ST. PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022

CONTENTS **Page**

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INDEPENDENT AUDITORS' REPORT
To the Directors of the St Patrick's Co-Operative Credit Union Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of St. Patrick's Co-operative Credit Union ('the Credit Union'), which comprise the statement of financial position as at 31ST December 2022, and the Separate statements of income, comprehensive income, changes in equity and 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 31ST December 2022, and financial performance and 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the International Ethics Standards Board for Accountants' ('IESBA') International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the 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's or to cease operations, or has no realistic alternative but to do so. The management is responsible for overseeing the Credit Union's financial reporting process.

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

INDEPENDENT AUDITORS' REPORT
To the Directors of the St Patrick's Co-Operative Credit Union Limited
Report on the Audit of the Financial Statements

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

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

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

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

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

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

We communicate with the management 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.

Allen, Thomas & Assoc

Antigua and Barbuda:
29th August 2025

Allen, Thomas & Associates
Chartered Accountants

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

Assets	Notes	2022	2021
Cash and Cash Equivalent	7	3,380,465	7,917,352
Loans Receivable	8	53,054,426	49,527,333
Investment	9	14,045,663	10,912,829
Other Assets	10	280,460	250,757
Plant, Property and Equipment	11	2,996,046	2,867,230
Intangible Assets	12	28,068	45,770
Total Assets		73,785,128	$71,521,271
Liabilities and Members' Equity:			
Deposit Liabilities	13	66,169,438	64,275,225
Other Liabilities	14	364,290	351,371
Loans Payable	15	5,707,917	5,807,637
Total Liabilities		72,241,645	70,434,233
Members' Equity			
Share Capital	16	779,975	547,025
Statutory and other Reserves	17	1,835,609	1,803,867
Revaluation Reserve	18	1,610,737	1,610,737
Accumulated Deficit- (Page 5)		(2,682,838)	(2,874,591)
Total Member' Equity		1,543,483	1,087,038
Total Liabilities and Members' Equity		$73,785,128	$71,521,271

Approved by:

President/Vice President

Director

The notes on pages 7 to 57 form part of these Financial Statements

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

	Notes & Schedules	2022	2021
Income:			
Interest Income	Schedule I	2,996,027	3,026,780
Interest Expense	Schedule II	(1,191,597)	(1,145,901)
Net Interest Income		1,804,430	1,880,879
Other Income	Schedule I	599,920	463,039
		2,404,350	2,343,918
Operating Expenses:			
Staff Costs	Schedule II	1,031,810	1,033,198
General and Administrative Expenses	Schedule III	853,776	707,161
Depreciation and Amortization	Schedule II	128,862	153,075
Bank Service Costs		83,523	73,532
Marketing and Promotion Expenses	Schedule II	67,953	49,958
ECL- Loan Impairment	8	72,493	120,000
Abandoned Property Recovery Expenses		7,221	-
Total operating cost		2,245,638	2,136,924
Profit for the year		158,712	206,994
Other Comprehensive Income			
Fair Value gain on Equity Instruments	21	64,783	-
Total Comprehensive Income for the year		$223,495	$206,994

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT CHANGES IN MEMBER'S EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

	Share Capital	Other C. Reserve	Statutory Reserves	Reval Reserve	Accum Deficit	Total
Balance at 31st December 2020	525,180		1,273,136	1,610,737	(3,040,186)	368,867
Shares issued	21,845		-	-	-	21,845
Transfer of Abandoned Property	-		489,332	-	-	489,332
Total comprehensive income for year	-		-	-	206,994	206,994
Transfer to Statutory Reserve	-		41,399	-	(41,399)	-
Balance at 31st December 2021	547,025		1,803,867	1,610,737	(2,874,591)	1,087,038
Shares issued	232,950		-	-	-	232,950
Fair Value Gain	-	64,783	-	-	-	64,783
Total comprehensive income for year	-		-	-	158,712	158,712
Transfer to Statutory Reserve	-		31,742	-	(31,742)	-
Balance at 31st December 2022	$779,975	$64,783	$1,835,609	$1,610,737	$(2,747,621)	$1,543,483

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

Cash flows from operating activities	2022	2021
Net Income for the year	223,495	206,994
Add: Non cash item – Depreciation	128,862	131,600
Statutory Reserve	-	489,333
Amortization	-	21,550
Recovery/Provision for Loan Impairment	7,221	120,000
Interest Income	(2,996,027)	(3,026,780)
Interest Expense	1,191,597	1,145,901
	--------------	--------------
Cash flow from operations	(1,444,852)	(911,402)
Changes in Operating Assets and liabilities		
Change in mortgages and loans receivable	(3,527,093)	424,572
Change in other assets	(29,703)	(48,322)
Change in deposit liabilities	1,894,213	2,771,692
Change in other liabilities	12,919	86,010
Net cash provided by (used in) operating activities	(1,649,664)	3,233,953
Interest received	2,996,027	3,173,008
Interest paid	(1,191,597)	(1,151,963)
Net cash provided by operations	**154,766**	5,254,997
Cash Flows from investing activities		
Net Change in Investments	(3,132,834)	(4,316,711)
Purchase of property, plant and equipment	(239,976)	(39,825)
Purchase of intangibles	-	(15,101)
	--------------	--------------
Net cash (used in) provided by investing activities	**(3,372,810)**	(4,371,637)
Cash Flows from Financing Activities		
Proceeds from (redemption)/issuance of shares	232,950	21,845
Loan proceeds/(repayments)	(106,941)	159,833
	-----------	-----------
Net cash (used in) by financing activities	**126,009**	181,678
	-----------	-----------
Change in cash and cash Equivalents	(4,536,887)	153,637
Cash and cash equivalents at start of year	7,917,352	7,763,715
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Cash and cash equivalents at end of year	$3,380,465	$7,917,352
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

1. **Nature of operations**
   The principal activity of the St Patrick's Co-operative Credit Union Limited ("the Credit Union") is to encourage financial prudence through savings and provide loans and other financial products and services to its members.

2. **General information and statement of compliance with IFRS** St. Patrick's Co-operative Credit Union Limited was registered on 5th November, 1969 under the Co-operative Societies Law Caption 119 of the Revised Laws of Montserrat.

   The registered office of the Credit Union is located at the St Patrick's Credit Union House Brades Montserrat, West Indies.
   The accompanying financial statements are the financial statements of the Credit Union and have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 (IFRS) adopted by the International Accounting Standard Board (IASB). These financial statements were approved by the Board of Directors on 25th August 2025.

