

**St. Lucia Teachers' Credit
Co-operative Limited**

Financial Statements

December 31, 2016

(expressed in Eastern Caribbean dollars)

St. Lucia Teachers' Credit Co-operative Limited

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INDEPENDENT AUDITORS' REPORT

To the Members of St. Lucia Teachers' Credit Co-operative Limited

Opinion

We have audited the financial statements of **St. Lucia Teachers' Credit Co-operative Limited** (the Co-operative) which comprise the statement of financial position as at December 31, 2016, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of **St. Lucia Teachers' Credit Co-operative Limited** as of December 31, 2016 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 *Auditors' responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Co-operative in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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 International Financial Reporting Standards, 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 Co-operative'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 Co-operative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Co-operative's financial reporting process.

INDEPENDENT AUDITORS' REPORT...continued

Auditors' 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 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 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 Company'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 Co-operative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Co-operative 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.

Chartered Accountants
Castries, St. Lucia
October , 2017

St. Lucia Teachers' Credit Co-operative Limited

Statement of Financial Position

As of December 31, 2016

(expressed in Eastern Caribbean dollars)

	Notes	2016 \$	2015 \$
Assets			
Cash and cash equivalents	5	5,611,942	3,115,353
Investment securities - loans and receivables	6	5,525,354	4,391,459
- available-for-sale	6	695,312	702,470
Loans and advances to members	7	44,276,693	42,310,558
Receivables and prepayments	9	105,804	166,812
Property and equipment	10	1,975,940	1,739,747
Total assets		58,191,045	52,426,399
Liabilities			
Members' deposits	11	4,750,803	3,694,048
Members' savings and security shares accounts – SSSA	12	34,792,764	31,392,355
Accounts payable and accruals	13	148,929	129,344
Borrowings	14	600,049	-
Total liabilities		40,291,545	35,215,747
Equity			
Members' shares	15	3,369,210	3,124,040
Revaluation reserve	23	(11,338)	(4,180)
Members' funds	17-21	961,426	961,426
Statutory reserve	16	6,497,386	6,279,278
General risk reserve fund	22	247,743	193,415
Retained earnings		6,834,073	6,656,673
Total equity		17,898,500	17,210,652
Total liabilities and equity		58,191,045	52,426,399

Approved by the Board of Directors on October 09, 2017

Director

Director

St. Lucia Teachers' Credit Co-operative Limited

Statement of Income

For the year ended December 31, 2016

(expressed in Eastern Caribbean dollars)

	Notes	2016 \$	2015 \$
Interest income			
Interest on loans		4,837,897	4,475,344
Interest on investments		240,899	212,807
		<u>5,078,796</u>	<u>4,688,151</u>
Interest expense			
Interest on members deposits		(107,268)	(73,332)
Interest on savings and security shares accounts - SSSA		(1,266,305)	(939,964)
Interest on borrowing		(57,890)	-
		<u>(1,431,463)</u>	<u>(1,013,296)</u>
Net interest income		3,647,333	3,674,855
Other income	29	100,801	87,742
Impairment losses - loans and advances to Members	8	(840,764)	(117,535)
Loss on investments	6	-	(15,400)
		<u>2,907,370</u>	<u>3,629,662</u>
Non-interest and operating expenses			
Operating expenses	24	505,352	556,199
Personnel expenses	25	554,151	541,378
Marketing expenses	26	94,746	166,030
Occupational expenses	27	333,230	269,226
Board and committee expenses	28	118,900	118,718
CUNA insurance		203,912	193,074
Bank charges		10,516	9,460
		<u>1,820,807</u>	<u>1,854,085</u>
Net surplus for the year		1,086,563	1,775,577

The notes on pages 7 to 40 are integral part of these financial statements.

St. Lucia Teachers' Credit Co-operative Limited

Statement of Comprehensive Income

For the year ended December 31, 2016

	2016 \$	2015 \$
Net surplus for the year	1,086,563	1,775,577
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Unrealised loss on available- for- sale investments	<u>(7,158)</u>	<u>(18,832)</u>
Total comprehensive income for the year	<u>1,079,405</u>	<u>1,756,745</u>

St. Lucia Teachers' Credit Co-operative Limited

Statement of Changes in Equity

For the year ended December 31, 2016

(expressed in Eastern Caribbean dollars)

	Notes	Share capital \$	Building fund \$	Education fund \$	EAS fund \$	Emergency relief fund \$	Statutory reserve \$	General risk reserve \$	Revaluation reserve \$	Stabilization fund \$	Retained earnings \$	Total \$
Balance at January 1, 2016		3,124,040	312,946	-	61,292	500,000	6,279,278	193,415	(4,180)	87,188	6,656,673	17,210,652
Total comprehensive loss /(income)for the year	23	-	-	-	-	-	-	-	(7,158)	-	1,086,563	1,079,405
Members shares	15	245,170	-	-	-	-	-	-	-	-	-	245,170
Allocation for:												
Building fund	20	-	-	-	-	-	-	-	-	-	-	-
Education fund	17	-	-	-	-	-	-	-	-	-	-	-
Emergency relief fund	21	-	-	-	-	5,000	-	-	-	-	(5,000)	-
Statutory reserve	16	-	-	-	-	-	217,313	-	-	-	(217,313)	-
General risk reserve	22	-	-	-	-	-	-	54,328	-	-	(54,328)	-
Dividend and patronage refund		-	-	-	-	-	-	-	-	-	(637,522)	(637,522)
Entrance fees		-	-	-	-	-	795	-	-	-	-	795
Education and training		-	-	-	-	-	-	-	-	-	-	-
Emergency relief fund		-	-	-	-	(5,000)	-	-	-	-	5,000	-
Balance at December 31, 2016		3,369,210	312,946	-	61,292	500,000	6,497,386	247,743	(11,338)	87,188	6,834,073	17,898,500

The notes on pages 7 to 40 are integral part of these financial statements.

