



LABORIE CO-OPERATIVE CREDIT UNION LTD.

35th Annual General Meeting
Sunday 29th March 2020



LCCU
WE'RE NATIONAL!

Credit Union Prayer

Lord, make me an instrument of Your peace,
where there is hatred, let me sow love;
where there is injury, pardon;
where there is doubt, faith;
where there is despair, hope;
where there is darkness, light;
where there is sadness, joy;

O, Divine Master,

Grant that I may not so much seek
to be consoled as to console;
to be understood as to understand;
to be loved as to love;
For it is in giving that we receive;
it is in pardoning that we are pardoned;
and it is in dying that we are born to eternal life.

Core Values

We believe our members come first
We believe in being human centered
We believe in unequivocal excellence in all aspects of our operations
We believe in being community focused
We believe in the co-operative philosophy

Core Purpose

To enhance the standard of living and quality of life of our members.

Vision

To become the financial institution most known for enhancing the
lives of our members and their communities.

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Notice is hereby given of the 35th Annual General Meeting of the
Laborie Co-operative Credit Union Ltd.
at the Laborie Boys' Primary School on
Sunday 29th March 2020 from 1:30 p.m.

AGENDA

Part One

- ✓ Call to Order
- ✓ Prayers & National Anthem
- ✓ Welcome Remarks
- ✓ Apologies
- ✓ Introduction of Guests and Greetings from Fraternal Organizations

Part Two

- ✓ Ascertainment of quorum
- ✓ Reading and Confirmation of Minutes of the 34th Annual General Meeting
- ✓ Reports
 - × Board of Directors
 - × Treasurer
 - × Auditor
 - × Credit Committee
 - × Supervisory Committee
- ✓ Election of Officers
- ✓ Appointment of Auditor
- ✓ Any Other Business
- ✓ Adjournment


.....

Denver Chiquot
Secretary

STANDING ORDERS

1. A member shall:
 - a. Stand when addressing the Chairperson.
 - b. Identify himself / herself by name before proceeding to make speeches.
2. Speeches should be clear and relevant to the subject before the meeting.
3. A member shall only address the meeting when recognized or called to do so by the Chairperson after which he/she shall immediately take his / her seat.
4. No member shall address the meeting except through the Chairperson.
5. A member shall not speak twice on the same subject except:
 - a. He/she is the mover of the motion and has the right to reply.
 - b. He/she rises to object or explain (with the permission of the Chairperson).
6. No speeches shall be allowed after the question has been put, carried or negated.
7. A member rising on a 'Point of Order' must state the point clearly and concisely. (A Point of Order must have relevance to the Standing Orders).
8. The mover of a 'procedural motion' (adjournment, postponement) shall have no right of reply.
9. A member shall:
 - a. Not 'Call' another member 'To Order' but may draw the attention of the Chairperson to a 'Breach of Order'.
 - b. At no time 'Call' the Chairperson 'To Order'.
10. A question should not be put to the vote if a member desires to speak on it or move an amendment to it.
11. Only one motion / amendment should be before the meeting at one and the same time.
12. When a motion is withdrawn any amendment to it fails.
13. The Chairperson shall have the right to a 'Casting Vote' in addition to his/her ordinary vote in the event of an equality of votes.
14. If there is an equality of votes on a motion / amendment, and if the Chairperson does not exercise his/her casting vote the motion / amendment is lost.
15. The Chairperson shall make provisions for the protection of members from vilification or personal abuse at all times.
16. No member shall impute improper motives against the Chairperson, Board of Directors, Officers or any other member.

Laborie Co-operative Credit Union Ltd.

By Laws

XIII Elections

41. (1) The following procedures shall apply to the conduct of elections in keeping with Sections 33-37 and 50 of the Act and Section 12 of the Regulations:
- (a) not less than thirty (30) days prior to each Annual General meeting, the Board may appoint a Nominating Committee of three(3) persons of which not more than one (1) may be a member of the existing Board.
 - (b) the Nominating Committee shall nominate at the Annual General Meeting, one member for each vacancy for which elections are to be held.
 - (c) after the nominations have been placed before the members, the Chairman shall call for nominations from the floor.
 - (d) all elections shall be by a show of hands and shall be determined by a majority vote except where there is no contest.
- (5) No member who is delinquent for ninety (90) days or more in respect of debts owed to the Society shall be allowed to vote.
- (f) where the number of nominees does not exceed the number of persons to be elected, the Chairman shall declare all nominees elected.
- (2) No member may be elected to the Board, The Credit Committee or the Supervisory Committee unless
- (a) he is eighteen (18) years or over;
 - (b) he is a citizen or legal resident of St. Lucia
 - (c) he holds twenty (20) fully paid shares.
 - (d) he has been a member of the Society for at least one (1) year; and
 - (e) he has saved regularly, at least sixty dollars (\$60.00) per quarter in the past year;
 - (f) he is not a delinquent borrower and is otherwise in good financial standing.

Minutes of the 34th Annual General Meeting held at the Laborie Boys' Primary School on Sunday 31st March 2019

PART ONE

Call to order

The meeting was called to order at 1:50 p.m. by the Chairperson, Director Paul Sammy.

Invocation and National Anthem

All joined in the recital of the Prayer of Francis of Assisi and Laborie Co-operative Credit Union's Core Values, following which an instrumental version of the National Anthem was played.

Attendance

Board of Directors

Paul Sammy

Johnson Auguste

Denver Chiquot

Eyan St.Helen

Francilia Brown

Phils Louis

Lana Alexander

Sienna London

Michelle Charlery

Credit Committee

Celia John-Chicot

Nataki James-George

Jenny Chicot-Louisy

Ashley Duncan

Carina Snagg

Supervisory & Compliance Committee

Irma Francis

John Lawrence

Kediana Charlery

Absent were Officers Keth Thompson and Caron Serieux of the Supervisory & Compliance Committee, who sent apologies.

The following represented their respective entities.

- Mr. Zepherin Francis St. Lucia Co-operative Credit Union League Ltd.
- Mr. Peter Lewis St. Lucia Workers Credit Union Ltd.
- Mr. O'Brian Richards Civil Service Co-operative Credit Union Ltd.
- Mr. Matthew Sargusingh TRI-FINITY Associates
- Mr. Milton Harry Paul CUNA

Notice

Notice was hereby given of the 34th Annual General Meeting on Sunday March 31st, 2019 at 1:30 p.m. at the Laborie Boys' Primary School.

Welcome Remarks

Director Paul Sammy welcomed all members to the 34th Annual General Meeting (AGM), and thanked the representatives from Fraternal Societies for their attendance. He noted that the afternoon's proceedings would be in two parts, namely an Open and a Closed Session, with the Open Session being open to everyone, and the Closed Session exclusively for LCCU members. He was hopeful that their collective deliberations would help define ways of building on the progress being made, and through their participation and involvement, stake their claim in the process of shaping LCCU's future.

Greetings from Fraternal Organizations

- Mr. Zephrin Francis, President of the St. Lucia Co-operative Credit Union League, brought greetings from the umbrella organization of the Credit Union Movement. He congratulated LCCU on being a model Credit Union not only in St. Lucia but throughout the entire OECS, and urged the general membership to use this forum to air their views in an effort to help LCCU maintain the level of service and image developed over the years. He wished all a great 34th AGM and looked forward to working with LCCU in the face of the changing landscape of the Credit Union Movement.
- Mr. Peter Lewis, President of the St. Lucia Workers' Credit Union, expressed the heartfelt greetings of his Society on the occasion of LCCU's 34th AGM. He stated that, like the LCCU, his organization continues to strive for excellence. He endorsed a sentiment earlier expressed in relation to LCCU as a model Credit Union, in terms of best practices and service to the community and nation. He encouraged the younger generation to take up more active roles in their Credit Union, as their individual and collective contributions would help reach milestones, add value, and make the Movement more relevant. He reiterated that the core purpose of the Co-operative Movement was people helping people. In closing, he wished LCCU a fruitful AGM.

- Mr. O'Brian Richards brought greetings from the Board of Directors, Management, staff and committees of the Civil Service Co-operative Credit Union, and was grateful for the opportunity to support a sister Credit Union. He wished LCCU a successful AGM, and was hopeful that their deliberations would do much to foster the continued growth and development of LCCU and the Credit Union Movement in St. Lucia.
- Mr. Milton Harry Paul, a representative of CUNA, extended greetings on behalf of the CEO and Management of his organization and also congratulated the LCCU on their 34th AGM. Following a brief explanation of the FIP concept and benefits, he disclosed plans for the introduction of his Company's two new products from during 2019, namely the Advanced Protector and Family Critical Illness plans. He then wished LCCU the best in their future endeavors as well as a successful AGM.

PART TWO

Ascertainment of Quorum

The Chairperson informed the Meeting that a quorum had been ascertained with 220 members being registered.

Minutes

The Minutes of the 33rd Annual General Meeting held on Sunday March 18, 2018 at the Laborie Boys' Primary School were read by Director Denver Chiquot.

Errors & Omissions

- | | |
|---------|---|
| Page 5 | Re: Welcome Remarks (line 5)

The word "was" should be removed from the sentence. |
| Page 6 | Re: Minutes (last line)

The word "sit" to replace "seat". |
| Page 11 | Last line - the name should be spelt Berny . |
| Page 16 | Re: Any Other Business - last line in third bullet.

The word "Co-operative" should be made plural. |

Confirmation of Minutes

The Minutes of the 33rd Annual General Meeting of Sunday 18th March 2018, were confirmed on a motion moved and seconded by Etheldred James and Emmy Vitalis respectively. The Motion was carried unanimously.

Matters Arising

Page 9 **Re: Board of Directors' Report** – fourth bullet

In response to Theresa Alexander's enquiry, it was explained that members collectively must hold 5% of the total value of LCCU Assets in equity/ permanent shares.

Ninth bullet

Members were informed that the ATM had already been installed at the Vieux-Fort Branch, and since it was a joint initiative, LCCU was expected to await the readiness of sister Credit Unions before the ATM could be activated.

Page 14 **Re: Supervisory & Compliance Committee Report** – points 1 & 2 under first bullet.

It was noted that members currently have access to washroom facilities at the Cultural Hall. Management had not identified a suitable room on the ground floor of the Laborie Branch to convert into a washroom.

Page 16 **Re: Any Other Business** –

In response to Mrs. Agatha Jn. Panel query regarding minimizing the amount of time a customer spends on a queue, the meeting was informed that tellers would, most often, work through or part of their stipulated lunch hour, causing their break periods to be taken later in the afternoon. The General Manager gave the assurance that one of the sources of value that LCCU is looking to build on, is speed of delivery of service.

Hamper Raffle Draw #1

The first raffle of the afternoon was won by Mrs. Luvina St. Brice-Simeon, holder of ticket #209 011.

Treasurer's Report

Director Francillia Brown delivered this report, highlights of which are as follows:

- Despite the many challenges it faces within the financial services market, LCCU is positioning itself to become the Credit Union of choice in St. Lucia.
- During the period under review, LCCU has recorded a continued decrease in delinquency.
- LCCU has launched its online financial services and is working assiduously at building proficiency in this area.
- Capital stood at 16.1% of liabilities, exceeding statutory requirements.
- Total membership and account holders increased from 17,435 in 2017 to 18,018 in 2018.
- Total Assets as at December 31 2018 reflected a growth of \$25.02M or 15.67%.
- LCCU either met or exceeded most of its projected goals during the period under review.

	Projected 2018	Achieved 2018
Total Assets	\$179m	\$184.67m
Institutional Capital	\$22.8m	\$24.16m
Member Savings	\$146.2m	\$148.7m
Gross Loans	\$143.2m	\$144.68m
Total Income	\$14.12m	\$13.28m *\$13.54m
Surplus	\$45.18m	\$5.12m *\$5.38m

In conclusion, Director Brown attributed LCCU's accomplishments to the dedication and commitment of its workforce as well as the confidence of its members.

In the ensuing discussions, the following was explained:

Western Union has its own set of policies and procedures that govern their Money Transfer Service transactions, and LCCU cannot violate the said policies.

