

ANNUAL REPORT 2020



MABOUYA VALLEY
CO-OPERATIVE CREDIT UNION
SOCIETY LTD.

40th

Annual General Meeting

EVOLVING, TRANSFORMING & GROWING
IN AN ECONOMICALLY CHALLENGING ENVIRONMENT

National Anthem

Sons and daughters of Saint Lucia
Love the land that gave us birth
Land of beaches, hills and valleys,
Fairest isle of all the earth
Where so ever you may roam
Love, oh love our island home.

Gone the time when nations battled
For this “Helen of the West”!
Gone the days when strife and discord
Dimmed her children’s toil and rest
Dawns at last a brighter day,
Stretches out a glad, new day.

May the Good Lord bless our island,
Guard her sons from woe and harm
May our people live united
Strong in soul and strong in arm
Justice, Truth and Charity
Our ideal forever be.

Lyrics: Rev Charles Jesse FMI
Music: Sir Leton Thomas KCMG, SLC, OBE, CBE

Prayer of St. Francis *Of Assisi*

Lord make me an instrument of Thy
Peace

Where there is hatred,
Let me sow love;
Where there is injury, pardon;
Where there is doubt, faith;
Where there is despair, hope;
Where there is darkness, light; and
Where there is sadness, joy.

O divine Master grant that I may not
So much seek to be consoled as to
Console;

To be understood as to understand;
To be loved as to love;
For it is in giving that we receive;
It is in pardoning that we are
Pardoned;and it is in dying that we
Are born to eternal Life.

STANDING ORDERS

1. (a) A member shall stand and state
His name when addressing the
Chair.

(b) Speeches shall be clear and
relevant to the subject before the
meeting.
2. A member shall address the meeting
when recognized or called upon by
the Chairperson to do so, after which,
he shall immediately take his seat.
3. No member shall address the meeting
except through the Chairperson.
4. A member shall not speak twice on
the same subject, except:

(a) the mover of a motion who has a
right to reply.

(b) the member rises to object to
or explain any matter (with the
permission of the Chair).
5. No speeches shall be made after
the “Question” has been put to the
meeting.
6. The Mover of a ‘Procedural Motion’ –
(that is a motion for adjournment laid
on the table, or motion to postpone)
shall have no right to reply.
7. A member rising on a “Point of Order”
shall state the point clearly and
concisely. (A Point of Order must have
relevance to the Standing Orders.)
8. A member shall not “call”
another member ‘to order’.

(a) A member may draw the
attention of the Chairperson to
a ‘breach of order’.

(b) On no account can a
member call the Chairperson
‘to order’.
9. Only one amendment shall
be before the meeting at one
and the same time.
10. When a motion is withdrawn,
an amendment to it fails.
11. The Chairperson shall have
the right to a ‘casting vote’.
12. If there is an equality of
voting on an amendment, and
if the Chairperson does not
exercise his casting vote, the
amendment is lost.
13. Provision shall be made for
protection by the Chairperson
for vilification (personal abuse)
among members.
14. No member shall impute
improper motives against
another.

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CORPORATE INFO

Date of Registration:	10 th January, 1980
Regulator:	Financial Service Regulatory Authority
Auditor:	Mario Lendor, Cedars Road, Castries
Bankers:	1 st National Bank, Bridge Street, Castries Bank of Saint Lucia, Bridge Street, Castries
Attorney at Law:	Andra Gookool-Foster, High Street, Castries
Address:	P.O. Box QSR 210 Richfond, Mabouya Valley Dennery Saint Lucia W.I. Email: info@mvccu.net Website: www.mabouyavalleycreditunion.com

NOTICE OF MEETING

NOTICE is hereby given that the 40th Annual General Meeting (AGM) of the Mabouya Valley Cooperative Credit Union Society Ltd. will be held at Bethel Blessings Event & Conference Centre, Dennery on Saturday 30th October 2021 commencing at 2:00 p.m.

AGENDA

OPENING SESSION


1. Call to Order
2. National Anthem
3. Prayer/Invocation
4. Welcome Address: Mrs. Simone St. Fort, President

CLOSED SESSION

1. Ascertainment of Quorum
2. Apologies of Absence
3. Reading and confirmation of Minutes of the 39th Annual General Meeting
4. Matters arising from Minutes
5. Adoption/ Confirmation of Reports: -
 - (i) Board of Directors,
 - (ii) Treasurer
 - (iii) Auditor
 - (iv) Credit Committee
 - (v) Supervisory Committee
6. Elections to:
 - (i) Board of Directors
 - (ii) Credit Committee
 - (iii) Supervisory Committee
7. Appointment of Auditor for the ensuing year
8. Adjournment

Refreshments will be provided

BY ORDER OF THE BOARD


 Mr. Chaddie Faucher
 Secretary

MESSAGE FROM THE PRESIDENT

Can you believe that another Annual General Meeting (AGM) is here? Yes, here we are again, because our last meeting was in December 2020.

It is an absolute honour and distinct privilege to welcome each one of you here today in my capacity as your President under the theme: ***“Evolving, Transforming, and Growing in an economically challenging environment”***.

I have to give full praise to the last Executive for carrying the entire year (2020) which we are presently reporting. To our Immediate Past President, Ms. Alymphina Lionel, saying **“Thank You”** is not enough for you giving yourself to our credit union six years of diligent service. You have really been a pillar in moving our credit union to another level.

To Ms. Sherin Thomas, Mrs. Kedra Charles and Mr. Sabinus Noel who made sterling contributions, as you volunteered your time and expertise in service to members, employees, and the community at large. Those who remained as executive members, we say thanks to you also. We want to acknowledge our hard working and dedicated management and staff and how they responded to the continually changing circumstances of the pandemic with focus on serving members while caring for themselves and their families.

I would also like to applaud those of you who were elected at our last Annual General Meeting. We are privilege to continue building upon the great work of our previous colleagues. I know a single head achieves little, so I count on your support as we continue to rise together. We will continue to build on our strengths but also take on new directions and programs that will further strengthen and promote growth as we serve the present day needs of our credit union.

This year marks forty (40) years of our Annual General Meeting, a significant milestone for our credit union. Forty (40) years is a time in which any organization should have figured out all the necessary gear to make it better. In our case, it is time for our credit union to soar to new and great heights. Forty (40) years should help us reflect on what we didn't do to make things happen if we are not in that position. We must examine our failures to identify what we did that derailed maximum success.

We made considerable progress in 2020, despite COVID-19 related challenges, to continue building the foundation for an even more successful credit union, providing value for membership at the core of everything we do. It is in that regard we constantly review, revise and evaluate our policies, plans and programs. I am proud to report that your credit union was able to achieve several milestones during 2020 while navigating the pandemic. We were able to implement two policies – Credit Management and Administrative & Operational.

We were also able to review the Administrative Policy with support from our consultant, Mrs. Melissa Descartes.

