The Light & Power Employees Co-operative
Credit Union Limited
Financial Statements
December 31st, 2018

DJC & Co.

Drayton J. Carter & Co.
Chartered Accountants
Bridgetown
Barbados

Table of Contents

DJC & Co.

Drayton J. Carter & Co.
Chartered Accountants
The Annex, 'Urim House'
#1 Bagatelle Terrace
St. Thomas BB23003
Barbados, W. Indies
Tel: 246 421-5986

Independent Auditors' Report

To the Members of **The Light & Power Employees Co-operative Credit Union Limited**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **The Light & Power Employees Co-operative Credit Union Limited** (the "Society") which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in compliance with the Co-operative Societies Act and its accompanying regulations.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Society's financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

The Annex, 'Urim House' #1 Bagatelle Terrace, St. Thomas, BB 23003, Barbados, W.I.
E-mail: draytonjcarter@yahoo.com • Tel.: (246) 421-5986 Mobile: (246) 256-1132

Independent Auditors' Report (continued)
To the Members of **The Light & Power Employees Co-operative Credit Union Limited**

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

In preparing the financial statements, management is responsible for assessing the Society's stability 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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 Society'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 Society's stability to continue as a going concern.

Independent Auditors' Report (continued)
To the Members of **The Light & Power Employees Co-operative Credit Union Limited**

Auditors' Responsibilities for the Audit of the Financial Statements

- 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 auditors' report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter of when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Drayton J. Carter.

Drayton J. Carter & Co.

Drayton J. Carter & Co.

BARBADOS
March 19th, 2019

The Light & Power Employees Co-operative Credit Union Limited
Statement of Financial Position
As of December 31, 2018

	Notes	2018	2017
		$	$
Assets			
Cash and bank balances	4	4,998,213	3,148,603
Amounts receivable	5	315,684	298,508
Due from affiliate	6	3,231	67
Investments	7	15,326,166	13,232,856
Loans to members	8	31,039,424	31,476,117
Investment property	9	914,621	937,748
Property, plant and equipment	10	2,039,318	2,053,571
Total Assets		54,636,657	51,147,470
Liabilities and Members' Equity			
Accounts payable	11	718,382	427,813
Demand deposits	12	19,973,683	20,134,126
		20,692,065	20,561,939
Non-qualifying shares	13	25,603,662	23,918,732
Total liabilities		46,295,727	44,480,671
Members' Equity (Pages 7 and 8)			
Equity shares		185,600	180,900
Statutory reserves		5,355,610	5,355,280
Undivided surplus		1,302,962	1,095,795
Other reserves		1,496,758	34,824
Total members' equity		8,340,930	6,666,799
Total Liabilities and Members' Equity		54,636,657	51,147,470

The attached notes form an integral part of these financial statements.

Approved by the Board on March 19th, 2019 and signed on its behalf by:

Anderson Harry Director

Director

The Light & Power Employees Co-operative Credit Union Limited
Statement of Income and Comprehensive Income
December 31, 2018

	Notes	2018 $	2017 $
Interest income			
Loan interest		2,297,858	2,541,752
Other interest		948	2,016
		2,298,806	2,543,768
Interest expenses			
Interest on deposits		232,187	310,494
Interest on non-qualifying shares		279,337	643,443
		511,524	953,937
Net interest income		1,787,282	1,589,831
Other income			
Rental income		99,769	151,716
Dividends received		37,218	37,177
Investment income		382,781	437,965
Other income		13,799	13,486
Gain on de-recognition of government instruments	7	557,890	-
Net income after interest expense		2,878,739	2,230,175
Expenses			
Staff cost (Schedule 1)		769,898	761,302
Operating and administrative (Schedule 1)		492,876	349,499
Depreciation	9 & 10	106,136	104,884
Membership security		191,808	251,756
Meetings and conferences		192,111	138,835
Provision for credit losses		104,245	-
Youth community and social welfare		20,898	26,995
Total other expenses		1,877,972	1,633,271
Net operating income for the year		1,000,767	596,904

The attached notes form an integral part of these financial statements.