   (b) Going Concern
   These financial statements have been prepared on the going concern basis, which assumes that the Credit Union will continue in operation in the foreseeable future. They do not purport to give effect to adjustments, if any, that may be necessary should the Credit Union be unable to realise its assets and discharge its liabilities in other than the ordinary course of business.

3. Basis of Preparation (Cont'd)

(c) Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Credit Union has adopted the following amendments to standards and new interpretations effective from January 1, 2021. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Credit Union's financial statements.

- **COVID-19 Related Rent Concessions (Amendments to IFRS 16) Effective 1 June 2021**

  IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

  (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

  (b) The reduction in lease payments affects only payments originally due on or before 30 June 2022; and

  (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

- Interest rate Benchmark Reform - IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

  IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from IBOR to a risk-free-rate (RFR). Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

These amendments have no material effect on the Credit Union.

Several other amendments and interpretations apply for the first time in 2022, but do not have an impact on the Credit Union's financial statements. The new standards and interpretations are effective for annual periods beginning on or after January 1, 2022, unless otherwise stated.

3. Basis of Preparation (Cont'd)

(d) New Standards and Interpretation of amendments to existing standards issued but not effective during the year

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Credit Union's financial statements are disclosed below. The Credit Union intends to adopt these standards, if applicable, when they become effective.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Covid-19 related rent concessions beyond June 30, 2022 (Amendments to IFRS 16);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Annual Improvements to IFRS Standards 2018-2021
- References to Conceptual Framework (Amendments to IFRS 3)

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

New standards and interpretations of amendments not yet effective:
In January 2021, IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current and non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annually reporting periods beginning on or after January 1, 2022. However, in May 2021, the effective date was deferred to annual reporting periods beginning on or after January 1, 2023.

3. Basis of Preparation (Cont'd)

(d) New Standards and Interpretation of amendments to existing standards issued but not effective during the year (Cont'd)

New standards and interpretations of amendments not yet effective: (Cont'd)
In response to feedback and inquiries from stakeholders, in December 2021, the IFRS Interpretations Committee (IFRIC) issued a Tentative Agenda Decision, analysing the applicability of the amendments to their scenarios. However given the comments received and concerns raised on some aspects of amendments, April 2022, IFIC decided not to finalise the agenda decision and referred the matter to the IASB. In its June 2022 meeting, the IASB tentatively decided to amend the requirements of IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to deter the effective date of the 2021 amendment by at least one year.

The Credit Union is currently assessing the impact of these new accounting standards and amendments.

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 profit or loss, 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, transactions costs, discounts or premiums that are an integral part of the effective interest rate. Transactions costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial asset or liability.

4. Summary of significant accounting policies (Cont'd)

4.2 Revenue recognition (Cont'd)

(ii) Fees and other income

The Credit Union earns fee income from financial services it provides to its members. Fee income is recognised at an amount that reflects the consideration to which the Credit Union expects to be entitled in exchange for providing the services.

The performance obligations as well as timing of their satisfaction, are identified and determined, at the inception of the contract. The Credit Union's revenue contracts do not include multiple performance obligations.

When the Credit Union provides services to its members, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of a contract period for a service provided over time.

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 profit or loss. 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. Summary of significant accounting policies (Cont'd)

4.4 Leases

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 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 re-measurement 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.

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 profit or loss 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 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 assets 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:

4. Summary of significant accounting policies (Cont'd)

4.5 Financial Instruments (Cont'd)

(a) Initial recognition and measurement of financial instruments (Cont'd)

- If the 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 date from the 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 deferred difference is recognised 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.

(b) 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 are solely payments of principal and interest on principal amount outstanding.

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.

4. Summary of significant accounting policies (Cont'd)

4.5 Financial Instruments (Cont'd)

(b) Classification and subsequent measurement of financial assets (Cont'd)

Financial assets at amortised cost (Cont'd)

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 Credit Union 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.

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 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.

4. Summary of significant accounting policies (Cont'd)

4.5 Financial Instruments (Cont'd)

(b) Classification and subsequent measurement of financial assets (Cont'd)

Reclassifications

If the business model under which the Credit Union holds financial asset 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 De-recognition of financial assets in Note 4.5(f).

(c) 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 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 (Cont'd)

4.5 Financial Instruments (Cont'd)

(c) Impairment of Financial Assets (Cont'd)

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 (e.g. 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 behavioural 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 borrowers incentive to make scheduled contractual payments;
- expected breaches of contract that may, for example, lead to covenant waivers or amendments, or interest payment holidays;
- existing or expected adverse changes in the regulatory, economic, or technological environment that significantly affect, or are expected to affect, the borrower's ability to meet its debt obligations;
- changes in the Credit Union's 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.

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022

4. Summary of significant accounting policies (Cont'd)

4.5 Financial Instruments (Cont'd)

(c) Impairment of Financial Assets (Cont'd)

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.

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 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 the 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.

4. Summary of significant accounting policies (Cont'd)

4.5 Financial Instruments (Cont'd)

(c) Impairment of Financial Assets (Cont'd)

Evidence of credit-impaired 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.

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 identification of 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

4. Summary of significant accounting policies (Cont'd)

4.5 Financial Instruments (Cont'd)

(c) Impairment of Financial Assets (Cont'd)

Definition of default (Cont'd)

The 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 current amount outstanding.

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.

(d) 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 assets 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 profit or loss.

4. Summary of significant accounting policies (Cont'd)

4.5 Financial Instruments (Cont'd)

(d) Modification of loans to members (Cont'd)

If the new terms are not substantially different the original loan is not derecognised. The Credit Union recalculates the gross carrying amount of the loan and recognises a modification gain or loss in the profit and loss. 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.

(e) 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 in net impairment loss on financial assets' in the statement of profit or loss.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

(f) 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 transfer contract from selling or pledging the original asset other than a security to the eventual recipients for the obligation to pay them cash flows; and

4. Summary of significant accounting policies (Cont'd)

4.5 Financial Instruments (Cont'd)

(f) Derecognition of financial assets (Cont'd)

(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.

(g) Transfer of financial assets

The Credit Union enters into transactions resulting in transfers of financial assets. A transfer of a financial asset may result in derecognition of the asset in its entirety, recognition of the Credit Union's retained interest in the asset and an associated liability for amounts it may have to pay, or continued recognition of the financial asset in its entirety and recognition of a collateralised borrowing for the proceeds received.

When the transfer does not result in derecognition, it is viewed as a secured financing transaction, with any consideration received resulting in a corresponding liability. The Credit Union is not entitled to use these financial assets for any other purposes. The most common transactions under which the Credit Union has continued involvement of the transferred assets are:

(i) Sale and repurchase agreements: under these agreements the Credit Union may sell securities subject to a commitment to repurchase them. The securities are retained on the balance sheet as the Credit Union retains substantially all the risks and rewards of ownership. The consideration received is accounted for as a financial liability at amortised cost, unless it is designated at FVTPL.

