensive Income.

k) Leases -

The Society recognises leases as all contracts or parts of contracts that convey the right to use the underlying asset for a period of time, in exchange for consideration. All payments made under lease agreements are charged against lease liabilities and lease interest in accordance with IFRS 16.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant Accounting Policies (Cont'd):

l) Provisions -

Provisions are recognised when the Society has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

m) Taxation -

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred income tax is provided, using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

n) Comparative figures -

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

**PSCU CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. Financial Risk Management:

Financial instruments

The following table summarizes the carrying amounts and fair values of the Group's financial assets and liabilities:

	2019	
	<u>Book Value</u>	<u>Fair Value</u>
	(\$)	(\$)
Financial Assets		
Cash in hand and at bank	9,499,252	9,499,252
Investment securities	52,070,817	52,070,817
Accounts receivable and prepayments	8,264,469	8,264,469
Loans to members	252,551,879	252,551,879
Financial Liabilities		
Accounts payable and accruals	10,881,598	10,881,598
Members deposits	79,810,092	79,810,092
Members' shares	224,206,594	224,206,594
Lease liabilities	331,382	331,382
	2018	
	<u>Book Value</u>	<u>Fair Value</u>
	(\$)	(\$)
Financial Assets		
Cash in hand and at bank	6,383,104	6,383,104
Investment securities	43,782,647	43,782,647
Accounts receivable and prepayments	5,111,645	5,111,645
Loans to members	253,259,513	253,259,513
Financial Liabilities		
Accounts payable and accruals	7,867,865	7,867,865
Loans	2,778,440	2,778,440
Members deposits	73,203,281	73,203,281
Members' shares	220,059,086	220,059,086

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. Financial Risk Management (Cont'd):

Financial risk factors

The Society is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the Society to manage these risks are discussed below:

a) Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Society is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including investments in loans, customer deposits and other funding instruments.

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

Loans

The Society generally invests in fixed rate loans to members for terms that average five years, however, mortgage loans can extend to a maximum of twenty-five (25) years. These are funded mainly from member deposits and shares and loan repayments.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. Financial Risk Management (Cont'd):

a) Interest rate risk -

Interest rate sensitivity analysis

The Society's exposure to interest rate risk is summarized in the table below, which analyses assets and liabilities at their carrying amounts categorized according to their maturity dates.

		2019				
	<u>Effective Rate</u>	<u>Up to 1 year (\$)</u>	<u>1 to 5 years (\$)</u>	<u>Over 5 years (\$)</u>	<u>Non-Interest Bearing (\$)</u>	<u>Total (\$)</u>
Financial Assets						
Cash in hand and at bank	0.01%	9,499,252	-	-	-	9,499,252
Investment securities	1.41%	45,140,310	6,930,507	-	-	52,070,817
Accounts receivable and prepayments	0.00%	-	-	-	8,264,469	8,264,469
Loans to members	11.69%	-	252,551,879	-	-	252,551,879
Financial Liabilities						
Accounts payable and accruals	0.00%	-	-	-	10,881,598	10,881,598
Members' deposits	1.22%	79,810,092	-	-	-	79,810,092
Members' shares	2.00%	224,206,594	-	-	-	224,206,594
Lease liabilities	9.30%	216,708	114,674	-	-	331,382
		2018				
	<u>Effective Rate</u>	<u>Up to 1 year (\$)</u>	<u>1 to 5 years (\$)</u>	<u>Over 5 years (\$)</u>	<u>Non-Interest Bearing (\$)</u>	<u>Total (\$)</u>
Financial Assets						
Cash in hand and at bank	0.01%	6,383,104	-	-	-	6,383,104
Investment securities	1.41%	36,811,772	6,970,875	-	-	43,782,647
Accounts receivable and prepayments	0.00%	-	-	-	5,111,645	5,111,645
Loans to members	11.69%	-	253,259,513	-	-	253,259,513
Financial Liabilities						
Accounts payable and accruals	0.00%	-	-	-	7,867,865	7,867,865
Loans	8.25%	1,659,316	1,119,124	-	-	2,778,440
Members' deposits	1.22%	73,203,281	-	-	-	73,203,281
Members' shares	2.00%	220,059,086	-	-	-	220,059,086

**PSCU CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. Financial Risk Management (Cont'd):

b) Credit risk -

Credit risk is the risk that a member will default on his contractual obligations resulting in financial loss to the credit union. Credit risk mainly arises from loans, and because it represents the credit union's main income generating activity, credit risk is the principal risk for the credit union.

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The credit union relies heavily on its Rules, which sets out in detail the current policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function. Adherence to these guidelines is expected to communicate the credit union's lending philosophy; provide policy guidelines to team members involve in lending; establish minimum standards for credit analysis, documentation, decision making and post-disbursement administration; as well as create the foundation for a sound credit portfolio.

The credit union's loan portfolio is managed and consistently monitored by the Credit Committee and is adequately secured by collateral and where necessary, provisions have been established for potential credit losses on delinquent accounts.

Cash balances are held with high credit quality financial institutions and the credit union has policies to limit the amount of exposure to any single financial institution.

