Ariza Credit Union

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2024

ARIZA CREDIT UNION LIMITED

FINANCIAL STATEMENTS
(Expressed in Eastern Caribbean Dollars)

FOR THE YEAR ENDED

DECEMBER 31, 2024

ARIZA CREDIT UNION LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(Expressed in Eastern Caribbean Dollars)

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARIZA CREDIT UNION LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ariza Credit Union Limited (the 'Credit Union'), which comprise the statement of financial position at December 31, 2024, and the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Grenada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Credit Union's 2024 Annual Report

Other information consists of the information included in the Credit Union's 2024 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARIZA CREDIT UNION LIMITED (continued)

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS' OF ARIZA CREDIT UNION LIMITED (continued)

Report on the Audit of the Financial Statements (continued)

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

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

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

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

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

GRENADA

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June, 2025

Accountants & Business Advisers

ARIZA CREDIT UNION LIMITED

STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2024
(Expressed in Eastern Caribbean Dollars)

ASSETS	Notes	2024 $	2023 $
EARNING ASSETS			
Members' loans	6	518,001,706	470,252,582
Investment property	7	14,808,292	14,327,768
Investment securities	8	57,172,370	58,420,469
Total earning assets		589,982,368	543,000,819
NON-EARNING ASSETS			
Property and equipment	9	24,721,573	24,979,431
Other Assets			
Cash and cash equivalents	11	40,860,314	38,403,740
Accounts receivable and prepayments	10	21,857,213	15,851,470
		87,439,100	79,234,641
TOTAL ASSETS		$677,421,468	622,235,460
EQUITY AND LIABILITIES			
Equity			
Members' qualifying equity	12	11,470,935	6,750,837
Statutory reserve	13	24,439,596	22,134,852
Accumulated surplus		30,668,182	27,466,938
Total Institutional Capital		66,578,713	56,352,627
Members' equity shares	14	16,426,579	17,464,397
OTHER FUNDS AND RESERVES			
Development fund	15(a)	325,598	511,350
Education fund	15(b)	1,730,986	1,478,726
Education savings plan fund	15(c)	2,051,691	1,793,444
Provident fund	15(d)	720,929	680,830
		4,829,204	4,464,350
TOTAL EQUITY		87,834,496	78,281,374
Liabilities			
Members' life time savings	16	317,205,594	294,535,498
Other deposits	17	236,822,181	226,419,186
Non-interest-bearing liabilities	18	35,265,066	21,480,986
Special pension liability		291,656	1,515,485
Other liabilities		2,475	2,931
TOTAL LIABILITIES		589,586,972	543,954,086
TOTAL EQUITY AND LIABILITIES		677,421,468	622,235,460

The accompanying notes form an integral part of these financial statements

:Director :Director

ARIZA CREDIT UNION LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2024
(Expressed in Eastern Caribbean Dollars)

	2024 $	2023 $
Income from loans		
Interest from member loans	37,020,903	34,163,218
Fees and charges	2,812,426	2,321,007
Loan protection	(1,201,160)	(1,236,300)
Other income from loans	19,660	80,701
Net loan income	38,651,829	35,328,626
Income from liquid investments		
Interest on investments– dated securities	1,803,061	1,633,258
Interest investments - other	12,604	22,597
Non-related income	1,947,476	1,991,957
	3,763,141	3,647,812
Total income	42,414,970	38,976,438
FINANCIAL COST		
Interest on deposits	11,870,137	11,458,860
Life savings insurance	577,696	515,411
Other financial cost	512,648	374,725
	12,960,481	12,348,996
Gross Margin	29,454,489	26,627,442
OPERATING EXPENSES		
Personnel expenses	9,759,389	7,826,238
Governance	984,063	588,591
Occupancy	1,310,128	1,108,191
Marketing expense	1,147,224	1,033,664
Administration	2,962,684	2,451,205
Depreciation	1,068,380	955,236
Total operating expenses	17,231,868	13,963,125
Total operating surplus	12,222,621	12,664,317
Less: Allowance for risks assets	(3,672,864)	(33,306)
Provision for vacation accrual	(141,110)	(103,035)
Provision for pension	-	(105,000)
Surplus for the year before appropriation	8,408,647	12,422,976
Appropriations:		
Transfer to: Statutory reserve	2,102,162	3,105,744
Development fund	252,259	372,689
Education members fund	252,259	372,689
Education savings plan fund	252,259	372,689
Provident fund	168,173	124,230
	3,071,113	4,348,042
Total comprehensive income for the year	5,381,534	8,074,935

The accompanying notes form an integral part of these financial statements

ARIZA CREDIT UNION LIMITED

STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024
(Expressed in Eastern Caribbean Dollars)

	Qualifying and Equity Shares $	Statutory Reserve $	Other Funds and Reserve $	Accumulated Surplus $	Total Equity $
Balance at January 1, 2023	23,015,802	18,794,099	3,414,045	20,382,154	65,606,100
Net movements in shares	1,199,432	-	-	-	1,199,432
Entrance fees	-	35,900	-	-	35,900
Net movement on other funds and reserves	-	3,304,853	1,050,305	(4,348,041)	7,117
Dividends paid	-	-	-	(990,151)	(990,151)
Net surplus for the year	-	-	-	12,422,976	12,422,976
Balance at December 31, 2023	24,215,234	22,134,852	4,464,350	27,466,938	78,281,374
Net movement in shares	3,682,280	-	-	-	3,682,280
Entrance fees	-	24,340	-	-	24,340
Net movement on other funds and reserves	-	2,280,404	364,854	(3,027,113)	(381,855)
Dividends paid	-	-	-	(2,180,290)	(2,180,290)
Net surplus for the year	-	-	-	8,408,647	8,408,647
Balance at December 31, 2024	27,897,514	24,439,596	4,829,204	30,668,182	87,834,496

The accompanying notes form an integral part of these financial statements

ARIZA CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024
(Expressed in Eastern Caribbean Dollars)

	Notes	**2024** **$**	2023 $
OPERATING ACTIVITIES			
Surplus for the year before appropriation		8,408,647	12,422,976
Adjustments for:			
Provision for risk assets		3,422,864	33,306
Provision for vacation accrual	8	141,110	103,035
Depreciation		1,068,380	955,236
Interest income		(38,823,964)	(35,796,476)
Interest expense		11,870,137	11,458,860
Net movement in reserves		(381,857)	7,117
Operating loss before changes in working capital		(14,294,683)	(10,815,946)
Change in accounts receivable and prepayments		(5,769,802)	(7,314,036)
Change in Members' loans		(51,421,987)	(52,756,778)
Change in Members' deposits		22,670,097	20,507,832
Change in other deposits		10,402,993	2,924,885
Change in non-interest-bearing liabilities		13,864,005	5,544,202
Change in pension liability		(1,223,830)	104,999
Change in other liabilities		(456)	1,424
Cash used in operations		(25,773,663)	(41,803,418)
Interest received		38,588,023	35,973,593
Interest paid		(12,091,172)	(11,296,766)
Net cash generated from operating activities		723,189	(17,126,591)
INVESTING ACTIVITIES			
Purchase of property and equipment	8	(824,536)	(1,779,895)
Disposal of property and equipment		14,014	67,895
Purchase of investment properties	6	(480,524)	(122,298)
Sale of investment properties		-	2,372,747
Net movement in investment securities		1,248,099	(11,614,767)
Net cash used in investing activities		(42,947)	(11,076,318)
FINANCING ACTIVITIES			
Entrance fees		24,340	35,900
Dividends paid		(2,180,288)	(990,151)
Increase in members' shares		3,682,280	1,199,432
Net cash generated from financing activities		1,526,332	245,181
Net increase in cash and cash equivalents		2,206,574	(27,957,728)
Cash and cash equivalents - at beginning of the year		38,403,740	66,361,468
- at end of the year		40,610,314	38,403,740