The Light & Power Employees Co-operative Credit Union Limited
Statement of Income and Comprehensive Income
December 31, 2018

	Notes	2018 $	2017 $
Net operating income for the year		1,000,767	596,904
Items that will not be reclassified subsequently to profit and loss:			
Fair value gain/ (loss) on investments in equity instruments designated as at FVTOCI	7	1,479,841	(13,342)
Other comprehensive income for the year		1,479,841	(13,342)
Total comprehensive income for the year		2,480,608	583,562

The attached notes form an integral part of these financial statements.

The Light & Power Employees Co-operative Credit Union Limited
Statement of Changes in Members Equity
December 31, 2018

		Share Capital	Statutory Reserve	Other Reserves	Undivided Surplus	Total
Balance at January 1, 2017	$	177,700	5,331,188	36,461	523,890	6,069,239
Net income		-	-	-	596,904	596,904
Other comprehensive income		-	-	(13,342)	-	(13,342)
Transfers:						
Co-op Education fund		-	-	17,907	(17,907)	-
Additional transfer		-	23,792	-	-	23,792
Dividends paid		-	-	-	(7,092)	(7,092)
Net increase in share capital		3,200	-	-	-	3,200
Appropriations:						
Co-op Education fund		-	-	(6,202)	-	(6,202)
Entrance fees & fines		-	300	-	-	300
Balance at December 31, 2017	$	180,900	5,355,280	34,824	1,095,795	6,666,799
Balance at January 1, 2018	$	180,900	5,355,280	34,824	1,095,795	6,666,799
Effect of adoption of IFRS 9		-	-	-	(789,295)	(789,295)
Balance at January 1, 2018 restated		180,900	5,355,280	34,824	306,500	5,877,504
Net income		-	-	-	1,000,767	1,000,767
Other comprehensive income		-	-	1,479,841	-	1,479,841
Transfers:						
Additional transfer		-		-	-	
Dividends paid		-	-	-	(7,212)	(7,212)
Net increase in share capital		4,700	-	-	-	4,700
Appropriations:						
Co-op Education fund		-	-	(17,907)	2,907	(15,000)
Social, education and welfare funds		-	-	-	-	-
Entrance fees & fines		-	330	-	-	330
Balance at December 31, 2018	$	185,600	5,355,610	1,496,758	1,302,962	8,340,930

The attached notes form an integral part of these financial statements.

The Light & Power Employees Co-operative Credit Union Limited
Statement of Changes in Members Equity
December 31, 2018

	2018 $	2017 $
Other reserves comprise:		
Fair value reserves	1,496,758	16,917
Co-op Education Fund	-	17,907
	1,496,758	34,824

The attached notes form an integral part of these financial statements.

The Light & Power Employees Co-operative Credit Union Limited
Statement of Cash Flows
December 31, 2018

	2018 $	2017 $
Cash flows from operating activities		
Net operating income for the year	1,000,767	596,904
Adjustments for non-cash income and expenses		
Depreciation	106,136	104,884
Loss on disposal of asset	19,353	3,597
Gain on de-recognition of government instruments	(557,890)	-
Change in provision for credit losses	104,245	5,202
Loss allowance on impairment of financial assets	136,823	-
Changes in operating assets and liabilities		
Increasein amounts receivable	(17,176)	(31,025)
Increase (decrease)in amounts due from affiliate	(3,164)	4,886
(Decrease) increase in accounts payable	290,570	(11,031)
Net cash from operating activities	1,079,664	673,417
Cash flows from investing activities		
Loans to members	119,994	(366,188)
Investments	(769,244)	(1,070,636)
Additions to property and equipment	(88,389)	(61,263)
Proceeds from sale of fixed asset	280	580
Net cash used in investing activities	(737,359)	(1,497,507)
Cash flows from financing activities		
Members' deposits	(160,443)	911,828
Non-qualifying shares	1,684,930	311,438
Share capital	4,700	3,200
Dividends paid	(7,212)	(7,092)
Education fund	(15,000)	17,589
Entrance fees and fines	330	300
Net cash from financing activities	1,507,305	1,237,263
Net change in cash and cash equivalents	1,849,610	413,173
Cash and cash equivalents, beginning of year	3,148,603	2,735,430
Cash and cash equivalents, end of year	4,998,213	3,148,603

1. Registration and Principal Activity:

The Light &Power Employees Co-operative Credit Union Limited was registered on January 11, 1984 and continued under the Co-operative Societies Act 1990-23. The Credit Union exists principally to promote the economic interest of its members in accordance with co-operative principles.