4. Summary of significant accounting policies (Cont'd)

4.5 Financial Instruments (Cont'd)

(g) Transfer of financial assets (Cont'd)

(ii) Securities lending agreements: under these agreements the Credit Union lends securities to other banks and/or customers for a fee and receives collateral in the form of cash. The securities are retained on the balance sheet as the Credit Union retains substantially all the risks and rewards of ownership. The cash collateral received is accounted for as a financial liability at amortised cost, unless it is designated at FVTPL.

(iii) Securitisations: the Credit Union uses securitisations as a source of finance and a means of risk transfer. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities. Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction; lead to partial continued recognition of the assets to the extent of the Credit Union's continuing involvement in those assets or to derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer.

(iv) Full derecognition only occurs when the Credit Union transfers both its contractual right to receive cash flows from the financial assets or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment, and also transfers substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk.

(h) Financial Liabilities

Classification and subsequent measurement of financial liabilities

In both the current and prior period, financial liabilities are classified as 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 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. Summary of significant accounting policies (Cont'd)

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 the fair value, and are used by the Credit Union in the management of its short-term commitments. Bank overdraft which is repayable on demand forms an integral part of the business and is included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash and cash equivalents are measured at amortised cost.

4.7 Property and equipment and depreciation

(a) 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.

(b) 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 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 (note 18). However, the increase is recognised in profit or loss to the extent that is reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of revaluation, the decrease is recognised in profit or loss. 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.

4. Summary of significant accounting policies (Cont'd)

4.7 Property and equipment and depreciation (Cont'd)

(b) Subsequent measurement (Cont'd)

Land and building (Cont'd)

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.

Furniture, equipment and motor vehicle

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

(c) 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:

Building	2%
Equipment	25%
Furniture and Fixtures	10%

Land is 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 profit or loss.

4. Summary of significant accounting policies (Cont'd)

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.

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 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 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 has been recognised.

4.9 Provisions

Provision for legal disputes or other claims are recognised 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.

4. Summary of significant accounting policies (Cont'd)

4.9 Provisions (Cont'd)

Any reimbursement that the Credit Union can be virtually certain to collect from a third party with respect to the obligation that is recognised as a separate asset. However, this asset may not exceed the amount of 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.

4.10 Employee benefits

Obligations for contributions to defined contributions pension plans are recognised as an expense in profit or losses 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 17).

General reserves comprise donated capital, unclaimed deposits and entrance fees set aside as stipulated in the Credit Union's By-laws.

Revaluation reserved comprise gains and losses from the revaluation of land and building (See Note 18).
Other reserves comprise provision for loan losses recognised for regulatory purposes.

c) Retained earnings

Retained earnings include all current and prior period retained profits or losses.

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.

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

5. Significant management judgements 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.

5.1 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 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.

5.2 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for the financial assets measured at amortized cost FVTPL or 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).

5. Significant management judgements in applying accounting policies and estimation uncertainty: (Cont'd)

5.2 Measurement of the expected credit loss allowance (Cont'd)

A number of significant judgements are also required in applying the account requirements for measuring ECL such as:

- Determining credit for significant increase in credit risk
- Choosing appropriated model and assumptions for the measurement of the proportional loss
- Establishing groups of familiar 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

5.3 Valuation of Stage 3 loan 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 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.

5.4 Expected Credit Loss on Financial Assets at FVTOCI – 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 required judgement. 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 the uncertainty regarding the recoverability of the carrying value in the subsequent period and/or recoverability of the amounts invested in full.

The Credit Union recognised ECL on equity investments during the year of nil (2021:nil).

6. Financial Risk Management

The Credit Union's activities expose it to a variety of financial risks, and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in the business. Therefore, the Credit Union's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance.

Overall risk management policies are set by the Board of Directors and carried out by senior management. The identification, evaluation and hedging of financial risks, where considered appropriate, are performed by senior management under guidance from the Board of Directors.

6.1 Credit Risk

The Credit Union takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss to the Credit Union by failing to discharge an obligation. Credit risk is the most important risk for the Credit Union's business. Management, therefore, carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other instruments into the Credit Union's asset portfolio. There is also credit risk in off Statement of Financial Position financial instruments, such as loan commitments.

6. Financial Risk Management (Cont'd)

6.1.1 Credit risk management

Loans and receivables

The Credit Union assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of the counter party. Overdue loans are categorized into the classes below reflecting the range of default probabilities for each class.

Duration of period of overdue loans

2 months but less than 6 months
6 months but less than 9 months
9 months but less than 12 months
12 months or more

Term deposits are placed with reputable banks and financial institutions of acceptable credit quality based on financial position, past experience and other factors.

6.1.2 Risk limit control and mitigation policies

The Credit Union manages limits and controls concentration of credit risk to members.

The Credit Union structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to regular review by the Supervisory Committee, Credit Committee and the Board of Directors.

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

6. Financial Risk Management (Cont'd)

6.1.2 Risk limit control and mitigation policies (cont'd)

The following specific control and mitigation measures a real so utilized:

a) Collateral

The Credit Union employs policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is a common practice. The Credit Union implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are as follows:

- Mortgages over properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Members 'savings deposits.

Longer-term lending and individual credit facilities are generally secured.

b) Credit-related commitments

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit; the Credit Union is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

6. Financial Risk Management (Cont'd)

6.1.3 Impairment and provision policies

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the Statement of Financial Position date based on the objective evidence of impairment Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operations management and co-operative societies regulatory purposes.

The internal rating system assist management to determine whether objective evidence of impairment exists under IFRS9, based on the following criteria set out by the Credit Union:

- Delinquency in contractual payments of principal or interest
- Cash flow difficulties experienced by the borrower
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position
- Deterioration in the value of collateral

Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the statement of financial position date on a case by case basis, and are applied to all individually significant accounts. The assessment normally includes collateral held and anticipated receipts for that individual account.

6. Financial Risk Management (Cont'd)

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

Credit risk exposures relating to Statement of Financial Position assets:	2022	2021
Cash and cash equivalents financial and non-financial Institutions (Note 7)	3,380,465	7,917,352
Mortgages and loans receivable (Note 8)	53,076,923	49,527,333
Investment securities (Note 9)	14,045,663	10,912,829
Other assets (Note 10)	280,460	250,757
	70,783,511	68,608,271
Credit exposure relating to off-balance sheet items:		
Loan commitments and other credit related facilities	496,098	-
Total	**$71,279,609**	**$68,608,271**

The above table represents a worst-case scenario of credit risk exposure to the Credit Union at 31st December 2022 and 2021, without taking account of any collateral held or other credit enhancements attached. For the on-Statement of Financial Position assets, the exposures set out above are based on the net carrying amounts as reported in the Statement of Financial Position. Based on the above figures, 72.2% (2021: 77.3%)of the total maximum exposure is derived from mortgages and loans receivables while 15.9% (2021: 10.4%) and 11.5% (2021:12%)represents investments securities and cash and cash equivalents respectively.