The Treasurer's report was adopted on a motion moved and seconded by Emma Glasgow and Mary Jameson respectively. The motion was unanimously carried.

Auditor's Report

This report was delivered by Matthew Sargusingh, of TRI-FINITY Associates. He stated that the report was a Qualified Opinion, since the Co-operative was not in compliance with International Financial Reporting Standards 9 (IFRS 9) which became effective as of January 1, 2018. He opined that the financial statements present fairly, in all material respects, the financial position of LCCU as at December 31, 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

The following explanation was provided in the subsequent discussions:

- In the past, Management made provisions for loan loss on the basis of loans that had gone delinquent. IFRS 9 is one of the international financial reporting standards introduced to determine an Expected Loss model. In this model, provisions are made on the probability that loans will become delinquent. Since Management could not complete the task of setting up the necessary protocols to implement IFRS 9 on time, LCCU reverted to the use of guidelines set in Statutory Instrument No.72 of 2001 of the Co-operative Act to decide the provisions for loan loss for 2018. Members were assured that LCCU will be IFRS 9 compliant in 2019.

Hamper Raffle Draw # 2

Justina Lucien, holder of ticket #415 421, won the second hamper raffle.

Board of Directors Report

Director Paul Sammy delivered the Board's report themed "Preserving the Core; Stimulating Progress", in which the following salient points were highlighted:

- The financial goals of LCCU for the year ending December 31, 2018 were exceeded.
- There was a marked reduction in delinquent loans.
- A Compliance Officer was appointed in 2018, to monitor and ensure that regulatory standards are LCCU enforced and maintained.
- LCCU's continued support of community efforts towards the development of current and potential members by:
 - ✓ Assisting schools, sporting groups, cultural and volunteer organizations.
 - ✓ Hosting the "Reality Fair" which offers practical on-the-spot financial education to school goers and other young persons.
 - ✓ Developing the human resources and enhancing staff professionalism, by providing necessary work and study facilities.
 - ✓ Building strategic partnerships with community-based businesses.
 - ✓ Continuing the agricultural project with the International Development Bank (IDB), with a focus on designing a model to help farmers cope with climate change.

- LCCU had relocated its Vieux-Fort Branch to more spacious and conducive quarters on New Dock Road.
- The need to go national as a response to the changing landscape of the financial services market.
- Outlining a three-year plan of goals and strategies to facilitate the growth of LCCU during that period.

After the delivery of the Board of Directors' report, Paula Marquis-Isaac suggested that LCCU use the AGM to urge members to update their personal information including aliases, current addresses and contact numbers. This would be useful communication and delinquency management strategies.

In response to an enquiry regarding the SABLE Project, the General Manager explained that progress was being made, and Black-Bay Farmers' Co-operative had realized a surplus of \$114,000 for the year 2018.

The Board of Directors' Report was adopted on a motion moved seconded by Ivy Remy-St. Helen and Luvina St .Brice-Simeon respectively. The motion was unanimously carried.

Credit Committee Report

Chairperson of the Committee, Celia John-Chicot, delivered this report and noted that:

- The Committee processed a total of 4318 loans in 2018, which represented an increase of 2054 over the previous year.
- Out of the 4318 loans processed, 4262 were approved and 56 disapproved for varied reasons.
- There was an increase in loan disbursements which amounted to a total of \$40,977,765.59.
- Similar to the previous year, 2017, personal, mortgage, business and education loans respectively, represented the largest amounts approved in 2018.
- Members were reminded of the requirements for the prompt processing of their loan applications.

In the ensuing discussions, the following clarifications were made:

- LCCU grants loans to persons working on contract.
- LCCU would foreclose on a loan **only** as a last resort, after all alternatives have been exhausted.

The Credit Committee's Report was adopted on a motion moved by Isla Sammy and seconded by Eudovia St. Helene. The motion was unanimously approved.

Hamper Raffle Draw # 3

The winner of the third hamper raffle was Robert Chicot, holder of ticket #208 997.

Supervisory & Compliance Committee Report

Officer John Lawrence delivered the Committee's report and disclosed that the following had been conducted during the year in review:

- Security Audit (Cash & Building)
- Staff Loans, Officers' Loans and Delinquent Loans Audit (With property held as security)
- Scholarships and Bursaries Audit.
- Investments Audit.
- Board and Committee Meetings.
- Employee Satisfaction Survey.

He stated that no major concerns had been detected during the aforementioned exercises and recommendations for continuous improvement were forwarded to the Board of Directors. He also noted that recommendations made in previous audits had been considered and evidently implemented.

The Supervisory & Compliance Committee's Report was adopted on a motion moved and seconded by Sean Alexander and Sylvia Joyeux respectively.

Hamper Raffle Draw # 4

Berny Chiquot, holder of ticket #209 043, won the afternoon's fourth hamper.

Rationale for Going National

Referring to the section of the Board of Directors Report titled "The Need to go National", the Chairperson sought the approval of the general membership to present a rationale dubbed "Why go National", which outlined the reasons for such a move, the impending benefits and challenges. The General Manager presented the same to the Meeting in Creole.

Feedback from the general membership was as follows:

- The concern that going national would negatively affect delinquency was clarified. Members were assured that the existing mechanisms used in vetting loan applications would help quell the possibility of increased delinquency.
- A number of members applauded the initiative and offered words of support and solidarity.

Vote on Resolution

After the deliberations, the Chairperson read out the Board of Directors’ Resolution, highlighting the proposed amendments to LCCU’s By-laws that would help facilitate the move to go national. Members voted by show of hands, and more than 75% were in favor of the Resolution. The results are presented in the table below.

Total Members Present	In Favor	Not in Favor	Abstained
220	183	0	37

The Resolution was unanimously passed, authorizing the Board of Directors to make the necessary amendments to the By-Laws.

Nominations & Election of Officers

Details of the Nominations & Elections of Officers are outlined in the table below.

COMMITTEE	RECOMMENDATIONS		ELECTED OFFICERS
	Nominations Committee	The Floor	
BOARD OF DIRECTORS	Eyan St. Helen Lana Alexander Steven Auguste (Michelle Charlery opted out for re-election) (A motion that nominations be closed was moved and seconded by Luvina St. Brice-Simeon and Annette Donatien respectively. The motion was carried)		Eyan St. Helen Lana Alexander Steven Auguste (Officers were elected unopposed)
CREDIT	Dale Louis (A motion that nominations be closed was moved and seconded by Ivy Remy-St. Helen and Ealidia Cornibert respectively. The motion was carried)		Dale Louis (The Officer was elected unopposed)

There were no existing vacancies on the Supervisory & Compliance Committee.

Hamper Raffle Draw #5

The winner of the fifth hamper was Jane Francis, holder of ticket #415 414.

Appointment of Auditor

A motion was moved and seconded by Emmanuel Clery and Dylan Tobierre respectively, to authorize the Board of Directors to appoint an Auditor for the financial year ending December 31, 2019. The motion was carried unanimously.

Any Other Business

- The CUNA Family Indemnity Plan and its enhanced benefits was further explained by the General Manager in both English and Creole, details of which are as follows:

Plan	Premium	Payout
A	\$26.40	\$5,000.00
B	\$39.60	\$7,500.00
C	\$52.80	\$10,000.00
D	\$79.20	\$15,000.00
New Benefits		
E	\$105.60	\$20,000.00
F	\$132.00	\$25,000.00
G	\$158.40	\$30,000.00

- Regarding outstanding payments from the Fish Market Incorporation, it was explained that with the closure of this entity, the Government of St. Lucia would create a new agency which would accept all liabilities. To date, no payment had been made.
- LCCU’s Management team were acknowledged and commended for their continued dedicated service.

Hamper Raffle Draw #6

Janice Montoute, holder of ticket # 209 060, was the winner of the final hamper draw.

Adjournment

The Chairperson thanked all for their attendance and participation in the proceedings, and wished them a safe journey home. The meeting was adjourned at 06:38 p.m., on a motion moved and seconded by Gregory Laurent and Nannia Cyris respectively.

A handwritten signature in cursive script, appearing to read "Denver Chiquot", written over a dotted line.

Denver Chiquot
Secretary

Board of Directors' Report

For the year ended December 31, 2019

Introduction

It gives me great pleasure, on behalf of the Board of Directors, to give an account of our stewardship for the year ended December 31, 2019. You gave us the mandate to govern and manage the Laborie Co-operative Credit Union (LCCU) in ways that would help enhance your standard of living and quality of life. As the content of the report will indicate, we were able to progress and create value consistent with our mandate, notwithstanding the highly competitive environment in which our Credit Union operated.

The Board of Directors for the past year were:

Mr. Paul Sammy	President
Mr. Steven Auguste	Vice President
Mr. Denver Chiquot	Secretary
Mrs. Sienna London	Assistant Secretary
Mrs. Francilia Brown	Treasurer
Mr. Johnson Auguste	P.R.O.
Mr. Eyan St Helene	Director
Ms. Lana Alexander	Director
Mr. Phils Louis	Director

The Economic Environment

According to the Eastern Caribbean Central Bank (ECCB), the year 2019 recorded continued growth in the economies of its members, including St. Lucia. The region experienced an average growth rate of 3.2 % with an average Debt/GDP of 65.4%. The ECCB indicated that at the end of 2019, St Lucia's Debt/GDP stood at 63.3% and economic growth is expected to reach 3.8% during 2020. The ECCB's target for its members include Debt/GDP 60% and economic growth 5%. They are hopeful that these targets will be achieved by 2030.

During the year under review, the financial services sector saw tremendous competition among service providers. The supply of loanable funds vis-à-vis the demand for loans continued to be relatively high, perpetuating the liquidity trap (high rates of savings in spite of low interest payments on savings). To boost the demand for loans, the financial services sector continued to cut loan interest rates, almost simulating an interest rate war.

With the departure of the North American banks, Credit Unions and indigenous Banks in St Lucia now have the opportunity to become the leading provider of financial services for our people. LCCU should position itself to make full use of this opportunity.

Performance Review

LCCU completed the first year of its three year Strategic Plan (2019 – 2021) in the review year.

In summary, the performance of the LCCU is as follows:

Financial Objectives

	2019	
	Planned	Achieved
Total Assets	\$208M	\$209.1M
Members Savings	\$169.4M	\$168.31M
Total Loans	\$166.4M	\$153.8M
Total Income	\$15.5M	\$15.11M
Total Expense	\$9.68M	\$9.914M
Surplus	\$5.82	\$5.16M

The prevailing mode of the financial services sector necessitated that LCCU cut interest rates on loans. LCCU prides itself on rewarding members with reasonable returns on their savings, and maintained existing rates on savings, notwithstanding the decline in loan interest income. Members benefitted from this strategy and as expected, this impacted our surplus. The demand for loans had not picked up during the year, resulting in the de-marketing of fixed deposits, hence the total savings figure achieved.

Strategic Objectives

The focus was on the following strategic initiatives:

1. Create value for members through speedy delivery and convenient access to services.
2. Expand productive lending by creating value for small to medium enterprises and agri-businesses.
3. Make LCCU national.

4. Enable continued progress through succession planning and retention of critical staff.
5. Develop capacity to resume business operations within reasonable time after a disaster.
6. Be IFRS 9 compliant.

LCCU continued its drive to achieve competitive advantage through the delivery of high quality and speedy customer and member service. In this regard, strategies were implemented to minimize both queuing time and the number of members sourcing services at each Branch. Members were encouraged to use the Express Deposit Box, On-line Member Service and LCCU App for better time management. Since the response has been so fantastic, an Express Deposit box will be installed at the Laborie Branch in 2020. The long awaited ATM service is here, and it is anticipated that accessing it will reduce the number of members queuing up for Teller services. Members are urged to apply for their ATM cards.

The focus on creating value for small and medium enterprises (SME) including agri-business continued. The SABLE Project established with Black Bay Farmers and Consumers Co-operative is expected to bring about a greater demand for agri-business loans during 2020.