These times in which we live are marked by deep financial implications. There are financial turbulence everywhere, even in developed countries (by those at the helm of the greatest nation of the world).

For our credit union, no matter what the challenge, our performance depends on so many factors, only some of which we can control. Undeniably, we could not control Covid-19 and its impact. Thus, we had to make some difficult decisions, most importantly with you in mind. It is unfortunate we were not able to give dividends as was expected by many of you.

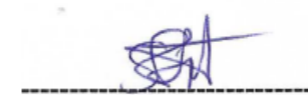
However, we were able to offer a three-month moratorium to help members impacted by loss of earnings or jobs. This programme was widely used by members, but I am pleased to report that the vast majority of members who initially utilized this service have since commenced making payments on their loans. This was commendable, however, this bold and caring initiative had an adverse effect on the credit union, which resulted in a decline in our surplus interest. Another area with a notable decline in 2020 was our loan portfolio, this too affected our loan interest.

I am confident that in 2021, the credit union will recover from the negative impact brought about by Covid-19. I count on each one of you our valued members to continue to show interest in your credit union. Let's promote our credit union, making it a “household name” in our community. Let's all act now by leading the change we want to see. We are blessed with a group of enthusiastic young people within the executive and sub-groups with varied competencies to assist in leadership roles. I have no doubt that they will continue to work assiduously to make our credit union a more viable entity.

On behalf of the Executive, I offer condolences to all our members who suffered the loss of a loved one. We look forward to a fruitful and goal achieving 2021.

Once again, I welcome all of you.

I thank you!



Ms. Simone St. Fort
PRESIDENT

BOARD OF DIRECTORS REPORT



Ms. Simone St. Fort
President

Board Member Since: 2017
Profession: Retired Principal



Mrs. Hyginis Emmanuel
Vice President

Board Member Since: 2019
Profession: H.R Generalist



Mr. Chaddie Faucher
Secretary

Board Member Since: 2020
Profession: Administrative Officer



Ms. Maria Mombelli
Asst. Secretary

Board Member Since: 2016
Profession: Business Owner



Mr. Paul Kallicharan
Treasurer

Board Member Since: 2019
Profession: Statistician/Analyst



Mr. Devon Stanley
Asst. Treasurer

Board Member Since: 2019
Profession: Teacher



Mr. Emrand Matthew
Director

Board Member Since: 2020
Profession: Auditor

MEETING ATTENDANCE Record & General Statistics

Throughout the year the Board of Directors and other committees have continued held meetings to discuss critical matters and to provide guidance for the effective operation of the Credit Union. Those meetings were held via zoom and other medium in a safe working environment to keep the business of Credit Union running.

Table 1
Board of Directors Meeting Attendance Record 2020

Attendee	Ordinary Meetings		Joint Meetings		Quarterly Meetings	
	Poss	Act	Poss	Act	Poss	Act
Ms. Alymphie Lionel	12	12	3	3	2	2
Mrs. Simone St Fort	12	12	3	3	2	2
Ms. Maria Mombelli	12	10	3	3	2	2
Mrs. Hyginis Emmanuel	12	12	3	2	2	2
Mr. Paul Kallicharan	12	12	3	2	2	2
Mr. Devon Stanley	12	12	3	3	2	2
Ms. Scholastica Jn Charles	12	12	3	3	2	2
Ms. Ermand Matthew	0	0	1	1	0	0
Mr. Chaddie Faucher	0	0	1	1	0	0

Table 2
Tenure of Directors

There are no outgoing members on the Board.

Director	1 st Term		2 nd Term		Outgoing
	From	To	From	To	
Mrs Simone St. Fort	2017	2019	2019	2022	No
Ms. Maria Mombelli	2016	2019	2019	2022	No
Mrs. Hyginis Emmanuel	2019	2022			No
Mr. Paul Kallicharan	2019	2022			No
Mr. Devon Stanley	2019	2022			No
Mr. Emrand Matthew	2020	2023			No
Mr. Chaddie Faucher	2020	2023			No

Table 3
General Statistics

Financial Factors	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assets	5,077,383	5,044,928	5,557,260	5,922,326	7,055,419	9,183,995	11,421,650	14,049,895	16,612,994	18,356,247
Cash Equivalents	2,225,778	2,076,377	2,413,527	2,552,709	2,041,874	1,830,690	2,031,574	1,758,827	4,360,519	4,667,860
Fixed Assets	218,384	206,187	180,421	158,728	146,809	140,358	229,997	374,568	364,899	372,132
Investments Securities	163,380	168,438	407,597	423,380	1,015,485	1,021,487	2,613,079	2,987,368	2,954,222	5,472,002
Members Loans & Advances	2,373,189	2,460,385	2,446,325	2,680,515	3,674,603	5,885,460	6,332,528	8,088,045	8,336,332	7,099,079
Total Liabilities	4,976,831	4,888,427	5,410,919	5,505,926	6,308,959	8,262,004	9,940,015	12,243,351	14,525,899	15,998,533
Permanent Shares	N/A	13,250	28,550	59,335	271,895	383,805	461,965	579,418	772,058	864,857
Members Deposits	1,288,414	1,367,680	1,529,965	1,915,143	1,645,646	2,575,711	3,289,791	4,304,603	5,589,465	6,640,263
Member's Withdrawal Shares	3,323,136	3,120,314	3,445,105	3,548,019	4,022,918	5,269,036	6,311,215	7,532,578	8,781,018	9,215,332
Members Funds	99,761	109,355	105,241	115,846	128,272	139,749	249,859	321,104	350,317	102,163
Statutory Reserves	264,479	278,960	282,582	299,008	332,174	350,369	489,266	591,514	680,454	1,017,370
Undivided Earnings	(310,281)	(279,539)	(272,389)	(57,809)	14,119	48,068	280,545	314,508	284,226	373,324
Total Members Equity	100,552	159,501	166,341	416,400	746,460	1,481,635	921,991	1,806,554	2,087,095	2,357,714
Number of Loans	178	285	233	288	418	468	569	482	599	495
Membership	3,822	4,079	4,262	4,126	4,361	4,737	5,105	5,487	5,744	6017
Net Income	(298,911)	55,893	13,000	63,835	130,778	69,961	552,995	359,334	385,973	220,618

2020 BUSINESS OVERVIEW

At the beginning of the year 2020, the Board of Directors, Management and other committee members began laying the foundation for the future growth and expansion of the Mabouya Valley Co-operative Credit Union Society Limited through the identification of a number of initiatives.

- Reviewing and updating our Strategic Priorities for the next triennium 2021 – 2023
- Continued consultation and training with the Consultant and the implementation of the policies to govern the operations of the Credit Union
- Reviewing and approval of the revised By-Law by FSRA

The process was not without the challenges brought about by the Covid-19 pandemic on our country, our community and our members. 2020 has been an extremely tough year as we all have suffered tremendous stress, strain and unfortunately loss of whether it be a loved one, loss of job and income, or loss of normality.