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

6. Financial Risk Management (Cont'd)

6.1.5 Loans

Loans are summarized as follows:

	2022	2021
Neither past due nor impaired	50,277,898	47,443,913
Past due but not impaired	1,140,390	702,785
Impaired	3,074,596	3,523,231
Gross loans (Note 8)	54,492,884	51,669,929
Interest receivable	142,973	129,171
Allowance for impairment	(1,581,431)	(2,271,767)
Net loans	$53,054,426	$49,527,333

a) Loans neither past due nor impaired
The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Credit Union.

6. Financial Risk Management (Cont'd)

6.1.5 Loans (Cont'd)

b) Loans past due but not impaired

Loans and advances less than 2 months past due are not considered impaired unless other information is available to indicate the contrary. Gross amounts of loans and advances by class to customers that were past due but not impaired were as follows:

	Mortgages	Other Loans To members	Total
As at December 31, 2022			
Past due up to 30 days	257,352	-	257,352
Past due 31 to 60 days	215,015	-	215,015
Past due 61 to 89 days	668,022	-	668,022
Total	**$1,140,389**	-	**$1,140,389**
Fair value of collateral	**$1,946,597**		**$1,946,597**
As at December 31, 2021			
Past due up to30 days	-	-	-
Past due31 to 60 days	542,780	16,866	559,646
Past due 61 to 89 days	84,733	58,317	143,050
Total	**$627,513**	**$75,183**	**$702,696**
Fair value of collateral	**$663,292**	**$48,332**	**$711,624**

Fair value of collateral by type:

Past due but not impaired:	2022	2021
Mortgage	1,946,597	537,138
Bill of sale	-	47,912
Cash savings	-	126,574
	$1,946,597	**$711,624**

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

6. Financial Risk Management (Cont'd)

6.1.5 Loans

Loans individually impaired

The Credit Union writes-off loans to the statement of income if that loan has been delinquent for more than 365 days. Loans written-off for the year totalled $762,830 (2021: $75). Gross amounts of impaired loans and advances by class to customers were as follows:

Past due but not impaired	Mortgages	Other Loans to members	Total
As at December 31 , 2022			
Past due 90 to180 days	291,301	106,259	397,560
Past due181 to 365 days	343,206	74,789	417,995
Past due over 365 days	1,911,184	347,855	2,259,039
Total	**$2,545,691**	**$528,903**	**$3,074,594**
Fair value of collateral	**$2,254,587**	**$52,196**	**$2,306,783**
As at December 31, 2021			
Past due 90 to180 days	651,933	141,281	793,214
Past due181 to 365 days	142,476	66,440	208,916
Past due over 365 days	1,165,531	1,355,570	2,521,101
Total	**$1,959,940**	**$1,563,291**	**$3,523,231**
Fair value of collateral	**$2,190,984**	**$81,183**	**$2,272,167**

Fair value of collateral by type:
Impaired loans:

	2022	2021
Mortgage	2,286,082	2,190,984
Bill of sale	20,701	74,215
Cash savings	-	6,968
	$2,306,783	**$2,272,167**

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

6. **Financial Risk Management (Cont'd)**

6.1.6 Concentration of risks of financial assets with credit risk exposure (Cont'd)

a) Geographical Sectors

The following table analyses the Credit Union's main credit exposure at their carrying amounts, as categorized by geographical region as at December 31, 2022. For this table, the Credit Union has allocated exposures to regions based on country of domicile of the counter parties.

Credit risk exposures relating to on-Statement Of Financial Position assets:	**Montserrat**	**Other Caribbean Territories**	**Total**
Cash and cash equivalents from financial Institutions (Note 7)	2,665,637	714,828	3,380,465
Mortgages and loans receivable (Note 8)	54,492,882	-	54,492,882
Investments (Note 9)	100,331	13,945,332	14,045,663
Other assets (Note 10)	133,596	146,864	280,460
As at December 31, 2022	**$57,392,446**	**$14,807,024**	**$72,199,470**
As at December 31, 2021	**$59,143,634**	**$11,607,233**	**$70,750,867**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

6. Financial Risk Management (Cont'd)

6.1.6 Concentration of risks of financial assets with credit risk exposure

	2022	%	2021	%
Building costs	32,135,425	58.97	30,547,616	59.12
Home purchase	4,542,852	8.34	3,997,502	7.74
Home renovation	98,027	0.18	137,640	0.27
Land purchase	4,285,298	7.86	4,108,547	7.95
Debt consolidation	2,510,581	4.61	2,970,515	5.75
Vehicle costs	3,844,188	7.05	4,249,356	8.23
Educational costs	1,269,765	2.33	1,081,835	2.09
Medical costs	355,765	0.65	279,985	0.54
Travel expenses	956,670	1.76	673,206	1.30
Household furniture	398,584	0.73	447,685	0.87
Working capital	2,524,569	4.63	1,716,582	3.32
Other	1,571,158	2.89	1,459,460	2.82
Gross Loans (Note 8)	**$54,492,882**	**100.0**	**$51,669,929**	**100.0**

Economic risk concentrations within the customer loan portfolio were as follows:

6.2 Market risk

The Credit Union takes on exposure to market risks, which is the risk that the fair value of cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

6. Financial Risk Management (Cont'd)

6.2.1 Price risk

The Credit Union's investment portfolio does not include quoted equity investment securities and its exposure to price risk is minimal since the total of these securities is insignificant in relation to its Statement of Financial Position.

6.2.2 Foreign exchange risk

The Credit Union takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Credit Union does not believe any significant foreign exchange risk exists at year end as all of its assets and liabilities are denominated in either Eastern Caribbean Dollars or United States Dollars. United States Dollars are translated into Eastern Caribbean Dollars at a fixed rate of EC$2.70 for US$1.00.

6.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event unexpected movements arise.