The accompanying notes form an integral part of these financial statements

1. NATURE OF OPERATIONS

The principal activities of Ariza Credit Union Limited ("The Credit Union") (previously named the Grenada Public Service Co-operative Credit Union Limited) center around its mission of improving the quality of life of its members through sound financial solutions tailored to their needs. Over the past seventy-eight (78) years, the Credit Union has provided all-inclusive financial solutions to members including savings, investment and credit facilities

2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

The Ariza Credit Union Limited (previously named Grenada Public Service Co-operative Credit Union Limited) was established in 1947 and originally registered in March 1958 under the Co-operative Societies Ordinance as amended by the Co-operative Societies Act No. 8 of 2011 for the purpose of affording members of the Credit Union the opportunity to accumulate savings and to obtain credit for provident or productive purposes at reasonable rates of interest.

The Credit Union employed an average of one hundred and thirty-one (131) persons during the year compared to one hundred and twenty-seven (127) persons in 2023.

The Credit Union's registered office is located at Bruce Street, St. Georges, Grenada and it conducts business from five locations. Branch operations are conducted at four locations, namely at Grenville, St. Andrew, Hillsborough, Carriacou, Bruce Street, St. George and Morne Rouge, Grand Anse St. George.

The accompanying financial statements are the financial statements of the Credit Union have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Standards Interpretations Committee (IFRIC) interpretations as issued by the International Accounting Standards Board (IASB) under the historical cost convention, as modified by the revaluation of land and buildings and financial assets at fair value through other comprehensive income. The measurement bases are fully described in the summary of accounting policies.

3. BASIS OF PREPARATION

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB). These financial statements were approved by the Board of Directors on June 19th, 2025.

3. BASIS OF PREPARATION

(b) Changes in accounting policies and disclosures

(i) New accounting standards, amendments and interpretations adopted

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Credit Union's annual financial statements for the year ended December 31, 2023, except for the adoption of new standards and interpretations below.

Amendment to IFRS 16 – Lease Liability in a Sale and Leaseback (effective 1 January 2024)

In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors that results in information that is relevant and reliable.

A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application (i.e., the amendment does not apply to sale and leaseback transactions entered into prior to the date of initial application). The date of initial application is the beginning of the annual reporting period in which an entity first applied IFRS16.

Amendments to IAS 1 – Classification of Liabilities as Current and Non-current with Covenants (effective 1 January 2024)

In January 2020 and October 2022, the Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies to covenants which the entity is required to comply with on or before the reporting date regardless of whether the lender tests for compliance at that date or at a later date.

The amendments must be applied retrospectively.

3. BASIS OF PREPARATION (continued)

(b) Changes in accounting policies and disclosures(continued)

(i) New accounting standards, amendments and interpretations adopted

Amendments to IAS 7 and IFRS 7 – Disclosures: Supplier Finance Arrangements (effective 1 January 2024)

In May 2023, the Board issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures.

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information (effective 1 January 2024)

IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S2 - Climate-related Disclosures (effective 1 January 2024)

IFRS S2 Sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

These amendments and standards had no impact on the financial statements.

(ii) Standards in issue not yet effective

The following is a list of standards and interpretations that were not yet effective up to the date of issuance of the Company's financial statements. These standards and interpretations may be applicable to the Company at a future date and will be adopted when they become effective. The Company is currently assessing the impact of adopting these standards and interpretations.

3. BASIS OF PREPARATION (continued)

(b) Changes in accounting policies and disclosures(continued)

(ii) Standards in issue not yet effective(continued)

Amendments to IAS 21 – Lack of exchangeability (effective 1 January 2025)

In August 2023, the Board issued lack of exchangeability (Amendments to IAS 21).

The amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendment states that a currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

When applying the amendments, comparative information is not restated.

Amendments to the SASB standards to enhance their international applicability (effective 1 January 2025)

The amendments remove and replace jurisdiction-specific references and definitions in the SASB standards, without substantially altering industries, topics or metrics.

Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments (effective 1 January 2026)

In May 2024, the Board issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures), which:

- Clarifies that a financial liability is derecognised on the ‘settlement date’, i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met
- Clarified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features
- Clarifies the treatment of non-recourse assets and contractually linked instruments
- Requires additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income

3. BASIS OF PREPARATION (continued)

(b) Changes in accounting policies and disclosures(continued)

(ii) Standards in issue not yet effective(continued)

Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments (effective 1 January 2026) (cont'd)

The new requirements will be applied retrospectively with an adjustment to opening retained earnings. Prior periods are not required to be restated and can only be restated without using hindsight.

Amendments to IFRS 9 and IFRS 7 -m Power Purchase Agreements/Contracts Referencing Nature dependent Electricity (effective 1 January 2026)

In December 2024, the Board issued Contracts Referencing Nature-dependent Electricity (Amendments to (IFRS 9 and IFRS 7)

The Amendments include:

- Clarifying the application of the 'own-use' requirements
- Permitting hedge accounting of these contracts are used as hedging instruments
- Adding new disclosure requirements to enable investors to understand the effect of these contracts
` on a Company's financial performance and cash flows.

The Amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Early adoption is permitted but will need to be disclosed. The clarifications regarding the 'Own-use' requirements must be applied retrospectively, but the guidance permitting hedge accounting have to be ` applied prospectively to new hedging relationships designated on or after the date of initial application.

IFRS 18 – Presentation and Disclosure in Financial Statements (effective 1 January 2027)

In April 2024, the Board issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation in Financial Statements. IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information.

An entity will be required to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. In addition, IFRS 18 requires an entity to present subtotals and totals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'.

3. BASIS OF PREPARATION (continued)

(b) Changes in accounting policies and disclosures(continued)

(ii) Standards in issue not yet effective(continued)

IFRS 18 – Presentation and Disclosure in Financial Statements (effective 1 January 2027) (continued)

IFRS 18 introduces the concept of a management-defined performance measure (MPM) which it defines as a subtotal of income and expenses that an entity uses in public communications outside financial statements, to communicate management's view of an aspect of the financial performance of the entity as a whole to users. IFRS 18 requires disclosure of information about all of an entity's MPMs within a single note to the financial statements and requires several disclosures to be made about each MPM, including how the measure is calculated and a reconciliation to the most comparable subtotal specified by IFRS 18 or another IFRS accounting standard.

IFRS 18 must be applied retrospectively.

IFRS 19 - Subsidiaries without Public Accountability: Disclosures (1 January 2027)

In May 2024, the Board issued IFRS 19 Subsidiaries without Public Accountability: Disclosures (IFRS 19), which allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards.

An entity may elect to apply IFRS 19 if at the end of the reporting period:

- It is a subsidiary as defined in IFRS 10 Consolidated Financial Statements;
- It does not have public accountability; and
- It has a parent (either ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

An entity has public accountability if:

- Its debt or equity instruments are traded in a public market, or it is in the process of issuing such instruments for trading in a public market; or
- It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (i.e., not for reasons incidental to its primary business).