St. Lucia Teachers' Credit Co-operative Limited
Statement of Changes in Equity ...continued
For the year ended December 31, 2016

(expressed in Eastern Caribbean dollars)

	<i>Notes</i>	Share capital	Building fund	Education fund	EAS Fund	Emergency relief fund	Statutory reserve	General risk reserve	Revaluation reserve	Stabilization fund	Retained earnings	TOTAL
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at January 1, 2015		2,903,445	312,946	903,175	-	500,000	5,923,343	104,636	14,652	-	5,420,322	16,082,519
Total comprehensive loss /(income)for the year	23	-	-	-	-	-	-	-	(18,832)	-	1,775,577	1,756,745
Members shares	15	220,595	-	-	-	-	-	-	-	-	-	220,595
Allocation for:												
Building fund	20	-	-	-	-	-	-	-	-	-	-	-
Education fund	17	-	-	(903,175)	61,292	-	-	-	-	87,188	754,695	-
Emergency relief fund	21	-	-	-	-	11,500	-	-	-	-	(11,500)	-
Statutory reserve	16	-	-	-	-	-	355,115	-	-	-	(355,115)	-
General risk reserve	22	-	-	-	-	-	-	88,779	-	-	(88,779)	-
Dividend and patronage refund		-	-	-	-	-	-	-	-	-	(850,027)	(850,027)
Entrance fees		-	-	-	-	-	820	-	-	-	-	820
Education and training		-	-	-	-	-	-	-	-	-	-	-
Emergency relief fund		-	-	-	-	(11,500)	-	-	-	-	11,500	-
Balance at December 31, 2015		3,124,040	312,946	-	61,292	500,000	6,279,278	193,415	(4,180)	87,188	6,656,673	17,210,652

St. Lucia Teachers' Credit Co-operative Limited

Statement of Cash Flow

For the year ended December 31, 2016

(expressed in Eastern Caribbean dollars)

	2016 \$	2015 \$
Cash flows from operating activities		
Net Surplus for the year	1,086,563	1,775,577
Adjustments for:		
Interest income on members loans	(4,837,897)	(4,475,344)
Interest income on investments	(240,899)	(212,807)
Interest expense	1,431,463	1,013,296
Impairment losses on loans and advances	840,764	117,535
Losses on investment securities written down	-	15,400
Depreciation	153,492	108,905
Loss on disposal of property and equipment	14,175	7,282
	<u>(1,552,339)</u>	<u>(1,650,156)</u>
Cash flows before changes in operating assets and liabilities		
Increase in loans and advances to members	(2,831,243)	(4,107,121)
(Increase)/decrease in receivables and prepayments	61,008	(68,007)
Increase in members deposits	1,056,755	767,198
Increase in members savings and security shares accounts - SSSA	3,400,409	2,695,375
Increase in accounts payable	19,586	(53,880)
Net cash used in operations	154,175	(2,416,591)
Interest received from members' loans	4,862,241	4,456,542
Interest received from investments	227,377	207,015
Interest paid	(1,431,463)	(1,013,296)
Net cash generated from operating activities	<u>3,812,328</u>	<u>1,233,670</u>
Cash flows from investing activities		
Purchase of property and equipment	(403,859)	(129,948)
Purchase of investment securities	(2,095,373)	(2,586,599)
Proceeds from disposal and redemption of investment securities	975,000	1,656,655
Proceeds from disposal of property equipment	-	500
Net cash used in investing activities	<u>(1,524,232)</u>	<u>(1,059,392)</u>
Cash flows from financing activities		
Dividends and patronage refunds	(637,522)	(850,027)
Proceeds from borrowing	1,000,000	-
Repayment of borrowing	(399,951)	-
Proceeds from share issue	245,170	220,595
Entrance fees	795	820
Net cash used in financing activities	<u>209,286</u>	<u>(628,612)</u>
Net decrease in cash and cash equivalents	2,496,589	(454,334)
Cash and cash equivalents at beginning of year	3,115,353	3,569,687
Cash and cash equivalents at end of year	<u>5,611,942</u>	<u>3,115,353</u>

The notes on pages 7 to 40 are integral part of these financial statements.

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

1. General information

The St Lucia Teachers' Credit Co-operative Limited ("the Co-operative") was registered under the Co-operative Societies Ordinance # 82 (the "former Act") under the laws of Saint Lucia (1957 revision) on August 28, 1985. The Act establishing the Credit Union was repealed on August 27, 1999 and replaced by the Co-operative Societies Act No. 28 of 1999 on September 7, 1999, which was further replaced by the Co-operative Societies Act Cap. 12.06 of 2001 (the "2001 Act"). Section 241 of the Act deems the Co-operative, being duly registered under the former Act, to be registered under the 2001 Act.

The registered office and principal place of business of the Co-operative is located on 29 Riverside Road, Castries, Saint Lucia. The principal activity of the Co-operative is the provision of financial services to its members on reasonable terms and conditions for provident and productive purposes.

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 otherwise stated.

Basis of preparation

St. Lucia Teachers' Credit Co-operative Limited's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Co-operative's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Revised standards effective and relevant to the Co-operative

a) *New standards, revisions issued and effective for the financial year beginning January 1, 2016*

- **IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets** have been amended to reflect clarification of acceptable methods of depreciation and amortization. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment, the amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

1. When the intangible asset is expressed as a measure of revenue, or
2. When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The application of the amendments to IAS 16 and IAS 38 did not have an impact on the Co-operative's financial statements.

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

2 Summary of significant accounting policies...continued

Revised standards effective and relevant to the Co-operative ...continued

- **IFRS 11, Joint Arrangements** outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractually agreed sharing of control. Arrangements subject to joint control are classified as either a joint venture or a joint operation. The Standard was amended by *Accounting for Acquisitions of Interests in Joint Operations* and is effective for annual periods beginning on or after January 1, 2016. This amendment has no impact on the financial statements of the Co-operative.
- **Annual Improvements to IFRSs – 2012 -2014 Cycle** was issued in September 2014. The amendments related to four standards and are effective for annual periods beginning on or after 1 January 2016. The amendments have no material impact on the financial statements.
- **Disclosure Initiative, Amendments to IAS 1, Presentation of Financial Statements** was issued in December 2014. The amendments address concerns about some of the existing presentation and disclosure required in IAS 1 and ensures that entities are able to use judgment when applying those requirements. The amendments are effective for annual periods beginning on or after 1 January 2016 and have no material effect on the financial statements.