The following table summarizes the Credit Union's exposure to interest rate risks. It includes the Credit Union's financial instruments at carrying amounts categorized by maturity dates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

6. **Financial Risk Management (Cont'd)**

6.2.3 Interest rate risk...*continued*

	Exposed up to 1 year	Exposed within 2 to 5 years	Exposed over 5 years	Not exposed to interest Rate risk	Total
As at December 31 ,2022					
Assets					
Cash and cash equivalents	564,113			2,816,352	3,380,465
Due from financial institution					
Mortgages and loans receivable	372,676	6,178,522	47,941,685		54,492,883
Investment securities:					
Certificates of deposits	12,394,309	1,350,000	-	-	13,744,306
Commercial paper and Government notes					
Investments unquoted	301,375	-	-	-	301,375
Other receivables	-	-	-	280,460	280,460
Total financial assets	13,632,470	7,528,522	47,941,685	3,096,812	72,199,489
Liabilities					
Deposit liabilities	44,729,801	21,219,007	-	-	65,948,808
Loans payables	-	-	-	5,707,917	5,707,917
Other liabilities	-	-	-	385,015	385,015
Total financial liabilities	44,729,801	21,219,007	-	6,092,932	72,041,740
Total interest Re pricing gap 2022	**$(31,097,331)**	**$(13,690,485)**	**$47,941,685**	**$(2,996,120)**	**$157,749**
As at December 31, 2021					
Total financial assets	10,375,474	7,130,464	45,596,811	7,648,119	70,750,868
Total financial liabilities	42,837,906	21,214,116	-	6,159,008	70,211,030

Because of limited volatility in the securities markets in which the Credit Union's investments are held, the Credit Union is not unduly exposed to fair value interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

6. Financial Risk Management (Cont'd)

6.3 Liquidity risk

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

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

Monitoring and reporting take the form of cash flow measurement, and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for these projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Non-derivative cash flows

The table below presents the cash flows payable by the Credit Union under non-derivative financial liabilities by remaining contractual maturities at the Statement of Financial Position date. The amounts disclosed in the table are the contractual and undiscounted cash flows; whereas the Credit Union manages the inherent liquidity risk based on expected undiscounted cash flows.

As at December 31, 2022	1 year	2 to 5 years	Over 5 years	Total
Deposit liabilities	44,729,801	21,219,007	-	65,948,808
Other liabilities	385,015	-	-	385,015
Loans payable	-	-	5,707,917	5,707,917
Total financial liabilities	**$45,114,816**	**$21,219,007**	**$5,707,917**	**$72,041,740**
As at December 31, 2021				
Deposit liabilities	42,835,523	21,216,499	-	64,052,022
Other liabilities	351,371	-	-	351,371
Loans payable	-	-	5,807,637	5,807,637
Total financial liabilities	**$43,186,894**	**$21,216,499**	**$5,807,637**	**$70,211,030**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

6. **Financial Risk Management (Cont'd)**

6.3 Liquidity risk

6.3.1 Funding approach

Sources of liquidity are regularly reviewed by management and the Board of Directors in order to maintain a wide diversification by currency, geography, provider, product and term.

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and loans due to the Credit Union by its members. The Credit Union would also be able to meet unexpected net cash outflows by selling investment securities and accessing additional funding sources.

6.3.2 Off Statement of Financial Position items

a) Loan commitments

The dates of the contractual amounts of the Credit Union's off-Statement of Financial Position instruments that commit to extend credit to members and other facilities are summarised in the table below:

	1 to 5 years
As at December 31, 2022	
Loan commitments	$496,098
As at December 31, 2021	
Loan commitments	-

b) Capital commitments

The amount of commitments for capital expenditure at December 31, 2022 was Nil (2021: Nil).

6.4 Fair value of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value if one exists. The carrying values of the Credit Union's financial assets and financial liabilities as disclosed in the Statement of Financial Position approximate to their fair values except for the Fair Value through other Comprehensive Income investment securities, which are unquoted.

6. Financial Risk Management (Cont'd)

6.4 Fair value of financial assets and liabilities...*continued*

i) Cash and cash equivalents
Due to their short-term nature, the carrying amounts of these assets approximate their fair values.

ii) Loans
Loans are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amounts of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine their value. The interest rates on the loans reflect the market interest rates, hence the carrying values are considered to approximate the fair value.

iii) Investment securities
Investment securities include only assets classified as FVTOCI unquoted equity investments measured at cost and loans and receivables. The fair value of FVTOCI unquoted equity investments cannot be reliably estimated and hence these investments are carried at cost once they are not impaired.

iv) Members' deposits and other borrowings
The estimated fair value of deposits with no stated maturity, which included non-interest bearing deposits, is the amount repayable on demand. The carrying values approximate the fair value because of their short-term nature.

The estimated fair value of fixed interest- bearing deposits and other borrowings not quoted in an active market is based on discounted cash flow using interest rates for new debts with similar remaining maturity. The interest rates on these financial liabilities reflect the market interest rates, hence the carrying values are considered to approximate the fair value.

6.5 Capital management

The Credit Union's objectives, when managing capital are to safeguard the Credit Union's ability to continue as a going concern in order to provide returns and benefits for members and others take holders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Credit Union may adjust the amount of dividends paid to members, issue new shares or sell assets to reduce debt.

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

6. **Financial Risk Management (Cont'd)**

6.6 Financial assets and liabilities by category

The table below analyses the Credit Union's financial assets and liabilities by category:

	Loans, Cash & Investments	Fair Value	Total
As at December 31, 2022			
Assets			
Cash and cash equivalents	2,339,036	-	2,339,036
Mortgages and loans receivable	54,492,883	-	54,492,883
Investment securities	14,045,663	-	14,045,663
Other assets	-	280,460	280,460
Total financial assets	**$70,877,582**	**$280,460**	**$71,158,042**
Liabilities			
Members' deposits	-	66,169,438	66,169,438
Other liabilities	-	385,015	385,015
Loans payable	-	5,707,917	5,707,917
Total financial liabilities	**$-**	**$72,262,370**	**$72,262,370**
As at December 31, 2021			
Assets			
Cash and cash equivalents	6,617,194	-	6,617,194
Mortgages and loans receivable	51,669,929	-	51,669,929
Investment securities	10,912,829	-	10,912,829
Other assets	-	250,757	250,757
Total financial assets	**$69,199,952**	**$250,757**	**$69,450,709**
Liabilities			
Members' deposits	-	64,275,225	64,275,225
Other liabilities	-	351,371	351,371
Loans payable	-	5,807,637	5,807,637
Total financial liabilities	**$-**	**$70,434,233**	**$70,434,233**

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

7. Cash and Cash Equivalents

	2022	2021
Cash at other credit unions	231,175	187,052
Bank of Montserrat Limited	1,624,208	5,947,203
First Citizens Bank	332,938	332,938
ECCB - D Cash	150,715	150,000
Cash with financial and non-financial institutions	2,339,036	6,617,193
Cash on hand	1,041,429	1,300,159
Total (Page 3)	**$3,380,465**	**$7,917,352**

The Credit Union held deposits at various financial and non-financial institutions. The interest rates on these deposits ranged from 0% to 2.5% (2021: 0% to 2.5%).