Organizational resilience within the context of climate change is important to LCCU. In this regard, an Emergency and Continuity of Operations Plan was developed, and will ensure the delivery of services to our members without undue delay after an emergency or a disaster.

During the year under review, LCCU went national, meaning that, presently, every citizen or legal resident of St Lucia can become a member of LCCU. The new eligibility criteria will be actively promoted in 2020.

The LCCU financial statements of 2018 received a qualified audit opinion because they were not compliant with IFRS 9. Rest assured that the 2019 statements are IFRS 9 compliant, and this milestone was attained through the application of the skills, knowledge and efforts of our staff. LCCU did not fall in the category of institutions hiring consultants to implement the IFRS 9 standards, thanks to the yeoman efforts of our staff, and deserve our highest commendations.

Concern for Community

LCCU's continued show of solidarity for community based initiatives is unmatched. The Laborie Youth and Sports Council received our whole hearted support in their efforts to revitalize youth and sporting activities in the community. LCCU will be the owner of Laborie Pride, a cricket team scheduled to participate in the St Lucia Premier League (SPL) cricket franchise tournament during the latter part of the year. LCCU's sponsored contestant in the 2019 Carnival Queen Pageant emerged the winner. Our deepest congratulations to Miss Wenia Verneuil, the reigning Carnival Queen, for making LCCU and Laborie proud.

Acknowledgement

The singular strength of LCCU is the quality of commitment, skill and effort expended by Officers and staff as they work to fulfill the mission of the organization. We are profoundly grateful for their demonstration of such dedication and tenacity.


Three of our Directors have completed their mandatory terms on the Board and are now retiring. We sincerely thank Directors Francilia Brown, Sienna London, and Johnson Auguste, and wish them well in their future endeavours. We are hopeful that they will remain LCCU ambassadors.

Conclusion

Members, we are thankful for your confidence in and support for LCCU. You continue to make us your preferred financial service provider, notwithstanding the many choices at your disposal.

Once again, we had a successful year. The Board is therefore recommending 6% dividend and 10% patronage refund.

May the good Lord continue to bless us. Long live the Laborie Co-operative Credit Union.



Paul Sammy

President

Treasurer's Report

For the year ended December 31, 2019

Fellow Co-operators, Members, Officers, Management and Staff I greet you.

It is indeed a privilege to present the Treasurer's Report of the Laborie Co-operative Credit Union (LCCU) for the financial year 2019, and give you an indication of the Society's financial activities for the year under review.

I am pleased to announce that through **MEMBERS** economic participation in the business, LCCU once again had a successful year. In the spirit of continued prosperity and financial well-being, we are committed to be the preferred financial service provider for the people of this nation. We continue to anchor the future of LCCU by building on the successes of the past, whilst learning from mistakes and challenges encountered along the journey.

Overview

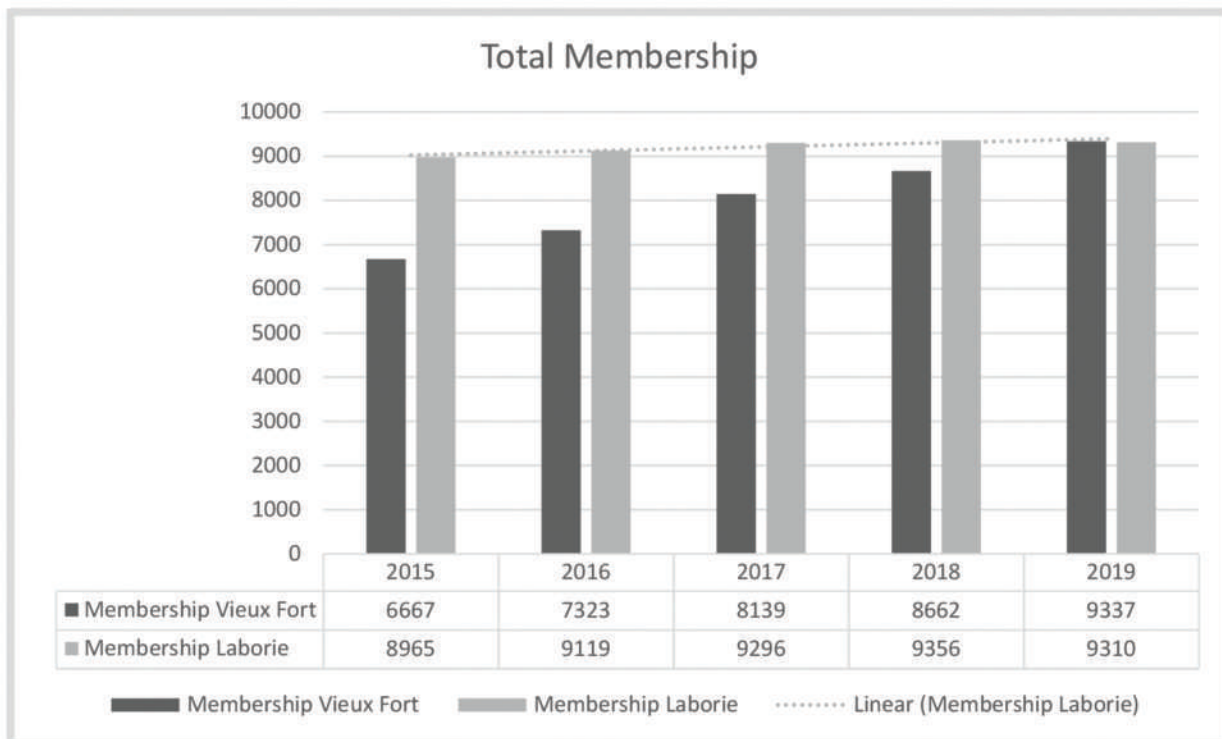
- The domestic economy registered marginal growth of 3.2% in 2019. In spite of that, St Lucia's economy is the most vibrant in the OECS, according to the Eastern Caribbean Central Bank (ECCB) 2019 report.
- 1. Notwithstanding the domestic economic growth, high unemployment remains especially among the youth.
- For years, we reported high levels of delinquency. I am happy to report that our delinquency level has declined to a more acceptable rate of 6.83% as at December 31, 2019. Your efforts have certainly paid off, and you our members, are deserving of our applause. The goal, however, is to have a delinquency rate of less than 5%.
- The local financial market continues to be very liquid, thus causing an interest rate war on loans offered by commercial banks and other financial institutions, each trying to outdo the other. As a result, LCCU developed strategies to combat the effects of the continuous changes in loan interest rates in the market.
- LCCU continues to receive large amounts of money, being offered as deposits with no corresponding request for loans. This has caused an increase in cash on hand position as well as an increase in cost of funds.

- In 2019, our capital base far surpassed the statutory requirement, and stands at 16.40% of our liabilities, and 13.27% of our assets. This is a significant achievement for the LCCU in an environment of stiff competition and continued challenges.
- LCCU received an amount of \$103,644 from British American Insurance Co. being interim payments for the 2011 failed investment with that company.
- 2019 saw the installation of an ATM station at our Vieux Fort Branch. You can now access your funds from four (4) different locations in St Lucia.
- We are delighted to give back to you, the largest patronage refund to date, that is 10% of your interest payments. It is evident that our biggest interest is **you**.

Performance Review - General

Membership & Account Holders

Membership and account holders grew by 3.49% to 18,647 as at December 31, 2019 from 18,018 at December 31, 2018. Thus 629 new accounts were opened, the majority at the Vieux-Fort Branch.



Performance Review – Statement of Financial Position

Assets

Total Assets increased by 13.23% to \$209.1M in 2019 from \$184.7M in 2018. This represents an increase of \$24.4M. This increase can be attributed to the following:

1. Cash

Our cash position increased from \$7.7M in 2018 to \$19.5M in 2019, an increase \$11.8M or 152.98%, due to increased amounts received on deposits mentioned in my overview.

2. Members’ Loans

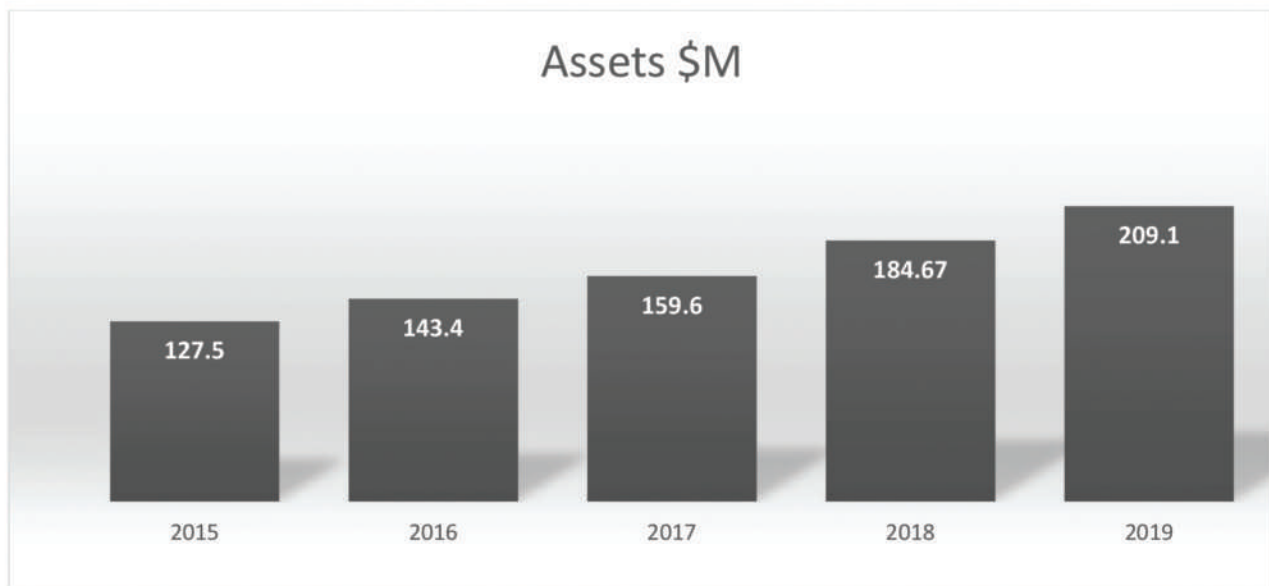
Members’ loans net allowance for impairment increased from \$144.1M in 2018 to \$153.4M in 2019, or 6.46%, representing increased disbursements of \$9.3M.

3. Investments held to maturity

Investments held to maturity increased from \$25.5M in 2018 to \$29.7 M in 2019 or 16.73% increase. This was due to a further purchase of \$4.2M in Government of St. Lucia 3-year 5% Treasury Bills.

4. Accounts Receivables & Prepayments

Outstanding Receivables showed a marked decrease of \$0.813M as a result of timely collection of funds due from various creditors 2019.



Members' Equity

Members Equity increased from \$34.85M in 2018 to \$39.87M in 2019, an increase of \$5.02M or 14.40%. The increases were reflected in the following accounts:

1. Share Capital

Share capital, from \$9.67M in 2018 to \$10.91M in 2019, a \$1.24M increase or 12.78%.