2. Statement of accounting policies

Basis of preparation

These financial statements are stated in Barbados dollars and have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention.

Adoption of new and revised Standards and Interpretations

In the current year, the Society has adopted all new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee of the IASB, that are relevant to its operations and effective for the current fiscal year. The society has applied IFRS 9 Financial instruments (as revised in July 2014) and the related consequential amendments to other IFRS standards that are effective for an annual period that begins on or after 1 January 2018. The transition provision allows an entity to restate comparatives and the Society has not elected to do so.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities
2. Impairment of financial assets

Details of thesenew requirements as well as their impact on the Society's financial statements are described below.

The Society has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Society has assessed its existing financial assets and financial liabilities in in terms of the requirement of IFRS 9) is 1 January 2018. Accordingly, the society has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already be derecognised as at 1 January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the Society's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows that are sole payments of the principal and interest on the principal amount outstanding, are measured subsequently at amortised costs.

2. Statement of accounting policies *(continued)*

In the current year, the Society has not designated any instruments that meet the amortised costs or at FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loses previously recognized in other comprehensive income is reclassified from equity to profit and loss as a reclassified adjustment. When an equity investment designated as measured at FVTOCI is derecognised in other comprehensive income is subsequently transferred to retained earnings.

The Board of Directors has reviewed and assessed the Society's existing financial assets at I January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has the following impact on the Society's financial assets as regards their classification and measurement;

- the Society's investment in redeemable notes are classified as available-for-sale financial assets under IAS 39 Financial Instruments: Recognition and Measurement. The notes have been reclassified as financial assets at amortised cost because they are held within a business model whose objective is to collect contractual cash flows and it has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding;

- the Society's investment in equity instruments (neither held for trading nor a contingent consideration arising from business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 has been designated as at FVTOCI. The change in fair value on these equity instruments continues to be accumulated in the investment revaluation reserve;

- financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continues to be measured at amortised cost under IFRS9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

2. Statement of accounting policies *(continued)*

Impairment of financial assets
In relation to the impairment of financial assets, IFRS9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Society to account for expected credit losses and changes in those credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Society to recognize a loss allowance for expected credit losses on:

1. Debt investments measured subsequently at amortised cost or at FVTOCI; and
2. Trade receivables and contract assets.

In particular, IFRS 9 requires the Society to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on the financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchase or originated credit-impaired financial asset), the Society is required to measure the loss allowance for the initial financial instrument at an amount equal to 12 months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at amount equal to lifetime ECL for trade receivables and contract assets in certain circumstances.

IFRS 9 was generally adopted without restating comparative information. The adjustment arising from the new impairment rules are therefore recognized in the opening balance sheet on 1 January 2018.

Financial instruments
Financial assets and financial liabilities are recognized on the statement of financial position of the Society when it becomes a party to contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction cost that are directly attributable to the acquisition or issue of financial assets or liabilities are added or deducted from the fair value of the of the financial asset as appropriate on initial recognition. Transaction cost directly attributable to the acquisition of the financial asset or liability at fair value through profit loss are recognized immediately in profit or loss.
All regular way purchases or sale of financial assets are recognized or derecognized on a trade date basis.
All recognised financial assets are measured subsequently in their entirety at amortised cost or fair value depending on the classification of the financial asset.