(b) Standards revised and issued but not yet effective and not early adopted

The following standards, amendments and interpretations to publish standards has been issued but are not effective for the financial year beginning on January 1, 2016 and have not been early adopted.

- **IFRS 9, Financial Instruments**, issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 to mainly include the impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income.

Unless an election has been made to irrevocably designate a financial asset as measured at fair value through profit and loss (FVTPL) an entity shall classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristic of the financial asset

In general, an entity shall classify all financial liabilities as subsequently measured at amortised cost, except where the standard specifies otherwise. There is an option to irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information.

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

2. Summary of significant accounting policies...continued

Revised standards effective and relevant to the Co-operative ...continued

(b) Standards revised and issued but not yet effective and not early adopted...continued

With respect to impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risks since initial recognition. Hence it is no longer necessary for a credit event to have occurred before credit losses are recognised.

IFRS 9 is effective for annual periods beginning on after January 1, 2018. The Co-operative is yet to assess the impact of the foregoing Standard.

- **IFRS 15, Revenue from Contracts with Customers** was issued in May 2014 and establishes a single comprehensive model for entities to follow in accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when or as it satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when or as the customer obtains control of that asset. IFRS 15 is effective for annual periods beginning on after January 1, 2017. The Co-operative is yet to assess the impact of the foregoing Standard.
- **IFRS 16. Leases** was issued in January 2016 and will supersede IAS 17, Leases. This standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor.

This new standard is applicable for annual periods beginning on or after January 1, 2019. The standard will have no impact on the financial statement of the Co-operative.

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 Co-operative.

(c) Early adoption of standards

The Co-operative did not early-adopt any new or amended standards in 2016.

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

2 Summary of significant accounting policies...continued

Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition and includes cash on hand and other short-term securities.

Financial assets

The Co-operative 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 Co-operative's management has the positive intention and ability to hold to maturity, other than: (a) those that the Co-operative upon initial recognition designates as at fair value through profit or loss; (b) those that the Co-operative designates as available for sale; and (c) those that meet the definition of loans and receivables. These are initially recognised at fair value including direct and incremental transaction costs (b) and measured subsequently at amortised cost, using the effective interest method. Interest on held-to-maturity investments is included in the statement of income. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the statement of income.

If the Co-operative 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.

(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 needs for liquidity 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 recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in the statement of 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 recognised in the statement of income. Dividends on available-for-sale equity instruments are recognised in the statement of income when the Co-operative'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 through profit or loss; (b) those that the entity upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

2 Summary of significant accounting policies...continued

(c) Loans and receivables...continued

Loans and receivables are initially recognised 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 balance sheet 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 recognised in the statement of income.

Impairment of financial assets

Assets carried at amortised cost

The Co-operative assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a 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 estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of asset is impaired includes observable data that comes to the attention of the Co-operative about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Co-operative granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

The Co-operative first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Co-operative determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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.

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

2 Summary of significant accounting policies...continued

Impairment of financial assets ...continued

Assets carried at amortised cost ...continued

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised 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 Co-operative 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 a collateralised 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 a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income.

Assets carried at fair value

The Co-operative assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets 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 recognised in the profit or loss is removed from equity and recognised in the statement of income. Impairment losses recognised in the statement of income on equity instruments are not reversed through the statement of income.

Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

2 Summary of significant accounting policies...continued

Offsetting financial instruments ...continued

Pursuant to Section 109 of the 2001 Act the Co-operative has a legally enforceable right to offset members' deposits against any related loan balances that are over 90 days overdue.

Property and equipment

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

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

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

Buildings	2%
Office equipment	20%-25%
Computer equipment	33%
Office furniture	20%

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

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

Financial liabilities

The Co-operative's financial liabilities are measured at amortised cost and include Members' Deposits and Members' Savings and Security Shares Accounts (SSSA). Financial liabilities are derecognised when extinguished.

Borrowings

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

Members' shares

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

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

2 Summary of significant accounting policies...continued

Dividend on members' shares

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

Interest income and expense

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

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

Fee and commission income

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

Dividend income

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Provisions

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

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

2 Summary of significant accounting policies...continued

Taxation

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

Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, investment securities, loans to members, deposits and shares from members. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

Comparatives

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

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

3 Financial risk management

Objectives, policies and processes

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

Strategy in using financial instruments

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

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

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

Credit risk

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

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

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

3 Financial risk management...continued

Credit risk...continued

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

Impairment and provisioning policies

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

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

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

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

Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to on-balance sheet assets are as follows:

	Maximum exposure	
	2016	2015
	\$	\$
Cash at bank	5,495,943	3,020,056
Investment securities	6,220,666	5,093,929
Loans and advances to members:	44,276,693	42,310,558
Accounts receivable	105,804	166,812
	56,099,106	50,591,355
Credit risk exposures relating to off-balance sheet items:		
Loan commitments	862,293	752,786
At December 31	55,236,813	51,344,141

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

3 Financial risk management...continued

Credit risk...continued

The above table represents a worst case scenario of credit risk exposure to the Co-operative at December 31, 2016 and 2015, without taking account of any collateral held. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

Loans and advances to members

Loans and advances to members are summarised as follows:

	2016 \$	2015 \$
Neither past due nor impaired	42,198,041	41,912,519
Past due but not impaired	1,724,756	484,070
Impaired but not deemed total loss	863,011	311,574
Impaired	758,733	153,492
Gross	45,544,541	42,861,655
Less allowance for impairment losses on loans and advances to members	(1,267,848)	(551,097)
Net	44,276,693	42,310,558

