The Light & Power Employees Co-operative Credit Union Limited

Report and Financial Statements

December 31st, 2022

(Expressed in Barbados Dollars)

DJC & Co.

Drayton J. Carter & Co.

Chartered Accountants

Bridgetown

Barbados

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DJC & Co.

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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, 2022, 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, 2022, 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 IFRS 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.

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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 14th, 2023

The Light & Power Employees Co-operative Credit Union Limited
Statement of Financial Position
As of December 31, 2022

	Notes	2022 $	2021 $
Assets			
Cash and bank balances	4	5,977,268	9,451,483
Amounts receivable	5	415,238	366,021
Due from affiliate		9,561	-
Investments	6	25,361,625	21,139,168
Loans to members	7	27,813,394	27,114,094
Investment property	8	822,113	845,240
Property, plant and equipment	9	1,897,595	1,986,893
Total Assets		62,296,794	60,902,899
Liabilities and Members' Equity			
Accounts payable	10	1,167,299	1,170,302
Demand deposits	11	23,939,752	23,400,676
		25,107,051	24,570,978
Non-qualifying shares	12	27,807,617	27,274,339
Total liabilities		52,914,668	51,845,317
Members' Equity (Pages 7 and 8)			
Equity shares		194,400	192,100
Statutory reserves		5,356,450	5,356,195
Other reserves		2,071,333	2,038,031
Undivided surplus		1,759,943	1,471,256
Total members' equity		9,382,126	9,057,582
Total Liabilities and Members' Equity		62,296,794	60,902,899

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

Approved by the Board on March 14th, 2023 and signed on its behalf by:

__________________**Director**

__________________**Director**

The Light & Power Employees Co-operative Credit Union Limited
Statement of Income and Comprehensive Income
December 31, 2022

	Notes	2022 $	2021 $
Interest income			
Loan interest		2,043,545	2,017,346
Other interest		2,134	2,726
		2,045,679	2,020,072
Interest expenses			
Interest on deposits		156,367	223,181
Interest on non-qualifying shares		267,374	331,198
		423,741	554,379
Net interest income		1,621,938	1,465,693
Other income			
Rental income		42,638	43,880
Dividends received		38,511	76,357
Investment income		461,563	293,077
Other income		17,535	16,124
Net income after interest expense		2,182,185	1,895,131
Expenses			
Staff cost (Schedule 1)		884,850	833,629
Operating and administrative (Schedule 1)		578,800	387,526
Depreciation	8 &9	128,552	135,630
Membership security		214,066	213,126
Meetings		136,724	109,576
Increase /(decrease) in loss allowance on investments	6	6,040	(48,319)
Provision for credit losses	7	(98,577)	(106,010)
Youth community and social outreach		5,248	400
Total other expenses		1,855,703	1,525,558
Net operating income for the year		326,482	369,573

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, 2022

	Notes	2022 $	2021 $
Net operating income for the year		326,482	369,573
Items that will not be reclassified subsequently to profit and loss:			
Fair value gain on investments in equity instruments designated as at FVTOCI	6	33,302	278,157
Other comprehensive income for the year		33,302	278,157
Total comprehensive income for the year		359,784	647,730

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, 2022

		Equity Shares	Statutory Reserve	Other Reserves	Undivided Surplus	Total
Balance at January 1, 2021		190,300	5,356,045	1,759,874	1,139,620	8,445,839
Net Income		-	-	-	369,573	369,573
Other comprehensive gain		-	-	278,157	-	278,157
Net increase in share capital		1,800	-	-	-	1,800
Entrance fees & fines		-	150	-	-	150
Dividends paid		-	-	-	(37,937)	(37,937)
Balance at December 31, 2021	$	192,100	5,356,195	2,038,031	1,471,256	9,057,582
Balance at January 1, 2022		192,100	5,356,195	2,038,031	1,471,256	9,057,582
Net Income		-	-	-	326,482	326,482
Other comprehensive gain		-	-	33,302	-	33,302
Net increase in share capital		2,300	-	-	-	2,300
Entrance fees & fines		-	255	-	-	255
Dividends paid		-	-	-	(37,795)	(37,795)
Balance at December 31, 2022	$	194,400	5,356,450	2,071,333	1,759,943	9,382,126