2. Reserves and Funds

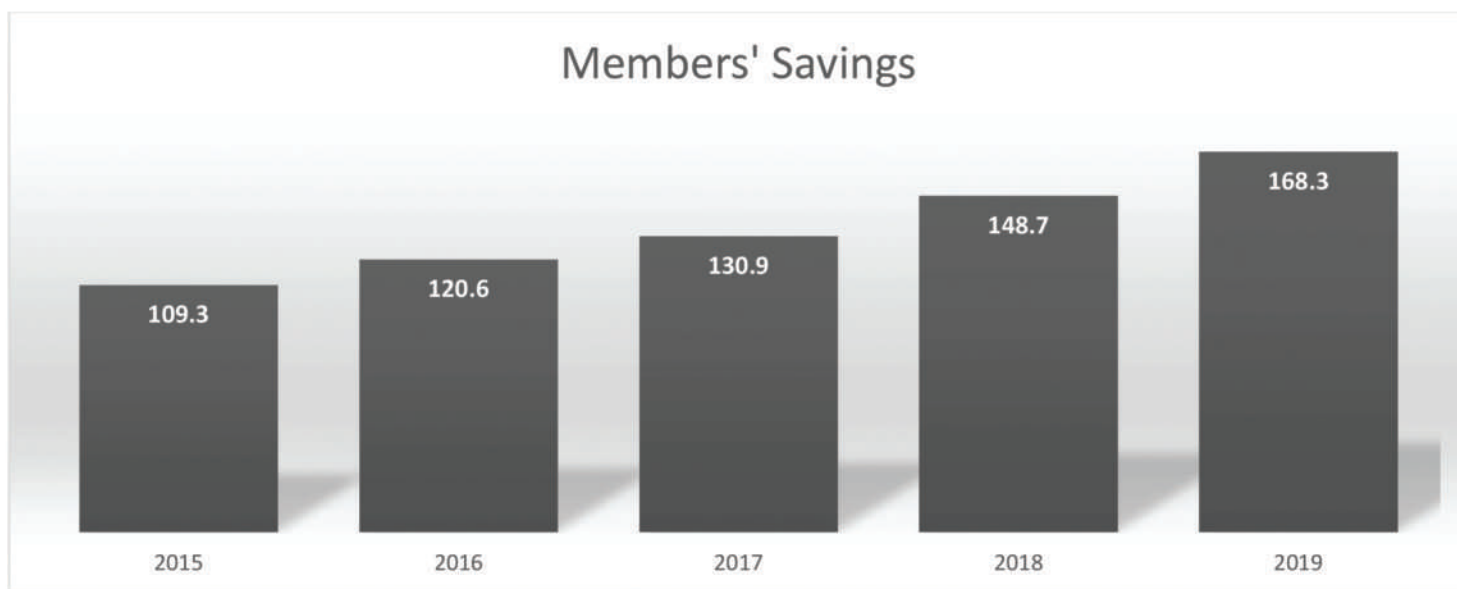
Reserves and funds, from \$9.91M in 2018 to \$11.41M in 2019, an increase of 15.06%.

3. Retained Earnings

Retained earnings, from \$15.26M in 2018 to \$17.55M in 2019, an increase of 15.01%.

Savings

Members' savings increased from \$148.73M in 2018 to \$168.31M in 2019. This \$19.60M or 13.18% increase is attributable to increases in all categories of savings, namely, fixed deposits, ordinary shares and withdrawable shares, due to (1) members' confidence in LCCU and (2) migration of depositors from financial institutions to LCCU, taking advantage of more favorable interest rates on savings and fixed deposits. This move increased our liquidity. It also caused an increase in the cost of funds and reduced the surplus, as there was very little investment opportunities for earning income from the liquidity reserves.



Performance Review – Statement of Comprehensive Income***Income***

The total income generated by the core business activities in 2019 was \$14.79M, compared to \$13.28M in 2018, an increase of \$1.51M or 11.38%.

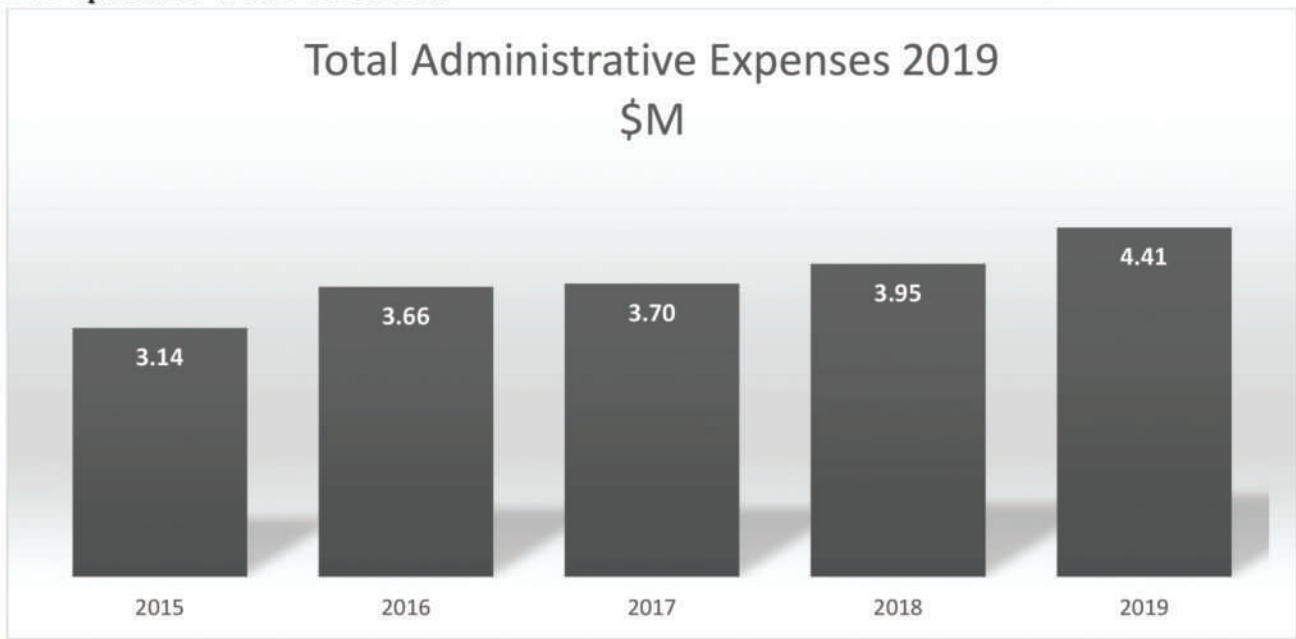
Interest Expense

LCCU continued to give back to members by maintaining interest rates on fixed, ordinary deposits, and withdrawable shares. The result was a high increase in cost of funds from \$4.22M in 2018 to \$5.37M in 2019, increase of \$1,156,578 or 27.44%.

Administrative Expenses***1. Total Expenses***

Total administration expenses (less recoveries) were \$4.31M compared to \$3.60M in 2018, an increase of 19.76%. The *net* increases are mainly due to the following illustrated in the table below:

Category	2019	2018	Variance %
AGM	47,296	41,153	14.93%
Members' Relations	39,353	33,944	15.94%
Legal & Professional Fees	21,514	17,632	22.02%
Utilities	269,419	238,031	13.19%
Office Supplies & Stationary	153,074	128,788	18.86%
Repairs & Maintenance	158,788	212,342	-25.22%
Salaries & Wages	1,718,458	1,535,064	11.95%
Education & Training	122,855	173,456	41.19%
CUNA Insurance	459,312	398,190	15.35%
Advertisement & Promotion	96,699	104,266	-7.26%
General Donations	55,773	51,510	8.28%
Rental Vieux Fort Office	261,192	238,500	9.51%
Special Project	57,935	49,262	17.61%



Conclusion

- Our vision for the future at LCCU is to work in partnership with you, our members, to ensure convenient and competitive products.
- Continue to develop and build effective digital platforms to remain relevant in this digital age. We invite you to make full use of those platforms as they become available.
- LCCU is taking active steps to grow and increase its membership base, by going **National**.

I invite you to take advantage of the many products and services that we have created with you in mind:

- ❖ Land Loans
- ❖ Mortgage Loans
- ❖ Student Loans
- ❖ Personal Loans
- ❖ Smartclime
- ❖ Kwedi Alez
- ❖ Vehicle Loans
- ❖ Business Loans
- ❖ Construction Loans
- ❖ Mix & Match Loans
- ❖ Vision Plus Loans
- ❖ Family Indemnity Plan
- ❖ Fixed Deposit Box
- ❖ Western Union Services
- ❖ Surepay Services

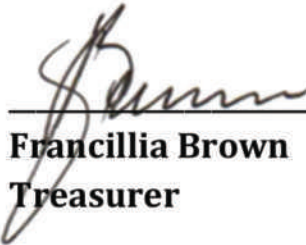
Laborie Co-operative Credit Union Ltd.

35th Annual General Meeting

And much more, the possibilities are endless, come in and ask us.

My tenure as a Director has come to an end and I must retire. I sincerely thank you for the opportunity given to me, to be of service to LCCU. It has been an honor and privilege to serve you. May God continue to bless and direct our affairs.

“Working Together in Transforming the Future, our Future”.



Francillia Brown
Treasurer

Credit Committee's Report

For the year ended December 31, 2019

I have the pleasure of presenting the report of the Credit Committee for the financial year 2019.

The Credit Committee comprised the following Officers:

Mrs. Nazaria Celia John – Chicot	Chairperson
Mr. Dale Louis	Deputy Chairperson
Ms. Jenny Chicot Louisy	Secretary
Ms. Carina Snagg	Member
Mrs. Nataki James George	Member

It must be noted that while all policies (inclusive of lending policies) that guide the operations of the Laborie Co-operative Credit Union (LCCU) are determined by the Board, the Credit Committee is responsible for implementing those lending policies.

During the year under review, the Committee met 49 times and processed 4135 loans, 183 less than 2018. The comparative figures for applications received in the respective categories are illustrated in Table 1.

TABLE 1: LOAN APPLICATION BY CATEGORY

CATEGORY	No. of Loans	
	2018	2019
Business	81	46
Education	262	151
Agriculture	48	14
Personal	3646	3767
Mortgage	86	80
Medical	195	77
TOTAL	4318	4135

A total of 4130 loans were approved for the year 2019, amounting to a total of \$39,322,140.24, a decrease of \$1,655,625.35 from the previous year. Personal, Mortgage, Business and Education loans formed the largest categories of approved loans, as reflected in Table 2.

TABLE 2: LOANS APPROVED

CATEGORY	NUMBER	% OF APPROVED LOANS	AMOUNT	% OF TOTAL AMOUNT APPROVED
Business	46	1.11%	\$1,756,407.90	4.47%
Education	151	3.66%	\$1,495,311.91	3.80%
Agriculture	14	0.34%	\$175,378.00	0.45%
Personal	3765	91.16%	\$24,295,089.25	61.78%
Mortgage	77	1.86%	\$11,214,341.73	28.52%
Medical	77	1.86%	\$385,611.45	0.98%
TOTAL	4130	100%	\$39,322,140.24	100%

While the LCCU is committed to serving its members, it is mandated to maintain and adhere to its lending policies. As a Committee, we are duty bound to diligently review all loan applications with the aim of assuring membership of fair access to members’ deposits in the form of loans, while safeguarding the organization’s interest. During the review period, 5 out of 4135 processed loans were not approved for various reasons, including insecurity of investment, insufficient security, prior delinquency, uncertainty about ability to repay and insufficient information. Table 3 provides information on approved loans.

TABLE 3: LOANS NOT APPROVED

CATEGORY	NUMBER OF LOANS
Business	0
Education	0
Agriculture	0
Personal	2
Mortgage	3
Medical	0
TOTAL	5

In addition to processing loan applications weekly, Credit Committee members attended Joint Committee meetings and participated in LCCU organized activities, some of which were effective in empowering us to better execute our duties. The Committee also recommended improvements in the loan application and granting processes to the management of the Credit Union.

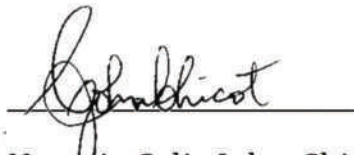
At this juncture, and on behalf of the Credit Committee, I would like to remind you, members, of the requirements for the approval of loans. These include cash security, mortgages, bills of sale, co-makers, life and property insurance. There are also provisions in place for loans within

Laborie Co-operative Credit Union Ltd.

shares or savings to be disbursed by the Manager. Therefore, you must familiarize yourselves with these requirements to avoid delays in the processing of your loans.

The Committee is extremely grateful to the General Manager, Mr. Lucius Ellevic, and the Loan Officers for their support and cooperation during the past year. Special thanks to those Officers who promptly responded and willingly provided clarity during our loan deliberations, even when they were off duty. Our sincere thanks to our esteemed members, for without you, there would be no Credit Union. We thank you for being patient and understanding when applications were delayed for various reasons or when things did not go as you wished. It is significant to note that while we seek to assist all members, we are also obligated to safeguard the interest of the Credit Union and its members.