2. Statement of accounting policies *(continued)*

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held with the business model whose objective is to hold the financialasset to collect contractual cash flows; and
- The contractual terms of the asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(1) Amortised cost and effective interest method

The effective interest method of calculating the amortised cost of debt and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized, interest income is recognized by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective rate of interest to the gross carrying amount of the financial asset.

(2) Equity instruments designated at FVTOCI

On initial recognition, the Society may make an irrevocable election (on an instrument – by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- It has been applied principally for the purpose of selling in the near term; or
- On initial recognition is part of a portfolio of identified financial instruments that the Society manages together and has evidence of a recent actual pattern of short-term profit taking.

2. Statement of accounting policies *(continued)*

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in
fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The accumulative gain or loss is not to be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit and loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment

The Society has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default (i.e. the magnitude of the loss if there is a default) and the exposure to default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure of default, for financial assets, this is represented by the assets gross carrying amount as at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Society in accordance with the contract and all cash flows that the Society expects to receive discounted at the original effective interest rate.

If the Society has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines the current reporting date that the conditions for lifetime ECL are no longer met, the Society measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Society recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment in the carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserves, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Decognition of financial assets
The Society derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity.

2. Statement of accounting policies *(continued)*

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Depreciation on property, plant and equipment, excluding land, is provided over the estimated lives of the respective assets on the straight-line basis.

The annual depreciation rates are applicable:-

Building	2%
Furniture and equipment	10%
Computer system	25%
Motor vehicle	20%

Impairment of assets

At each reporting date fixed and other assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected assets or group of assets is estimated and compared with their carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the income statement.

Entrance fees

Entrance fees and fines are credited directly to the Statutory Reserves.

Corporation Tax

The Credit Union is exempt from taxation under Section 9(g) of the Income Tax Act of Barbados, Chapter 73. The Credit Union was however exposed to a temporary "Tax on Assets" that expired on March 31, 2016. The rate of the tax was0.20% per annum on average domestic assets

Group pension plan

The Society has established a group pension plan termed a "Defined Contribution Plan" on behalf of its permanent employees. All pension cost in relation to this scheme is expensed when incurred in accordance with IAS 19.

Foreign currency transactions

Foreign currency transactions completed during the year are recorded at the actual rates of exchange prevailing at the dates of such transactions.

Investment property

Investment property comprises land and buildings owned but not occupied by the Credit Union and held to earn rental income or held for capital appreciation with possible future development potential. Investment property is recognized at cost. Depreciation on buildings is provided over the estimated lives of the assets on the straight-line basis at 2% per annum.

2. Statement of accounting policies *(continued)*

Transfers to or from investment property are recorded when there is a change in the use of the property. If an investment property becomes owner occupied, it is reclassified as property, plant and equipment. If any action is taken to develop or sell investment property it is classified as development property.

Rental income from investment property is recognized on the accrual basis.

Revenue recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Society and the revenue can be measured reliably. Interest on loans to members is recognized on the cash received basis.

Related parties
Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities.

3. Critical accounting judgements and key sources of estimation

In the applications of the Society's accounting policies, which are described in note 2, the board of 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 expected to affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the society's accounting policies

The following are the critical judgements, apart from those involving estimates (which are dealt with separately below), that the board of directors has made in the process of applying the society's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

- Business model assessments: Classification and measurement of financial assets depends on the results of the solely for the purpose of principal and interest (SPPI) and the business model test. The society determines the business model at a level that reflects how groups of financial assets and are managed together to achieve a particular business objective. This assessment includes judgements reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risk that affect the performance of the assets and how they are managed and how the managers of the assets are compensated. The society monitors the 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 assets are held. Monitoring is part of the Society'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.

- Significant increase of credit risk: Expected credit losses (ECL) are measured as an allowance equal to 12-months ECL for stage 1 assets, or lifetime ECL for stage 2 and stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitute a significant increase in risk. In assessing whether the credit risk of an asset has significantly increased the society takes into account qualitative and quantitative reasonable and forward looking information.

- Models and assumptions used. The society uses various models and assumptions in measuring fair value of financial assets as well as estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as determining the assumptions used in this models, including assumptions that relate to key drivers of credit risk.