8. Loans Receivable

	2022	2021
Mortgage loans	28,544,681	26,860,302
Government loans	5,707,917	6,472,231
Other loans	20,240,286	18,337,397
Gross loans	54,492,884	51,669,930
Interest receivable	142,973	129,171
Allowance for loan impairment (see below)	(1,581,431)	(2,271,768)
Total (Page 3)	**$53,054,426**	**$49,527,333**
Current	13,609,568	10,082,475
Non-current	39,444,858	39,444,858
Total (Page 3)	**$53,054,426**	**$49,527,333**

Allowance for loan impairment
The movement in allowance for loan impairment is as follows:

	2022	2021
Balance at start	2,271,768	2,151,843
Bad debts written off	(762,830)	(75)
Provision for the year	72,493	120,000
Balance at end	**$1,581,431**	**$2,271,768**

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

9. Investments	2022	2021
Fair Value Through Profit & Loss		
Certificates of Deposits		
Clico Investment Bank Limited-certificate of deposit	161,810	161,810
British American Insurance Company Limited-certificate of deposits	587,058	587,058
Communal Credit Union Limited	11,202	10,663
Nevis Credit Union	689,483	669,401
Community First Credit Union	676,928	660,417
St. John's Co-operative Credit Union Ltd	512,500	500,000
St. Kitts's Co-operative Credit Union Ltd	514,795	500,000
Liberty Co-operative Credit Union Ltd	250,000	250,000
Community First Credit Union	512,500	500,000
First Federal Credit Union Ltd	1,000,000	-
Corporate Notes		
First Citizens Investment Services Ltd. (Repurchase Agreement)	1,025,068	1,025,068
First Citizens Investment Services Limited - Medium Term Note	1,350,000	1,350,000
ECHMB 365 Day Corporate Note 1	1,000,000	1,000,000
ECHMB 365 Day Corporate Note 2	1,000,000	1,000,000
ECHMB 365 Day Corporate Note 3	1,000,000	-
ECHMB 365 Day Corporate Note 4	1,000,000	-
ECHMB 365 Day Corporate Note 6	500,000	500,000
ECHMB 365 Day Corporate Note 8	1,000,000	1,000,000
ECHMB 365 Day Corporate Note 9	500,000	500,000
ECHMB 365 Day Corporate Note 10	1,000,000	1,000,000
Interest receivable	201,216	210,092
	14,492,560	11,424,509
Provision for Impairment–(see below)	(748,254)	(748,254)
	13,744,306	10,676,255
Unquoted Equity Investments		
OKIO Credit	1,432	3,643
Eastern Caribbean Home Mortgage Bank Limited	187,340	107,600
Eastern Caribbean Securities Exchange Limited	38,576	25,000
Bank of Montserrat limited	74,009	100,331
(Note 21) Page 57	301,357	236,574
Total (Page 3)	**$14,045,663**	**$10,912,829**

9. Investments (Cont'd)

	2022	2021
Current	12,695,663	9,562,829
Non-current	1,350,000	1,350,000
Total (Page 3)	**$14,045,663**	**$10,912,829**

Impairment of Investment Securities

The Credit Union holds investment with two CL Financial Limited Group (CL Group) entities. The CL Group having experienced significant financial and liquidity difficulties sought the assistance of the Government and Central Bank of Trinidad and Tobago. As at December 31, 2019, The Credit Union held certificates of deposit with BAICO totalling $587,058 (2021: $587,058), and certificates of deposits with CIBL totalling $161,810 (2021:$161,810).

i) British American Insurance Company Limited – (BAICO)
In 2009, Judicial Managers were appointed for the Antigua Branch of BAICO where the investment was held. Management, after assessing the available information including the report of the Judicial Managers with respect to the financial position of BAICO, made a 100% impairment provision for its investment amounting to $735,077, inclusive of accrued interest.

ii) Clico Investment Bank (CIBL)
The certificates of deposits held in CIBL matured in 2009. A transfer agreement, dated 17 December, 2009, was signed among CIBL, First Citizen Bank Limited (FCB) of Trinidad and Tobago, and The Credit Union for the transfer and acceptance of the certificates of deposits (from CIBL to FCB), with the effective transfer date being 1 February, 2009 when new certificates of deposits were issued. By the first quarter of 2013, The Credit Union had received $2,389,653 from FCB when the new certificates of deposits matured. Based on the foregoing information then available, management assessed that the remaining balance was unlikely to be recovered and made a 100% impairment provision against the remaining balance, inclusive of interest.

In April, 2018, the Credit Union received an interim settlement of $346,730 from the Liquidators of CLICO Investment Bank Limited against Certificate of Deposits totalling $526,785. As a result; the impairment provision on this investment was reduced to $180,055 as at 31stDecember, 2017, given the transaction was treated as a subsequent event in 2017. As at 31st December 2022, the Provision for Impairment was $748,254 (2021: $748,254), equal to 100% of the remaining investments.

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

9. Investments (Cont'd)
The movements in investment securities may be summarized as follows:

	Investments	Fair value OCI	Total
Cost/Valuation at start 1st January 2021	6,500,097	236,574	6,736,671
Additions	5,535,605	-	5,535,605
Disposals	(1,500,000)	-	(1,500,000)
Increase (Decrease) in interest receivable	140,553	-	140,553
Balance at 31st December 2021	$10,676,255	$236,574	$10,912,829
Cost/Valuation at start 1st January 2022	10,676,255	236,574	10,912,829
Additions	3,076,927	64,801	3,141,728
Increase (Decrease) in interest receivable	(8,894)	-	(8,894)
Balance at 31st December 2022	$13,744,288	$301,375	$14,045,663

10. Other Assets

	2022	2021
Inventory - stationery supplies	51,721	34,010
Prepayments and deferred expenses	59,472	63,315
Other receivables	169,267	153,432
Total (Page 3)	**$280,460**	**$250,757**
Current	**$280,460**	**$250,757**

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

11. Property, Plant and Equipment

Cost/Valuation	Freehold Land	Freehold Building	Machinery & Equipment	Total
Balance at 1st January 2022	96,268	3,888,211	981,644	4,966,123
Addition	-	169,429	70,547	239,976
Balance at 31st December 2022	96,268	4,057,640	1,052,191	5,206,099
Accumulated Depreciation				
Balance at 1st January 2022	-	1,222,187	876,706	2,098,893
Charge for the Year	-	77,764	33,396	111,160
Balance at 31st December 2022	-	1,299,951	910,102	2,210,053
Net Book Values 31st December 2022	$96,268	$2,757,689	$142,089	$2,996,046