The Credit Committee urges all members to continue to give your unwavering support to the Laborie Cooperative Credit Union in order to help it remain the most highly recognized and preferred financial institution nationally, amidst economic challenges. We look forward to a productive 2020.



Nazaria Celia John-Chicot (Mrs.)

Chairperson

Supervisory & Compliance Committee's Report

For the year ended December 31, 2019

The Supervisory and Compliance Committee welcomes the opportunity to present its report for the financial year ending 31st December, 2019.

The Supervisory and Compliance Committee is responsible for conducting audit activities to verify the extent to which the Laborie Co-operative Credit Union's (LCCU) internal controls, policies and procedures are in compliance with existing protocols, as well as make recommendations geared towards the efficient management and operations of the LCCU.

The Committee comprises the following members:

- | | |
|------------------------|-----------------------|
| ▪ Mr. John Lawrence | Chairperson |
| ▪ Ms. Kediana Charlery | Assistant Chairperson |
| ▪ Mrs. Irma Francis | Secretary |
| ▪ Mr. Caron Serieux | Assistant Secretary |
| ▪ Mr. Keth Thompson | Member |

The appointment an Internal Audit and Compliance Officer was commendable as it provided the opportunity for greater synergies with this Committee. In addition to enhancing her competences in her designated field, this Officer facilitated the Committee in conducting the various audits and reviews, resulting in tremendous benefits to the LCCU in general.

Work Plan

Our Workplan for 2019 were centered on the following:

- Security Audit (Cash and physical building)
- Cash counts
- 'Meet the members' survey
- Investment Audit
- Education Committee meeting

- Scholarships and Bursaries Audit
- Staff and Officers loan audit
- Delinquent members' loans (delinquent over 90 days and without savings)

Each of the above-mentioned activities were carried out with minimal concern. Recommendations were made to safeguard the health and safety of staff and members, and for the continuous pursuit of exceptional service to members. All findings were presented to the Board of Directors through monthly reports. Also, quarterly compliance reports from the Internal Audit and Compliance Officer were also presented to the Board.

Committee members also attended Joint Committee meetings and other activities organized by the LCCU.

Security Audit

The Committee reviewed access points within the building and at the entrance and exits; network operations and video surveillance; emergency equipment, procedures and documentation; and some occupational health and safety aspects. The Committee was satisfied with most areas. However recommendations were made specifically with regard to documentation of emergency procedures and occupational health and safety issues.

Cash Count

The Committee conducted the cash counts at both the Laborie and Vieux-Fort branches, and was satisfied with the outcome. A physical count of the Tellers' cash and vault cash was done.

'Meet the members' survey

The survey which concluded in September was intended to solicit the views of members on important aspects of their relationship with the LCCU in areas such as customer service, 2019 AGM, LCCU going national, and products/services offered. There were sixty (60) and sixty-two (62) participants at the Vieux-Fort and Laborie Branches respectively.

All participants were satisfied with their customer service experience. Fifty percent (50%) were satisfied with the current services being offered by the LCCU, and the remaining fifty percent (50%) recommended access to ATM services. Most participants did not attend the

Laborie Co-operative Credit Union Ltd.

2019 Annual General meeting. Notwithstanding that over seventy percent (70%) were unaware of LCCU going 'National', most persons responded positively to the change.

We would like to thank all who participated in this survey.

Investment Audit

The investment portfolio of the LCCU was reviewed and the Committee is satisfied that current investments are secure and adequate at this time.

Education Committee Meeting

Committee members observed the conduct of an Education Committee meeting regarding the selection of awardees for Secondary School Scholarships for the academic year 2019/2020. It was noted that the process was well structured and unbiased, criteria for the awards were clearly documented, and the discussion was very interactive. However, it was unfortunate that incomplete application forms were not favourably considered.

Scholarships and Bursaries Audit

A review of incumbent Scholarship and Bursary holders was conducted to verify compliance with the awards criteria. The Committee is satisfied that all scholarship holders are in good standing with the exception of one student who failed to maintain the required academic score as specified. The Education Committee must be applauded for the level of commitment and proficiency in carrying out its mandate.

Staff and Officers loan audit

The Committee reviewed loans of Staff and Officers, and is satisfied that all loans are in good standing.

Delinquent member loans (delinquent over 90 days and without savings)

A random sample of delinquent members' loans, ninety days and older with no savings were appraised. Most of the loans had been serviced from members' savings until their funds were exhausted. However, the attempts by some members at reducing their arrears were noted.

The Committee appeals to members who are experiencing difficulty in meeting their loan payments to make every effort to contact a Loans Officer regarding the way forward in alleviating their current situation.

Conclusion

The Officers of the Supervisory and Compliance Committee sincerely appreciate the opportunity to serve you the members. We are grateful for the support, co-operation and courtesies accorded us by the management and staff of the LCCU during the year.

Officers John Lawrence, Kediana Charlery and Caron Serieux have reached the end of their first term and are up for re-election. We sincerely thank them for their enthusiasm and commitment in carrying out the work of the Committee.



John Lawrence
Chairperson

Laborie Co-operative Credit Union Ltd.

Independent Auditor's Report

LABORIE CO-OPERATIVE CREDIT UNION LIMITED
2019 Audited Financial Statements
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RI-FINITY
ASSOCIATES

LABORIE CO-OPERATIVE CREDIT UNION LIMITED

2019 Audited Financial Statements

Corporate Information

DIRECTORS

Paul Sammy
Johnson Auguste
Francillia Browne
Steven Auguste

Sienna London
Denver Chiquot
Phils Louis
Eyan St Helen

Lana Alexander

PRESIDENT

Paul Sammy

SECRETARY

Denver Chiquot

TREASURER

Francillia Browne

GENERAL MANAGER

Lucius Ellevic

REGISTERED OFFICE

Allan Louisy Street, Laborie, Saint Lucia.

REGULATOR

Financial Services Regulatory Authority, Ministry of Finance, Economic Affairs and Social Security, Government of Saint Lucia

AFFILIATION

St Lucia Co-operative League Limited
The Caribbean Confederation of Credit Unions
Eastern Caribbean Co-operative Central Ltd

SOLICITORS

John & John Chambers Inc
Sylvester Anthony Chambers
Bapson U Ambrose Chambers

BANKERS

Bank of St Lucia Limited

AUDITORS

Tri~Finity Associates
P O Box RB2761
Rodney Bay
Gros Islet, LC01 401
Saint Lucia

Independent Auditors' Report

Page 1 of 2

To the Members of:
Laborie Co-operative Credit Union Limited

Opinion

We have audited the financial statements of Laborie Co-operative Credit Union Limited (the Co-operative) which comprise the Statement of Financial Position as at December 31st, 2019 and the Statements of Comprehensive Income, Changes in Equity, Cash flows, and Notes, comprising a Summary of Significant Accounting Policies and other Explanatory Information.

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

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 are independent of the Co-operative in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statement in Saint Lucia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Emphasis of Matter

There was no matter to be emphasized.

Independent

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 of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of those 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 cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Co-operative's financial reporting process.

Auditors' Responsibility 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.

Independent Auditors' Report

To the Members of:
Laborie Co-operative Credit Union Limited

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error.
 - Design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
 - Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Co-operative'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 the Board of Directors (the group charged with governance of the Co-operative) 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.


TRI-FINITY ASSOCIATES
Chartered Accountants

Rodney Bay, Gros Islet, St. Lucia
Tuesday March 3rd, 2020

LABORIE CO-OPERATIVE CREDIT UNION LIMITED

Statement of Financial Position

Exhibit I

As At December 31st, 2019

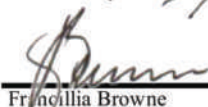
(Reported in Eastern Caribbean Dollars with Prior Year Comparatives)

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Assets			
Cash & cash equivalents	Exhibit IV	\$19,495,525	\$7,706,240
Investment securities, available for sale	Note 08	1,194,826	1,230,691
Accounts receivable, net of allowance for impairment	Note 06	917,067	1,729,687
Land, available for sale	Note 07	80,728	80,728
Investment securities, held to maturity	Note 08	29,719,446	25,465,316
Members' loans & advances, net of allowance for impairment	Note 09	153,438,085	144,128,067
Deferred equipment cost		725	14,604
Property, plant & equipment, net of accumulated depreciation	Note 10	4,254,665	4,386,828
Total assets		<u>\$209,101,067</u>	<u>\$184,742,161</u>
Liabilities			
Accounts payable & accruals	Note 11	\$324,971	\$520,074
Members' fixed deposits	Note 12	69,872,836	59,645,772
Members' regular deposits	Note 13	34,902,539	29,675,866
Members' special savings	Note 14	63,536,758	59,405,674
Long-term Debt	Note 15	598,451	648,344
Total liabilities		<u>\$169,235,555</u>	<u>\$149,895,730</u>
Net assets (deficiency)		<u>\$39,865,512</u>	<u>\$34,846,431</u>
Represented by:			
Members' equity			
Share capital	Exhibit III	\$10,906,296	\$9,670,207
Reserves & funds	Exhibit III	11,406,394	9,913,641
Retained earnings	Exhibit III	17,552,822	15,262,583
Members' equity		<u>\$39,865,512</u>	<u>\$34,846,431</u>

Approved by the Board of Directors For release on:

Tuesday March 3rd, 2020


 _____ President
 Paul Samny


 _____ Treasurer
 Franchilla Browne


 _____ Secretary
 Denver Chiquet

The attached notes are an integral part of these financial statements

LABORIE CO-OPERATIVE CREDIT UNION LIMITED

Statement of Comprehensive Income

For the Year Ended December 31st, 2019

(Reported in Eastern Caribbean Dollars with Prior Year Comparatives)

Exhibit II

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Revenue			
Members' loan interest		\$13,583,169	\$12,239,871
Investment interest		885,086	772,291
		<u>14,468,255</u>	<u>13,012,162</u>
Interest expense			
Bank charges & interest		22,012	21,015
Long-term debt interest		41,954	0
Members' fixed deposit interest		3,096,664	2,204,243
Members' deposits & special savings interest		2,211,180	1,989,974
		<u>5,371,810</u>	<u>4,215,232</u>
Net interest income		9,096,445	8,796,930
Other income	Note 21	318,539	264,076
Operating income		9,414,984	9,061,006
General & Administrative Expenses			
Operating & administrative expenses	Note 22	4,306,222	3,595,677
Allowance for loan impairment (recoveries)		(87,072)	88,979
		<u>4,219,150</u>	<u>3,684,656</u>
Net income (loss) for the year		5,195,834	5,376,350
Other comprehensive income			
(To be reclassified to profit & loss in subsequent years)			
Fair value increase (decrease) in available-for-sale investments (AFS)	Exhibit III/2	(35,865)	0
Comprehensive income		\$5,159,969	\$5,376,350

The attached notes are an integral part of these financial statements

LABORIE CO-OPERATIVE CREDIT UNION LIMITED

Statement of Changes in Equity

For the Year Ended December 31st, 2019

(Reported in Eastern Caribbean Dollars with Prior Year Comparatives)