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, 2022

	2022 $	2021 $
Other reserves comprise:		
Fair value reserves	2,071,333 ========	2,038,031 ========

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, 2022

	2022 $	2021 $
Cash flows from operating activities		
Net operating income for the year	326,483	369,573
Adjustments for non-cash income and expenses		
Depreciation	128,552	135,630
Loss on disposal of asset	5,297	3,296
Change in provision for credit losses	(98,577)	(106,010)
Loss allowance on impairment of financial assets	6,040	(48,319)
Changes in operating assets and liabilities:		
Increase in amounts receivable	(49,217)	(25,183)
Increase in amounts due from affiliate	(9,561)	-
(Decrease) / increase in accounts payable	(3,003)	233,609
Net cash from operating activities	306,014	562,596
Cash flows from investing activities		
Loans to members	(600,723)	620,829
Investments	(4,195,196)	(1,190,924)
Additions to property and equipment	(21,424)	(53,672)
Proceeds from sale of fixed asset	-	105
Net cash used in investing activities	(4,817,343)	(623,662)
Cash flows from financing activities		
Members' deposits	539,076	1,183,772
Non-qualifying shares	533,278	451,181
Share capital	2,300	1,800
Dividends paid	(37,795)	(37,937)
Entrance fees and fines	255	150
Net cash from financing activities	1,037,114	1,598,966
Net change in cash and cash equivalents	(3,474,215)	1,537,900
Cash and cash equivalents, beginning of year	9,451,483	7,913,583
Cash and cash equivalents, end of year	5,977,268	9,451,483

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 these new 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 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 been 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 solely 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 debt instruments that meet the amortised costs or at fair value through other comprehensive income (FVTOCI) criteria as measured at fair value through profit and loss (FVTPL).

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or losses previously recognized in other comprehensive income is reclassified from equity to profit and loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognized, the cumulative gain or loss previously recognised 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 were 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 have 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 IFRS 9 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, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires 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 financial asset 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 is a method of calculating the amortised cost of a debt instrument 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 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.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it 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 cumulative 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 at 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 at default, for financial assets, this is represented by the asset's 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.

De-recognition of financial assets
The Society de-recognises 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.

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 society 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 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 de-recognised 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 these 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

		2022	2021
Cash holdings	$	176,565	116,977
Savings account		4,174,687	5,769,887
Current account		1,626,016	3,564,619
		------------	------------
	$	5,977,268	9,451,483
		=======	=======

The Society earned interest on its RBBL savings account at 0.0125% (2021: 0.0148%) during the financial year.

5. Amounts Receivable

		2022	2021
Trade receivables and accrued interest	$	139,327	90,830
Prepayments		92,270	98,769
Rent receivable		17,714	8,659
VAT refundable		165,927	167,763
		----------	----------
	$	415,238	366,021
		======	======

6. Investments

	2022 $	2021 $
Investments in equity instruments designated as at FVTOCI		
Barbados Co-operative and Credit Union League Ltd.	59,370	59,370
Cable & Wireless (Barbados) Ltd- 33,360 shares	76,394	76,394
Co-operators General Insurance Co. Ltd.-5,758 shares	2,214,412	2,253,210
Co-operators General Management Co. Inc.-4,827 shares	960,525	907,334
Insurance Corporation of Barbados - 50,000 shares	89,000	89,000
Sagicor Select Growth Fund	526,896	-
Sagicor Preferred Income Fund	254,398	-
Sagicor Global Balance Fund	519,766	-
	-------------	------------
	4,700,761	3,385,308
	-------------	------------
Investment assets measured at amortised cost		
Government of Barbados bonds series B	8,826,658	8,995,091
Term deposits	11,768,620	8,639,298
Mortgage loan	199,672	247,517
	------------	------------
	20,794,950	17,881,906
Loss allowance	(134,086)	(128,046)
	------------	-------------
	20,660,864	17,753,860
	------------	------------
Total Investments	25,361,625	21,139,168
	========	========