The credit union also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

Credit risk management

The credit union's credit committee is responsible for managing the credit union's credit risk by:

- (i) ensuring that the credit union has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the credit union's policies and procedures, International Financial Reporting Standards and relevant supervisory guidance.
- (ii) identifying, assessing and measuring credit risk across the credit union, from an individual financial instrument to the portfolio level.
- (iii) creating credit policies to protect the credit union against the identified risks, including the obtaining collateral from borrowers, performing robust ongoing credit assessment of borrowers, and continually monitor exposures.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. Financial Risk Management (Cont'd):

b) Credit risk (cont'd) -

Credit risk management (cont'd)

- (iv) as far as possible, limiting concentrations of exposure by type of loan, industry, credit rating, geographic location, etc.
- (v) establishing a robust control mechanism for loan approval.
- (vi) categorising exposures according to the degree of risk of default.
- (vii) developing and maintaining processes for measuring ECL.
- (viii) providing guidance to promote best practice in the management of risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

c) Liquidity risk -

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Society has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

The Society is able to make daily calls on its available cash resources to settle financial and other liabilities.

Risk management

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Society. The Society employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of the Society's assets as well as generating sufficient cash from new and renewed members' deposits and shares.

To manage and reduce liquidity risk the Society's management actively seeks to match cash inflows with liability requirements.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. Financial Risk Management (Cont'd):

c) Liquidity risk (cont'd) -

Liquidity gap

The Society's exposure to liquidity risk is summarized in the table below which analyses assets and liabilities based on the remaining period from the reporting date to the contractual maturity date.

	2019			
	<u>Up to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<u>(\$)</u>	<u>(\$)</u>	<u>(\$)</u>	<u>(\$)</u>
Financial Assets				
Cash in hand and at bank	9,499,252	-	-	9,499,252
Investment securities	45,140,310	6,930,507	-	52,070,817
Accounts receivable and prepayments	8,264,469	-	-	8,264,469
Loans to members		252,551,879	-	252,551,879
Financial Liabilities				
Accounts payable and accruals	10,881,598	-	-	10,881,598
Members' deposits	79,810,092	-	-	79,810,092
Members' shares	224,206,594	-	-	224,206,594
Lease liabilities	216,708	114,674	-	331,382
	2018			
	<u>Up to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<u>(\$)</u>	<u>(\$)</u>	<u>(\$)</u>	<u>(\$)</u>
Financial Assets				
Cash in hand and at bank	6,383,104	-	-	6,383,104
Investment securities	36,811,772	6,970,875	-	43,782,647
Accounts receivable and prepayments	5,111,645	-	-	5,111,645
Loans to members	-	253,259,513	-	253,259,513
Financial Liabilities				
Accounts payable and accruals	7,867,865	-	-	7,867,865
Loans	1,659,316	1,119,124	-	2,778,440
Members' deposits	73,203,281	-	-	73,203,281
Members' shares	220,059,086	-	-	220,059,086

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3. Financial Risk Management (Cont'd):

d) Currency risk -

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Society's measurement currency. The Society is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The Society's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

e) Operational risk -

Operational risk is the risk derived from deficiencies relating to the Society's information technology and control systems, as well as the risk of human error and natural disasters. The Society's systems are evaluated, maintained and upgraded continuously. Supervisory controls are also installed to minimise human error.

f) Compliance risk -

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Inspector of Financial Institutions at the Central Bank of Trinidad and Tobago, as well as by the monitoring controls applied by the Society.

g) Reputation risk -

The risk of loss of reputation arising from the negative publicity relating to the Society's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Society. The Society engages in public social endeavours to engender trust and minimize this risk.

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4. Critical Accounting Estimates and Judgments:

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. The credit union makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- i) Whether investments are classified as Fair Value through Profit and Loss, Fair Value through Other Comprehensive Income or Amortised Cost.
- ii) Which depreciation method for fixed assets is used.
- iii) Business model assessment:

The credit union reassess its business models each reporting period to determine whether they continue to be appropriate and if there need to be a prospective change to the classification of financial assets. This assessment includes judgement regarding:

- how the performance of the assets is evaluated and measured; and
- the risks that affect the performance of the assets and how these risks are managed.

- iv) Significant increase of credit risk:
The credit union computes twelve-month ECL for Stage 1 assets and lifetime ECL for Stage 2 or Stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. Assessing whether there has been a significant increase in credit risk required judgement takes into account reasonable and supportable forward-looking information.
- v) Establishing groups of assets with similar credit risk characteristics:
When ECL is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The credit union monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. Judgement is required in determining whether and when to move assets between portfolios.

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4. Critical Accounting Estimates and Judgments (Cont'd):

vi) **Valuation models and assumptions used:**

The credit union uses various valuation models and assumptions in measuring the fair value of financial assets, as well as in estimating ECL. Judgement is applied in identifying the most appropriate valuation model for each type of asset, as well as in determining the assumptions to be used for each model.

vii) **Impairment of assets**

Management assesses at each reporting date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

viii) **Probability of default (PD)**

PD is an estimate of the likelihood of default over a given period of time, the calculation of which includes historical data, assumptions and expectations of future conditions. PD constitutes a key input in measuring ECL.

ix) **Loss Given Default (LGD):**

LGD is an estimate of the percentage loss arising on default, and is based on the difference between the contractual cash flows due and those that the credit union would reasonably expect to receive, taking into account cash flows from collateral. It requires forecasting the future valuation of collateral taking into account sale discounts, the time and cost associated with realising collateral and seniority of claim. LGD is a key input in measuring ECL.

x) **Fair value measurement and valuation process**

In estimating the fair value of a financial asset or a liability, the credit union uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the credit union uses valuation models to determine the fair value of its financial instruments.

xi) **Exposure at Default (EAD)**

EAD is an estimate of the total loss incurred when a member defaults, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest. EAD is a key input in measuring ECL.

xii) **Fixed Assets**

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and in estimating the useful lives and residual values of these assets.