3. BASIS OF PREPARATION (continued)

(b) Changes in accounting policies and disclosures(continued)

(ii) Standards in issue not yet effective (continued)

IFRS 19 - Subsidiaries without Public Accountability: Disclosures (1 January 2027) (continued)

If an eligible entity chooses to apply the standard earlier, it is required to disclose that fact. An entity is required, during the first period (annual and interim) in which it applies the standard, to align the disclosures in the comparative period with the disclosures included in the current period under IFRS 19, unless IFRS 19 or another IFRS accounting standard permits or requires otherwise.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors’ interest in the associate or joint venture.

The amendments must be applied retro-prospectively.

3. BASIS OF PREPARATION (continued)

(b) Changes in accounting policies and disclosures(continued)

(iii)Improvements to International Reporting Standards

The annual improvements process for the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS.

Annual improvements to IFRS Standards - Volume 11

The following amendments are applicable to annual periods beginning on or after 1 January, 2026

IFRSs – Subject of Amendment

IFRS 1	Hedge accounting by a first-time adopter
IFRS 7	Gain or loss on derecognition
IFRS 7	Disclosure of deferred difference between fair value and transaction price
IFRS 7	Introduction and credit risk disclosures
IFRS 9	Lessee derecognition of lease liabilities
IFRS 9	Transaction price
IFRS 10	Determination of a ‘de facto agent’
IAS 7	Cost method

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Overall considerations

The significant accounting policies set out below have been applied consistently by the Credit Union to all periods presented in these financial statements, except as otherwise stated.

4.2 Revenue recognition

Revenue arises from the rendering of services. The Credit Union recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for the Credit Union's activities. It is measured at the fair value of consideration received or receivable. Revenue is recognised as follows:

(i) Interest income

Interest income is recognised in the statement of comprehensive income, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability.

The Credit Union’s calculation of the effective interest rate includes all material fees received, transaction costs, discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.2 Revenue recognition (continued)

(ii) Other income

Other income is recognised on the accrual basis except for dividend income which is accounted for on the cash basis.

4.3 *Foreign currency translation*

Functional and presentation currency

These financial statements are presented in Eastern Caribbean Dollars, which is the Credit Union's functional and presentation currency. All financial information presented in Eastern Caribbean Dollars has been rounded to the nearest dollar.

Foreign currency transactions and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Eastern Caribbean Dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Eastern Caribbean Dollars at foreign exchange rates ruling at the dates the values were determined.

4.4 *Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases are recognised in the statement of comprehensive income on the straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Credit Union as a lessee

The Credit Union applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Credit Union recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Credit Union recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.4 *Leases (continued)*

Credit Union as a lessor

Leases in which the Credit Union does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4.5 Financial instruments

The Credit Union recognises a financial asset or a liability in the statement of financial position when it becomes party to the contractual provision of the instruments.

(a) Initial recognition and measurement of financial instruments

At initial, recognition, the Credit Union measures its financial assets and financial liabilities at their fair values plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability such as fees and commissions.

If the Credit Union determines that the fair value of its financial assets and liabilities at initial recognition differs from the transaction price, the difference is recognised as follows:

- If that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss.

- In all other cases, the difference between the fair value at initial recognition and the transaction price is deferred. After initial recognition, the recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.5 Financial instruments (continued)

(a) Classification and subsequent measurement of financial assets

The Credit Union classifies the financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

(i) the Credit Union's business model for managing the financial assets; and

(ii) the contractual cash flow characteristics of the financial asset.

Based on these factors, the Credit Union classifies its asset into one of the following three measurements:

Financial assets at amortised cost

A financial asset is measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are classified as non-current assets.

(b) Classification and subsequent measurement of financial assets (continued)

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset. When calculating the effective interest rate, the estimates the expected cash flows by considering all the contractual terms of the financial instrument, but does not consider the expected credit losses.

The calculation includes all fees and points 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.

The Credit Union's financial assets measured at amortised cost include loan to members, investments in fixed deposits and treasury bills and cash and cash equivalents.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.5 Financial instruments (continued)

(c) Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other profit or loss (FVTPL)

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

However, an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. The Credit union does not have any assets measured at FVTPL.

Undrawn loan commitments

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Credit Union is required to provide a loan with pre-specified terms to the member. These contracts are in the scope of the ECL requirements. The nominal contractual value of letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

Reclassifications

If the business model under which the holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Credit Union's financial assets. During the current financial year and previous accounting period there were no changes in the business models under which the Credit Union holds financial assets and therefore no reclassifications were made except for the new classifications under IFRS 9. Changes in contractual cash flows are considered under the accounting policy on *Modification of loans to members* in Note 4.5 (d) and *Derecognition of financial assets* in Note 4.5 (f).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.5 Financial instruments (continued)

(d) Impairment of Financial Assets

The Credit Union recognises a loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost and the exposure arising from loan commitments and financial guarantee contracts. The expected credit losses are assessed on a forward-looking basis. The Credit Union's measurement of ECL reflects:

a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

b) the time value of money; and

c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

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

- EAD - The Exposure at Default (EAD) 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 principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- LGD - The Loss Given Default (LGD) 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 those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

The financial assets are grouped on the basis of shared credit risk characteristics to determine the average credit losses for each group of assets. The Credit Union considers this approach to be a reasonable estimate of the probability-weighted amount. The lifetime expected credit losses for the nonperforming financial assets are assessed on an individual basis. The Credit Union considers if there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking. At each reporting date, the Credit Union measures the loss allowance at an amount equal to the lifetime expected credit losses, if the credit risk on that financial instrument has increased significantly since initial recognition.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.5 Financial instruments (continued)

(d) Impairment of Financial Assets

The Credit Union considers the following factors in assessing changes in credit risk since initial recognition:

- significant changes in internal price indicators of credit risk;
- changes in the rates or terms of an existing instrument that would be significantly different if the instrument was newly issued (eg. more stringent covenants);
- significant increases in credit risk on other financial instruments from the same borrower;
- an actual or forecast significant adverse changes in the business, financial or economic conditions that are expected to significantly affect the borrower's ability to meet its debt obligations (e.g. increase in interest rates and unemployment rates);
- an actual or expected significant change in the financial instrument's external credit rating;
- an actual or expected internal credit rating downgrade for the borrower or decrease in behavioral scoring used to assess credit risk internally;
- an actual or expected significant change in the operating results of the borrower;

- significant changes in the value of the collateral supporting the obligation or in the quality of guarantees or credit enhancements reductions in financial support from a parent entity that are expected to reduce the borrower's incentive to make scheduled contractual payments;
- expected breaches of contract that may, for example, lead to covenant waivers or amendments,
- that significantly affect, or are expected to affect, the borrower's ability to meet its debt obligations;
- changes in the Credit Union's credit management approach in relation to the financial instrument (e.g. specific intervention with the borrower, more active or close monitoring of the instrument by the Credit Union);
- significant changes in the expected performance and behaviour of the borrower including changes in the payment status of borrowers in the (e.g. expected increase in delayed contractual payments); and
- past due information, including the rebuttable presumption of more than 30 days past due.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.5 Financial instruments (continued)

(d) Impairment of Financial Assets (continued)

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Credit Union under the contract and the cash flows that the Credit Union expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Credit Union if the holder of the commitment draws down the loan and the cash flows that the Credit Union expects to receive if the loan is drawn down; and

- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Credit Union expects to receive from the holder, the debtor or any other party.