3. Critical accounting judgements and key sources of estimation *(continued)*

Key sources of estimation

The following are key estimations that the board of directors has used in the process of applying the Society's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

- Establishing the number and relative weightings for forward-looking scenarios for each type of the product/market and determining the forward looking information relevant to each scenario: When measuring ECL the Society uses reasonable and forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

- Probability of default (PD): PD constitutes a key input in measuring ECL. PD is an estimate of the probability of default over a given time horizon, the calculation includes historical data, assumptions and expectations of future conditions.

- Loss given default (LGD): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

- Fair value measurement and valuation process. In estimating the fair value of a financial asset or a liability, the Society uses market-observable data to the extent that it is available. Where such level 1 inputs are not available, the Society uses valuation models to determine the fair value of its financial instruments.

4. Cash and bank balances

		2018	2017
Cash holdings	$	103,656	60,158
Savings account		3,212,455	1,578,520
Current account		1,682,102	1,509,925
	$	4,998,213	3,148,603

The Society earned interest on its savings account and current accounts at rates ranging from 0.0048% to 0.15% (2017: 0.0048% to 0.15%) during the financial year.

5. Amounts Receivable

		2018	2017
Trade receivables & prepayments	$	50,823	47,542
Accrued interest		93,654	122,924
Rent receivable		9,458	1,544
VAT refundable		161,749	126,498
		----------	----------
	$	315,684	298,508
		======	======

6. Due from affiliate

		2018	2017
Reddy Kilowatt Co-operative Society Ltd.	$	3,231	67
		======	=====

The amount due from Reddy Kilowatt Co-operative Society Ltd. is unsecured, interest free and has no specific terms of repayment.

7.Investments

	Market Price		2018	2017
Available for sale				
Quoted securities at market value:				
Insurance Corporation of Barbados - 50,000 shares	$3.70		-	185,000
Cable & Wireless (Barbados) Ltd- 33,360 shares	$2.29		-	76,394
			----------	----------
		$	-	261,394
			----------	----------
Unquoted securities at cost:				
Barbados Co-operative & Credit Union League Ltd.		$	-	59,370
Central Fund Facility Trust- Statutory reserves (2.50%)			-	40,000
Central Fund Facility Trust- Ordinary deposit (2.75%)			-	27,775
Central Fund Facility Trust- Fixed deposit (3.00%)			-	46,371
Co-operators General Insurance Co. Ltd. 2017:4,798 Ordinary shares			-	638,580
Co-operators General Management Co. Inc. 2017: 3,126 Ordinary shares			-	62,520
			----------	----------
		$	-	874,616
			----------	----------

7.Investments (continued)		**2018**	**2017**
Held to maturity			
Government debt securities:			
Treasury Note issue # 985-19 (3.59 % -2018)		-	2,456,250
Treasury Noteissue # 985-18(3.18 % - 2018)		-	992,200
Treasury Note issue # S201707 (3.43 %-2018)		-	2,479,000
Treasury Note issue # S201708 (3.43 %-2018)		-	2,479,000
Government Savings Bonds (5.5%- 2020)		-	152,480
Debenture # 0007 (7%- 2024)		-	500,000
Capita Financial Services Inc.			
Certificate of Deposit (3.00% - 2018)	$	-	550,000
Certificate of Deposit (3.50% - 2018)	$	-	2,100,000
		-	11,708,930
Loans and receivables			
Co-operators General Management Co. Inc.			
Mortgage Loan receivable			
(10 years @ 7%)	$	-	387,916
	$	-	13,232,856

Investments in equity instruments designated as at FVTOCI			
Barbados Co-operative & Credit Union League Ltd.	$	59,370	-
Cable & Wireless (Barbados) Ltd- 33,360 shares		76,394	-
Co-operators General Insurance Co. Ltd.-4798 shares		1,668,407	-
Co-operators General Management Co. Inc.-3126 shares		591,364	-
Insurance Corporation of Barbados - 50,000 shares		237,500	-
		2,633,035	-