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5. Cash in Hand and at Bank:

Credit Union 31 December			Group 31 December	
<u>2018</u>	<u>2019</u>		<u>2019</u>	<u>2018</u>
(\$)	(\$)		(\$)	(\$)
559,972	383,234	Cash in hand	383,234	559,972
		RBC Royal Bank (Trinidad and Tobago) Limited		
3,690,404	5,627,779	- current account	6,400,544	3,982,275
117,232	83,614	- US\$ account	83,614	117,232
		JMMB Bank (Trinidad and Tobago) Limited		
635,771	500,521		1,973,382	1,718,775
4,850	658,478	First Citizens Bank Limited	658,478	4,850
<u>5,008,229</u>	<u>7,253,626</u>		<u>9,499,252</u>	<u>6,383,104</u>

6. Short-Term Investments:

Credit Union 31 December			Group 31 December	
<u>2018</u>	<u>2019</u>	<u>Financial assets at fair value through profit and loss</u>	<u>2019</u>	<u>2018</u>
(\$)	(\$)		(\$)	(\$)
		Trinidad and Tobago Unit Trust Corporation		
25,663,134	33,575,711	- TT\$ Account	33,575,711	25,663,134
283,244	286,015	- US\$ Account	286,015	283,244
		RBC Royal Bank (Trinidad and Tobago) Limited		
2,523,833	2,797,553		2,797,553	2,523,833
110	110	Eastern Credit Union Co-operative Society Limited	110	110
7,313,951	7,425,165	Guardian Asset Management	7,425,165	7,313,951
1,027,500	1,055,756	Bourse Brokers Limited	1,055,756	1,027,500
<u>36,811,772</u>	<u>45,140,310</u>		<u>45,140,310</u>	<u>36,811,772</u>

7. Accounts Receivable and Prepayments:

Credit Union 31 December			Group 31 December	
<u>2018</u>	<u>2019</u>		<u>2019</u>	<u>2018</u>
(\$)	(\$)		(\$)	(\$)
4,212,593	7,154,867	Payroll deductions	7,154,867	4,212,592
59,152	56,611	Interest receivable	56,611	59,152
257,628	231,436	Prepayments	250,660	276,852
(50,000)	-	Clearing Treasury Account	-	(50,000)
171,320	276,889	Other receivables	802,331	613,049
<u>4,650,693</u>	<u>7,719,803</u>		<u>8,264,469</u>	<u>5,111,645</u>

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8. Loans to Members:

Loans to members are stated at principal outstanding net of a provision for doubtful debts. The provision is based on the Board's evaluation of the loan portfolio under current economic conditions and past loan loss experience.

Credit Union 31 December			Group 31 December	
<u>2018</u>	<u>2019</u>		<u>2019</u>	<u>2018</u>
(\$)	(\$)		(\$)	(\$)
258,062,608	259,940,894	Loans to members	259,940,894	258,062,608
<u>(5,453,919)</u>	<u>(7,939,503)</u>	Less: Allowance for expected credit loss	<u>(7,939,503)</u>	<u>(5,453,919)</u>
252,608,689	252,001,391		252,001,391	252,608,689
<u>650,824</u>	<u>550,488</u>	Staff loans	<u>550,488</u>	<u>650,824</u>
<u><u>253,259,513</u></u>	<u><u>252,551,879</u></u>		<u><u>252,551,879</u></u>	<u><u>253,259,513</u></u>
<u>Provision for loans losses:</u>				
7,164,849	5,453,919	Balance, beginning of year	5,453,919	7,164,849
-	-	Opening Adjustment for expected credit loss	-	-
3,731,342	2,485,584	Current year expected credit loss	2,485,584	3,731,342
<u>(5,442,272)</u>	<u>-</u>	Amounts written-off	<u>-</u>	<u>(5,442,272)</u>
<u><u>5,453,919</u></u>	<u><u>7,939,503</u></u>	Balance, end of year	<u><u>7,939,503</u></u>	<u><u>5,453,919</u></u>

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9. Long-Term Investments:

Credit Union 31 December		<u>Financial assets at fair value through profit and loss</u>	Group 31 December	
<u>2018</u> (\$)	<u>2019</u> (\$)		<u>2019</u> (\$)	<u>2018</u> (\$)
136,590	111,756	Shares - National Flour Mills Limited	111,756	136,590
25,000	25,000	- Central Finance Facility Co-operative Society Limited	25,000	25,000
596,785	781,776	- First Citizen Bank Limited	781,776	596,785
632,052	520,411	- Trinidad and Tobago NGL Ltd	520,411	632,052
58,072	58,072	Deposits - Praetorian Property Mutual Fund	58,072	58,072
218,060	-	- Trinidad and Tobago Unit Trust Corporation – North American Fund	-	218,060
332,316	352,108	- Trinidad and Tobago Unit Trust Corporation – Growth and Income Fund	352,108	332,316
		<u>Financial assets at amortised cost</u>		
<u>4,972,000</u>	<u>5,081,384</u>	Bond - National Investment Fund	<u>5,081,384</u>	<u>4,972,000</u>
<u><u>6,970,875</u></u>	<u><u>6,930,507</u></u>		<u><u>6,930,507</u></u>	<u><u>6,970,875</u></u>