The Credit Union measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.5 Financial instruments (continued)

(d) Impairment of Financial Assets (continued)

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Credit Union assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Credit Union considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession, the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

- the borrower is past due more than 90 days on any material credit obligation to the Credit Union; or
- the borrower is unlikely to pay its credit obligations to the Credit Union in full.

This definition of default is used by the Credit Union for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.5 Financial instruments (continued)

(d) Impairment of Financial Assets (continued)

When assessing if the borrower is unlikely to pay its credit obligation, the Credit Union considers both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Credit Union uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired.

Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

(e) Modification of loans to members

When the Credit Union renegotiates or otherwise modifies, the contractual cash flows of its customer loans, the Credit Union assesses whether or not the new terms are substantially different from the original terms of the agreement. The Credit Union derecognises the original loan if the terms are substantially different and recognises the new loan at its fair value. The Credit Union also recalculates the new effective interest rate for the loan. The date of the modification is considered to be the date of initial recognition of the new loan when applying the impairment requirements and also assessing whether a significant increase in credit risk has occurred. The Credit Union also considers whether there may be evidence that the modified loan is credit-impaired at initial recognition. In this situation, the loan is recognised as an originated credit-impaired financial asset. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset as a result of the borrower being unable to make the originally agreed payments. Differences in the carrying amount are recognised as a gain or loss on derecognition in the statement of comprehensive income.

If the new terms are not substantially different the original loan is not de-recognised. The Credit Union recalculates the gross carrying amount of the loan and recognises a modification gain or loss in the statement of comprehensive income. The gross carrying amount of the loan is recalculated as the present value of the renegotiated contractual cash flows discounted at the loan's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified loan and are amortised over the remaining term of the modified financial asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.5 Financial instruments (continued)

(f) Write offs

The Credit Union directly reduces the gross carrying amount of a financial asset when the Credit Union has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. This is the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

The Credit Union may apply enforcement activities to financial assets written off. Recoveries resulting from the Credit Union's enforcement activities will result in impairment gains, which will be presented the statement of comprehensive income.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(g) Derecognition of financial assets

The Credit Union derecognises financial assets when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to receive the cash flows of the financial asset are retained but the contractual obligation to the pay the cash flows to one or more recipients is assumed in an arrangement where:

(i) The Credit Union has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition;

(ii) The Credit Union is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and

(iii) The Credit Union has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Financial instruments (continued)

(h) Forward looking information

In its ECL models, the Credit Union relies on a range of forward-looking information as economic inputs, such as:

- GDP growth

- Central Bank base rates

(i) Financial Liabilities:

Classification and subsequent measurement of financial liabilities
In both the current and prior period, financial liabilities are classified as, and subsequently measured at amortised cost. Other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specific in the contract is discharged, cancelled or expires).

4.6 *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Credit Union in the management of its short-term commitments.

Cash and cash equivalents are measured at amortised cost.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 *Property and equipment*

i. Initial measurement

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

ii. Subsequent measurement

Land and building

After recognition, land and building whose fair value can be measured reliably are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in members' equity under the heading of revaluation reserves. However, the increase is recognised in the statement of comprehensive income to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the statement of comprehensive income. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserves in respect of that asset.

The decrease recognised in other comprehensive income reduces the amount accumulated in members' equity under the heading of revaluation reserve.

When a building is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Property and equipment (continued)

ii. Subsequent measurement (continued)

Furniture, equipment and motor vehicle

After recognition, an item of furniture, equipment and motor vehicle is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

iii. Depreciation

Depreciation is calculated on the straight line method to write down the cost less estimated residual values of the assets. The following depreciation rates are applied:

Freehold Building	40 years
Car Park	40 years
Furniture, Fixtures and Equipment	10 years
Motor vehicles	5 years
Automatic Teller Machine	4 years
Computer Equipment and Software	3 years

Land and work in progress are not depreciated.

The assets' residual values and estimated useful lives are reviewed and adjusted, if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the statement of comprehensive income.

4.8 *Impairment of non-financial assets*

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 *Impairment of non-financial assets (continued)*

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed only to the extent that the asset's or cash-generating unit's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.9 *Provisions*

Provision for legal disputes or other claims are recognized when the Credit Union has a present or legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Credit Union to settle the obligation and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Credit Union can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 *Employee benefits*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income when incurred.

4.11 Equity, reserves and dividend payments

a) Permanent shares

Permanent shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability.

b) Reserves

Statutory reserves comprise amounts required to be set aside as stipulated by the Co-operative Societies Act (see note 15).

c) Accumulated surplus

Accumulated surplus include all current and prior period retained surpluses.

d) Dividends

Shares that contain redemption features subject to the Credit Union maintaining adequate regulatory capital are accounted for using the partial treatment requirements of IFRIC 2, *Members' Shares in Cooperative Entities and Similar Instruments*.

Dividends paid are recognised in equity in the period in which they are approved by the Credit Union's members at the Annual General Meeting.

4.12 *Operating expenses*

Operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or as incurred.

5. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

In the application of the Credit Union's accounting policies, which are described in note 4, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have the most significant effect on the amounts recognised on the financial statements are described below:

(a) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Credit Union determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Credit Union monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Credit Union's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY (continued)

(b) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for the financial assets measured at amortized cost, FVTPL and FVTOCI is an area that requires the use of modelling and assumptions about future economic conditions and credit behaviours (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgments are also required in applying the account requirements for measuring ECL, such as:

- Determining credit for significant increase in credit risk
- Choosing appropriate model and assumptions for the measurement of proportional loss
- Establishing groups of similar financial assets for the purposes of measuring ECL
- Recovery rates on unsecured exposures
- Drawdown of approved facilities
- Determination of macroeconomic drivers (management overlay)
- Determination of life of revolving credit facilities
- Models and assumptions used

(c) Valuation of Stage 3 facilities

The proposed cash flow was discounted using the yield of the facilities. The Credit Union makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

5. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY (continued)

(d) Expected Credit Loss Financial Asset held FVOCI - Equity Investments

The Credit Union determines Fair Value equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgement, the Credit Union evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. These factors may give rise to uncertainty regarding the recoverability of the carrying value in the subsequent period and/or the eventual recoverability of the amounts invested in full.

The Credit Union recognised ECL on equity investments during the year of nil (2023: nil).

6. MEMBERS' LOANS

	2024 **$**	2023 $
General loans	539,654,233	487,549,111
Members overdraft accounts	819,102	1,502,237
	540,473,335	489,051,348
Allowance for doubtful loans	(22,471,630)	(18,798,766)
Total members' loans	518,001,706	470,252,582
Current	50,052,056	42,884,298
Non-current	467,949,650	427,368,284
	518,001,706	470,252,582
Allowance for doubtful loans		
Balance at beginning of the year	18,798,767	20,575,405
Amounts written off during the year	-	(1,559,945)
Provision for loan losses for the year	3,672,863	3,000,000
Write back provision	-	(3,216,693)
Balance at end of year	22,471,630	18,798,767

The average interest rate earned on the members' loans during the financial year was 7.21% (2023: 7.39%).