However, the delay in the introduction of our strategic plans and priorities will continue as we work assiduously to complete our plans and we expect that these initiatives will be completed by December 2021.

We the Board of Directors are privilege to present our 2020 Financial Statement in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (ISAB).

In the coming years we will seek to further deepen our relationship with you our valued members by remaining committed and keeping our focus on our Mission to enhance your life.

On behalf of the Board of Directors, Committee members, Management and staff we wish our member's a successful meeting and we look forward to serving you.

STAFF MOVEMENT THE TEAM



Mrs. Sylvia Wells
Office Manager



Ms. Nilejah Francis
Office Supervisor



Ms. Erena Gustave
Credit Management Officer



Ms. Amana Mentor
Teller



Ms. Chalana Marcel
Teller



Ms. Christy Alexander
Teller



Mrs. Derdery Clifford-Wells
Cleaner



Ms. Tanisha Sandiford
Teller



Ms. Loretta Albert
Office Assistant

STAFF COMPLEMENT

During the year under review, we maintained a staff complement of nine (9).

We the Directors, would like to welcome our new member of staff Ms. Erena Gustave who has fitted greatly in the post of Credit Management Officer/Teller. Ms. Gustave brings with her a new dynamic and energy to the team. The Board wishes her the very best for the future.

TRAINING & DEVELOPMENT 2020



Consultancy Updates

In 2020 Management continue to focused on educating staff and other committees. In keeping with the Credit Unions Bye-Laws and internal control the Board of Directors contracted the services of a consultant to undertake the relevant changes relating to our policies. Two of those policies were implemented in 2020:

- Credit Management Policy
- Operational & Administrative Manual

To ensure compliance and proper administration of those policies delivered by the Consultant, management, staff and other committee members participated in the following training conducted by the Consultant:

- Review of the Operational & Administrative Policy

Debt Collection Workshop

As part of the review and implementation of the revised Credit Management Policy, the Credit Union Staff and committee members participated in an online training on Debt collection delivered by Celestial Self Development Centre.

Strategic Priorities & Framework

In an effort to create a Strategic framework for the development and effective operation of the Credit Union, the Directors were engaged in the Design and implementation of the Strategic priorities and plan for the next triennium 2021 – 2024. This will include:

- Reclassification of roles
- Implementation of new organization structure
- Performance management policy and tools
- Development and Implementation of values and code of ethics
- Onboarding and off boarding policy
- Review and implement of the draft employee engagement strategy.

A total of Twelve Thousand and Twenty-five dollars (\$12,025) was spent on Training and Development.

The Board of Directors continues to encourage members and staff to take full advantage of training opportunities offered by the Credit Union.

MEMBERSHIP DEVELOPMENT

In 2020, 273 new applications for membership were registered and approved by the Board of Directors bringing the total registered account to 6017.

Table 4

Membership	2019	2020
New Accounts	347	273
Total	5,744	6,017

CO-OPERATIVE SOCIAL RESPONSIBILITY

COVID-19 Package Distribution

“Concern for Community” is one of the principles of Co-operatives. In doing our part, our Credit Union recognizes the needs to protect members and our community by extension.

In keeping with the covid-19 protocol our Credit Union distributed packages which included mask and hand sanitizers to the farmers, Bus Drivers and other Business owners in our community.



Donations

The Credit Union continues to lend financial support to the educational institutions and community sporting initiatives within the Mabouya Valley basin. For the year under review, we were privilege to sponsor school and other activities in the community. The following were beneficiaries of our donation:

- La Ressource Combined School
 - Richfond Combines School
 - Derniere Riviere Combined School
- St Michael Parish
 - Richfond Youth Organization
 - Aux Lyon Combined School

During the year under review the Credit Union made donations in the amount of One Thousand Six Hundred Dollars (\$1600.00), toward educational and other activities.



Under the Family Indemnity Plan (FIP) subscribers can access a maximum of XCD\$30,000 towards meeting their funeral and burial cost of up to 6 immediate family members.

The FIP plan offers financial comfort during difficult times providing cash benefits to be used to cover funeral expenses for you and eligible family members.

There are Seven (7) plans that are available and upon payment of the monthly premiums and meeting the required stipulations, a payout is almost guaranteed for each family member covered under the plan.

Plan Option	Monthly Premium	Individual Benefits
Plan A	\$26.40	\$5,000
Plan B	\$39.60	\$7,500
Plan C	\$52.58	\$10,000
Plan D	\$79.20	\$15,000
Plan E	\$105.60	\$20,000
Plan F	\$132.00	\$25,000
Plan G	\$158.40	\$30,000

\$139,920
PAID OUT

In 2020, Under the FIP, CUNA paid out XCD \$139,920.80 for thirteen (13) death claims received from our members and their families.

These funds go towards assisting with the burial cost of their loved ones, who were contributors to the Family Indemnity Plan (FIP) with CUNA Caribbean Insurance OECS Ltd.

Advance Protector with Credit Disability

The Board of Directors signed up with CUNA for this New Loan insurance product.

Advance Protector (AP) is a member-paid insurance product that re-pays covered loan balances, up to the policy maximum, if an insured becomes totally and permanently disable or if they, or the joint insured borrower, die before the loan is re-paid.

Temporary Credit Disability coverage is offered to the insured and joint insured as an added benefit at an additional cost. This benefit pays the covered loan installment during the period of temporary disability, up to two years.

In 2020, we bid farewell to 13 family members.

- Dave Gustave
Lennard Modest
Agatha Mathurin
Marguerite Mathurin
Morille Pascal
Sterphion Gilbert
Theresa Edwin
Peter Cassius
- Dunstan Norville
Stephen Alexander
Venantius Timothy
Rene Monlouis
Sarita John

CORONA VIRUS (COVID-19) SPECIAL REPORT

The unfortunate events of COVID-19 pandemic negatively impacted the global economy and by extension our country Saint Lucia. The virus has led to a dramatic loss of life and presents an unrepresented challenge to health and loss of income. This has also, impacted the level of unemployment in country and as such has negatively affected our member's cash flow.

The Government of Saint Lucia implemented strict protocol of country shut down, drastic changes in business operating hours, practicing social distancing, wearing of face mask and frequent hand sanitizing.

To comply with the established laws as stipulated by the Government of Saint Lucia, a number of measures were taken to adapt to the "new normal":

- The Staff of the Credit Union put together an Action & Business Continuity plan in cases where any staff have been diagnosed.
- Safety measures such as frequent hand and surface sanitizing.
- Social distancing of 6ft apart.
- Changes in operating hours.
- Transportation to and from work for staff
- Wearing of mask by all staff and members accessing the Credit Union.
- Suspension of updating of passbooks for a stipulated period
- Meeting of Directors were held via the virtual platform.
- Loan application were suspended for a period of time.