10. Investment Property:

Credit Union 31 December			Group 31 December	
<u>2018</u> (\$)	<u>2019</u> (\$)		<u>2019</u> (\$)	<u>2018</u> (\$)
1,100,000	1,100,000	Balance, beginning of year	1,100,000	1,100,000
-	-	Additions/disposals	-	-
<u><u>1,100,000</u></u>	<u><u>1,100,000</u></u>	Balance, end of year	<u><u>1,100,000</u></u>	<u><u>1,100,000</u></u>

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11. Fixed Assets:

Credit Union - 2019

	<u>Freehold Land</u> (\$)	<u>Freehold Improvement</u> (\$)	<u>Building</u> (\$)	<u>Building Improvements</u> (\$)	<u>Furniture, Fixtures and Fittings</u> (\$)	<u>Office Equipment</u> (\$)	<u>Air- Condition Units</u> (\$)	<u>Computer Equipment</u> (\$)	<u>Library</u> (\$)	<u>Total</u> (\$)
Cost										
Balance as at 1 January 2019	9,800,000	-	12,371,799	1,119,484	1,553,919	1,020,566	238,445	6,629,176	41,357	32,774,746
Additions	<u>-</u>	<u>145,820</u>	<u>-</u>	<u>-</u>	<u>70,703</u>	<u>19,732</u>	<u>-</u>	<u>680,350</u>	<u>-</u>	<u>916,605</u>
Balance as at 31 December 2019	<u>9,800,000</u>	<u>145,820</u>	<u>12,371,799</u>	<u>1,119,484</u>	<u>1,624,622</u>	<u>1,040,298</u>	<u>238,445</u>	<u>7,309,526</u>	<u>41,357</u>	<u>33,691,351</u>
Accumulated Depreciation										
Balance as at 1 January 2019	-	-	4,041,544	617,781	1,148,694	781,054	209,700	5,845,919	41,357	12,686,049
Charge for the year	<u>-</u>	<u>6,076</u>	<u>247,436</u>	<u>82,185</u>	<u>82,553</u>	<u>67,304</u>	<u>15,705</u>	<u>458,596</u>	<u>-</u>	<u>959,855</u>
Balance as at 31 December 2019	<u>-</u>	<u>6,076</u>	<u>4,288,980</u>	<u>699,966</u>	<u>1,231,247</u>	<u>848,358</u>	<u>225,405</u>	<u>6,304,515</u>	<u>41,357</u>	<u>13,645,904</u>
Net Book Value										
Balance as at 31 December 2019	<u>9,800,000</u>	<u>139,744</u>	<u>8,082,819</u>	<u>419,518</u>	<u>393,375</u>	<u>191,940</u>	<u>13,040</u>	<u>1,005,011</u>	<u>-</u>	<u>20,045,447</u>
Balance as at 31 December 2018	<u>9,800,000</u>	<u>-</u>	<u>8,330,255</u>	<u>501,703</u>	<u>405,225</u>	<u>239,512</u>	<u>28,745</u>	<u>783,257</u>	<u>-</u>	<u>20,088,697</u>

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11. Fixed Assets (Cont'd):

Credit Union - 2018

	<u>Freehold Land</u> (\$)	<u>Building</u> (\$)	<u>Building Improvements</u> (\$)	<u>Furniture, Fixtures and Fittings</u> (\$)	<u>Office Equipment</u> (\$)	<u>Air- Condition Units</u> (\$)	<u>Computer Equipment</u> (\$)	<u>Library</u> (\$)	<u>Total</u> (\$)
Cost									
Balance as at 1 January 2018	9,800,000	12,371,799	595,273	1,535,424	990,496	238,445	6,464,265	41,357	32,037,059
Additions	-	-	524,211	18,495	30,070	-	164,911	-	737,687
Balance as at 31 December 2018	<u>9,800,000</u>	<u>12,371,799</u>	<u>1,119,484</u>	<u>1,553,919</u>	<u>1,020,566</u>	<u>238,445</u>	<u>6,629,176</u>	<u>41,357</u>	<u>32,774,746</u>
Accumulated Depreciation									
Balance as at 1 January 2018	-	3,794,108	535,596	1,065,672	716,437	193,995	5,273,780	41,357	11,620,945
Charge for the year	-	247,436	82,185	83,022	64,617	15,705	572,139	-	1,065,104
Balance as at 31 December 2018	-	<u>4,041,544</u>	<u>617,781</u>	<u>1,148,694</u>	<u>781,054</u>	<u>209,700</u>	<u>5,845,919</u>	<u>41,357</u>	<u>12,686,049</u>
Net Book Value									
Balance as at 31 December 2018	<u>9,800,000</u>	<u>8,330,255</u>	<u>501,703</u>	<u>405,225</u>	<u>239,512</u>	<u>28,745</u>	<u>783,257</u>	-	<u>20,088,697</u>
Balance as at 31 December 2017	<u>9,800,000</u>	<u>8,577,691</u>	<u>59,677</u>	<u>469,752</u>	<u>274,059</u>	<u>44,450</u>	<u>1,190,485</u>	-	<u>20,416,114</u>

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11. Fixed Assets (Cont'd):