7.Investments (continued)	**2018**	**2017**
Investment assets measured at amortised cost		
Government Savings Bonds (5.5%- 2020)	152,480	-
Government of Barbados bonds series B	8,995,091	-
Term deposits	3,340,908	-
Mortgage loan	360,426	-
	12,848,905	
Loss allowance	(155,774)	-
	12,693,131	-
Total Investments	15,326,166	13,232,856

The Society adjusted the carrying value of its shares in Co-operators General Management Co. Inc. andCo-operators General Insurance Co. Ltd. to reflect the share value resulting from a valuation commissioned by the investee companies, resulting in an unrealised gain as noted below:

	Fair value 31.Dec .2017	**Shares acquired**	**Unrealised gain**	**Fair value at 31.Dec.18**
Co-operators General Management Co. Inc.	62,520	15,620	513,224	591,364
Co-operators General Insurance Co. Ltd.	638,500	115,710	914,197	1,668,407
Insurance Corporation of Barbados	185,000	-	52,500	237,500
Barbados Co-operative & Credit Union League Ltd.	59,370	-	-	59,370
Cable & Wireless (Barbados) Ltd	76,394	-	-	76,394
Total	**1,021,784**	**131,330**	**1,479,841**	**2,633,035**

7.Investments (continued)

During the year ended 31 December 2018, the Government of Barbados offered to exchange treasury notes and debentures and debentures totaling $8,933,250 and interest of $61,841 for eleven (11) series B amortising strips with maturities of 5,6,7,8,9,10,11,12,13,14 and 15 years.

The interest rates are as follows:

Issuance through year 3	1.0%
Year 4	2.5%
Year 5 –maturity	3.75%

Interest will be paid quarterly and the principal of each strip will be repaid in four equal quarterly installments beginning one year prior to the final maturity of the strip.

The allocation of aggregate principal amount among strips are as follows:

5-Year: 7.49%	11-Year: 9.37%
6-Year: 7.78%	12- Year: 9.72%
7-Year: 8.07%	13- Year: 10.10%
8-Year: 8.38%	14- Year 10.48%
9-Year: 8.70%	15- Year 10.88%
10- Year: 9.03%	

The debt exchange resulted in a de-recognition of the treasury bills and debenture and a recognition of a new bond. The resulting gain from de-recognition is as follows:

Book value of treasury notes and debentures exchanged	8,995,091
Less: credit losses recognized at 1 Jan 2018 on adoption of IFRS 9	(557,890)
	8,437,201
Fair value of new bond	8,995,091
Gain on de-recognition	557,890

Impairment of investments measured at amortised cost

In determining the credit losses for the Government of Barbados bonds, the board has determined that there has been no significant increase in credit risk between the acquisition and the reporting date. As a result the loss allowance has been measured at an amount equal to 12 months expected credit losses.

The following table show the movement in expected credit losses that have been recognised for financial assets at amortised cost and loans and receivables:

Investments

	12-month Expected Credit Losses			*Lifetime Expected Credit Losses*		
	Government Savings Bonds	**Term Deposits**	**Government Bonds - Other**	**Loans to other entities**	**Government Bonds – Other/Treasury Bills**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Balances at 1 January 2018 under IAS 39	-	-	-	-	-	-
Adjustments upon application of IFRS 9	10,900	6,305	-	1,746	557,890	576,841
Balances as at 1 January 2018 – As restated	10,900	6,305	-	1,746	557,890	576,841
Increase in allowance arising from new assets recognised during the year	-	-	140,323	-	-	140,323
Decrease in allowance from derecognition of financial assets in the year	-	-	-	-	(557,890)	(557,890)
Increase (decrease) in allowances	(8,521)	5,145	-	(124)	-	(3,500)
Balance as at 31 December 2018	2,379	11,450	140,323	1,622	-	155,744

8. Loans to members

		2018	2017
Loan portfolio	$	31,484,508	31,604,502
Expected credit losses		(445,084)	(128,385)
	$	31,039,424	31,476,117