The Government of Saint Lucia through the Department of Finance wrote to all Credit Unions seeking assistance for raising funds needed to support public servant wage bill. The option given was to purchase Treasury bills, bonds or notes.

The MVCCUSL participated by purchasing a two (2) year Treasury Note in the amount of One Million Dollars (\$1,000,000.00) at a coupon rate of 4.5%.

The Financial Service Regulatory Authority (FSRA), wrote to all Credit Unions recommending that moratoriums be offered to members.

Our Board of Directors deliberated on the matter and by unanimous decision authorized three (3) months moratoria (0% Interest and suspended loan payments) for all performing loans for a period of three (3) months from 1st April 2020 – 30th June 2020.

During the moratorium period Five Hundred and forty (540) loans members benefited.

As a result of the three (3) months moratoria period the Credit Union loss Two Hundred Fifty-One Thousand Four Hundred Seventy-Nine Dollars and Twenty-Four cents (\$251,479.24).

As we charter the course of Covid-19 together, we pray that all our members and entire community remains safe.

CONCLUSION

The Board wishes to acknowledge the services of all our committee members for their hard work and dedication to our Credit Union.

We would also like to extend our gratitude to the various organization that have rendered their services to our Credit Union, throughout the past financial year.

Special mention is made to the following organizations:

- The Financial Service Authority (FSRA)
- Financial Intelligence Authority (FIA)
- CUNA Caribbean Insurance OECS Ltd
- Microsoft Design Limited (MSD)
- First National Bank
- Mario Lendor
- Icon Security Services
- P1 Marketing Solutions

On behalf of the Board of Directors, we would like to thank our valued members for allowing us the opportunity to serve you and making the Mabouya Valley Co-Operative Credit Union Society Limited your financial service provider of choice. Your trust and confidence in our Credit Union has enable us to rise above the challenges brought about with Covid -19 pandemic.

We remain committed to serving you as we enrich to change the quality of lives of our members.

Thank you and may God richly bless you and your family.



Chaddie Faucher
Secretary

TREASURER'S REPORT

As per legal requirements, the audited financial statements of the Mabouya Valley Co-operative Credit Union Society Limited (MVCCU) for the financial year ended December 2020 was presented to members by Mr. Lendor (Auditor). This is a legal requirement to be fulfilled at the AGM of all Credit Union.

During the past two decades, the year 2020 could be regarded as the most challenging in all aspects of life: social, economic, education, health, political and technological. The negative impact of Covid-19 pandemic on human lives/livelihood was unprecedented- locally, regionally and internationally.

Locally, in the review period real Gross Domestic Product (GDP) contracted by 20.4%. Whilst all Economic Sectors were negatively impacted with varying levels of intensity, the Hotels and Restaurants Economic Sector (the single largest contributor to GDP) was hardest hit by Covid-19. Employment in that Economic Sector declined by approximately 48% from 11,700 in 2019 to 6,200 in 2020. The collective impact of the pandemic on financial institutions (lending agencies, commercial banks, credit unions, etc.) shifted from robust/moderate growth to literally 'survival mode'.

As expected, with significant decline in employment level, massive lay-offs in the tourism industry and implementation of Covid-19 protocols (work-from-home, closure of borders and shut-downs) the corresponding impact on MVCCU was inevitable. Most commercial banks and credit unions offered their loan holders a differed payment plan of both interest/principals.

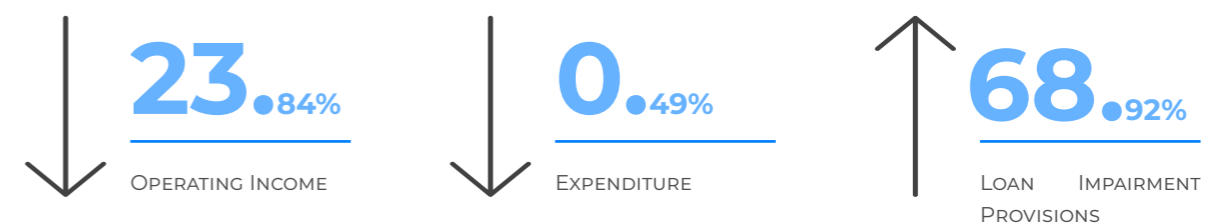
Unlike these institutions, the MVCCU offered a complete waiver of interest and deferment of payment of principals over a period of three months. Against these backdrops, I present the Treasurer's report for financial year ended 2020.

1. INCOME STATEMENT

Table 5 Summary of Income Statement

Variable	2019	2020	Variance	% Variance
Gross Financial Margin	937,613	843,588	-94,025	-10.03%
Total Expenditure	554,643	551,913	-2,730	-0.49%
Operation Income	382,970	291,675	-91,295	-23.84%
Total Other Income	144,784	168,445	23,661	16.34%
Provision for Loan Impairment	-141,781	-239,502	-97,721	68.92%
Total Comprehensive Income (Net Surplus)	352,994	220,618	-132,376	-37.50%

Income Statement Highlights - 2020



- Interest from loans and advances to members contracted by 25.72
- Interest on investments expanded by 127.21%
- Operating income dropped by 23.84%
- Expenditure decreased by 0.49%- primarily due to a 5.74% drop in cost of stationery and office supplies.
- Provision for loan impairment continue its increasing trend and this financial year rose by 68.92% to \$239,502.
- Total comprehensive income contracted by 37.5% to \$220,618.
- Cost of the 3 months moratorium: \$251,479- the application of this is total comprehensive income without the moratorium would amount to approximately \$472,097 or 33.74% increase.