Group - 2019

	<u>Freehold Land</u> (\$)	<u>Building</u> (\$)	<u>Leasehold Building Improvements</u> (\$)	<u>Freehold Building Improvements</u> (\$)	<u>Furniture, Fixtures and Fittings</u> (\$)	<u>Office Equipment</u> (\$)	<u>Air- Condition Units</u> (\$)	<u>Computer Equipment</u> (\$)	<u>Motor Vehicles</u> (\$)	<u>Library</u> (\$)	<u>Total</u> (\$)
Cost											
Balance as at 1 January 2018	17,200,000	30,014,070	1,119,484	-	1,555,362	1,025,317	238,445	6,644,926	584,754	41,357	58,423,715
Additions	-	-	-	145,820	70,703	658,732	-	686,109	-	-	1,561,364
Balance as at 31 December 2018	<u>17,200,000</u>	<u>30,014,070</u>	<u>1,119,484</u>	<u>145,820</u>	<u>1,626,065</u>	<u>1,684,049</u>	<u>238,445</u>	<u>7,331,035</u>	<u>584,754</u>	<u>41,357</u>	<u>59,985,079</u>
Accumulated Depreciation											
Balance as at 1 January 2018	-	8,065,527	617,781	-	1,150,137	785,805	209,700	5,861,669	584,754	41,357	17,316,730
Charge for year	-	<u>600,281</u>	<u>82,185</u>	<u>6,076</u>	<u>82,553</u>	<u>67,305</u>	<u>15,704</u>	<u>458,716</u>	-	-	<u>1,312,820</u>
Balance as at 31 December 2018	-	<u>8,665,808</u>	<u>699,966</u>	<u>6,076</u>	<u>1,232,690</u>	<u>853,110</u>	<u>225,404</u>	<u>6,320,385</u>	<u>584,754</u>	<u>41,357</u>	<u>18,629,550</u>
Net Book Value											
Balance as at 31 December 2018	<u>17,200,000</u>	<u>21,348,262</u>	<u>419,518</u>	<u>139,744</u>	<u>393,375</u>	<u>830,939</u>	<u>13,041</u>	<u>1,010,650</u>	-	-	<u>41,355,529</u>
Balance as at 31 December 2017	<u>17,200,000</u>	<u>21,948,543</u>	<u>501,703</u>	-	<u>405,225</u>	<u>239,512</u>	<u>28,745</u>	<u>783,257</u>	-	-	<u>41,106,985</u>

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11. Fixed Assets (Cont'd):

Group - 2018

	<u>Freehold Land (\$)</u>	<u>Building (\$)</u>	<u>Building Improvements (\$)</u>	<u>Furniture, Fixtures and Fittings (\$)</u>	<u>Office Equipment (\$)</u>	<u>Air- Condition Units (\$)</u>	<u>Computer Equipment (\$)</u>	<u>Motor Vehicles (\$)</u>	<u>Library (\$)</u>	<u>Total (\$)</u>
Cost										
Balance as at 1 January 2018	17,200,000	30,014,070	595,273	1,536,867	995,247	238,445	6,480,015	584,754	41,357	57,686,028
Additions	<u>-</u>	<u>-</u>	<u>524,211</u>	<u>18,495</u>	<u>30,070</u>	<u>-</u>	<u>164,911</u>	<u>-</u>	<u>-</u>	<u>737,687</u>
Balance as at 31 December 2018	<u>17,200,000</u>	<u>30,014,070</u>	<u>1,119,484</u>	<u>1,555,362</u>	<u>1,025,317</u>	<u>238,445</u>	<u>6,644,926</u>	<u>584,754</u>	<u>41,357</u>	<u>58,423,715</u>
Accumulated Depreciation										
Balance as at 1 January 2018	-	7,465,245	535,596	1,067,115	721,187	193,995	5,289,532	584,754	41,357	15,898,781
Charge for year	<u>-</u>	<u>600,282</u>	<u>82,185</u>	<u>83,022</u>	<u>64,618</u>	<u>15,705</u>	<u>572,137</u>	<u>-</u>	<u>-</u>	<u>1,417,949</u>
Balance as at 31 December 2018	<u>-</u>	<u>8,065,527</u>	<u>617,781</u>	<u>1,150,137</u>	<u>785,805</u>	<u>209,700</u>	<u>5,861,669</u>	<u>584,754</u>	<u>41,357</u>	<u>17,316,730</u>
Net Book Value										
Balance as at 31 December 2018	<u>17,200,000</u>	<u>21,948,543</u>	<u>501,703</u>	<u>405,225</u>	<u>239,512</u>	<u>28,745</u>	<u>783,257</u>	<u>-</u>	<u>-</u>	<u>41,106,985</u>
Balance as at 31 December 2017	<u>17,200,000</u>	<u>22,548,825</u>	<u>59,677</u>	<u>469,752</u>	<u>274,060</u>	<u>44,450</u>	<u>1,190,483</u>	<u>-</u>	<u>-</u>	<u>41,787,247</u>

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12. Lease Assets/(Liabilities):

With the introduction of IFRS 16, leases that were previously recorded as operating leases were evaluated to establish if they were right of use assets (RoUAs). Opting for the modified retrospective approach, these RoUAs were measured at the amount equal to their equivalent lease liabilities as shown in the table below. The lease liabilities were measured as the present value of the remaining lease payments - discounted using an incremental borrowing rate of 9.3% at the date of initial application of 1 January 2019 (Source: Central Bank of Trinidad and Tobago)

Subsequent to the initial application, depreciation was provided on a straightline basis over the expected term of the RoUAs. Lease payments were apportioned to an interest element as well as a payment against the discounted lease liabilities.