6. Investments (continued)

The Society adjusted the carrying value of its shares in Co-operators General Management Co. Inc. and Co-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 Dec 31, 2021	Shares acquired	Unrealised gain/(loss)	Fair value at Dec 31, 2022
Co-operators General Management Co. Inc.	907,334	17,550	35,641	960,525
Co-operators General Insurance Co. Ltd.	2,253,210	12,600	(51,398)	2,214,412
Insurance Corporation of Barbados	89,000	-	-	89,000
Barbados Co-operative & Credit Union League Ltd.	59,370	-	-	59,370
Cable & Wireless (Barbados) Ltd	76,394	-	-	76,394
Sagicor Select Growth fund		500,000	26,896	526,896
Sagicor Global Balance fund		500,000	19,766	519,766
Sagicor Preferred Income Fund		252,001	2,397	254,398
Total	**3,385,308**	**1,282,151**	**33,302**	**4,700,761**

6. 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%	

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 decognized for financial assets at amortised cost and loans and receivables:

Investments

	12-month Expected Credit Losses		*Lifetime Expected Credit Losses*	
	Term Deposits $	**Govern-ment Bonds-Other $**	**Loans to other entities $**	**Total $**
Balance as at 31 December 2020	43,305	132,093	967	176,365
Increase in allowance arising from new assets recognised during the year	5,217	-	-	5,217
Decrease in allowance from derecognition of financial assets in the year	-	(53,386)	(150)	(53,536)
Increase in allowances				
Balance as at 31 December 2021	48,522	78,707	817	128,046
Increase (dearease) in allowances	37,462	(31,264)	(158)	6,040
Balance as at 31 December 2022	85,984	47,443	659	134,086

7. Loans to members

		2022	2021
Loan portfolio	$	28,251,477	27,650,754
Expected credit losses		(438,083)	(536,660)
	$	27,813,394	27,114,094

	12-month Expected Credit Losses	*Lifetime Expected Credit Losses*	
	Loans to members $	**Loans to members $**	**Total $**
Balance as at 31 December 2020	129,039	513,631	642,670
(Decrease)\ increase in allowances	(15,173)	(90,837)	(106,010)
Balance as at 31 December 2021	113,866	422,794	536,660
(Decrease)\ increase in allowance	(28,038)	(70,539)	(98,577)
Balance as at 31 December 2022	85,828	352,255	438,083

The Society offers ordinary loans to members at rates varying from 5% to 8% (2021: 5% to 10%) per annum. The rate of interest on unsecured loans ranges from 12% to 15%. The maximum loan limit is 10% of the entity's equity base. A line of credit facility is also in place offering members revolving credit up to $25,000 (2021: $25,000) at the interest rate of 15% (2021: 15%) per annum. Interest charged by the Society is computed on the reducing balance basis.

8. Investment property

		2022	2021
Cost			
Balance at start	$	1,367,955	1,367,955
Balance at end		1,367,955	1,367,955
Depreciation			
Balance at start		522,715	499,588
Additions		23,127	23,127
Balance at end		545,842	522,715
Net book value	$	822,113	845,240
Direct rental income from investment property	$	42,638	43,880
Operating expenses		(25,743)	(28,192)
Net profit on investment property	$	16,895	15,688

Investment property shown at the net cost of $822,113 (2021: $845,240) as at December 31, 2022 has a current valuation of $ 2,200,000 as determined by the Barbados Revenue Authority. The appraisal excess of $1,377,887 is not accounted for in these financial statements.

9. Property, Plant & Equipment

2022	Total $	Land & Buildings $	Furniture & Equip. $	Computer Equip. $	Motor Vehicle $
Cost					
Balance at start	3,399,629	2,761,845	260,782	335,002	42,000
Additions	21,424	-	2,292	19,132	-
Disposals	(12,457)	-	(484)	(11,973)	-
Balance at end	3,408,596	2,761,845	262,590	342,161	42,000
Depreciation					
Balance at start	1,412,736	954,124	169,406	247,206	42,000
Additions	105,425	46,083	16,485	42,857	-
Disposals	(7,141)	-	(307)	(6,834)	-
Balance at end	1,511,020	1,000,207	185,584	283,229	42,000
Dec 31, 2022	**1,897,576**	**1,761,638**	**77,006**	**58,932**	**-**