7. INVESTMENT PROPERTIES

	Land $	Building $	Total $
Balance at January 1, 2023	13,908,657	2,669,560	16,578,217
Additions during the year	1,400	120,898	122,298
Sale during the year	(80,524)	(2,292,223)	(2,372,747)
Balance at December 31, 2023	13,829,533	498,235	14,327,768
Additions during the year	-	480,524	480,524
Balance at December 31, 2024	13,829,533	978,759	14,808,292

8. INVESTMENT SECURITIES

	2024 $	2023 $
(a) Financial assets at fair value through other comprehensive income (FVTOCI)		
Equity financial assets		
Grenada Co-operative League Limited		
- 11,717 ordinary shares of $5.00 each	76,095	76,095
Eastern Caribbean Home Mortgage Bank		
- 194 shares of $160 each	31,040	31,040
- 625 shares of $160 each	100,000	100,000
- 1,560 shares of $160 each	249,600	249,600
Corporation Enterprise Finance Facility Limited		
- 10,000 shares $50 each	500,000	500,000
Grenada Co-operative Bank Limited		
- 47,765 shares of $8.88 each	424,153	424,153
	1,380,888	1,380,888
(b) Treasury bills		
Government of Antigua and Barbuda	4,976,699	4,925,720
Government of St. Lucia	2,578,238	2,578,238
Government of Grenada	4,864,736	4,864,736
Total financial assets at fair value through OCI	13,800,560	13,749,582

8. INVESTMENT SECURITIES (continued)

	2024 **$**	2023 $
Fixed deposits		
Nexa Credit Union Limited	7,313,447	7,170,046
Communal Co-operative Credit Union Limited	4,856,363	4,754,191
Grenada Co-operative League Limited	2,770,909	2,735,249
First Citizens Investment Limited	9,075,835	8,940,393
Community First Credit Union Limited	4,594,536	4,482,474
Grenville Co-operative Credit Union Limited	2,723,720	2,639,534
Eastern Caribbean Home Mortgage Bank	7,287,000	7,199,000
Bonds		
Government of St. Vincent and the Grenadines – 7 year	1,300,000	1,300,000
Government of St. Vincent and the Grenadines – 5 year	3,700,000	5,000,000
Government of St. Lucia	-	2,000,000
Total Financial assets at amortized costs	43,621,810	44,920,887
Total investment securities	57,422,370	58,670,469
Less: Provision for expected credit loss	(250,000)	(250,000)
	57,172,370	58,420,469
Current	48,531,681	47,221,144
Non-Current	8,640,689	11,199,325
	57,172,370	58,420,469

9. PROPERTY AND EQUIPMENT

	Work in Progress $	Freehold land and Building $	Furniture, Fixtures and Equipment $	Computer Equipment and Software $	Automatic Teller Machine $
Balance at 1st January, 2023					
Cost	481,412	24,577,133	2,560,303	3,511,647	898,429
Accumulated depreciation	-	(3,009,455)	(1,491,462)	(3,341,557)	(824,505)
NET BOOK VALUE	**481,412**	**$21,567,678**	**1,068,841**	**170,090**	**73,924**
For year ended 31st December, 2023					
Opening book value	481,412	21,567,678	1,068,841	170,090	73,924
Additions for the year	282,441	39,202	421,152	264,794	66,017
Transfers	(77,410)	-	6,830	5,748	64,832
Disposals during the year	(66,244)	-	(1,651)	-	-
Depreciation charge for year	-	(484,437)	(210,084)	(119,397)	(60,121)
NET BOOK VALUE	**620,199**	**21,122,443**	**1,285,088**	**321,235**	**144,652**
Balance at 31st December, 2023					
Cost	620,199	24,616,335	2,986,634	3,782,189	1,029,278
Accumulated depreciation	-	(3,493,892)	(1,701,546)	(3,460,954)	(884,626)
NET BOOK VALUE	**620,199**	**$21,122,443**	**1,285,088**	**321,235**	**144,652**
For year ended 31st December, 2024					
Opening book value	620,199	21,122,443	1,285,088	321,235	144,652
Additions for the year	313,102	70,667	115,608	75,561	81,793
Transfers	(132,918)	-	-	124,603	-
Disposals during the year	(14,014)	-	-	-	-
Depreciation charge for year	-	(485,646)	(245,991)	(151,495)	(63,209)
NET BOOK VALUE	**786,369**	**20,707,464**	**1,154,705**	**369,904**	**163,236**
Balance at 31st December, 2024					
Cost	786,369	24,687,002	3,102,242	3,982,353	811,814
Accumulated depreciation	-	(3,979,538)	(1,947,537)	(3,612,449)	(648,578)
NET BOOK VALUE	**786,369**	**$20,707,464**	**1,154,705**	**369,904**	**163,236**

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9. PROPERTY AND EQUIPMENT (continued)

	Motor Vehicle $	Car Park $	Leasehold Improvement $	IDC Development $	Total $
Balance at 1st January, 2023					
Cost	557,261	757,767	48,347	188,630	33,580929
Accumulated depreciation	(430,764)	(37,164)	(34,725)	(188,630)	(9,358,262)
NET BOOK VALUE	**$126,497**	**$720,603**	**13,622**	**-**	**24,222,667**
For year ended 31st December, 2023					
Opening book value	126,497	720,603	13,622	-	24,222,667
Additions for the year	145,000	1,200	560,089	-	1,779,895
Transfer	-	-	-	-	-
Disposals during the year	-	-	-		(67,895)
Depreciation charge for year	(50,258)	(18,950)	(11,989)	-	(955,236)
NET BOOK VALUE	**221,239**	**702,853**	**561,722**	**-**	**24,979,431**
Balance at 31st December, 2023					
Cost	702,261	758,967	608,436	188,630	35,292,929
Accumulated depreciation	(481,022)	(56,114)	(46,714)	(188,630)	(10,313,498)
NET BOOK VALUE	**221,239**	**702,853**	**561,722**	**-**	**24,979,431**
For year ended 31st December, 2024					
Opening book value	221,239	702,853	561,722	-	24,979,431
Additions for the year	153,000	-	14,805	-	824,536
Transfers	-	-	8,315	-	-
Disposals during the year	-	-	-	-	(14,014)
Depreciation charge for year	(85,081)	(18,974)	(17,984)	-	(1,068,380)
NET BOOK VALUE	**289,158**	**683,879**	**566,858**	**-**	**24,721,573**
Balance at 31st December, 2024					
Cost	855,261	758,967	631,556	188,630	35,804,194
Accumulated depreciation	(566,103)	(75,088)	(64,698)	(188,630)	(11,082,621)
NET BOOK VALUE	**$289,158**	**$683,879**	**566,858**	**-**	**24,721,573**

10. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2024	2023
	$	$
Due from Grenada Co-operative Bank Limited – ATM	13,180,960	8,760,673
Due from Communal Co-operative Credit Union Limited	1,621,262	787,579
Prepaid expenses	187,333	146,880
Due from Grenville Co-operative Credit union Limited	1,926,531	746,152
Due from Nexa Credit Union Limited	273,668	-
Other accounts receivable	2,962,267	3,469,053
Interest receivable	1,705,252	1,941,193
	21,857,273	15,851,530
Less: Provision for Fraud Loss	(60)	(60)
Total accounts receivables and prepayments	21,857,213	15,851,470

11. CASH AND CASH EQUIVALENTS

Cash on hand	6,179,816	5,129,302
Cash in bank	34,680,498	33,274,438
Cash and cash equivalents per statement of cash flows	40,860,314	38,403,740

12. MEMBERS' QUALIFYING EQUITY

These shares are of a nominal value of $20.00 when fully paid up. Each member is required to own twenty-five (25) shares of $20.00 each. A minimum of $200.00 can be paid towards the acquisition of shares.