Credit Union - 2019

Lease Assets	<u>Chaguanas Property</u>	<u>Office Equipment</u>	<u>Total</u>
Cost			
Balance as at 1 January 2019	-	-	-
IFRS 16 Adjustment	<u>243,599</u>	<u>320,048</u>	<u>563,647</u>
Balance as at 31 December 2019	<u>243,599</u>	<u>320,048</u>	<u>563,647</u>
Accumulated Depreciation			
Balance as at 1 January 2019	-	-	-
Charge for the period	<u>112,430</u>	<u>104,109</u>	<u>216,539</u>
Balance as at 31 December 2019	<u>112,430</u>	<u>104,109</u>	<u>216,539</u>
<u>Net Book Value</u>			
Balance as at 31st December 2019	<u><u>131,169</u></u>	<u><u>215,939</u></u>	<u><u>347,108</u></u>

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12. Lease Assets/(Liabilities) (cont'd):

Credit Union - 2019

Lease Liabilities	<u>Chaguanas Property</u>	<u>Office Equipment</u>	<u>Total</u>
IFRS 16 Adjustment	243,599	320,048	563,647
Add: Interest charge for the period	11,027	10,573	21,600
Less: Payments	<u>(129,600)</u>	<u>(124,265)</u>	<u>(253,865)</u>
Balance as at 31 December 2019	<u>125,026</u>	<u>206,356</u>	<u>331,382</u>
Current Portion	108,484	108,224	216,708
Non-Current Portion	<u>16,542</u>	<u>98,132</u>	<u>114,674</u>
Balance as at 31st December 2019	<u>125,026</u>	<u>206,356</u>	<u>331,382</u>

Group - 2019

Lease Assets	<u>Chaguanas Property</u>	<u>Office Equipment</u>	<u>Total</u>
Cost			
Balance as at 1 January 2019	-	-	-
IFRS 16 Adjustment	<u>243,599</u>	<u>320,048</u>	<u>563,647</u>
Balance as at 31 December 2019	<u>243,599</u>	<u>320,048</u>	<u>563,647</u>
Accumulated Depreciation			
Balance as at 1 January 2019	-	-	-
Charge for the period	<u>112,430</u>	<u>104,109</u>	<u>216,539</u>
Balance as at 31 December 2019	<u>112,430</u>	<u>104,109</u>	<u>216,539</u>
<u>Net Book Value</u>			
Balance as at 31st December 2019	<u>131,169</u>	<u>215,939</u>	<u>347,108</u>

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12. Lease Assets/(Liabilities) (cont'd):

Group - 2019

Lease Liabilities	<u>Chaguanas Property</u>	<u>Office Equipment</u>	<u>Total</u>
IFRS 16 Adjustment	243,599	320,048	563,647
Add: Interest charge for the period	11,027	10,573	21,600
Less: Payments	<u>(129,600)</u>	<u>(124,265)</u>	<u>(253,865)</u>
Balance as at 31 December 2019	<u>125,026</u>	<u>206,356</u>	<u>331,382</u>
Current Portion	108,484	108,224	216,708
Non-Current Portion	<u>16,542</u>	<u>98,132</u>	<u>114,674</u>
Balance as at 31st December 2019	<u>125,026</u>	<u>206,356</u>	<u>331,382</u>

13. Accounts Payable and Accruals:

Credit Union 31 December			Group 31 December	
<u>2018</u>	<u>2019</u>		<u>2019</u>	<u>2018</u>
(\$)	(\$)		(\$)	(\$)
4,796,877	7,180,758	Provision for staff severance	7,180,758	4,796,877
315,913	366,088	Unallocated deposits	366,088	315,913
(53,183)	290,842	Sundry creditors and accrued expenses	778,871	(23,101)
1,037,114	1,147,082	Deposit interest payable	1,147,082	1,037,114
-	-	VAT payable	-	25,278
-	-	Tenant deposit	-	179,438
<u>1,536,346</u>	<u>1,408,799</u>	Provision for back pay	<u>1,408,799</u>	<u>1,536,346</u>
<u>7,633,067</u>	<u>10,393,569</u>		<u>10,881,598</u>	<u>7,867,865</u>

14. Members' Shares:

According to the By-Laws of PSCU Credit Union Co-operative Society Limited, the capital of the Society may be composed of an unlimited number of shares of \$5 each.

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NOTES TO THE FINANCIAL STATEMENTS

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15. Loans:

Credit Union 31 December			Group 31 December	
<u>2018</u>	<u>2019</u>		<u>2019</u>	<u>2018</u>
(\$)	(\$)		(\$)	(\$)
-	-	(a) Rhand Credit Union Co-operative Society Limited	-	-
-	-	(b) JMMB Bank Limited	-	2,778,440
-	-		-	2,778,440
-	-	Current portion	-	1,659,316
-	-	Non-current portion	-	1,119,124
-	-		-	2,778,440
-	-		-	-

This balance represents a loan granted by the JMMB Bank Limited in the amount of **\$15 million** to construct a building on premises situated at 57-59 Dundonald Street, Port of Spain. This loan is secured by a legal mortgage over these premises. This loan accrues interest at a rate of 8.25% per annum and is repayable by monthly instalments of **\$152,220** over periods of 180 months.