The total impairment provision for loans and advances to members is \$1,267,848 (2015 - \$551,097) and is comprised as follows:

	2016 \$	2015 \$
Individually impaired loans	758,733	378,971
Portfolio provision	509,115	172,126
	1,267,848	551,097

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

3 Financial risk management...continued

Credit risk...continued

Loans and advances to members past due but not impaired

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

	2016 \$	2015 \$
At December 31		
Past due up to 30 days	128,936	169,146
Past due 31-60 days	930,226	89,257
Past due 61-90 days	665,594	225,667
	1,724,756	484,070

Loans and advances to members individually impaired

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

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

	Manufacturing and business \$	Personal \$	Education \$	Mortgage \$	Total \$
At December 31, 2016					
Individually impaired loans	346,315	763,074	87,457	424,898	1,621,744
At December 31, 2015					
Individually impaired loans	4,888	350,611	14,405	95,162	465,066

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

3 Financial risk management...continued

Concentrations of risks of financial assets with credit exposure

Membership in the cooperative is restricted primarily to teachers, spouse and child or ward, siblings and parents of members of the Co-operative, common law partners of a member of the Co-operative, students who are member of school thrifts that are depositors of the Co-operative.

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

	Financial Institutions \$	Manufactur ing/ Business \$	Personal \$	Govern- ment \$	Education \$	Mortgage \$	Other \$	Total \$
At December 31, 2016								
Financial assets								
Cash at bank	5,495,943	-	-	-	-	-	-	5,495,943
Accounts receivable	-	-	-	-	-	-	105,804	105,804
Investments securities	2,422,451	1,658,822	-	2,139,393	-	-	-	6,220,666
Loans and advances to members	-	911,098	30,956,245	-	2,696,660	9,712,690	-	44,276,693
	7,918,394	2,569,920	30,956,245	2,139,393	2,696,660	9,712,690	105,804	56,099,106
Loan commitments			862,293					862,293
At December 31, 2015								
Financial assets								
Cash at bank	3,020,056	-	-	-	-	-	-	3,020,056
Accounts receivable	-	-	-	-	-	-	166,812	166,812
Investments securities	2,775,256	869,673	-	1,449,000	-	-	-	5,093,929
Loans and advances to members	-	1,108,646	29,981,719	-	3,159,179	8,061,014	-	42,310,558
	5,795,312	1,978,319	29,981,719	1,449,000	3,159,179	8,061,014	166,812	50,591,355
Loan commitments			769,883					769,883

Market risk

The Co-operative is exposed to equity securities, price risk arising from available for sale investment securities.

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

3 Financial risk management...continued

Currency risk

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

Interest rate risk

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

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

	Up to 6 months \$	6 to 12 months \$	1 to 5 years \$	Over 5 years \$	Non-Rate Sensitive \$	Total \$
As at December 31, 2016						
Financial assets						
Cash and cash equivalents	5,495,943	-	-	-	115,999	5,611,942
Investment securities - available-for-sale	-	-	-	-	695,312	695,312
Investment securities -loans and receivables	738,902	3,670,776	911,189	204,488	-	5,525,354
Accounts receivable	-	-	-	-	105,804	105,804
Loans and advances to Members	442,330	1,231,035	19,074,567	23,847,310	-	44,276,693
Total financial assets	6,412,590	4,847,847	19,985,756	24,051,797	917,115	56,215,105
Financial liabilities						
Members' deposits and SSSA	39,543,567	-	-	-	-	39,543,567
Other liabilities and accrued expenses	-	-	600,049	-	148,136	748,185
Total financial liabilities	39,543,567	-	600,049	-	148,136	40,291,752
Total interest repricing gap	(33,130,977)	4,847,847	19,385,707	24,051,797	768,979	15,923,353

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

3 Financial risk management...continued

Interest rate risk...continued

	Up to 6 months \$	6 to 12 months \$	1 to 5 years \$	Over 5 years \$	Non-Rate Sensitive \$	Total \$
As at December 31, 2015						
Financial assets						
Cash and cash equivalents	3,020,056	–	–	–	95,297	3,115,353
Investment securities - available-for-sale	–	–	–	–	702,470	702,470
Investment securities -loans and receivables	969,447	2,841,330	202,234	306,352	72,096	4,391,459
Accounts receivable	–	–	–	–	166,812	166,812
Loans and advances to Members	292,894	1,146,898	17,812,291	23,058,475	–	42,310,558
Total financial assets	4,282,397	3,988,228	18,014,525	23,364,827	1,036,675	50,686,652
Financial liabilities						
Members' deposits and SSSA	35,086,403	–	–	–	–	35,086,403
Other liabilities and accrued expenses	–	–	–	–	129,344	129,344
Total financial liabilities	35,086,403	–	–	–	129,344	35,215,747
Total interest repricing gap	(30,804,006)	3,988,228	18,014,525	23,364,827	907,331	15,470,905

Interest rate risk

The Co-operative manages part of its credit risk through the insistence of borrowing members acquiring Savings and Security Shares Accounts (SSSA). The Co-operative has an enforceable right over the SSSA as they form the first line of security coverage for the loans and advances on the books of the Co-operative. The SSSAs are tied to the loans that they secure and while they are payable on demand, the amounts may not be withdrawn until the related loans are settled in full.

As at the year end Members' Savings and Security Shares Accounts – SSSA amounting to \$17,801,854 (2015 - \$17,400,773) were held as collateral to secure loans and advances to members.