	12-month Expected Credit Losses	*Lifetime Expected Credit Losses*	
	Loans to members	**Loans to members**	**Total**
	$	**$**	**$**
Balances at 1 January 2018 under IAS 39	128,385	-	128,385
Adjustments upon application of IFRS 9	142,199	70,255	212,454
Balances as at 1 January 2018 – As restated	270,584	70,255	340,839
Increase in allowance arising from new assets recognised during the year	-	-	-
Decrease in allowance from derecognition of financial assets in the year	-	-	-
Increase (decrease) in allowances	(18,615)	122,860	104,245
Balance as at 31 December 2018	251,969	193,115	445,084

The Society offers ordinary loans to members at rates varying from 6% to 12% (2017: 6% to 12%) per annum. The maximum loan limit is10% of the entity's equity base. A line of credit facility is also in place offering members revolving credit up to $15,000 (2017: $15,000) at the interest rate of 15% (2017: 15%) per annum. Interest charged by the Society is computed on the reducing balance basis.

9. Investment property

		2018	2017
Cost			
Balance at start	$	1,367,955	1,367,955
Balance at end		1,367,955	1,367,955
Depreciation			
Balance at start		430,207	407,080
Additions		23,127	23,127
Balance at end		453,334	430,207
Net book value	$	914,621	937,748
Direct rental income from investment property	$	99,769	71,718
Operating expenses		(32,316)	(25,894)
Net profit on investment property	$	67,453	45,824

Investment property shown at the net cost of $ 937,748 (2016: $ 960,875) as at December 31, 2017 has a current valuation of $ 2,200,000 as determined by the Barbados Revenue Authority. The appraisal excess of $ 1,265,252 is not accounted for in these financial statements.

10. Property, Plant & Equipment

2018	Total $	Land & Buildings $	Furniture & Equip. $	Computer Equip. $	Motor Vehicle $
Cost					
Balance at start	3,214,839	2,693,024	282,750	197,065	42,000
Additions	88,389	-	58539	29850	-
Disposals	(146,525)	-	(126,682)	(19,843)	-
Balance at end	3,156,703	2,693,024	214,607	207,072	42,000
Depreciation					
Balance at start	1,161,268	771,855	228,742	148,771	11,900
Additions	83,009	44,707	12,550	17352	8,400
Disposals	(126,892)	-	(108,692)	(18,200)	-
Balance at end	1,117,385	816,562	132,600	147,923	20,300
Dec 31, 2018	2,039,318	1,876,462	82,007	59,149	21,700

10. Property, Plant & Equipment *(continued)*

2017	Total $	Land & Buildings $	Furniture & Equip. $	Computer Equip. $	Motor Vehicle $
Cost					
Balance at start	3,282,373	2,693,024	316,694	230,655	42,000
Additions	61,263	-	9,928	51,335	-
Disposals	(128,797)	-	(43,872)	(84,925)	-
Balance at end	3,214,839	2,693,024	282,750	197,065	42,000
Depreciation					
Balance at start	1,204,132	727,148	256,590	216,894	3,500
Additions	81,756	44,707	11,847	16,802	8,400
Disposals	(124,620)	-	(39,695)	(84,925)	-
Balance at end	1,161,268	771,855	228,742	148,771	11,900
Dec 31, 2017	2,053,571	1,921,169	54,008	48,294	30,100

Lands and buildings shown at the net cost of $ 1,876,462 (2017: $1,921,169) as at December 31, 2018 have a current valuation of $ 4,500,000 as determined by the Barbados Revenue Authority. The appraisal excess of $ 2,623,538 is not accounted for in these financial statements.

11. Accounts Payable

		2018	2017
Trade payables	$	62,683	57,572
Interest payable		83,711	370,241
Non-members payables		545,627	-
National insurance payable`		11,316	-
PAYE payable		15,045	-
	$	718,382	427,813

12. Demand Deposits

		2018	2017
Savings deposits	$	13,475,445	13,419,125
Term deposits		310,119	261,711
Fixed deposits		6,188,119	6,453,290
	$	19,973,683	20,134,126

Interest paid on deposits varied between 1.00% and 2.50% per annum (2017: 1.25% and 3.00%).