16. Deferred Taxation:

Credit Union 31 December			Group 31 December	
<u>2018</u>	<u>2019</u>		<u>2019</u>	<u>2018</u>
(\$)	(\$)		(\$)	(\$)
-	-	Balance, beginning of year	(1,505,483)	(1,229,465)
-	-	Effect of Statement of Comprehensive Income	(97,254)	(276,018)
-	-	Balance, end of year	(1,602,737)	(1,505,483)
		Deferred taxation is attributable to the following item:		
-	-	Excess of net book value over written-down tax value	(1,602,737)	(1,505,483)
-	-	Tax losses carried forward	-	-
-	-		(1,602,737)	(1,505,483)

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17. Reserve Fund:

In accordance with the Co-operatives Societies Act, 1971, Section 47 (2), 10% of the annual net surplus of the Society is charged to the Reserve Fund.

18. Education Fund:

In accordance with the Co-operatives Societies Act, 1971, Section 50(b), 5% of the net surplus for the year, after making provision for the Reserve Fund is allocated to the Education Fund. This fund is to be used for educational purposes of its members.

19. Dividend Equalisation Fund:

This fund was set up to provide a reserve for the payments of dividends.

20. Revaluation Reserve:

The revaluation of the Credit Union's properties was done by independent valuers Charles B. Lawrence and Associates Limited during the year 2014. This resulted in an increase in the property revaluation reserve of \$7,613,243.

21. Investment Remeasurement Reserve:

The Society has created an investment reserve which includes the following:-

- i) Unrealised gains/losses on available-for-sale investments
- ii) Transfers from Undivided Earnings.

22. Dividends:

For the year ended 31 December 2019, the Board of Directors has proposed a dividend of \$4,820,639 (2018: \$4,101,591), honoraria of \$260,000 (2018: \$260,000) and interest rebate of \$nil (2018: \$nil). This is subject to approval by the membership of the Society at the Annual General meeting and has not been recorded as a liability in the financial statements in accordance with IAS 10.

23. Capital Risk Management:

The Society manages its capital to ensure that it will be able to continue as a going concern while maximising the return to members, whilst providing value to its members by offering loan and savings facilities. The Society's overall strategy remains unchanged from previous years.

The capital structure of the Society consists of equity attributable to members, which comprises issued members shares, reserves and undivided earnings.

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24. Commitments and Contingencies:

In accordance with the industrial agreement between the Society and the Bank and General Workers Union, the Society is contingently liable for termination benefits of approximately **\$7,180,759** (2018: **4,796,877**). A provision of **\$2,383,882** has been made for the year ended 31 December 2019 (2018: **\$948,454**). The balance of the Severance Fund at 31 December 2019 was **\$7,180,759** (2018: **4,796,877**).

25. Fair Values:

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

The following methods have been used to estimate the fair values of various classes of financial assets and liabilities:

a) Current assets and liabilities -

The carrying amounts of current assets and liabilities are a reasonable approximation of the fair values because of their short-term nature.

b) Members' Loans -

Loans are net of specific provisions for losses. These assets result from transactions conducted under typical market conditions and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values which are substantially in accordance with financial statement amounts.

c) Investments -

The fair values of investments are determined on the basis of market prices available at 31 December 2019.

d) Members' deposits -

Members' deposits bear interest at rates that are not significantly different from current rates and are assumed to have discounted cash flow values which approximate carrying values.

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26. Related Party Transactions:

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

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Society.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms at market rates.

Balances and transaction with related parties and key management personnel during the year were as follows:

	31 December	
	<u>2019</u>	<u>2018</u>
	(\$)	(\$)
<u>Assets, Liabilities and Members' Equity</u>		
Loans and other receivables		
Directors, committee members, key management personnel	4,404,640	3,005,633
Shares, deposits and other liabilities		
Directors, committee members, key management personnel	1,715,322	1,165,900
Interest and other income		
Directors, committee members, key management personnel	344,127	172,849
Interest and other expenses		
Subsidiary, directors, committee members, key management personnel	1,670	1,903
Key management compensation		
Short-term benefits	2,048,800	2,006,400

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27. Cost of Funds:

Credit Union 31 December			Group 31 December	
<u>2018</u>	<u>2019</u>		<u>2019</u>	<u>2018</u>
(\$)	(\$)		(\$)	(\$)
231,208	180,672	Bank charges and interest	349,086	530,255
321,711	167,435	Interest – GIANT deposits	167,435	321,711
416,694	623,206	Interest – Members' fixed deposits	623,206	416,694
154,841	57,705	Interest – Members' ordinary deposits	57,705	154,841
75,000	-	Interest – RHAND Credit Union loan	-	75,000
-	21,600	Interest – Lease liabilities	21,600	-
<u>1,199,454</u>	<u>1,050,618</u>		<u>1,219,032</u>	<u>1,498,501</u>

28. Administrative Expenses:

Credit Union 31 December			Group 31 December	
<u>2018</u>	<u>2019</u>		<u>2019</u>	<u>2018</u>
(\$)	(\$)		(\$)	(\$)
402,659	282,140	Annual General Meeting	282,140	402,659
83,453	111,150	Association dues	111,150	83,453
225,355	204,532	Electricity	310,550	225,355
678,816	596,648	Legal and professional fees	696,523	731,016
-	-	Licences	1,875	-
52,393	111,119	Loan processing fees	111,119	52,393
176,469	173,984	Office supplies	283,797	176,469
54,240	54,748	OSHA	54,748	54,240
-	-	Penalty and interest	-	2,819
71,832	66,399	Postage and stamps	66,399	71,832
143,636	94,035	Recoveries expenses	94,035	143,636
10,537	32,143	Special meeting expenses	32,143	10,537
34,937	64,286	Storage	64,286	34,937
512,694	494,062	Telephone	494,062	512,694
47,991	50,679	Vehicle expenses	50,679	47,991
<u>2,495,012</u>	<u>2,335,925</u>		<u>2,653,506</u>	<u>2,550,031</u>