The amounts of SSSA held as security for varying loan maturities are as follows:

Loan Maturities	2016 \$	2015 \$
6 – 12 months	698,952	574,953
1 – 5 years	10,566,529	10,063,264
Over 5 years	6,536,373	6,762,556
	17,801,854	17,400,773

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

3 Financial risk management....continued

Liquidity risk

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

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

Liquidity risk management

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

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

Non derivative cash flows

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

	Up to 1 month \$	2 months to 1 year \$	Over 1 year \$	Total \$
As at December 31, 2016				
Financial liabilities				
Members' deposits	4,750,803	-	-	4,750,803
Members' savings and security shares account - SSSA	34,792,764	-	-	34,792,765
Accounts payable and accruals	148,136	-	-	148,470
Loan Payable	44,773	492,503	83,657	620,933
Total financial liabilities	39,736,476	492,503	83,657	40,312,636

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

3 Financial risk management...continued

As at December 31, 2015

	Up to 1 month \$	Total \$
Financial liabilities		
Members' deposits	3,694,048	3,694,048
Members' savings and security shares account - SSSA	31,392,355	31,392,355
Accounts payable and accruals	129,344	129,344
	<hr/>	<hr/>
Total financial liabilities	35,215,747	35,215,747

Fair value hierarchy

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

The fair values of cash resources, accounts receivable and accounts payable, members' deposits, members' SSSA and other short term instruments are assumed to approximate their carrying amounts due to their short-term nature. The fair value of off-statement of financial position commitments are also assumed to approximate the amounts disclosed in Note 29 due to their short-term nature.

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 discounted cash flows.

Fair values of financial assets and liabilities

Loans and advances to members

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

	Level 2 \$	Level 3 \$	Total \$
December 31, 2016			
Financial Assets measured at fair value			
Investment securities – available-for-sale	157,528	537,784	695,312
	<hr/>	<hr/>	<hr/>
Financial Assets for which at fair values are disclosed			
Investment securities – loans and receivables	5,550,691	-	5,550,691
Loans and advances to members	47,859,176	-	47,859,176
	<hr/>	<hr/>	<hr/>
	53,409,867	-	53,409,867

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

3 Financial risk management...continued

	Level 2 \$	Level 3 \$	Total \$
December 31, 2015			
Financial Assets measured at fair value			
Investment securities – available-for-sale	164,686	537,784	702,470
Financial Assets for which at fair values are disclosed			
Investment securities – loans and receivables	4,410,663	-	4,410,663
Loans and advances to members	43,856,532	-	43,856,532
	48,267,195	-	48,267,195

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

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

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

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

	Carrying amount		Fair value	
	2016 \$	2015 \$	2016 \$	2015 \$
Financial assets				
Loans and advances to members	44,276,693	42,310,558	47,859,176	43,856,532
Investment securities:				
– Loans and Receivables	5,525,354	4,391,459	4,410,663	4,410,663

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

Assets measured at fair value

Fair value hierarchy - reconciliation of level 3 items:

There were no purchases, settlements/redemption or fair value losses during the years 2016 and 2015.

Capital management

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

- To comply with the statutory capital requirements of the Co-operative Societies Act of St. Lucia and enforced by the Financial Services Regulatory Authority (FSRA);
- To safeguard the Co-operative's ability to continue as a going concern so that it can continue to provide returns for members and benefits for other stakeholders;

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

3 Financial risk management...continued

- To maintain a strong capital base in an effort to maintain members, creditors and other parties confidence and to sustain future development of the Co-operative and
- To provide a cushion in the event of market instability.

The Board of Directors monitors the return on capital, which is defined as surplus for the year divided by average total assets, and also the level of dividends paid to members. Section 119 of the Co-operative Societies Act Cap 12.06 requires the Co-operative to maintain statutory and other reserves at not less than 10% of its liabilities. As at the year end the minimum reserve requirement was \$4,029,175 (2015 - \$3,521,574). The Co-operative was in compliance at December 31, 2016.

Capital adequacy is monitored quarterly using the PEARLS ratios prescribed by the World Council of Credit Unions for determining capital adequacy and which has been adopted by the Financial Services Regulatory Authority (FRSA). PEARLS require that each Credit Union maintain a minimum of 10% of total assets as its capital base. As at the year end the minimum capital required was \$5,819,104 (2015 - \$5,242,640). The regulatory capital is divided into two levels:

- Institutional Capital: Share Capital, Retained Earnings, Statutory Reserves ; and
- Transitory Capital: Education Fund, Emergency Relief Reserve, Building Fund Reserve, General Risk Reserve Fund, Loan Impairment Reserve, Revaluation Reserve.

	2016 \$	2015 \$
Institutional capital		
Share capital	3,369,210	3,124,040
Retained earnings	6,834,866	6,656,673
Statutory reserve	6,497,386	6,279,278
Total institutional capital	<u>16,701,462</u>	<u>16,059,991</u>
Transitory capital		
Education fund	-	-
Emergency relief fund	500,000	500,000
Building fund	312,946	312,946
General risk reserve fund	247,743	193,415
Revaluation reserve	(11,338)	(4,180)
Education assistance fund	61,292	61,292
Stabilization fund	87,188	87,188
Total transitory capital	<u>1,197,831</u>	<u>1,150,661</u>
Total regulatory capital	<u>17,899,293</u>	<u>17,210,652</u>

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

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

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

4 Critical accounting estimates, and judgements in applying accounting policies

The Co-operative makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

Impairment losses on loans and advances

The Co-operative reviews its loan portfolio to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in the statement of income, the Co-operative makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before a decrease can be identified with an individual loan in that portfolio.

Impairment of available-for-sale equity investments

The Co-operative determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Co-operative evaluates among other factors, when there is evidence of deterioration in the financial health of the investee industry and sector performance, changes in technology and operational and financing cash flows.

Held-to-maturity investments

The Co-operative follows guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Co-operative evaluates its intention and ability to hold such investments to maturity. If the Co-operative fails to keep these investments to maturity other than for the specific circumstances - for example selling an insignificant amount close to maturity - it will reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortized cost.

5 Cash and cash equivalents

	2016	2015
	\$	\$
Cash on hand	115,999	95,297
Cash at bank	5,495,943	3,020,056
	<u>5,611,942</u>	<u>3,115,353</u>

Interest is earned on bank balances at an average rate of 1.04% (2015 – 1.04%) per annum. Under section 119 (3) of the Act, the Co-operative is required to maintain a liquidity reserve calculated as 15 % of members' shares and deposits. As at the year end this amounted to \$6,436,917 (2015 - \$5,731,566).