Cost/Valuation	Freehold Land	Freehold Building	Machinery & Equipment	Total
Balance at 1st January 2021	96,269	3,888,211	941,819	4,926,299
Addition	-		39,825	39,825
Balance at 31st December 2021	96,269	3,888,211	981,644	4,966,124
Accumulated Depreciation				
Balance at 1st January 2021	-	1,144,423	822,871	1,967,294
Charge for the Year	-	77,764	53,836	131,600
Balance at 31st December 2021	-	1,222,187	876,707	2,098,894
Net Book Values 31st December 2021	$96,269	$2,666,024	$104,937	$2,867,230

12. Intangible Assets

	2022	2021
Cost at 1st January 2022	215,508	200,483
Additions during the year	-	36,575
Disposals	-	(21,550)
Cost at 31st December 2022	215,508	215,508
Accumulated amortization at 1st January 2022	(169,738)	(148,238)
Charge for the year	(17,702)	(21,500)
Accumulated amortization at 31st December 2022	(187,440)	(169,738)
Net Book Value 31st December 2022	**$28,068**	**$45,770**

Intangible assets relate to computer software programs that are amortized on a straight- line basis at a rate of 20% per annum. Impairment loss becomes effective if there is a change in the usefulness of the program before the assets are fully amortized. Amortization charges are included in the line- item depreciation and amortization in the Statement of Comprehensive Income on page 4.

13. Deposit Liabilities

	2022	2021
Members' term deposits	21,221,390	21,216,499
Primary savings deposits	38,146,682	36,937,825
Regular savings deposits	4,650,715	4,206,092
Committed savings deposits	361,778	275,778
Christmas savings deposits	248,088	268,538
Other savings deposits	1,320,155	1,147,290
	65,948,808	64,052,022
Interest payable	220,630	223,203
Total (Page 3)	**$66,169,438**	**$64,275,225**
Current	61,394,299	60,975,164
Non-current	4,775,139	3,300,061
	$66,169,438	**$64,275,225**

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

13. Deposit Liabilities (Cont'd)

Government of Montserrat Deposits

Included in Primary Savings Deposits are deposits totalling $6,815,739 (2021: $6,335,285) in the name of the Government of Montserrat.

The effective interest rates on the deposits liabilities were as follows:

	2022	2021
Primary/Regular savings deposits	2.00%	2.00%
Committed savings deposits	2.25%	2.25%
Christmas savings deposits	3.00%	3.00%
Members' term deposits	2.25%	2.25%

14. Other Liabilities	2022	2021
Accounts payable	294,656	288,897
Accruals	69,634	62,474
Total (Page 3)	**$364,290**	**$351,371**
Current	**$364,290**	**$351,371**

15. Loans Payable	2022	2021
Government of Montserrat- H.O.M.E. Programme	5,656,179	5,807,637
Government of Montserrat -E D S Loans	51,738	-
Total (Page 3)	**$5,707,917**	**$5,807,637**
Current	437,899	437,899
Non-current	5,270,018	5,369738
Total (Page 3)	**$5,707,917**	**$5,807,637**

15. Loans Payable (Cont'd)

Government of Montserrat

In 2010, the Government of Montserrat introduced H.O.M.E (Home Ownership Motivates Everyone), a loan program geared towards low and middle income earners to provide them with opportunities to staircase their way to home ownership. The Credit Union agreed to intermediate the funds relating to Plan A and Plan C of the program.

The Government meets the full costs of each home construction in exchange for an equity stake equal to the full construction costs less the borrower's equity interest, secured by a charge over the property in favour of the government.

The Government provides the Credit Union with listings of preliminarily approved applicants and their data for verification. The Credit Union conducts necessary background checks and verification, and submits recommendations to The Housing Unit of the Ministry of Agriculture, Land, Housing and the Environment for final approval.

The Credit Union receive fees of one percent (1%) of the three (3%) charged on Plan C loans and two percent (2%) of the five percent (5%) charged on Plan A loans. Fees earned by the Credit Union for 2022 amounted to $75,275 (2021: $76,296). Interests on loans in excess of fees due to the Credit Union are held in an interest -bearing account for the Government.

As at the date of the audit report, the H.O.M.E agreement between the Government of Montserrat and the Credit Union had not been signed.

Loan Funds from Government of Montserrat	**2022**	**2021**
Loan funds provided as at 1st January	5,807,637	5,647,804
Loan funds provided during the year	53,000	341,936
Principal re-payments during the year	(204,458)	(182,103)
Net loan funds provided as at 31st December	**$5,656,179**	**$5,807,637**

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

16. Share Capital

The Co-operatives Societies Act No. 2 of 1995, Section 90 and By-Laws of the St. Patrick's Co-operative Credit Union Limited Article VIII provide for the issue of an unlimited number of non-withdrawal shares to its members.

a) The ordinary shares issued at the inception of the Credit Union at nominal value of $5 per share are non-redeemable shares

	2022	2021
Authorised share capital		
Unlimited shares of $5 each		
Issued share capital		
a) 5,703 (2021:5,644) Ordinary shares of $5 each	28,810	28,515
b) 103,702 (2021:99,392) Permanent shares of $5 each	751,165	518,510
	$779,975	**$547,025**

b) The Board of Directors approved the creation of new permanent shares to bolster the equity base of the Credit Union on July 22, 2013. As at December 31, 2022, the issue had generated capital of $751,165 (2021: $518,510).