Exhibit III

Page 1 of 2

	Reference	2019	2018
Share capital			
Balance, opening		\$9,670,207	\$7,335,708
Additions		1,372,883	2,523,918
Withdrawals		11,043,090	9,859,626
Balance, closing	Exhibit I	\$10,906,296	\$9,670,207
Outstanding shares at \$5.00 per share			
		2,181,259	1,934,041
Reserves & funds			
Revaluation reserve			
Balance, opening		\$467,055	\$592,985
Net income appropriation – 0.0%		0	0
Other		0	0
		467,055	592,985
Reductions		0	(125,930)
Balance, closing		\$467,055	\$467,055
Fair value reserve			
Balance, opening		\$75,000	\$75,000
Fair value increase (decrease) in AFS investments	Exhibit III/2	(35,865)	0
Other		0	0
		39,135	75,000
Reductions		0	0
Balance, closing		\$39,135	\$75,000
Statutory reserve			
Balance, opening		\$8,894,035	\$7,540,951
Net income appropriation – 25.0%	Exhibit III/2	1,298,959	1,344,088
Entrance fees		10,090	8,996
		10,203,083	8,894,035
Reductions		0	0
Balance, closing		\$10,203,083	\$8,894,035
Employment benefit fund			
Balance, opening		\$477,551	\$215,667
Net income appropriation – 3.0%	Exhibit III/2	259,792	268,818
Other		0	0
		737,343	484,484
Reductions		(40,222)	(6,933)
Balance, closing		\$697,121	\$477,551
Total reserves & funds			
Balance, opening		\$9,913,641	\$8,424,603
Net income & fair value appropriations		1,522,885	1,612,905
Entrance fees & Other		10,090	8,996
		11,446,616	10,046,504
Reductions		(40,222)	(132,863)
Balance, closing	Exhibit I	\$11,406,394	\$9,913,641

The attached notes are an integral part of these financial statements

LABORIE CO-OPERATIVE CREDIT UNION LIMITED**Statement of Changes in Equity**For the Year Ended December 31st, 2019

(Reported in Eastern Caribbean Dollars with Prior Year Comparatives)

Exhibit III

Page 2 of 2

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Retained earnings			
Net income (loss) for the year	Exhibit II	\$5,195,834	\$5,376,350
Other comprehensive income	Exhibit II	(35,865)	0
Comprehensive income		<u>\$5,159,969</u>	<u>\$5,376,350</u>
Appropriations, dividends & patronage refunds			
Statutory reserve – 25.0% of net income for the year	Exhibit III/1	1,298,959	1,344,088
Employment benefit fund – 5.0% of net income for the year	Exhibit III/1	259,792	268,818
Fair value reserve	Exhibit III/1	(35,865)	0
Dividends & patronage refunds		1,346,845	1,327,422
Total appropriations		<u>2,869,730</u>	<u>2,940,327</u>
Comprehensive income after appropriations		<u>2,290,239</u>	<u>2,436,023</u>
Retained earnings, beginning, as previously reported		<u>15,262,583</u>	<u>12,826,560</u>
Prior period adjustments		<u>0</u>	<u>0</u>
Retained earnings, beginning, as restated		<u>15,262,583</u>	<u>12,826,560</u>
Retained earnings, ending	Exhibit I	<u>\$17,552,822</u>	<u>\$15,262,583</u>

LABORIE CO-OPERATIVE CREDIT UNION LIMITED

Statement of Cash Flows

For the Year Ended December 31st, 2019

(Reported in Eastern Caribbean Dollars with Prior Year Comparatives)

Exhibit IV

	Reference	2019	2018
Cash flows from operation activities			
Comprehensive income	Exhibit II	\$5,159,969	\$5,376,350
Adjustments for non-cash items			
Property, plant & equipment (gain) loss on disposition		1,953	0
Depreciation	Note 10	283,502	262,370
		<u>5,445,424</u>	<u>5,638,720</u>
Cash flows from working capital			
(Increase) decrease in investment securities, available for sale	Note 08	35,865	(2,561)
(Increase) decrease in accounts receivable, net of allowance for impairment	Note 06	812,620	302,180
(Increase) decrease in land, available for sale	Note 07	0	125,888
(Increase) decrease in investment securities, held to maturity	Note 08	(4,254,130)	(7,822,292)
(Increase) decrease in members' loans & advances	Note 09	(9,310,018)	(15,830,385)
Increase (decrease) in accounts payable	Note 11	(195,103)	285,703
Increase (decrease) in members' fixed deposits	Note 12	10,227,064	9,114,446
Increase (decrease) in members' ordinary deposits	Note 13	5,226,673	4,113,589
Increase (decrease) in members' special savings	Note 14	4,131,084	4,595,069
Cash flows from operating activities		<u>12,119,479</u>	<u>520,357</u>
Cash flows from investing activities			
Purchase of property, plant & equipment	Note 10	(188,810)	(332,820)
Proceeds from disposition of property, plant & equipment		35,518	0
Deferred equipment cost		13,879	0
Cash flows from investing activities		<u>(139,413)</u>	<u>(332,820)</u>
Cash flows from financing activities			
Proceeds from long-term debt	Note 15	(49,893)	648,344
Proceeds from entrance fees		10,090	8,996
Payments from reserves & funds	Exhibit III	(40,222)	(132,863)
Dividends & patronage refunds payments	Exhibit III	(1,346,845)	(1,327,422)
Proceeds from share issue	Exhibit III	1,236,089	2,334,499
Cash flows from financing activities		<u>(190,781)</u>	<u>1,531,554</u>
Increase (Decrease) in cash & cash equivalents		11,789,285	1,719,091
Cash & cash equivalents, beginning		7,706,240	5,987,149
Cash & cash equivalents, ending		<u>\$19,495,525</u>	<u>\$7,706,240</u>
Represented by:			
Cash			
Cash on hand		\$1,187,103	\$1,047,320
Vieux Fort Current account - Bank of St Lucia Limited		4,980,937	1,215,619
Current account PPCR sable loan - Bank of St Lucia Limited		541,768	648,454
Current account - MIF/PROADAPT Bank of St Lucia Limited		53,049	172,852
Laborie Current account - Bank of St Lucia Limited		12,732,668	4,621,995
Cash & cash equivalents, ending	Exhibit I	<u>\$19,495,525</u>	<u>\$7,706,240</u>

The attached notes are an integral part of these financial statements

LABORIE CO-OPERATIVE CREDIT UNION LIMITED

Summary of Significant Accounting Policies & Other Explanatory Notes

December 31st, 2019

(Reported in Eastern Caribbean Dollars with Prior Year Comparatives)

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01. Registration, business activities, and tax status

The Laborie Co-operative Credit Union Limited (the *Co-operative* or *Credit Union*) was duly registered as a Credit Union on May 27th, 1981 pursuant to the Co-operative Credit Union Act, Chapter 82 of the Laws of Saint Lucia (1957) Revision, and is continued under Section 241 of the Co-operative Societies Act, No. 28 of 1999. The Credit Union was formed to promote thrift and co-operative principles among its members by providing the means to facilitate savings.

The registered office and principal place of business of the Co-operative is located at Allan Louisy Street, Laborie, Saint Lucia. The principal activities of the Co-operative is the provision of financial services to its members on reasonable terms and conditions for provident and productive purposes.

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

02. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless specifically stated otherwise.

(a) Basis of Presentation

The Laborie Co-operative Credit Union Limited's financial statements have been prepared under the historical cost convention in conformity with International Financial Reporting Standards (IFRS) as modified by the revaluation of available-for-sale financial assets.

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

Management also exercises judgement in the process of applying the Co-operative's accounting policies. Significant judgements have been made in the following areas:

- Fair value of financial instruments and securities impairment
- Allowance for credit losses
- Provisions
- Impairment losses on loans and advances
- Impairment of available-for-sale equity investments
- Held-to-maturity investments

Accordingly, actual results may differ from these and other estimates thereby impacting future financial statements.

(b) 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.

(c) Revised standards effective and relevant to the Co-operative

a) New standards and revisions issued and effective for the financial year beginning January 1st, 2018.

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:

- i) When the intangible asset is expressed as a measure of revenue; or
- ii) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

LABORIE CO-OPERATIVE CREDIT UNION LIMITED

Summary of Significant Accounting Policies & Other Explanatory Notes

December 31st, 2019

(Reported in Eastern Caribbean Dollars with Prior Year Comparatives)

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02. Summary of significant accounting policies (Continued)

IAS 16 – Property, Plant and Equipment and IAS 38 (Continued)

The application of the amendments to IAS 16 and IAS 38 had no impact on the Co-operative's financial statements.

IAS 11 – Joint Arrangements sets forth the accounting by entities that jointly control arrangements. Joint control involves an agreement to share control. Arrangements subject to joint control are classified as either joint venture or joint operation. The standard was amended by *Accounting for Acquisitions of Interests in Joint Operation* and is effective for annual periods beginning on or after January 1st, 2016. This amendment had no effect on the financial statements.

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

Annual Improvements to IFRSs 2018 to 2020 Cycle was issued in December 2017. The amendments related to four (4) standards and are effective for annual periods beginning on or after January 1st, 2019. These amendments have no impact on the financial statements of the Co-operative.

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 judgement when applying those arrangements. The amendments are effective for annual periods beginning with January 1st, 2016 and have no material effect on the financial statements.

IFRS 9, Financial Instruments – In July 2014, the IASB issued the complete version of IFRS 9, first issued in November 2009, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39.

IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured at fair value through profit and loss (FVTPL), fair value through OCI or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39.

IFRS 9 also introduces an expected loss impairment model for all financial assets. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit or loss and loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered credit-impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount.

Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities.

IFRS 9 is effective for annual periods beginning on January 1st, 2018. The Co-operative did not restate members' loans provision to ECL for the 2018 year. In this regard, the financial statements are not comparative.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss (ECL) model as opposed to an incurred credit loss model under IAS 39. The expected Credit loss model requires the Co-operative to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

From January 1st, 2019 the Co-operative has been recording an allowance for expected credit losses for all members' loans and individual receivables and prepayments.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Co-operative expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in three (3) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures which are credit impaired or for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

LABORIE CO-OPERATIVE CREDIT UNION LIMITED

Summary of Significant Accounting Policies & Other Explanatory Notes

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02. Summary of significant accounting policies (Continued)

IFRS 9, Financial Instruments (Continued)

The Co-operative considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Co-operative may also consider a financial asset to be in default when internal or external information indicates that the Co-operative is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Co-operative.

Based on the above process, the Credit Union classifies its ECLs into Stage 1, Stage 2, and Stage 3.

Stage 1

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

Stage 2

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

Stage 3

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

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD The Probability of Default is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the asserted period, if the facility has not been previously derecognised and is still in the portfolio.

EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date including repayments of the principal and interest, whether scheduled by contract or otherwise.

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and the cash flows expected to be received. It is usually expressed as a percentage of the EAD.

The maximum period for which the credit losses are determined is the contractual life of the financial instrument.

Calculation of ECLs

Stage 1

The 12-month ECL is calculated as the portion of LTECLs that represent the ECLs resulting from default events on a financial instrument that are possible within the 12 months after the reporting date. The Co-operative calculates the 12-month ECL allowance based on the expectation of default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the Expected LGD.

Stage 2

When financial assets have shown a significant increase in credit risk since origination, the Co-operative records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the loan.

Stage 3

For the financial assets considered credit-impaired, the Co-operative recognises the lifetime ECLs for these financial assets. The method is similar to that of Stage 2 assets.

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 recognize 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. Pursuant to IFRS 15, an entity recognizes 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 or after January 1st, 2018. The Co-operative is yet to assess the impact of this standard.

IFRS 16, Leases was issued in January 2016 and will supersede IAS 17, leases. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard removed the current requirement for lessees to classify leases as finance or operating leases by introducing a single lessee accounting model that requires the recognition of lease assets and lease liabilities

LABORIE CO-OPERATIVE CREDIT UNION LIMITED

Summary of Significant Accounting Policies & Other Explanatory Notes

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02. Summary of significant accounting policies (Continued)

IFRS 16, Leases (Continued)

on the balance sheet for most leases. Lessees will also recognize depreciation expense on the lease asset and interest expense on the lease liability in the statement of income. There are no significant changes to lessor accounting aside from enhanced disclosure requirements.

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.

Early adoption of standards

The Co-operative did not early-adopt any new or amended standards in 2019.

(d) 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 recognized at fair value including direct and incremental transaction costs and measured subsequently as amortised cost, using the effective interest rate method. Interest on held-to-maturity investments is included in the statement of income. In case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognized in the statement of income.

If the 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 investments.

b) Available-for-sale

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognized at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognized in the statement of income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognized in the statement of comprehensive income is recognized in the statement of comprehensive income. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognized in the statement of income. Dividends on available-for-sale equity instruments are recognized in the statement of income when the 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 the initial investment, other than because of credit deterioration.