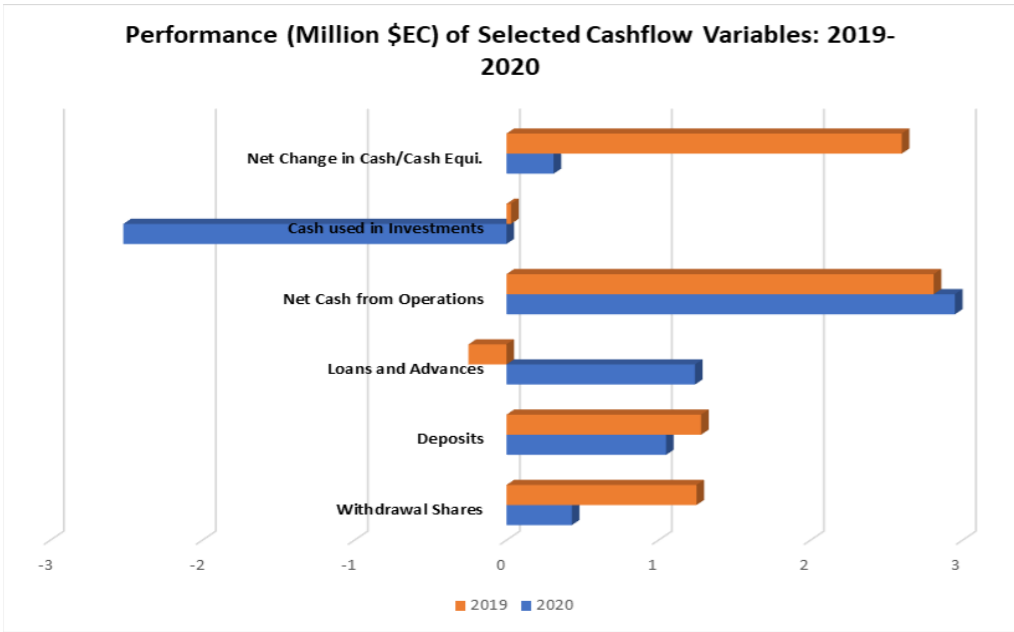
Chart 1



2. HIGHLIGHTS OF CASHFLOW STATEMENT - 2020

- When compared to the previous year, members’ withdrawal shares declined by 65.21% from \$1.25 million to \$0.43 million.
- When compared to the previous year, members’ deposits decreased by 18.22% to \$1.05 million.
- Consistent with the trend of members withdrawal shares and deposits, members’ permanent shares payments in 2020 also contracted by 51.83%.
- The net value of members’ loans/advances in the review period improve form negative \$248,287 in the previous year to \$1.24 million in 2020.
- The net effect in 2020 was net cash generated from operations increased by approximately 5% to \$2.95 million.
- Cash used in/generated from investments in 2020 was \$2,52 million- 85.42% of net cash from operations was utilized for investment activities.
- The outcome at the end of 2020 was net cash and cash equivalents declined from \$2.6 million in 2019 to \$0.31 million.
- Net cash and cash equivalents at the end of 2020 increased by 7.11% to \$4.67 million.

Chart 2



3. FINANCIAL POSITION

Following an 18.22% increase in 2019 and notwithstanding the negative impact of Covid-19, assets of the MVCCU expanded further by 10.54% to \$18.36 million at the end of the review period (December 2020).

Below is a summary of some key variables/components that collectively were responsible for the above net financial position of the MVCCU in 2020:

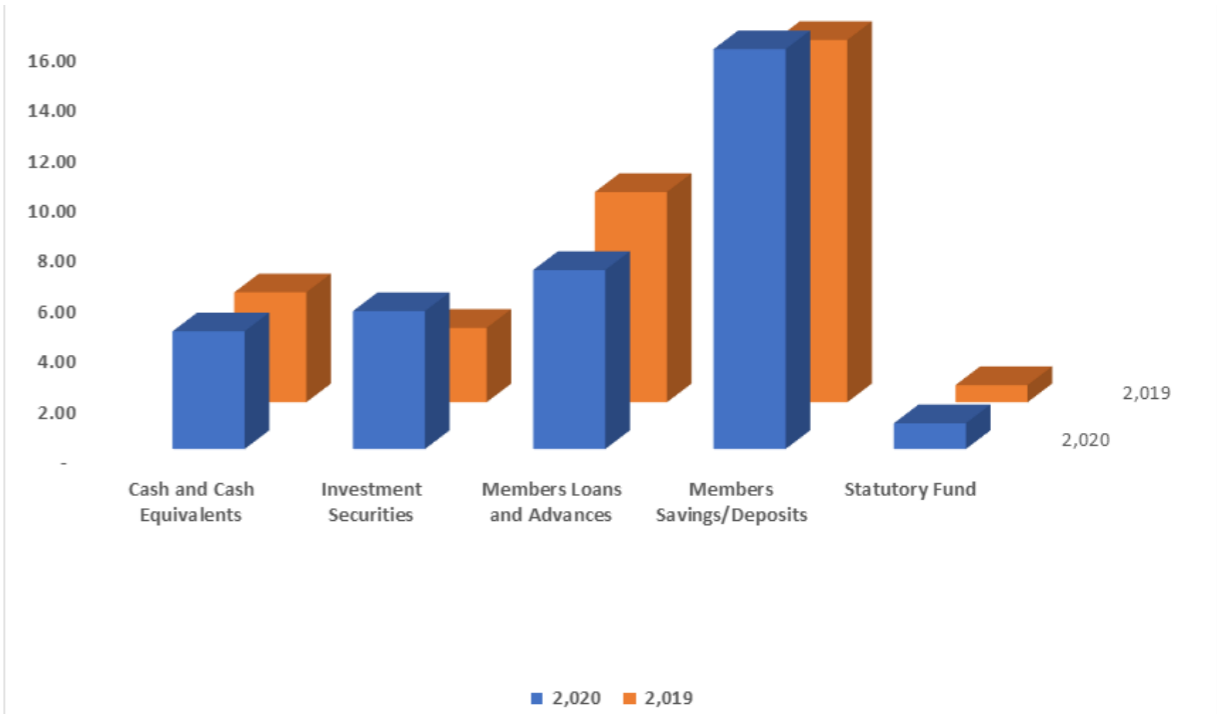
Table 6

Components	2020	2019	Variance	% Variance
Cash and Cash Equivalents	4.67	4.36	0.31	6.64%
Investment Securities	5.47	2.95	2.52	46.07%
Members Loans and Advances	7.10	8.34	(1.24)	-17.46%
Members Savings/Deposits	15.86	14.37	1.49	9.39%
Statutory Fund	1.02	0.68	0.34	33.33%

- Cash and Cash Equivalents increased by 6.64% in 2020 as compared to 147.7% rise in 2019 over the previous year, 2018. As indicated above, 85.42% of net cash from operations was utilized for investment activities in the review period.
- When compared to the previous year, Investment Securities expanded by 46.07% to \$5.47 million.
- Similar comparison in 2019 showed a contraction of 1.3% in Investment Securities.
- Notwithstanding the contraction in employment and unprecedented level of employee lay-offs, ‘Members Savings/Deposits’ recorded a modest increase of 9.39% in 2020.
- A direct impact of the current pandemic on the MVCCSL was 17.46% drop in the value of ‘Members Loans and Advances’ realized in the review period.
- The ‘Statutory Fund/Reserve’ of the MVCCSL is a key component of the institution mandated by law. Following a 15.04% growth in 2019, the ‘Statutory Reserve’ increased by 33.33% to \$1.02 million in 2020.

Chart 3

Financial Position (Million \$EC) of MVCCUSL by Selected Components 2019 - 2021



Statutory Reserve

One growing concern over the years has been the non-compliance of the MVCCUSL as it relates to value of statutory and other reserves to be no less that 10% of total liabilities. In a strategic effort improve upon this situation the following decisions were adopted:

1. Transfer of 80% of the Development Fund in 2019 to the statutory reserve.

Closing balance at end of 2019:	\$ 226,233
Transfer to statutory reserve :	(180,981)
	<u>45,247</u>

2. Transfer of 80% of the Education Fund in 2019 to the statutory reserve.

Closing balance at end of 2019:	\$ 124,084
Transfer to statutory reserve :	(99,267)
	<u>24,817</u>

As a result of these decisions a total of \$280,253 were transferred from the Development and Education Funds to the statutory reserve. Consequently, the statutory reserve at the end of 2020 increased by 49.51% to \$1.07 million.