17. Statutory and Other Reserves

	Statutory Reserve	Reserve for Interest on Non-performing Loans	Reserve for Loan Impairment	Total
Balance at January 1, 2020	1,013,365	125,606	23,203	1,162,174
Transfer from income	110,962	-	-	110,962
Balance at December 31, 2020	1,124,327	125,606	23,203	1,273,136
Transfer from Income	41,399	-	-	41,399
Transfer of Abandoned Property	489,332	-	-	489,332
Balance at December 31, 2021	1,655,058	125,606	23,203	1,803,867
Transfer from Income	31,742	-	-	31,742
Transfer of Abandoned Property	-	-	-	-
Balance at December 31 2022	$1,686,800	$125,606	$23,203	$1,835,609

17. Statutory and Other Reserves (Cont'd)

a. Statutory reserve

Section 119 of the Co-operatives Societies Act, No. 2 of 2003 requires that the Credit Union appropriate at least 20% of its surplus to a non-distributable reserve called a reserve fund, along with fees and fines collected from its members.

b. Reserve for interest on non-performing loans

This reserve was created to set aside interest accrued on non-performing loans where certain conditions are met in accordance with IFRS 9. The Montserrat Co-operatives Societies Regulations, 2006, however do not allow for the accrual of such interest. The interest is therefore set aside in a reserve and is not available for distribution to members of the Credit Union.

c. Reserve for loan impairment

This reserve was created to set aside the amount by which the loan loss provision calculated under the Montserrat Co-operatives Societies Regulations, 2006 exceeded the loan loss provision calculated in accordance with IFRS 9. The excess is therefore set aside in a reserve and is not available for distribution to members of the Credit Union.

d. Abandoned Property

Section 35 (1) of the SPCCU Bylaws classifies an account as abandoned property if it is inoperative or inactive for at least 15 years from the last date of activity in respect of the account. Section 35(9) of the SPCCU Bylaws provides that "if on the expiration of 90 days from the date of publication of the notice under sub-Article (8), the account holder has failed to engage in any activity in respect of the account, any money in the account shall be deemed abandoned property and shall be transferred to **the Reserve Fund**. On the 20th of December 2022, the board approved the transfer of $489,332 to be allocated to the statutory reserves after deducting fees for dormant accounts.

18. Revaluation Reserve

In 2007, the buildings were re-valued at market value by K T Engineering Consultants Limited. The surplus on revaluation at that date of $1,610,737 was taken to a revaluation reserve account.

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

19. Related Party Transactions and Balances

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

A number of transactions were entered into with related parties in the normal course of business. These include loans, deposits and other transactions. These transactions were carried out on commercial terms and at market rates. The volume of related party transactions, outstanding balances at the year-end and associated expenses and income for the year are as follows:

	2022	2021
Loans to Directors and key members of management		
Loans outstanding at beginning of year	2,998,959	2,936,056
Loans issued and related charges during the year	375,331	1,419,810
Loans repayments and related credits during the year	(274,258)	(1,357,907)
Loans outstanding at end of year	**$3,100,032**	**$2,998,959**

The Credit Union generated Related Parties Interest income in 2022 of $146,122 and in 2021: $138,859.

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

19. Related Party Transactions and Balances (Cont'd)

Deposits by Directors and key members of management

	2022	2021
Deposits at beginning of year	633,817	584,468
Deposits and related credits received during the year	351,646	1,239,075
Deposits repaid and related debits during the year	(298,765)	(1,189,726)
Deposits at end of year	**$686,698**	**$633,817**

Interest expense incurred in 2022 was $7,067 (2021: $6,663).

During the year, salaries and related benefits of $251,640 (2021: $245,340) were paid to key members of management, allocated as follows:

	2022	2021
Salaries and wages	258,190	247,800
Statutory contributions	4,560	3,840
Total	**$262,750**	**$251,640**

20. Capital and Credit Commitments

a) Capital Commitment	2022	2021
Approved and Contracted Project	$852,000	$

The Credit Union has committed itself capital expenditure for the renovation of it's operating facility (Building) at a projected cost of $852,000, which includes material, labour and other related cost.

a) Credit related commitments	2022	2021
Un drawn Commitments	48,966	-
Performance Bond Guarantee	447,132	-
	$496,098	$-

The following indicates the contractual amounts of the Credit Union's off-Statement of Financial Position financial instruments that commitment to extend credit to members.

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

21. Unquoted Equity at Fair Value	**2022**	**2021**
OKIO Credit	1,432	3,643
Eastern Caribbean Home Mortgage Bank Limited	187,340	107,600
Eastern Caribbean Securities Exchange Limited	38,576	25,000
Bank of Montserrat Limited	74,009	100,331
	----------	----------
Page 46 (Note 9)	$301,357	$236,574
	======	======

The change in value of the different shares between the current and previous year represents the change in value of the shares following the application of the net asset valuation method of unquoted equities. There was a net fair value gain of $64,783 (Page 4) on the unquoted equity

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

SCHEDULE OF INTEREST AND OTHER INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

Schedule I

. **Interest Income**	**2022**	**2021**
Interest on loans	2,638,288	2,712,900
Income on investments	357,739	313,880
Total (Page 4)	**$2,996,027**	**$3,026,780**

Other Income	**2022**	**2021**
Fees and Commissions	548,352	417,624
Rental income	6,500	10,350
Miscellaneous income	45,068	35,065
Total (Page 4)	**$599,920**	**$463,039**

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

SCHEDULE OF INTEREST EXPENSE, STAFF COST & DEPRECIATION
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

Schedule II

Interest Expense	**2022**	**2021**
Term deposits	470,568	458,845
Savings	721,029	687,056
Total (Page 4)	**$1,191,597**	**$1,145,901**

Staff Costs	**2022**	**2021**
Salaries, wages and bonuses	948,458	938,730
Statutory contributions	37,374	32,238
Other staff benefits	27,123	43,818
Staff Insurance	18,855	18,412
Total (Page 4)	**$1,031,810**	**$1,033,198**

The Credit Union contributed 100% of the premium costs under an insurance policy to provide insurance cover for its staff.

Depreciation and Amortization	**2022**	**2021**
Depreciation on property, plant and equipment	111,160	131,600
Amortization of intangible assets	17,702	21,475
Total (Page 4)	**$128,862**	**$153,075**

Marketing and Promotion Expenses	**2022**	**2021**
Advertising and promotion	60,045	41,618
Donations and sponsorships	7,908	8,340
Total (Page 4)	**$67,953**	**$49,958**

ST PATRICK'S CO-OPERATIVE CREDIT UNION LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED 31ST DECEMBER 2022
(Expressed in Eastern Caribbean Dollars)

Schedule III	2022	2021
Insurance expense	47,914	47,829
Convention and meetings expenses	137,162	68,934
Professional fees	9,900	2,748
Building maintenance	62,670	33,230
Postage and office supplies	74,604	94,745
Electricity and water	88,693	68,930
Audit fees	54,000	51,667
Training expenses	23,055	9,034
Equipment repairs and maintenance	22,695	34,174
Annual general meeting expenses	24,000	24,000
System maintenance	114,704	95,211
Telephone and faxes	62,845	58,047
Transportation and travel expenses	73,250	59,600
Miscellaneous	6,793	7,206
Subscription and dues	13,305	12,445
Rent expenses	7,442	6,000
Property taxes	4,912	4,911
Entertainment and appreciation	24,802	25,346
Foreign exchange loss	1030	854
OECS Summit	-	2,250
Total (Page 4)	**$853,776**	**$707,161**