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

5 Cash and cash equivalents...continued

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

	2016 \$	2015 \$
Cash at bank - BOSL	2,670,166	2,748,790
Cash at bank – FNB	360,769	271,266
St. Lucia Co-operative League - Deposit	506,467	-
Financial Investments & Consultancy Services Ltd – Fixed Deposit.	534,905	525,500
Government of St. Lucia - Treasury Bills	1,010,170	803,740
Bank of St. Lucia – Fixed Income Note	1,509,037	1,468,648
	6,591,514	5,817,944

The liquid assets that have been identified by the Co-operative to meet the requirements of the Act amount to \$6,591,514 (2015 - \$5,817,944). As at the year end, the Co-operative met the liquidity reserve requirement.

6 Investment securities

	2016 \$	2015 \$
Loans and receivables		
St. Lucia Co-operative League - Deposit	1,106,622	72,096
Financial Investments & Consultancy Services Ltd – Fixed Deposit	534,905	525,500
Government of St. Lucia Fixed Rate Bond	800,000	325,000
ECHMB Bonds	-	400,000
Government of St. Lucia - Treasury Bills	1,010,170	803,740
Bank of St. Lucia – Fixed Income Note	1,509,037	1,468,648
ECHMB - Bank Notes	200,000	200,000
Government of Antigua – Treasury Bills	-	245,377
Government of St. Lucia US Treasury Note	298,859	298,859
	5,459,593	4,339,220
Accrued interest on investments	65,761	52,239
Total securities – loans and receivables	5,525,354	4,391,459
Securities - available-for-sale listed		
Eastern Caribbean Financial Holdings	105,328	112,486
St. Lucia Electricity Services Ltd	37,200	37,200
Grenada Electricity Services	15,000	15,000
	157,528	164,686
Securities - available-for-sale-unlisted		
St. Lucia National Co-operative Venture	500,000	500,000
Eastern Caribbean Home Mortgage Bank	20,900	20,900
First National Bank of St. Lucia	16,884	16,884
	537,784	537,784
Total securities available-for-sale	695,312	702,470

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

6 Investment securities...continued

December 31, 2016	Loans and Receivables	Securities available for sale-unlisted	Securities available for sale-listed
At Beginning of year	4,339,220	164,686	537,784
Purchases	2,095,373	-	0
Settlement	(975,000)	-	0
Fair value loss	-	(7,158)	-
	5,459,593	157,528	537,784

December 31, 2015	Loans and Receivables	Securities available for sale-unlisted	Securities available for sale-listed
At Beginning of year	3,424,676	183,517	537,784
Purchases	2,586,599	-	-
Settlement	(1,656,655)	-	-
Fair value loss	-	(18,832)	-
Loss on investment	(15,400)	-	-
	4,339,220	164,685	537,784

Interest is earned on interest bearing securities at rates ranging between 2.00% - 7.40% (2015: 2.75% - 7.40%) per cent per annum.

7 Loans and advances to members

	2016	2015
	\$	\$
Loans and advances to members	45,341,774	42,634,544
Provisions for impairment of loans	(1,267,848)	(551,097)
	44,073,926	42,083,447
Interest receivable on loans	202,767	227,111
	44,276,693	42,310,558

Interest is earned at rates ranging between 8.5%-12.6% (2015: 8.5%-12.6%) per annum.

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

8 Provision for impairment of loans

	2016	2015
	\$	\$
Balance - at beginning of year	551,097	696,429
Written off during the year	(124,013)	(262,867)
Provisions made during the year	840,764	117,535
	<hr/>	<hr/>
Balance - at end of year	1,267,848	551,097
	<hr/>	<hr/>

9 Accounts receivables and prepayments

	2016	2015
	\$	\$
F.I.P. Claims	64,881	25,040
Other	335	23,216
Prepaid Expenses	40,588	118,556
	<hr/>	<hr/>
	105,804	166,812
	<hr/>	<hr/>

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

10 Property and equipment

	Furniture and Equipment \$	Buildings \$	Land \$	Total \$
Cost				
At January 1, 2014	627,660	812,371	732,530	2,172,561
Additions	148,379	-	-	148,379
At December 31, 2014	776,039	812,371	732,530	2,320,940
At January 1, 2015	776,039	812,371	732,530	2,320,940
Additions	34,670	-	95,278	129,948
Disposals	(21,166)			(21,166)
At December 31, 2015	789,543	812,371	827,808	2,429,722
At January 1, 2016	789,543	812,371	827,808	2,429,722
Additions	397,400		6,460	403,860
Disposals	(168,793)		-	(168,793)
At December 31, 2016	1,018,150	812,371	834,268	2,664,789
Accumulated depreciation				
At January 1, 2014	383,575	116,565	-	500,140
Charge for the year	79,958	14,356	-	94,314
Depreciation disposal	-	-	-	-
At December 31, 2014	463,533	130,921	-	594,454
At January 1, 2015	463,533	130,921	-	594,454
Charge for the year	94,882	14,023	-	108,905
Depreciation Disposal	(13,384)			(13,384)
At December 31, 2015	545,031	144,944	-	689,975
At January 1, 2016	545,031	144,944	-	689,975
Charge for the year	139,656	13,836	-	153,492
Depreciation Disposal	(154,618)	-	-	(154,618)
At December 31, 2016	530,069	158,780	-	688,849
Carrying amounts				
At December 31, 2014	312,506	681,450	732,530	1,726,486
At December 31, 2015	244,512	667,427	827,808	1,739,747
At December 31, 2016	488,081	653,591	834,268	1,975,940

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

11 Members' deposits

	2016 \$	2015 \$
Members' Deposits	4,750,803	3,674,258
Interest Payable on SSSA	-	19,790
	<u>4,750,803</u>	<u>3,694,048</u>

Interest is paid quarterly on members' deposits at rate of 3% (2015: 3%) per annum.