4.TREASURER'SREPORTOVERVIEW

1. Given the multi-dimensional negative impact of Covid-19 on the operational activities of the MVCCUSL, 2020 could be regarded as the most challenging financial year in recent history.
2. Notwithstanding the above challenges, total assets grew by 10.54% to \$18.36 million and Members savings and Deposits increased by 9.39% to \$15.86 million.
3. The MVCCU offered a complete waiver of interest on loans amounting to \$251,479 for the months April-June 2020. Additionally, payment of principals was differed by three months.
4. Through stochastic approach to decision making at the Finance Committee and Board level, investment securities increased by 46% to \$5.47 million compared to \$2.95 million in 2019. Further, investment income in 2020 rose by 127.21% from \$96,492 in 2019 to \$219,235 in 2020. This was the outcome of strategic investment initiatives to cushion the impact of Covid-19 on the loan's portfolio.
5. In a deliberate attempt to achieve greater level of statutory compliance, a total of \$251,479 were transferred from the Education and Development Fund to the statutory reserve.


Mr. Paul Kallicharan
Treasurer

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is pleased to report on the efforts and successes of the Credit Union for the year ended 31st December, 2020. For the year under review, the Supervisory Committee was made up of the following members:



Ms. Benita Polius
Chairperson

Member Since: 2018
Profession: Statistician



Ms. Ivaline Abbot
Member

Member Since: 2020
Profession: Accounts Clerk



Ms. Conny Lewis
Asst. Secretary

Member Since: 2020
Profession: Teacher



Ms. Servina Eudovic
Member

Member Since: 2018
Profession: Teacher



Ms. Rebertha Wilfred
Secretary

Member Since: 2020
Profession: Nurse

Table 7

Supervisory Committee Meeting Attendance

Attendee	Ordinary Meetings		Joint Meetings		Quarterly Meetings	
	Poss	Act	Poss	Act	Poss	Act
Ms. Sherin Thomas	5	5	3	2	2	2
Mrs. Kedra Charles-Isidore	5	5	3	3	2	2
Ms. Benita Polius	5	5	3	3	2	2
Ms. Servina Eudovic	5	5	3	3	2	2
Ms. Rebertha Wilfred	0	0	1	1	0	0
Ms. Ivaline Abbot	0	0	1	1	0	0
Ms. Conny Lewis	0	0	1	1	0	0

Table 8

Tenure of Supervisory Committee Members

Director	1 st Term		2 nd Term		Outgoing
	From	To	From	To	
Ms. Benita Polius	2018	2021			Yes
Ms. Servina Eudovic	2019	2022			No
Ms. Rebertha Wilfred	2020	2023			No
Ms. Connie Lewis	2020	2023			No
Ms. Ivaline Abbot	2020	2023			No

• Ms. Benita Polius, has successfully completed the 1st term and is outgoing; however, she is eligible for re-election.

Committee Report - For the Financial Year Ending December 3rd 2020

The Supervisory Committee serves an important function at the Mabouya Valley Co-operative Credit Union Society Ltd. One of the main functions of the Supervisory committee is to ensure that the Board of Directors and Management establish and follow procedures and practices, which are in accordance with the legal framework that governs the Credit Union, as well as our own bylaws in order to protect and safeguard members' assets. They also endeavor to ensure that effective controls are put in place in order to protect not just members but all stakeholders of the Credit Union. They are also tasked with asking the tough questions and following up on findings to ensure that changes are made.

During the financial year 2020, the Supervisory committee, remained resolute in assisting with improving the financial position of the Credit Union while ensuring that it functioned within the parameters of its legislative framework. The committee intensified on the audits conducted with the aim of enhancing cash management, operational efficiency and the business environment in which the Credit Union operates.

The Committee in 2020, performed several loan reviews to verify that the newly issued loans were granted in accordance with the revised loans policy and that all requirements were adhered to. A number of delinquent loans were reviewed, to ensure that the necessary procedures were followed to avoid an increase in the level of delinquency.

B. Polius

Ms. Benita Polius
Chairperson

It must be highlighted that delinquency continues to the biggest plague of the Credit Union Therefore, efforts must be made by all parties involved to ensure that this does not negatively impact the growth and stability of the Credit Union.

Receipt & Report Reviews

Further, the committee reviewed receipt book and financial reports. These robust reviews assisted in determining whether the controls were being adhered to in order to prevent fraud.

Conclusion

Based on those reviews performed during the year, we are satisfied that the controls were followed to thereby protecting members' assets and sustain a secure and safe future. We also conclude that the financial statements accurately reflect the performance of the Credit Union. Therefore, the committee will continue to work hard to steer the affairs of the Credit Union appropriately in order for members' contributions and shares will yield the needed interest and be invested wisely.

On behalf of the entire committee, we appreciate the opportunity to serve you, the members of the Mabouya Valley Co-operative Credit Union Society Ltd. and look forward to a secure and successful 2021.

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CREDIT COMMITTEE REPORT

The Credit Committee is pleased to report on the efforts and successes of the Credit Union for the year ended 31st December, 2020. For the year under review, the Credit Committee was made up of the following members:



Ms. Kessa Moise
Chairperson

Member Since: 2019
Profession: Loans Officer



Mrs. Talia Gustave
Secretary

Member Since: 2019
Profession: Procurement Officer



Ms. Lyester Velinor
Member

Member Since: 2018
Profession: Loans Officer



Mr. Cassius Aimable
Member

Member Since: 2020
Profession: Self-Employed



Mr. Lincoln Budhoo
Member

Member Since: 2019
Profession: Farmer

MEETING ATTENDANCE RECORD

Table 9

Credit Committee Meeting Attendance

Attendee	Ordinary Meetings		Joint Meetings		Quarterly Meetings	
	Poss	Act	Poss	Act	Poss	Act
Ms. Lyester Velinor	16	12	3	3	2	2
Mr. Sabinus Noel	16	12	3	3	2	2
Ms. Kessa Moise	16	16	3	3	2	2
Mrs. Talia Gustave	16	14	3	3	2	2
Mr. Lincoln Budhoo	16	14	3	2	2	2
Mr. Cassius Aimable	16	14	3	2	2	2

Table 10

Tenure of Credit Committee Members

Director	1 st Term		2 nd Term		Outgoing
	From	To	From	To	
Ms. Lyester Velinor	2018	2021			Yes
Ms. Kessa Moise	2019	2022			No
Mrs. Talia Gustave	2020	2023			No
Ms. Lincoln Budhoo	2020	2023			No
Ms. Ivaline Abbot	2020	2023			No

• Ms. Lyester Velinor, has successfully completed the 1st term and is outgoing; however, she is eligible for re-election.