13. STATUTORY RESERVE

	2024	2023
	$	$
Balance at January 1, 2024	22,134,852	18,794,099
Receipt from loans written-off	178,242	199,307
Entrance fees	24,340	35,700
Allocation for the year – 25% of surplus	2,102,162	3,105,744
Balance at December 31st, 2024	24,439,596	22,134,852

In accordance with Section 125 (4) of the Co-operative Societies Act No.8 of 2011, at least 20% of the surplus for the year shall be transferred to the Reserve Fund.

14. MEMBERS' EQUITY SHARES

This amount represents additional share investment in the Credit Union apart from qualifying shares.

15. OTHER FUNDS AND RESERVES

(a) Development fund

	2024	2023
	$	$
Balance at January 1, 2024	511,350	285,644
Allocation for the year	252,259	372,689
Remittance to Grenada Co-operative League Limited	(372,689)	(146,983)
Carriacou Beryl relief fund	(62,606)	-
CCCU Pledge contribution	(2,717)	-
Balance at December 31, 2024	325,598	511,350

The above fund is payable to the Grenada Co-operative League Limited and is made in accordance with Section 126 of the Cooperative Societies Act No. 8 of 2011.

ARIZA CREDIT UNION LIMITED

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15. OTHER FUNDS AND RESERVES (continued)

(b) Education fund

	2024 $	2023 $
Balance at January 1, 2024	1,478,726	1,106,037
Allocation for the year	252,260	372,689
Balance at December 31, 2024	1,730,986	1,478,726

This fund is dedicated for the provision of educational initiatives for members of the Credit Union.

(c) Education savings plan fund

	2024 $	2023 $
Balance at January 1, 2024	1,793,444	1,414,287
Allocation for the year	252,259	372,689
Interest allocated for the year	5,988	6,468
Balance at December 31, 2024	2,051,691	1,793,444

This fund was set up to provide scholarships to members.

(d) Provident fund

	2024 $	2023 $
Balance at January 1, 2024	680,830	608,077
Allocation for the year	168,173	124,230
Disbursements during the year	(128,074)	(51,477)
Balance at December 31, 2024	720,929	680,830

This fund was set up to assist members who are not in a position to access loan facilities

16. MEMBERS' LIFE TIME SAVINGS

	2024 $	2023 $
Balance at December 31, 2024	317,205,594	294,535,498

These deposits are members' long-term savings at the Credit Union. This is the first form of security held against member's loans. Interest is payable on these deposits at the rate of 2.75% per annum.

17. OTHER DEPOSITS

	2024 $	2023 $
Term deposits	89,170,529	95,761,103
Savings	86,931,341	80,291,061
Education savings plan	17,715,205	16,292,968
Retirement savings	17,438,569	15,753,475
Internal holding	14,795,521	10,145,789
Insurance and group life savings plan	2,764,661	2,503,090
Loan payment savings	2,919,420	1,687,246
Excel savings	341,349	349,597
Estate management	979,620	683,421
Business savings	2,250,800	1,327,330
Micro-Finance savings	9,219	10,348
Standing order	35,281	43,968
Golden nest	936,538	1,001,237
Trust account	533,945	568,258
Other deposits	183	293
	236,822,181	226,419,186

These deposits have various maturity profiles with interest rates varying from 0% to 3.5% (2023: 0% to 3.5%).

18. NON-INTEREST-BEARING LIABILITIES

	2024	2023
	$	$
IDC payable	18,797,197	5,996,229
Interest payable	1,520,818	1,299,784
Sundry creditors payable	1,621,481	1,415,797
Other accounts payable	13,325,570	12,769,176
Balance at December 31st, 2024	35,265,066	21,480,986

19. INCOME TAX

Under the income tax laws of Grenada, the Credit Union is classified as a non-profit organization and is therefore exempted from the payment of income tax.

20. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties

A related party is a person or entity that is related to the Credit Union:

a) A person or a close member of that person's family is related to the Credit Union if that person:

   i) has control or joint control over the Credit Union;

   ii) has significant influence over the Credit Union; or

   iii) is a member of the key management personnel of the Credit Union, or of a parent of the Credit Union.

b) An entity is related to the Credit Union if any of the following conditions applies:

   i) The entity and the Credit Union are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   iii) Both entities are joint ventures of the same third party.

   iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

20. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Related parties

v) The entity is a post-employment benefit plan for the benefit of employees of either the Credit Union or an entity related to the Credit Union.

vi) The entity is controlled, or jointly controlled by a person identified in (a).

vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Related party balances

	Total loans		**Total deposits**	
	2024	2023	**2024**	2023
	$	$	$	$
Board of Directors	1,440,236	2,947,071	533,365	516,522
Credit committee	736,675	487,826	244,577	241,777
Supervisory committee	207,866	217,856	459,379	335,159
Key management personnel	5,068,649	4,045,946	1,352,534	710,735
Total related party balances	7,453,426	7,698,699	2,5879,855	1,804,193

Related party transactions

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and conditions except for certain loans made available to officers.

	2024	2023
	$	$
Interest income on loans	331,713	240,045
Interest expense on deposits	35,924	25,026

Interest rates on related party deposits range from 0% to 3.94 (2023: 0% to 4%). Interest rates on related party loans range from 3% to 12% (2023: 3% to 12%).

20. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Related parties (continued)

Remuneration of key management personnel

During the year, salaries and related benefits paid to key members of management were as follows:

	2024	2023
	$	$
Salaries and allowances	820,290	739,425

21. DIVIDENDS

During the year, the Credit Union paid $2,180,288 as dividends (2023: $990,151) to its members as follows:

	2024	2023
	$	$
Dividends paid	1,179,386	667,178
Rebate paid	1,000,904	322,973
	2,180,290	990,151

22. FINANCIAL INSTRUMENT RISK

Risk management objectives and policies

The Credit Union has exposure to the following risks arising from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Credit Union's exposure to each of the above risks, the Credit Union's objectives, policies and processes for measuring and managing risk, and the Credit Union's management of capital.

22. FINANCIAL INSTRUMENT RISK (continued)

Risk management objectives and policies (continued)

The Board of Directors has overall responsibility for the determination of the Credit Union's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's finance function.

The Board of Directors receives monthly reports from the Credit Union's Management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Credit Union's risk management processes are essentially those mandated by the Board of Directors and are structured to facilitate identification of risks in its various business activities and to formulate risk management strategies, policies and procedures.

Risks are maintained within established limits. The Credit Union's risk management policies entail diversification of risk in its portfolios, the establishment of risk rating indicators for individual members and lines of credit and continuous review of risk profiles for its members and portfolios. Risk limits are also set in relation to groups of borrowers and industry and geographical segments. The policies also include review, analysis and valuation of all risk taking activities.

22.1 *Credit risk analysis*

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty to a financial instrument fails to meet its contractual obligations. The Credit Union is exposed to this risk for various financial instruments, for example, granting loans to members, placing deposits and investing in bonds.

i. *Loans to members*

The Credit Union's exposure to credit risk is influenced mainly by the individual characteristics of each member. The demographics of the Credit Union's member base, including the default risk of the country in which members operate, has less of an influence on credit risk. Geographically there is concentration of credit risk as all members are located in Grenada.

22. FINANCIAL INSTRUMENT RISK (continued)

Risk management objectives and policies (continued)

ii. Cash and cash equivalents

Cash and cash equivalents are held with established and reputable financial institutions, which represent minimum risk of default.

iii. Maximum exposure to credit risk
The maximum on-balance sheet and off-balance sheet exposure to credit risk at the reporting date.