12 Members' SSSA

In accordance with a resolution passed by members at the 29th AGM held on April 6, 2014, shares were reclassified effective July 1, 2014 in compliance with IAS 32 and IFRIC 2. Members' shares which are now classified under liabilities were placed in an account named Savings and Security Shares Account (SSSA).

	2016		2015	
	Number of "Shares"	SSSA Balances \$	Number of "Shares"	SSSA Balances \$
Balance – beginning of year	6,278,471	31,392,355	5,739,396	28,696,980
Net Shares purchased	680,082	3,400,409	536,017	2,680,085
	<u>6,958,553</u>	<u>34,792,764</u>	6,275,413	31,377,065
Interest Payable on SSSA	-	-	3,058	15,290
	<u>6,958,553</u>	<u>34,792,764</u>	<u>6,278,471</u>	<u>31,392,355</u>

Interest is paid on Members' SSA at a rate of 3.25% (2015:4%) per annum.

13 Accounts payable and accruals

	2016 \$	2015 \$
Audit fees	29,000	30,300
CUNA insurance	17,661	16,818
League dues	46,884	42,272
Gratuity	22,635	4,500
Other	32,749	35,454
	<u>148,929</u>	<u>129,344</u>

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

14 Borrowing

	2016 \$	2015 \$
Current	530,669	-
Non-current	69,380	-
Total	<u>600,049</u>	<u>-</u>

In February 2016 the Co-operative obtained a loan of \$1,000,000 from the St. Lucia Co-operative League to finance the purchase of the Cruise Net Software and to serve as a liquidity buffer. The loan is secured by a fixed deposit of the same value, held at the League and is repayable at \$44,772.58 per month at 7% interest per annum over 24 months. As at Dec. 31, 2016, the remaining balance on this loan was \$600,049. The Credit Union has not had any defaults of principal, interest or other breaches with respect to its loans payable during the year ended Dec. 31, 2016.

15 Members' shares

In accordance with a resolution passed by members at the 29th AGM on 06th April 2014, members are to have a minimum of two hundred and twenty (220) shares, i.e. one thousand one hundred dollars (\$1,100.00) as equity. Of this, one hundred dollars (\$100) is the qualifying amount for membership, being 20 shares at a nominal value of \$5 per share, and is non-withdrawable except on the termination of membership. There is no limit to the number of shares the Credit Union is authorised to issue.

	2016		2015	
	Number of "Shares"	Share capital \$	Number of "Shares"	Share capital \$
Balance - beginning of year	624,808	3,124,040	580,689	2,903,445
Net shares purchased	49,034	245,170	44,119	220,595
Balance - end of year	<u>673,842</u>	<u>3,369,210</u>	<u>624,808</u>	<u>3,124,040</u>

16 Statutory reserve

The Co-operative maintains a reserve fund pursuant to Section 119 (2) of the Act, in which not less than twenty percent (20%) of the net surplus before dividends are carried. In addition, all entrance fees, transfer and other fines are carried to this fund.

	2016 \$	2015 \$
Opening balance	6,279,278	5,923,343
Entrance fee	795	820
Add: 20% net surplus for the year	217,313	355,115
Closing Balance	<u>6,497,386</u>	<u>6,279,278</u>

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

17 Education fund

In accordance with a resolution passed by members at the 30th AGM held on 28th June 2015, the Education Fund was closed. The funds contained therein were used to establish the Stabilization Fund, finance the Education Assistance Scheme and the balance was transferred to Retained Earnings.

	2016	2015
	\$	\$
Balance at beginning of year	-	903,175
Add: 10% net surplus for the year	-	-
Less: transferred to Education Assistance Scheme Fund	-	(61,292)
Less: transferred to Stabilization Fund	-	(87,188)
Less: transferred to retaining earnings	-	(754,695)
	<hr/>	<hr/>
Balance at end of year	-	-

18 Education assistance scheme fund

In accordance with a resolution passed by members at the 30th AGM held on 28th June 2015, a percentage of the Education Fund was transferred to the Education Assistance Scheme Fund.

	2016	2015
	\$	\$
Balance at beginning of year	61,292	-
Add: Transferred from Education Fund	-	61,292
	<hr/>	<hr/>
Balance at end of year	61,292	61,292

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

19 Stabilization fund

In accordance with a resolution passed by members at the 30th AGM held on 28th June 2015, the Stabilization Fund was established as an early adoption of the new Co-operative Act Section 126(1).

	2016	2015
	\$	\$
Balance at beginning of year	87,188	-
Add: Transferred from Education Fund	-	87,188
	<hr/>	<hr/>
Balance at end of year	87,188	87,188

20 Building fund

In accordance with a resolution passed by members at the 21st AGM held on 24th June, 2007, when the co-operative indicates a surplus, at least 2% of that surplus will be transferred to a Building Fund. The Fund is to be used for the acquisition of permanent office space and renovation.

By a resolution passed at the 29th AGM held on 06 April, 2014, allocation to the Building Fund is suspended until reactivated by the AGM.

	2016	2015
	\$	\$
Balance at beginning of year	312,946	312,946
Add: allocation from net surplus for the year	-	-
	<hr/>	<hr/>
Balance at end of year	312,946	312,946

21 Emergency relief & social needs fund

In accordance with a resolution passed by members at the 13th AGM held on 25th April 1999, when the co-operative indicates a surplus, at least 4% of that surplus will be transferred to an Emergency Relief Fund. The Fund is to be used to assist members with natural disaster and man-made emergency relief as approved by the board of directors of the co-operative.

By a resolution passed at the 25th AGM held on 06 June, 2010, the purpose was amended to include social needs of members and a fund limit of \$500,000 was set.