CREDIT MANAGEMENT

The year 2020 was very challenging. With the COVID-19 protocols in place the Credit Committee was not able to meet as often as required. The was also a period where all loan applications were suspended due to the measures in place, which was brought about by the pandemic.

During our meeting we were engaged in the following:

- Reviewing loan applications
- Reviewing and Ratifying of Management approved loans;
- Providing recommendations for loan processing
- Reviewing the Credit Union monthly delinquency summary reports

ANALYSIS OF LOANS

When the Credit Committee meets to evaluate loan applications, we are always conscious of the fact that we are lending members' savings. We are therefore obliged to establish that members' have the ability to repay their loans in a timely period.

For the period under review the loans granted to members amounted to Seven Million Six Hundred Eighty-Seven Thousand and Eighty-four Dollars (\$7,687,084).

Table 11

Loan Category	2020 Count	Balance	2019 Count	Balance
Mortgage	6	\$398,800	4	\$251,125
Housing	144	\$3,355,195	148	\$3,921,366
Vehicle	78	\$1,558,601	95	\$2,005,500
Promotional	44	\$82,519	92	\$258,000
Education	15	\$68,461	32	\$150,940
Debt consolidation	38	\$754,044	36	\$856,000
Refinance	15	\$240,463	21	\$338,230
Business	27	\$240,041	35	\$368,210
Personal	126	\$979,893	134	\$1,102,627
Total	493	\$7,678,084	597	\$8,946,998

DELINQUENCY

Like most financial institutions, we were challenged with the issue of delinquency in 2020. The challenges brought about by COVID-19, unemployment, increased in the cost of living, illnesses and members' lack of communication with the Credit Union continued to impact our loan portfolio.

At 31st December 2020, delinquency stood at a value of One Million Five Hundred Thirty-one Thousand One Hundred Ninety-three Dollars and Ninety-seven cents.

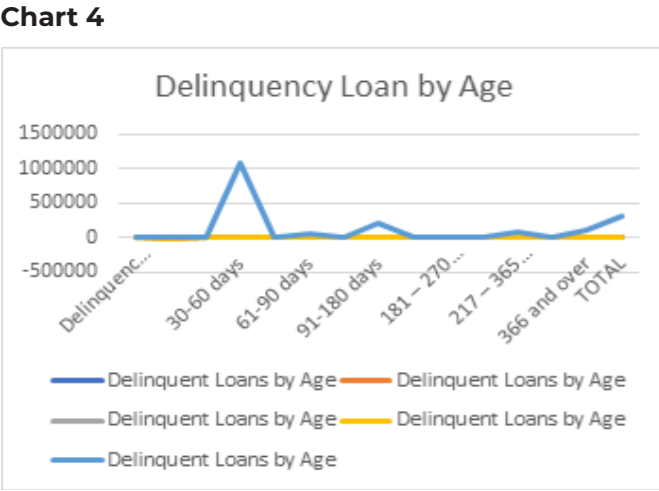
The Credit Committee continues to keep a watchful eye on the debt service ratio and the ability of members to repay their loans. We encourage members to borrow wisely and maintain regular and prompt payments.

We encourage our Delinquent members to come in to the Credit Union and discuss their financial situation.

The table and chart below illustrated the number and value of loans delinquent as at 31 December 2020.

Table 12
Delinquent Loans By Age


Delinquency Age	No. of Loans (2020)	Loan Value (2020)	No. of Loans (2019)	Loan Value (2019)
30-60 days	65	\$1,085,111.50	59	\$39,652.03
61-90 days	8	\$56,478.54	9	\$12,449.03
91-180 days	10	\$198,086.72	18	\$24,580.85
181 – 270 days	4	\$15,720.12	13	\$64,663.10
217 – 365 days	2	\$77,607.22	17	\$49,604.28
366 and over	5	\$98,189.87	13	\$116,587.77
TOTAL	94	\$1,531,193.97	129	\$307,536.06



CONCLUSION

We the members of the Credit Committee wish to thank the membership for giving us the opportunity to serve our Credit Union, the confidence bestowed on the committee and the co-operation of loan applicants. We urge members to save as often as possible, building their shares, to borrow wisely, within their means, for truly beneficial purposes and to repay loans faithfully and on time.

We are dedicated to make every effort to improve the quality of service to our members


Ms. Kessa Moise
Chairperson



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FINANCIAL STATEMENTS

31st DECEMBER, 2020

- MARIO LENDOR -

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Mario Lendor

P.O. Box 1131, Providence Villa, Cedars Road, Castries, St. Lucia Tel: 758-453-2356 Fax: 758-453-2270 E mail: mo_lendor@hotmail.com

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MABOUYA VALLEY CO-OPERATIVE CREDIT UNION SOCIETY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Mabouya Valley Co-operative Credit Union Society Limited. ("the Credit Union"), which comprise the statement of Financial Position as at December 31, 2020, the statement of Comprehensive Income, statement of Changes in Members' Equity and statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

The Credit Union complied with sections 119 (2) of the of the Co-operative Societies Act, Chapter12.06 of the Revised Edition of the Laws of Saint Lucia, when the Credit Union realises a surplus, the society established and maintain a reserve fund where 20% of that surplus is credited to the statutory reserve fund and section 119 (3)(a) where not less than 15% of its members' shares and deposits are kept in a liquidity reserve. The Credit union did not comply with Section 119 (3) (b) of the Co-operative Societies Act, Chapter12.06 of the Revised Edition of the Laws of Saint Lucia requirements regarding statutory and other reserves being, at no stage, less than 10% of its total liabilities.

In our opinion, except for the non-compliance described in the preceding paragraph the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the Co-operative Societies Act Cap 12.06.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Credit Union in accordance with the International Ethics Standards Board for Accountants' 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 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MABOUYA VALLEY CO-OPERATIVE CREDIT UNION SOCIETY LIMITED

Report on the Audit of the Financial Statements (Continued)

Other information included in the Credit Union's 2020 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Credit Union's 2020 Annual Report, other than the financial statements and our auditor's report thereon. The Credit Union's 2020 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

Those charged with governance is responsible for overseeing the Credit Union's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MABOUYA VALLEY CO-OPERATIVE CREDIT UNION SOCIETY LIMITED


Report on the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

Other Matter

This report is made solely to the Credit Union's members, as a body, in accordance with the Co-operative Societies Act revised edition Chapter 12.06 of 2008. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members as a body, for our audit work, for this report, or for the opinion we have formed.