	2024	2023
	$	$
On-balance sheet		
Cash and cash equivalents	40,860,314	38,403,740
Accounts receivable (excluding prepayments and deferred expenses)	18,707,613	12,235,537
Members' loans	518,001,706	470,252,582
Investment securities	57,172,370	58,420,469
	634,742,003	579,312,328

	2024	2023
	$	$
Off-balance sheet		
Loan commitments and other credit related facilities	11,673,490	9,698,941

22. FINANCIAL INSTRUMENT RISK (continued)

Risk management objectives and policies (continued)

The table below set out information about the credit quality of members' loans and the allowance for impaired:

	2024	2023
	$	$
Neither past due nor impaired	484,820,084	447,669,287
Past due but not impaired	23,491,660	7,808,843
Impaired	32,161,591	33,573,217
	540,473,336	489,051,348
Allowance for impaired loss	(22,471,630)	(18,798,766)
	518,001,706	470,252,582

Loan to Members

(a) *Expected credit loss on loans to members*

The Expected Credit Loss (ECL) represents the amount the Credit Union is likely to lose in the event of a default. The Credit Union is required to categorize the loans in their respective stages as outlined in the IFRS 9 Standard.

Expected credit loss (ECL) on loans to members are analysed below:

	Gross Amount	**ECL**	**Net Amount**
	$	$	$
Stage 1	484,820,084	1,064,010	483,756,075
Stage 2	23,491,660	1,373,614	22,118,046
Stage 3	32,161,590	20,034,005	12,127,585
As at December 31, 2024	540,473,335	22,471,630	518,001,706

	Gross Amount	**ECL**	**Net Amount**
	$	$	$
Stage 1	447,669,288	2,331,481	445,337,807
Stage 2	7,808,843	205,009	7,603,834
Stage 3	33,573,217	16,262,276	17,310,941
As at December 31, 2023	489,051,348	18,798,766	470,252,582

22. FINANCIAL INSTRUMENT RISK (continued)

Risk management objectives and policies (continued)

Loan to Members

(b) Expected credit loss on loans to members (continued)

22.1 *Credit risk analysis*

Stage 1 loans
Loans placed in this stage include loans past due between for 0 to 30 days and loans for which there is no evidence of a significant increase in credit risk since the origination date.

Stage 2 loans

Loans placed in this stage include loans past due between for 31 to 60 days and loans that experienced a significant increase in credit risk even if past due days threshold is not met.

Stage 3 loans

Loans placed in this stage are loans that are past due 60 days and over and loans that show evidence of impairment even if the 60 days threshold is not met.

One of the crucial requirements of IFRS 9 is for the Credit Union to determine whether there is a significant increase in credit risk (SIICR) from the date of loan origination to the current or the reporting date. In the event of a SIICR, the loan must be placed in Stage 2 and will require a lifetime provision. The loan should remain in this Stage until there is evidence that the event(s) that resulted in the increase in the credit risks have been satisfactorily cured. It is only then that these loans should be transitioned back to Stage 1. SIICR is determined by observing to the extent to which adverse changes in one or more of the credit risk drivers could increase the likelihood of the default since the origin of the loan. A change in members' employment arrangement, payment method, industry or personal conditions could be deemed significant enough to trigger a migration of loans to Stage 2 even if the past due days quantitative SIICR threshold is not met.

(c) Loans to members re-negotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferred payments. Following restructuring, a previously overdue account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators of criteria which, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continual review. Restructuring is most commonly applied to term loans, in particular customer finance loans.

22. FINANCIAL INSTRUMENT RISK (continued)

(c) Loans to members re-negotiated (continued)

As part of its loan policy and especially in light of Covid-19, the Credit Union undertook a review of its loan portfolio determining high risk sectors and the Expected Credit Loss (ECL) for each. The review considered the macroeconomic outlook, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options as at the reporting date. The ECL methodology and definition remained consistent with prior periods.

(d) Bonds and equity investments

There is no formal rating of the credit quality of bonds, treasury bills and equity investments. A number of qualitative and quantitative factors are considered in assessing the risk associated with each investment; however, there is no hierarchy of ranking. There are no external ratings of the securities. None of the securities are pledged as collateral.

(e) Repossessed collateral

The Credit Union had no repossessed collateral in its statement of financial position as of December 31, 2024 (2023: nil).

22.2 *Liquidity risk analysis*

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Credit Union’s liquidity risk is subject to risk management controls and is managed within the framework of regulatory requirements, policies and limits approved by the Board. The Board receives reports on liquidity risk exposures and performance against approved limits. Management provides the Board with information on liquidity risk for Board oversight purposes through its monthly meetings. The key elements of the Credit Union’s liquidity risk management framework include:

- liquidity risk measurement and management limits, including limits on maximum net cash outflow over a specified short-term horizon;
- holdings of liquid assets to support its operations, which can generally be converted to cash within a reasonable time;
- liquidity stress testing PEARLS-specific ratios; and
- liquidity contingency planning.

22. FINANCIAL INSTRUMENT RISK (continued)

22.2 Liquidity risk analysis *(continued)*

Non-derivative financial liabilities and assets held for managing liquidity risk.

The table below presents the cash flows payable by the Credit Union under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual and undiscounted cash flows.

As of December 31, 2024

	On demand $	Up to 1 year $	1-5 years $	Over 5 years $	Total $
Liabilities					
Members' life time Savings	210,610,990	23,663,890	46,004,917	36,925,797	317,205,594
Other deposits	236,822,181	-	-	-	236,822,181
Non-interest-bearing liabilities	35,265,066	-	-	-	35,265,066
Pension liability	-	-	291,656	-	291,656
Other liabilities	2,475	-	-	-	2,475
	482,700,713	23,663,890	46,296,572	36,925,797	589,586,972

22. FINANCIAL INSTRUMENT RISK (continued)

22.2 Liquidity risk analysis *(continued)*

As of December 31, 2023

	On demand	Up to 1 year	1-5 years	Over 5 years	Total
	$	$	$	$	$
Liabilities					
Members' life time Savings	191,642,736	19,483,740	29,740,365	53,668,657	294,535,498
Other deposits	226,419,186	-	-	-	226,419,186
Non-interest-bearing liabilities	21,480,986	-	-	-	21,480,986
Pension liability	-	-	1,515,485	-	1,515,485
Other liabilities	2,931	-	-	-	2,931
	439,545,839	19,483,740	31,255,850	53,668,657	543,954,086

22. FINANCIAL INSTRUMENT RISK (continued)

22.2 Liquidity risk analysis *(continued)*

Assets held for managing liquidity risk

The Credit Union holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Credit Union's assets held for managing liquidity risk comprise:

- Un-restricted cash in bank
- Certificates of deposit
- Loans and receivables investment securities
- Unimpaired loans

22.3 *Market risk analysis*

The Credit Union is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Credit Union does not face any such risk since its transactions are substantially in Eastern Caribbean Dollars, which is its functional currency. The United States Dollar, in which the Credit Union also transacts business, is fixed in relation to the Eastern Caribbean Dollar.

(ii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market. The Credit Union has no exposure to such risk since its existing investments are not listed in any stock exchange or market.

22. FINANCIAL INSTRUMENT RISK (continued)

22.3 *Market risk analysis (continued)*

(iii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest earning assets and interest-bearing liabilities, which are subject to interest rate adjustments within a specified period.