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

(e) Foreign currency translation

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

LABORIE CO-OPERATIVE CREDIT UNION LIMITED

Summary of Significant Accounting Policies & Other Explanatory Notes

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02. Summary of significant accounting policies (Continued)

(e) Foreign currency translation (Continued)

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.

(f) Impairment of financial assets

Assets carried at amortised cost

The Co-operative assesses at each balance sheet date whether there is objective evidence that the financial asset or group of financial assets is impaired. A financial asset or group of financial assets, is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimate future cash flows of the financial asset or group of financial assets that can be reliably estimated. 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 issue or obligor;
- > a breach of contract, such as default or delinquency in interest or principal;
- > 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 reorganization;
- > the disappearance of an active market for that financial asset because of financial difficulties; or
- > observable data indicating that there is 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 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 recognized 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.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of income. If a loan or held-to-maturity investment has variable interest rates, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the 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 the collateralized financial asset reflects the cash flows that may or may not result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

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

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

LABORIE CO-OPERATIVE CREDIT UNION LIMITED

Summary of Significant Accounting Policies & Other Explanatory Notes

December 31st, 2019

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02. Summary of significant accounting policies (Continued)

Impairment of other non-financial assets

Assets carried at fair value

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

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

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 recognized amounts and there is an intention to settle on the net basis, or realize the asset and settle the liability simultaneously.

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.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand and short-term deposits with original maturities of less than one year. For the purpose of Cash Flow Statement, cash and cash equivalents comprise balances of cash on hand and current bank accounts less any bank overdraft balances.

(h) Accounts receivable

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

(i) Property, plant and equipment

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

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

Furniture & Fittings		15.00%
Computer hardware & software	15.00%	33.33%
Leasehold improvements		20.00%
Buildings		2.50%
Land		0.00%

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

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

(j) Financial liabilities

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

(k) 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 reported in equity as a deduction, from proceeds.

LABORIE CO-OPERATIVE CREDIT UNION LIMITED

Summary of Significant Accounting Policies & Other Explanatory Notes

December 31st, 2019

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02. Summary of significant accounting policies (Continued)

(l) Dividends on members' equity shares

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

(m) Interest income & expense

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Co-operative estimates cash flows consisting all contractual terms of the financial instrument but does not consider further 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.

(n) Fees and commission income

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

(o) Dividend income

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

(p) 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.

(q) Financial instruments

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

(r) 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.

03. Financial risk management

Responsibility & authority

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

Financial instruments' strategy

Consequent on its nature, the Co-operative's activities are principally related to the use of financial instruments. The Co-operative accepts the proceeds of deposits and shares from members and seeks to earn an interest margin by lending these monies 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 common types of risks are credit risk, liquidity risk, market risk, and operational risk. Market risk includes currency and interest rate risks.

(a) Credit risk

The Co-operative takes on exposure to credit risk which is the risk that a counter party 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 risks.

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03. Financial risk management (Continued)

Financial instruments' strategy (Continued)

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.

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 & provisioning policies

Impairment provisions are recognized 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, 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 the specific provisioning.

The collective provisioning requires management's 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:

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Cash at bank		\$18,308,422	\$6,658,920
Investment securities		30,914,272	26,696,007
Loans and advances to members		153,438,085	144,128,067
Accounts receivable		917,067	1,729,687
		<u>202,660,779</u>	<u>177,482,994</u>
Loan commitments		4,873,983	1,198,858
Maximum exposure to credit risk		<u>\$207,534,762</u>	<u>\$178,681,852</u>

(b) Market risk

Market risk arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific movements. The interest rates on term contracts are fixed to the term of maturity. Rates on members deposits held are reviewed on an annual basis. The rates for the various deposits and other financial assets are disclosed in their associated notes.

The Co-operative is exposed to market risks (fair value). Share holdings in the Eastern Caribbean Financial Holding Company are traded on the open market through the Eastern Caribbean Securities Exchange, while that in the 1st National Bank St Lucia Limited are not traded on the open market.

Investments are monitored by management and changes in fair values are reported through the profit and loss accounts.

(c) 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 exposure of the Co-operative to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars (US\$). The exchange rate of the Eastern Caribbean dollar (ECS) to the United States dollar has been pegged at EC\$2.7169 to US\$1.00 since 1974.

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03. Financial risk management (Continued)

(d) 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 mismatch of interest rate repricing that may be undertaken.

(e) Liquidity Risk

Liquidity risk is the risk that the Co-operative is unable to meet its payment obligations associated with the 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 lenders.

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 terms and 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.

(f) Fair Value of Financial Instruments

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

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

Investment securities

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

Loans and advances to members

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

Except for the Eastern Caribbean Financial Holding Limited's shares which trade on the Eastern Caribbean Securities Exchange, there were no other financial instruments that traded in any active market.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available.

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

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03. Financial risk management (Continued)**(g) Capital management**

The Co-operative manages capital with the following objectives:

- 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 other stakeholders;
- to maintain a strong capital base in an effort to maintain members, creditors and other parties confidence and 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, 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 10.0% of its liabilities. As at the year end, the minimum requirements was:

	Reference	2019	2018
Minimum capital requirement		\$16,923,555	\$14,989,573

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 (FSRA). PEARLS requires that each Credit Union maintains a minimum of 10.0% of total assets as its capital base. As at the year end, the minimum capital required was:

Minimum capital requirement	\$20,910,107	\$18,474,216
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The Co-operative was in compliance for both these requirements.

(h) Regulatory capital

Regulatory capital is divided into two sections:

- Institutional capital: Share capital, Retained earnings, Statutory reserve; and
- Transitory capital: Fair value reserve, Revaluation reserve, Employment benefit fund, Education fund, Building fund, Disaster fund.

Institutional capital

Share capital	\$10,906,296	\$9,670,207
Retained earnings	17,552,822	15,262,583
Statutory reserve	10,203,083	8,894,035
	<u>38,662,201</u>	<u>33,826,825</u>

Transitory capital

Revaluation reserve	467,055	467,055
Employment benefit fund	697,121	477,551
	<u>1,164,176</u>	<u>944,606</u>

Total regulatory capital

\$39,826,377	\$34,771,431
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The risk-weighted assets are measured by an estimation of market, credit, interest and other risk associated with each asset and with due consideration to the collateral proffered. In addition, management and the Board of Directors monitor any major movements in asset levels on a monthly basis.

LABORIE CO-OPERATIVE CREDIT UNION LIMITED

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04. Cash and cash equivalents

	2019	2018
Cash on hand	\$1,187,103	\$1,047,320
Cash at bank	18,308,422	6,658,920
	\$19,495,525	\$7,706,240

Interest is earned on deposit bank balances at an average rate of 1.75% (2016 – 2.0%) per annum. Pursuance to Section 119 (3) of the Co-operative Society's Act, the Credit Union is required to maintain a liquidity reserve calculated to be 15.0% of members' shares and deposits.

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

	\$18,308,422	\$6,658,920
Bank of St Lucia Limited – Cash	729,908	710,373
St Lucia Co-operative League - Deposit	14,686,704	14,435,683
Certificates of deposit	2,049,315	2,049,166
Government of St Lucia – Private Treasury Bond	8,249,957	8,270,094
Government of St Lucia – Treasury Bills	\$44,024,306	\$32,124,236
	\$26,882,764	\$23,759,628

The minimum requirement under the Act is

As at the year-end, the Co-operative met the liquidity reserve requirement.

05. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

The Co-operative makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management does not consider that there are estimates and assumptions that will have a significant risk, causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

06. Accounts Receivable, net of allowance for impairment

Due from St Lucia Fish Marketing Corporation	\$204,681	\$205,422
Due from Black Bay Small Farmers' Association	72,813	178,639
Due from A & C Ltd (Western Union Agent)	394,631	747,185
Due from CLICO International Life Insurance Limited	0	0
Other	462,701	611,519
	1,134,826	1,742,765
Less allowance for impairment	217,759	13,078
Accounts receivable, net of allowance for impairment	\$917,067	\$1,729,687

Exhibit I

07. Land, available for sale

Balance, opening	\$80,728	\$206,617
Additions	0	41
	80,728	206,658
Revaluation adjustment	0	(125,930)
Balance, closing	\$80,728	\$80,728

Exhibit I

The land, which is located at Des Cartier, in the Quarter of Micoud, was acquired in 2006 as a result of confiscation from a member for the non-repayment of a loan, and reported in the financial statements initially as part of Property, plant & equipment at the unpaid loan balance, was revalued on November 16th, 2017. As a result of the revaluation, the property is now reported at the revalued amount of \$80,728, and \$125,930 was transferred to the revaluation reserve.

The property was revalued by Richard R Sammy a Quantity Surveyor, and member of the St Lucia institute of Surveyors.

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08. Investment securities

	<u>2019</u>	<u>2018</u>
Available for sale		
St. Lucia Co-operative League – shares	\$500,106	\$500,106
Laborie Fishers & Consumers Co-operative Ltd (6,000 shares)	30,000	30,000
St Lucia Electricity Services Ltd (10,000 shares)	200,000	200,000
Eastern Caribbean Financial Holdings Ltd (ECFH) (85,393 shares)	362,920	398,785
1 st National Bank St Lucia Limited (10,000 ordinary shares)	101,800	101,800
Total investment securities, available for sale	1,194,826	1,230,691
Less provision for impairment	0	0
Investments-available for sale, net of allowance for impairment	\$1,194,826	\$1,230,691
Held to maturity		
Bank of St Lucia Limited – Certificates of deposit	\$14,686,704	\$14,435,683
St. Lucia Co-operative League – Central Finance Facility	729,908	710,373
Government of Saint Lucia – 10 year 7.5% Private Treasury Bond	2,049,315	2,049,166
Government of Saint Lucia – 5.0% Treasury Note	4,003,562	0
Government of Saint Lucia – 1 - 3 year 4.5% & 5.0% Treasury Bill	8,249,957	8,270,094
Investments-held to maturity	29,719,446	25,465,316
Less allowance for impairment	0	0
Investment securities, held to maturity, net of allowance for impairment	\$29,719,446	\$25,465,316
Total investment securities, net of allowance for impairment	\$30,914,272	\$26,696,007

Exhibit I

Reference

The Bank of St Lucia Limited – a subsidiary of Eastern Caribbean Financial Holdings Ltd (ECFH), is a commercial bank operating in St Lucia.

St Lucia Electricity Services Ltd (LUCELEC) – a St Lucian incorporated company whose purpose is to provide electrical power for the Island. LUCELEC's shares are traded on the Eastern Caribbean Securities Market, and as at December 31st, 2019, the market value of these shares was \$20.00.

Eastern Caribbean Financial Holdings Ltd, is the parent company to the Bank of St Lucia Limited among others. Its shares are traded on the Eastern Caribbean Securities Market, and as at December 31st, 2019, the market value of its shares was \$4.25.

1st National Bank St Lucia Limited, a St Lucian incorporated company, was formed in December 1937 and commenced trading in January 1938. The Bank provides commercial and retail banking services, including acceptance of deposits, granting loans and advances among other services. The Bank's shares are not traded on any exchange.

St Lucia Co-operative League Ltd, of which the Laborie Co-operative Credit Union Limited is an affiliate member, is the umbrella organization responsible for the development of the credit union movement in St Lucia.

Laborie Fishers & Consumers Co-operative Ltd is a duly registered society pursuant to section 241 of the Cooperative Society's Act of St Lucia. It was formed to promote thrift and co-operative principles among its members.