13. Non-qualifying shares

International Accounting Standard (IAS) 32 requires that shares capable of being withdrawn from the credit union be classified as liabilities and payments to members based on these shares be classified as an interest expense and presented as a charge in arriving at net surplus. The Co-operatives Societies Regulations, 2008 at section 32, set a minimum value for qualifying shares to be shown as equity of $50. The Society at its Special General Meeting held on September 24, 2008 approved its minimum amount for qualifying shares at $100.

14. Commitments

Commitments in respect of loans approved but not disbursed as at December 31, 2018 were $1,505,192 (2017: $ 1,642,560).

15. Financial instruments and risk management

Financial risk factors

The Society's activities expose it to a variety of financial risk: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

The Society takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates.

15. Financial instruments and risk management (continued)

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Concentrations of currency risk

The Society provides all its services to members in the Island of Barbados and has limited exposure to foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Due to the nature of the Society's business there is a significant exposure to interest rate risk.

Credit risk

Credit risk arises from the possibility that counter-parties may default on their obligations to the Society. Credit exposures arise principally from loans, amount due from affiliate, receivables and cash held with financial institutions.

Maximum exposure to credit risk

		2018	2017
Bank balances	$	4,998,213	3,148,603
Amounts receivable		315,684	298,508
Due from affiliate		3,231	67
Investments		15,326,166	13,232,856
Loans to members - net		31,039,424	31,476,117
	$	51,682,718	48,156,151

14. Financial instruments and risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Society is unable to meet its payment obligations associated with its financial liabilities when they fall due.

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

The table below summarises the Society current financial liabilities at December 31, 2018 based on contractual undiscounted payments.

		2018	2017
Accounts payable	$	718,382	427,813
Demand deposits		19,973,683	20,134,126
		20,692,065	20,561,939
Non-qualifying shares		25,603,662	23,918,732
Total liabilities	$	46,295,727	44,480,671

Fair value

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. Fair value of financial instruments is assumed to approximate their carrying values.

The Light & Power Employees Co-operative Credit Union Limited
Details of Operating and Administrative Expenses
December 31, 2018 (Schedule 1)

		2018	2017
Staff cost			
Salaries and wages	$	657,125	624,389
National insurance		55,427	44,549
Pension fund		23,243	28,419
Uniforms		4,276	10,716
Medical insurance		(7,626)	13,954
Group life insurance		949	7,524
Education/training		16,471	20,025
Staff welfare		20,033	11,726
	$	769,898	761,302
Number of employees		10	10
Office Expenses			
Stationery, office expenses and advertising	$	44,050	88,669
Cleaning		11,022	10,322
Utilities		25,719	21,310
Insurance		4,773	3,199
Security		8,150	-
	$	93,714	123,500
Property Management			
Repairs and maintenance	$	41,017	78,577
Utilities		1,841	2,611
Insurance		15,094	15,558
Land tax		42,210	42,210
Property valuation		-	851
	$	100,162	139,807
Motor Vehicle Expenses	$	7,355	6,126

The Light & Power Employees Co-operative Credit Union Limited
Details of Operating and Administrative Expenses
December 31, 2018

(Schedule 1)

		2018	2017
Other Administrative Expenses			
Audit fees	$	37,900	32,900
Bank charges		4,889	5,704
Donation		9,357	8,033
League dues		36,840	31,749
Loss (Gain) on disposal of fixed assets		19,353	3,597
Legal fees		1,200	-
Miscellaneous		28,447	19,722
Bad debts (recoveries)			(68,309)
Loss allowance on impairment of financial assets		136,823	
Increase in bad debt provision		-	43,385
Travel and entertainment		-	3,285
Member relations		6,206	-
Strategic planning		10,629	-
	$	291,645	80,066
Total Operating and Administrative Expenses	$	492,876	349,499