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29. Risk Management Expenses:

Credit Union 31 December			Group 31 December	
<u>2018</u>	<u>2019</u>		<u>2019</u>	<u>2018</u>
(\$)	(\$)		(\$)	(\$)
667,675	682,586	CUNA insurance	682,586	667,675
102,275	100,150	General insurance	161,165	164,087
<u>532,828</u>	<u>657,379</u>	Security	<u>657,379</u>	<u>532,828</u>
<u><u>1,302,778</u></u>	<u><u>1,440,115</u></u>		<u><u>1,501,130</u></u>	<u><u>1,364,590</u></u>

30. Personnel Expenses:

Credit Union 31 December			Group 31 December	
<u>2018</u>	<u>2019</u>		<u>2019</u>	<u>2018</u>
(\$)	(\$)		(\$)	(\$)
4,900	111,600	Ex Gratia and Gratuity	116,600	4,900
8,970,299	9,115,700	Salaries	9,115,700	8,970,299
673,205	698,654	NIS – Employers' contributions	698,654	673,205
151,824	156,995	Medical insurance contribution	156,995	151,824
252,628	233,820	Staff training	233,820	252,628
127,272	110,518	Travel, subsistence and accommodation	110,518	127,272
1,222,903	2,614,282	Severance benefits	2,614,282	1,222,903
21,943	23,993	Staff per diem	23,993	21,943
271,300	126,405	Staff performance incentives	126,405	271,300
192,505	127,328	Staff recognition and appreciation	127,328	192,505
<u>110,975</u>	<u>1,065</u>	Staff uniforms	<u>1,065</u>	<u>110,975</u>
<u><u>11,999,754</u></u>	<u><u>13,320,360</u></u>		<u><u>13,325,360</u></u>	<u><u>11,999,754</u></u>

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31. General Expenses:

Credit Union 31 December			Group 31 December	
<u>2018</u>	<u>2019</u>		<u>2019</u>	<u>2018</u>
(\$)	(\$)		(\$)	(\$)
598,293	633,977	Advertising and marketing	633,977	598,293
170,281	100,454	Children's Christmas party	100,454	170,281
204,127	137,653	Computer consultancy	137,653	204,127
210,207	177,526	Computer expenses	177,526	210,207
104,054	63,444	Corporate activities	63,444	104,054
69,145	111,667	Credit union month	111,667	69,145
1,065,104	959,855	Depreciation	1,312,820	1,417,949
-	216,539	Depreciation ROUAs	216,539	-
7,765	22,688	Donations	22,688	7,765
217,459	402,059	Education expenses	402,059	217,459
-	476,088	Green Fund Levy	476,088	-
156,392	201,382	Janitorial services	201,382	156,392
3,731,342	2,485,584	Expected credit loss	2,485,584	3,731,342
4,642	-	Misappropriation	-	4,642
796	7,578	Miscellaneous expenses	7,578	836
788	894	Property management expense	894	788
15,678	10,536	Rates and taxes	20,649	15,678
655,650	479,500	Rental of buildings	479,500	655,650
199,761	43,145	Rental of equipment	43,145	199,761
38,138	33,233	Rental of plants	33,233	38,138
318,664	382,020	Repairs and maintenance – buildings	652,817	698,766
113	2,348	Repairs and maintenance – equipment	2,348	113
384,829	693,513	Stationery and printing	693,513	384,829
<u>8,153,228</u>	<u>7,641,683</u>		<u>8,275,558</u>	<u>8,886,215</u>

32. Board and Committees' Expenses:

Credit Union 31 December			Group 31 December	
<u>2018</u>	<u>2019</u>		<u>2019</u>	<u>2018</u>
(\$)	(\$)		(\$)	(\$)
-	-	Meals and Entertainment	298	-
10,636	8,826	Board/Committee Recognition and Appreciation	8,826	10,636
-	-	PML Director fees	24,000	24,000
48,705	60,193	Meetings	60,193	48,780
405,575	419,675	Officers' allowances	419,675	405,575
193,748	159,917	Other expenses	159,917	193,748
106,439	115,313	Travel, subsistence and accommodation	115,313	106,439
<u>765,103</u>	<u>763,924</u>		<u>788,222</u>	<u>789,178</u>

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33. Taxation:

Credit Union 31 December			Group 31 December	
<u>2018</u>	<u>2019</u>		<u>2019</u>	<u>2018</u>
(\$)	(\$)		(\$)	(\$)
-	-	Corporation Tax/Business Levy	(46,972)	(147,996)
-	-	Green Fund Levy	(4,554)	(7,779)
-	-	Deferred taxation	(97,254)	(276,018)
-	-		<u>(148,780)</u>	<u>(431,793)</u>
-	-	Net surplus before taxation	<u>7,183,121</u>	<u>7,928,658</u>
-	-	Tax calculated	(2,154,936)	(2,378,598)
-	-	Green Fund Levy	(4,554)	(7,779)
-	-	Expenses not deductible for tax purposes	-	(846)
-	-	Deduct non-taxable credit union activities	<u>2,010,710</u>	<u>1,955,430</u>
-	-		<u>(148,780)</u>	<u>(431,793)</u>