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

2021	**Total** $	**Land & Buildings** $	**Furniture & Equip.** $	**Computer Equip.** $	**Motor Vehicle** $
Cost					
Balance at start	3,363,009	2,761,845	251,693	307,471	42,000
Additions	53,672	-	10,589	43,083	-
Disposals	(17,052)	-	(1,500)	(15,552)	-
Balance at end	3,399,629	2,761,845	260,782	335,002	42,000
Depreciation					
Balance at start	1,313,884	908,041	153,821	214,922	37,100
Additions	112,503	46,083	15,978	45,542`	4,900
Disposals	(13,651)	-	(393)	(13,258)	-
Balance at end	1,412,736	954,124	169,406	247,206	42,000
Dec 31, 2021	1,986,893	1,807,721	91,376	87,796	-

Lands and buildings shown at the net cost of 1,761,638 (2021: $ 1,807,721) as at December 31, 2022 have a current valuation of $ 4,500,000 as determined by the Barbados Revenue Authority. The appraisal excess of $ 2,738,362 is not accounted for in these financial statements.

10. Accounts Payable

		2022	**2021**
Trade payables	$	74,372	81,626
Interest payable		175,317	170,841
Non-members payables		791,571	791,571
Members clearing		104,017	102,552
National insurance payable`		10,901	12,407
PAYE payable		11,121	11,305
	$	1,167,299	1,170,302

11. Demand Deposits

		2022	2021
Savings deposits	$	17,736,292	17,736,079
Term deposits		117,655	125,030
Fixed deposits		6,085,805	5,539,567
	$	23,939,752	23,400,676

Interest paid on deposits varied between 0.35% and 1.35% per annum (2021: 0.35% and 1.35%).

12. 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.

13. Commitments

Commitments in respect of loans approved but not disbursed as at December 31, 2022 were $ 1,828,740 (2021: $2,851,206).

14. 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.

14. 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

		2022	2021
Bank balances	$	5,977,268	9,451,483
Amounts receivable		415,238	366,021
Due from affiliates		9,561	-
Investments		25,361,625	21,139,168
Loans to members - net		27,813,393	27,114,094
	$	59,577,085	58,070,766

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, 2022 based on contractual undiscounted payments.

		2022	**2021**
Accounts payable	$	1,167,299	1,170,302
Demand deposits		23,939,752	23,400,676
		-------------	-------------
		25,107,051	24,570,978
Non-qualifying shares		27,807,617	27,274,339
		-------------	-------------
Total liabilities	$	52,914,668	51,845,317
		========	========

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, 2022 (Schedule 1)

		2022	2021
Staff cost			
Salaries and wages	$	739,516	693,046
National insurance		66,233	68,108
Pension fund		29,945	31,642
Uniforms		5,024	3,305
Medical insurance		11,616	11,910
Group life insurance		1,104	1,104
Education/training		17,384	12,220
Staff well-being		14,028	12,294
	$	884,850	833,629
Number of employees		10	10
Office Expenses			
Stationery, office expenses and advertising	$	173,807	71,631
Cleaning		13,687	16,223
Utilities		24,651	24,381
Insurance		12,976	8,492
Security		9,252	8,933
	$	234,373	129,660
Property Management			
Repairs and maintenance	$	36,425	23,342
Utilities		3,172	2,423
Insurance		19,031	18,355
Land tax		57,610	56,527
	$	116,238	100,647
Motor Vehicle Expenses	$	4,323	3,897

		2022	2021
Other Administrative Expenses			
Audit fees	$	36,400	36,400
Bank charges		8,707	7,788
Donation and subscriptions		3,936	3,308
Education fund		6,477	261
Fines		2,500	-
League dues		42,844	41,377
Loss on disposal of fixed assets		5,297	3,296
Member relations		8,094	4,048
Miscellaneous		1,034	70
General expenses		23,063	10,470
Professional fees		55,500	17,400
Regulatory fees		30,014	28,904
	$	223,866	153,322
Total Operating and Administrative Expenses	$	578,800	387,526