09. Members' loans & advances, net of allowance for impairment

Balance, opening	\$144,682,121	\$129,089,048
Additions	117,326,104	102,588,946
	262,008,225	231,677,994
Repayments	(108,164,919)	(86,995,873)
Balance, closing	153,843,306	144,682,121
Less allowance for impairment	(405,221)	(554,054)
Members' loans & advances, net of allowance for impairment	\$153,438,085	\$144,128,067

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09. Members' loans & advances, net of allowance for impairment (cont'd)

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Sectorial analysis of members' loans & advances			
Personal 1		\$28,084,012	\$27,891,344
Business		6,919,033	7,395,706
Land		22,094,210	20,340,837
REDIP		0	1,170
Mortgage		19,056,011	17,498,283
Agriculture		289,019	295,055
Education		6,002,529	6,258,482
BUST		58,412	0
Housing		10,860,523	11,407,877
Vehicle		15,293,664	14,459,387
Vision Plus		39,923	127,739
Kwedi Alez		519,997	315,306
Smart climate		54,495	0
Personal 2		843,357	920,112
Mix & Match		43,609,759	37,671,607
Accrued interest		118,362	99,216
	Exhibit I	\$153,843,306	\$144,682,121
Allowance for Impairment			
Balance, opening		\$554,054	\$791,366
Addition (reduction) of provision for impairment		0	216,707
		554,054	1,008,073
Recoveries/adjustments/(writeoffs)		148,833	454,019
Balance, closing		\$405,221	\$554,054

10. Property, plant and equipment, net of accumulated depreciation

Opening Costs			
Furniture & equipment		\$1,193,877	\$1,003,772
Computer hardware & software		402,614	277,847
Leasehold improvements		475,960	468,911
Buildings		4,200,851	4,190,650
Land		187,225	187,225
		\$6,460,527	\$6,128,405
Additions			
Furniture & equipment		\$90,853	\$190,803
Computer hardware & software		79,599	124,767
Leasehold improvements		18,358	7,049
Buildings		0	10,201
Land		0	0
		\$188,810	\$332,820
Disposals & adjustments			
Furniture & equipment		(\$326,510)	(\$698)
Computer hardware & software		(33,811)	0
Leasehold improvements		0	0
Buildings		0	0
Land		0	0
		(\$360,321)	(\$698)

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10. Property, plant and equipment, net of accumulated depreciation (Cont'd)	<u>Reference</u>	<u>2019</u>	<u>2018</u>				
Closing Costs							
Furniture & equipment		\$958,220	\$1,193,877				
Computer hardware & software		448,402	402,614				
Leasehold improvements		494,318	475,960				
Buildings		4,200,851	4,200,851				
Land		187,225	187,225				
		<u>\$6,289,016</u>	<u>\$6,460,527</u>				
Accumulated Depreciation	Furniture & Computer HW Equipment & Software	Improve	Buildings	Land			
Balance, opening	\$809,424	\$272,176	\$468,911	\$523,188	\$0	\$2,073,699	\$1,812,027
Depreciation – disposals	(290,690)	(32,160)	0	0	0	(322,850)	(698)
Depreciation expense	119,520	54,191	4,770	105,021	0	283,502	262,370
Balance, closing	<u>\$638,254</u>	<u>\$294,207</u>	<u>\$473,681</u>	<u>\$628,209</u>	<u>\$0</u>	<u>\$2,034,351</u>	<u>\$2,073,699</u>
Property, P & E, net	<u>\$555,623</u>	<u>\$108,407</u>	<u>\$2,279</u>	<u>\$3,572,642</u>	<u>\$187,225</u>	<u>\$4,254,665</u>	<u>\$4,386,828</u>

11. Accounts payable & accruals

National Enrichment Learning Program (NELP)		\$91,000	\$66,470
Unclaimed deposits		64,610	42,346
CUNA insurance		0	35,667
Inter-American Development grant	Note 11a	42,877	164,326
Accruals		104,968	189,749
Audit fees		21,516	21,516
Accounts Payable & Accruals	Exhibit I	<u>\$324,971</u>	<u>\$520,074</u>

11a. Inter-American Development grant

Balance, opening		<u>\$164,326</u>	<u>\$0</u>
Additions		1,969	308,935
		166,295	308,935
Disbursements		(123,418)	(144,609)
Balance, closing	Exhibit I	<u>\$42,877</u>	<u>\$164,326</u>

Pursuant to an agreement – ATN/ME-16289-RG – the Inter-American Development Bank agreed to provide the Laborie Co-operative Credit Union Limited – the executing agency, with grant funding of US\$360,940 for distribution to eligible applicants to finance a portion of the technical co-operation project. The main objective of the project is to strengthen the viability of agri-business operators in the southern region of St Lucia within the context of climate change through a developed model.

During the 2018 year, US\$114,960 was received pursuant to the grant agreement, and EC\$144,609 was disbursed.

12. Members' fixed deposits

Balance, opening		<u>\$59,645,772</u>	<u>\$50,531,326</u>
Additions		153,346,155	69,379,895
		212,991,927	119,911,221
Withdrawals		(143,119,091)	(60,265,449)
Balance, closing	Exhibit I	<u>\$69,872,836</u>	<u>\$59,645,772</u>
Sectorial Analysis of Members' Fixed Deposit			
Balance		\$69,037,481	\$59,007,007
Accrued interest		835,355	638,765
		<u>\$69,872,836</u>	<u>\$59,645,772</u>

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13. Members' regular deposits

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Balance, opening		\$29,675,866	\$25,562,277
Additions		96,490,346	87,701,373
		<u>126,166,212</u>	<u>113,263,650</u>
Withdrawals		(91,263,673)	(83,587,784)
Balance, closing	Exhibit I	<u>\$34,902,539</u>	<u>\$29,675,866</u>

Sectorial analysis of members' deposits

Deposits - 0		\$33,028,871	\$27,954,524
Special		193,735	145,933
FIP		89,329	79,262
Vision		377,547	322,717
Vision Plus		77,660	153,472
Easi-cash (ATM)		1,570	0
Accrued interest		1,133,827	1,019,959
		<u>\$34,902,539</u>	<u>\$29,675,867</u>

14. Members' special savings

Balance, opening		\$59,405,674	\$54,810,605
Additions		25,670,197	25,116,022
		<u>85,075,871</u>	<u>79,926,627</u>
Withdrawals		(21,539,113)	(20,520,953)
Balance, closing	Exhibit I	<u>\$63,536,758</u>	<u>\$59,405,674</u>

15. Long-term debt**Inter-American Development Bank – #4257/SX-RG**

Balance, opening		\$648,344	\$0
Additions/interest		41,954	648,344
		<u>690,298</u>	<u>648,344</u>
Less payment		(91,847)	0
		<u>598,451</u>	<u>648,344</u>
Less current portion		(109,219)	(109,219)
Balance, closing		<u>489,231</u>	<u>539,124</u>

Inter-American Development Bank

Pursuant to an agreement executed on November 11th, 2017, the Inter-American Development Bank agreed to loan the Laborie Co-operative Credit Union Limited the sum of US\$804,000 (EC\$2,184,388) to on-lend to members to finance climate resilient projects in the agricultural sector. The loan proceeds are restricted to:

- > 75.0% for long-term loans to finance investments in climate adaptation; and
- > 25.0% for working capital loans.

The loan fetches an interest rate of 5.0% and is repayable semi-annually commencing with 1.5 years after the date of signing the agreement.

As at December 31st, 2019, the Co-operative had draw-down US\$241,200 (EC\$648,343.68). It is to be repaid in 12 consecutive semi-annual amortized principal installments of US\$20,100, commencing with April 5th, 2019, plus interest at the rate of 5.0% p.a.

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16. Related party transactions

<u>Reference</u>	<u>2019</u>	<u>2018</u>
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Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party by making financial and operational decisions. In this regard the balances of Management & Directors accounts as at December 31st, 2019 for loans, deposits, and shares, were as follows:

Loans

Directors	\$1,911,975	\$1,794,080
Credit Committee	814,061	617,030
Supervisory Committee	150,882	84,330
Staff	912,446	480,378
	\$3,789,364	\$2,975,818

Special savings

Directors	\$410,014	\$550,286
Credit Committee	154,033	96,980
Supervisory Committee	41,004	53,436
Staff	27,967	4,215
	\$633,018	\$704,917

Deposits

Directors	\$288,580	\$241,415
Credit Committee	176,154	123,007
Supervisory Committee	279,480	266,418
Staff	223,736	131,185
	\$967,950	\$762,025

Share capital

Directors	\$26,059	\$22,592
Credit Committee	10,602	8,369
Supervisory Committee	15,143	14,756
Staff	48,108	29,579
	\$99,912	\$75,296

17. Commitments**Lease**

Effective January 1st, 2019, the Laborie Co-operative Credit Union Limited entered into a ten (10) year lease agreement for its Vieux Fort office accommodations. The lease agreement commits the Credit Union to a monthly payment of \$20,016 commencing with January 2019, security deposit of \$20,016, and last month rent of \$20,016.

The subsequent year – 2020 lease commitment is:

\$240,192	\$240,192
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Undisbursed loans & advances

As at December 31st, 2019, the Credit Union had the following commitments to disburse approved loans to its members:

Personal 1	\$133,500	\$168,361
Business	0	0
Land	134,589	284,739
Mortgage	1,947,291	10,370
Education	667,587	129,702
BUST	2,972	0
Housing	172,906	355,712
Vehicle	51,145	98,404
Personal 2	5,000	1,000
Mix & Match	1,758,993	150,570
	\$4,873,983	\$1,198,858

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18. Management & employee Costs

	Reference	2019	2018
Salaries & wages		\$1,522,871	\$1,329,134
Travelling		95,010	78,995
Medical insurance		24,875	21,086
NIC contributions, uniforms & other		75,702	109,048
	Note 22	<u>\$1,718,458</u>	<u>\$1,538,263</u>
Key management compensation			
Salaries & wages		\$301,442	\$278,177
Travelling		51,683	41,907
Medical insurance		6,170	2,699
NIC contributions, uniforms & other		10,700	18,956
		<u>\$369,995</u>	<u>\$341,739</u>
The average number of employees		<u>39</u>	<u>38</u>

19. Investment recovery**British American Insurance Co Ltd**

Included in the figure of \$261,672 for the Allowance for investment impairment (recoveries) in the statement of Comprehensive Income is an amount of \$103,644 (2018 – \$259,110) received from the British American Insurance Co Ltd as the final settlement of an amount due from investment executed by the Credit Union several years ago. That investment was fully provided for, and eventually written off. The amount represents the final portion of a 14.0% settlement.

20. Credit card finance facility

The Laborie Co-operative Credit Union Limited has a \$50,000 credit limit facility on a credit card with the Bank of St Lucia Limited.

21. Other income (expense)

Loan processing, photocopies & service fees	6,210	11,973
Dividends	50,320	9,500
Commissions	197,529	197,926
Other income	64,480	51,778
Other expense	0	(7,101)
	<u>318,539</u>	<u>264,076</u>

22. Operating & Administrative expenses

Annual general meeting (AGM)		47,296	41,153
Special events		57,935	49,262
Financial statements audit		28,688	30,144
AML audit		7,000	0
Allowance for accounts receivable impairment (recoveries)		204,680	0
Property tax		12,358	0
Cash (overs) shorts		221	0
CUNA insurance		459,312	398,190
Insurance	Note 10	58,213	57,317
Depreciation		283,502	262,370
Donation	Note 17	55,773	51,510
Lease		261,192	238,500
Advertisement & promotions	Note 19	96,699	104,266
Allowance for investment impairment (recoveries)		(103,644)	(261,672)
Legal fees & professional		21,514	17,632
League dues		75,000	75,000
Office supplies & stationery		153,074	128,788
Honorarium		28,500	28,500
Repairs & maintenance	Note 18	158,788	212,342
Salaries, wages & costs		1,718,458	1,535,064
Appreciation		46,023	45,638
Board of directors		13,601	12,293
Vieux Fort Office relocation expense		(37)	50,000
Security		123,291	124,550
Education & training		173,456	122,855
Property, plant & equipment (gain) loss on disposition		1,953	0
ATM expenses		14,604	0
Member relations		39,353	33,944
Utilities		269,419	238,031
		<u>4,306,222</u>	<u>3,595,677</u>

**PROUD OWNERS OF
LABORIE PRIDE CRICKET TEAM**





LABORIE CO-OPERATIVE CREDIT UNION LTD.

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Laborie

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Vieux Fort

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