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

21 Emergency relief & social needs fund...continued

	2016 \$	2015 \$
Balance at beginning of year	500,000	500,000
Add: allocation from net surplus for the year	5,000	11,500
Less: transfer to retained earnings for emergency relief expenses	<u>(5,000)</u>	<u>(11,500)</u>
Balance at end of year	<u>500,000</u>	<u>500,000</u>

22 General risk reserve fund

In accordance with a resolution passed by members at the 28th AGM on 19th May, 2013, when the Co-operative indicates a surplus, at least 5% of that surplus will be transferred to a General Risk Reserve Fund. The Fund shall, subject to the approval of the general membership, be used, in the business of the Co-operative including unforeseen losses, unexpected shortfalls in liquid cash, capital retention, recouping losses on investments, repair and avoidance of external borrowing.

	2016 \$	2015 \$
Balance at beginning of year	193,415	104,636
Add: 5% from surplus for the year	54,328	88,779
Contributions	<u>-</u>	<u>-</u>
Balance at end of year	<u>247,743</u>	<u>193,415</u>

23 Revaluation reserve

The revaluation reserve arises on the fair valuation of the Co-operative's investments in Eastern Caribbean Financial Holdings Limited, LUCELEC and GRENLEC classified as available-for-sale.

	2016 \$	2015 \$
At the beginning of year	(4,180)	14,652
Unrealised loss on investments	<u>(7,158)</u>	<u>(18,832)</u>
At the end of year	<u>(11,338)</u>	<u>(4,180)</u>

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

24 Operating expenses

	2016 \$	2015 \$
Stationery and office supplies	57,921	57,689
Security expenses	37,069	38,009
League dues	46,553	42,035
Auditing fees – current year	29,000	30,300
Auditing fees – prior year	4,377	10,891
Legal and professional fees	12,425	20,127
Insurance	22,581	21,374
Emergency Relief Expense	5,000	11,500
Education Expense	282,239	263,668
Research and Development	7,341	3,788
Miscellaneous Expense	846	2,405
Conversion Expense	-	54,413
	<hr/>	<hr/>
	505,352	556,199

25 Personnel expenses

	2016 \$	2015 \$
Salaries and wages	505,260	486,983
Staff expenses	30,756	37,005
Gratuity	18,135	17,390
	<hr/>	<hr/>
	554,151	541,378

Average number of employees	<hr/>	<hr/>
	12	11

26 Marketing expenses

	2016 \$	2015 \$
Advertising and promotions	21,444	31,767
Donation	29,800	52,541
AGM expenses	43,502	52,392
SLTCC Anniversary Expenses	-	29,330
	<hr/>	<hr/>
	94,746	166,030

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

27 Occupational expenses

	2016	2015
	\$	\$
Utilities	98,752	107,329
Repairs and maintenance	61,211	40,110
Depreciation	153,492	108,905
Property tax	5,600	5,600
Loss on disposal of property and equipment	14,175	7,282
	<u>333,230</u>	<u>269,226</u>

28 Board and committee expenses

	2016	2015
	\$	\$
Honorarium	73,000	73,000
Meeting and other expenses	45,900	45,718
	<u>118,900</u>	<u>118,718</u>

29 Other income

	2016	2015
	\$	\$
Insurance commission	56,881	39,204
Fees for statement	1,468	1,374
Loan processing fees	15,435	18,033
Sale of passbooks	3,060	1,925
Recovered loans	8,788	24,252
Gain On Foreign Exchange	318	277
Dividends	8,861	2,355
Miscellaneous income	5,990	322
	<u>100,801</u>	<u>87,742</u>

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

30 Related party transactions

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

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

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

	Management Personnel	Committee Members	Board of Directors	Total
	\$	\$	\$	\$
Loans outstanding at January 1, 2016	436,970	816,092	386,267	1,639,329
Net issued/(repaid) during the year	52,291	(128,389)	9,267	(66,831)
Loans outstanding at December 31, 2016	<u>489,261</u>	<u>687,703</u>	<u>395,534</u>	<u>1,572,498</u>

	Management Personnel	Committee Members	Board of Directors	Total
	\$	\$	\$	\$
Loans outstanding at January 1, 2015	381,268	503,584	406,952	1,291,804
Net issued/(repaid) during the year	55,702	312,508	(20,685)	347,525
Loans outstanding at December 31, 2015	<u>436,970</u>	<u>816,092</u>	<u>386,267</u>	<u>1,639,329</u>

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

	Management Personnel	Committee Members	Board of Directors	Total
	\$	\$	\$	\$
Shares & deposits at January 1, 2016	166,829	291,024	186,137	643,990
Net savings/(withdrawals) during the year	17,640	(16,565)	(12,164)	(15,366)
Shares & deposits at December 31, 2016	<u>184,469</u>	<u>274,459</u>	<u>173,973</u>	<u>628,624</u>

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

30 Related party transactions ...continued

	Management Personnel \$	Committee Members \$	Board of Directors \$	Total \$
Shares & deposits at January 1, 2015	127,817	258,917	192,037	578,771
Net savings/(withdrawals) during the year	39,012	32,107	(5,900)	65,219
Shares & deposits at December 31, 2015	166,829	291,024	186,137	643,990

Key management compensation:

	2016 \$	2015 \$
Salaries and other short- term benefits	189,476	187,799
Directors remuneration	73,000	73,000

31 Commitments

The dates of the contractual amounts of the Co-operative's off-statement of financial position financial instruments that commit it to extend credit to members are summarized in the table below:

	2016 \$	2015 \$
As at December 31		
Loan commitments - 3 months to 1 year	862,293	752,786

32 Dividends and patronage refund

	2016 \$	2015 \$
Dividends and patronage refund paid	637,522	850,027

Dividend and patronage refund approved was paid at a rate of 10% and 7.5% (2015: 4.5% and 5%) respectively.

St. Lucia Teachers' Credit Co-operative Limited

Notes to the Financial Statements

For the year ended December 31, 2016

33 Subsequent event

Subsequent events are events that occur after the balance sheet date but before financial statements are issued or are available to be issued. On August 24, 2017, the Co-operative received \$910,839.08 from the Judicial Manager of CLICO being partial reimbursement of 65% of the impaired investment written off in prior years. This amount will be recognised in the financial statements for the year ending December 31, 2017.