The Credit Union actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances. Interest rate risk arising from the Credit Union's funding and investment activities is managed in accordance with Board-approved policies.

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

22. FINANCIAL INSTRUMENT RISK (continued)

22.3 *Market risk analysis (continued)*

(iii) Interest rate risk

As of December 31, 2024 Current Assets	Interest rate $	On Demand $	Up to 1 year $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
Cash and cash equivalents		40,860,314	-	-	-	-	40,860,314
Trade and other receivables		-	-	-	-	18,707,613	18,707,613
Members' loan	3% - 16%	819,102	40,319,912	78,385,852	420,948,469	-	540,473,335
Investment securities	2% - 5.75%	22,258,975	21,265,070	10,967,437	1,300,000	1,380,888	57,172,370
Total financial assets		63,938,391	61,584,982	89,353,289	422,248,469	20,088,501	657,213,632
Current liabilities							
Members' life-time savings	2.75%	210,610,990	23,663,890	46,004,917	36,925,797	-	317,205,594
Other deposits	0% - 3.5%	236,822,181	-	-	-	-	236,822,181
Non-interest-bearing liabilities		-	-	-	-	35,265,066	35,265,066
Pension Liability		-	-	-	-	291,656	291,656
Other liabilities		-	-	-	-	2,475	2,475
Total financial liabilities		447,433,171	23,663,890	46,004,917	36,925,797	35,559,197	589,586,972
Total interest repricing gap		(383,494,780)	37,921,092	43,348,372	385,322,672	(15,470,696)	67,626,660

22. FINANCIAL INSTRUMENT RISK (continued)

22.3 *Market risk analysis (continued)*

(iii) Interest rate risk (continued)

As of December 31, 2023 **Current Assets**	**Interest rate** $	**On Demand** $	**Up to 1 year** $	**1 to 5 years** $	**Over 5 years** $	**Non-interest bearing** $	**Total** $
Cash and cash equivalents		38,403,740	-	-	-	-	38,403,740
Trade and other receivables		-	-	-	-	12,235,537	12,235,537
Members' loan	3.5% - 16%	1,502,237	29,798,793	72,968,112	365,983,440	-	470,252,582
Investment securities	2% - 5.75%	21,781,494	21,240,650	12,967,437	1,300,000	1,380,888	58,670,469
Total financial assets		61,687,471	51,039,443	85,935,549	367,283,440	13,616,425	579,562,328
Current liabilities							
Members' life-time savings	3.50%	191,642,736	19,483,740	29,740,365	53,668,657	-	294,535,498
Other deposits	0% - 3%	226,419,186	-	-	-	-	226,419,186
Non-interest-bearing liabilities		-	-	-	-	21,480,986	21,480,986
Pension Liability		-	-	-	-	1,515,485	1,515,485
Other liabilities		-	-	-	-	2,931	2,931
Total financial liabilities		418,061,922	19,483,740	29,740,365	53,668,657	22,999,402	543,954,086
Total interest repricing gap		(356,374,451)	31,555,703	56,195,184	256,132,631	(9,382,977)	(35,608,242)

22. FINANCIAL INSTRUMENT RISK (continued)

22.3 *Market risk analysis (continued)*

(iii) Interest rate risk

Fair value interest rate sensitivity analysis

The Credit Union does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the statement of comprehensive income.

Cash flow interest rate sensitivity analysis

The Credit Union is not exposed to any cash flow interest rate risk as it has no variable rate financial instruments.

22.4 *Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Credit Union’s involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Credit Union’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Credit Union’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

22. FINANCIAL INSTRUMENT RISK (continued)

22.4 *Operational risk (continued)*

The primary responsibility for development and implementation of controls to address operational risk is assigned to management within the Credit Union. This responsibility is supported by the development of overall Credit Union standards for the management of operational risk by establishing requirements for:

- appropriate segregation of duties, including the independent authorization of transactions;
- the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with the Credit Union's standards is supported by a programme of periodic reviews undertaken by the Supervisory Committee. The results of the Supervisory Committee reviews are discussed with management, with summaries to the Board of Directors.

23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

a) *Financial instruments not measured at fair value*

The table below summarises the carrying amounts and fair values of the Credit Union's financial assets and liabilities not presented on the statement of financial position at their fair values.

23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

a) *Financial instruments not measured at fair value*

	Carrying Value		Fair Value	
	2024 $	2023 $	**2024** $	2023 $
Financial assets				
Cash and cash equivalents	40,860,314	38,403,740	40,860,314	38,403,740
Investment securities:				
– Financial assets at amortised costs	56,041,482	57,289,581	56,041,482	57,289,581
Members' loans	518,001,706	470,252,582	518,001,706	470,252,582
Accounts receivable (excluding prepayments and deferred expenses)	18,707,613	12,235,537	18,707,613	12,235,537
	633,611,115	578,181,440	633,611,115	578,181,440
Financial liabilities				
Members' deposits	317,205,594	294,535,498	317,205,594	294,535,498
Other deposits	236,822,181	226,419,186	236,822,181	226,419186
Non-interest bearing liabilities	35,265,066	21,480,986	35,265,066	21,480,986
Pension liability	291,656	1,515,485	291,656	1,515,485
Other liabilities	2,475	2,931	2,475	2,931
	589,586,972	543,954,087	589,586,972	543,954,086

(i) Loans and advances

The estimated fair value of loans and advances represents 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.

23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

a) *Financial instruments not measured at fair value (continued)*

(ii) Investment securities

The fair value of investment securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated for debt investment securities based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and remaining maturity.

(iii) Members' deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new deposits with similar remaining maturity.

b) Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at December 31, 2024 and December 31, 2023.

23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

b) *Fair value measurement of financial instruments (continued)*

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into Level 3 of the fair value hierarchy.

	Level 3	Total
	$	$
December 31, 2024		
Financial assets		
Investment securities:		
- Financial assets at fair value through other comprehensive income (FVTOCI)	1,380,888	1,380,888

	Level 3	Total
	$	$
December 31, 2023		
Financial assets		
Investment securities:		
- Financial assets at fair value through other comprehensive income (FVTOCI)	1,380,888	1,380,888

Measurement of fair value of financial instruments

The Credit Union's finance team performs valuations of financial items for financial reporting purposes. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Chief Executive Officer and to the Board of Directors. The valuation techniques used for instruments categorised in Level 3 are described below:

23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

b) *Fair value measurement of financial instruments (continued)*

Financial assets at FVTOCI

The fair value is generally on broker/dealer price quotations. Where this information is not available, fair value is based on cost less any impairment recognised.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

24. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Credit Union has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. This capital management process aims to achieve three major objectives:

- Exceed regulatory thresholds;
- Meet longer-term internal capital targets; and
- Provide the Credit Union's members with a source of finance.

Capital is managed in accordance with the Board-approved Capital Management Policy which is based on regulatory requirements of the Co-operative Societies Act and the PEARLS regulations. Management and the Board of Directors develop the capital strategy and oversee the capital management processes of the Credit Union. The Credit Union's management and Supervisory Committee are key in implementing the Credit Union's capital strategy and managing capital. Capital is managed using both regulatory capital measures and internal metrics.

The three primary regulatory capital ratios used to assess capital adequacy are as follows:

		Regulatory requirement	**2024** **%**	2023 %
1.	Net Loans/Total Assets	70% to 80%	76%	76%
2.	Institutional Capital/Total Assets	7% minimum	9.83%	9.06%
3.	Total Delinquency/Total Loans	5% maximum	5.96%	6.45%