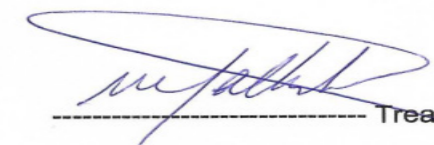

Mario Lendor
Chartered Accountants
Castries, Saint Lucia
9th September, 2021

Mabouya Valley Co-operative Credit Union Society Limited Statement of Financial Position 31st December, 2020 (Expressed in Eastern Caribbean Dollars)

	Notes	2020	2019
Assets			
Cash and cash equivalents	6	\$ 4,667,860	4,360,519
Investment securities	10	5,472,002	2,954,222
Accounts receivable and prepaid expenses	7	689,251	551,489
Interest receivable		55,923	45,533
Property, plant and equipment	11	372,132	364,899
Members' loans and advances	8	7,099,079	8,336,332
Total assets		18,356,247	16,612,994
Liabilities and Members' Equity			
Liabilities			
Accounts payable and accruals	13	142,938	99,705
Borrowings	12	-	55,720
Members' savings and deposits		15,855,595	14,370,474
Total liabilities		15,998,533	14,525,899
Members' Equity			
Permanent shares	15	864,857	772,058
Members' funds	17-18	102,163	350,317
Statutory reserve	16	1,017,370	680,454
Undivided earnings		373,324	284,266
Total members' equity		2,357,714	2,087,095
Total liabilities and members' equity		\$ 18,356,247	16,612,994

Approved by the board of directors:

 President

 Treasurer

Mabouya Valley Co-operative Credit Union Society Limited
Statement of Comprehensive Income
31st December, 2020
(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Income:			
Interest on loans and advances to members'		\$ 626,065	842,849
Interest on investments		219,235	96,492
Total interest income		845,300	939,341
Less: cost of funds:			
Bank charges		1,712	1,728
Total cost of funds		1,712	1,728
Gross Financial Margin		843,588	937,613
Less: Expenditure			
Operating expenses	19	111,666	122,548
Personnel expenses	20	178,260	179,792
Member meeting expenses	21	29,567	26,782
Occupational expenses	22	112,352	101,529
Board and committee expenses	23	9,359	14,450
CUNA insurance		110,709	109,542
Total expenditure		551,913	554,643
Operating income		291,675	382,970
Other Income	24	168,445	144,784
Provision for loan impairment		(239,502)	(141,781)
Net income for the year		220,618	385,973
Other comprehensive income			
Loss on investment		-	(32,979)
Total comprehensive income for the year		\$ 220,618	352,994

Mabouya Valley Co-operative Credit Union Society Limited
Statement of Changes in Members' Equity
31st December, 2020
(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>Development Fund</u>	<u>Education Fund</u>	<u>Statutory Reserve</u>	<u>Undivided Earnings</u>	<u>Permanent Shares</u>
Balance as at 1st January, 2019		\$ 190,934	130,170	591,514	314,508	579,418
Total comprehensive income for the year 2019		-	-	-	352,994	-
Allocation for - Development fund	18	35,299	-	-	(35,299)	-
Education fund	17	-	35,299	-	(35,299)	-
Statutory reserve	16	-	-	88,249	(88,249)	-
Entrance fees		-	-	691	-	-
Members' training expense		-	(41,385)	-	-	-
New shares issued 2019		-	-	-	-	192,640
Dividends paid on shares		-	-	-	(224,389)	-
Balance as at 31st December, 2019		226,233	124,084	680,454	284,266	772,058
Transfer to statutory reserve		-	-	280,253	-	-
Transfer from education and development fund		(180,986)	(99,267)	-	-	-
Total comprehensive income for the year 2020		-	-	-	220,618	-
Allocation for - Development fund	18	22,062	-	-	(22,062)	-
Education fund	17	-	22,062	-	(22,062)	-
Statutory reserve	16	-	-	55,154	(55,154)	-
Entrance fees		-	-	1,509	-	-
Members' training expense		-	(12,025)	-	-	-
New shares issued 2020		-	-	-	-	92,799
Dividends paid on permanent shares		-	-	-	(32,282)	-
Balance as at 31st December, 2020		\$ 67,309	34,854	1,017,370	373,324	864,857

	<u>2020</u>	<u>2019</u>
<u>Cash Flows from Operating Activities</u>		
Net surplus being total comprehensive income for the year	\$ 220,618	352,994
Add/(deduct): Changes to income not involving cash;		
Loss on disposal	9,984	756
Depreciation	<u>17,883</u>	<u>22,803</u>
Net change in non-cash working capital balances	248,485	376,553
Accounts receivable	(137,762)	244,065
Interest receivable	(10,390)	-
Accounts payable	43,233	(250,745)
Training expense	(12,025)	(41,385)
Members' withdrawal shares	434,314	1,248,440
Members' deposits	1,050,807	1,284,853
Members' loans and advances	1,237,253	(248,287)
Permanent shares	<u>92,799</u>	<u>192,640</u>
Net cash generated from operating activities	<u>2,946,714</u>	<u>2,806,134</u>
<u>Cash Flows from Financing Activities</u>		
Borrowings written off	(55,720)	-
Entrance fees	1,509	691
Dividends paid	<u>(32,282)</u>	<u>(224,389)</u>
Net cash used in financing activities	<u>(86,493)</u>	<u>(223,698)</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of property, plant and equipment	(35,100)	(13,890)
Investments	<u>(2,517,780)</u>	<u>33,146</u>
Net cash (used in)/ generated from investing activities	<u>(2,552,880)</u>	<u>19,256</u>
Net change in cash and cash equivalents	307,341	2,601,692
Cash and cash equivalents - beginning of year	<u>4,360,519</u>	<u>1,758,827</u>
Cash and cash equivalents - end of year	\$ <u>4,667,860</u>	<u>4,360,519</u>

1. **Activities and Incorporation**

On 23rd December 2010, the La Resource Co-operative Credit Union by a resolution passed in accordance with Section 10 and 48 of the Co-operative Societies Act revised edition Chapter 12.06 of 2001 and regulation 19 of the Co-operative Society regulations amended its name to Mabouya Valley Co-operative Credit Union Society Limited. The La Resource Co-operative Credit Union Limited was previously registered as Society #31 in accordance with the provision of the Co-operative Society Law No 17 of the Laws of Saint Lucia (1946) and the regulations made on the 8th day of January 1980.

The registered office and principal place of business of the credit union is in the Mabouya Valley Basin, Saint Lucia. The objectives of the society are:

- To promote thrift among its members by providing ways and means whereby savings can be affected and whereby shares in the society can be acquired.
- To educate its members in the co-operative on principles and methods in family financial management and in the efficient management of its affairs.
- To undertake all other acts and things as are incidental or conducive to or consequential upon the attainment of the above objects.

The Financial Statements were approved for Issuance by the Board of Directors on 13th August, 2021.

2. **New and revised International Financial Reporting Standards issued and adopted**

Amendments to IAS 1- Presentation of Financial Statements and IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors were issued in October 2018. The amendments are effective for annual periods beginning on or after January 1, 2021. The amendments update the definition of 'material' and the meaning of primary users of general-purpose financial statements. The amendments to IAS 1 do not have a significant impact on the classification of the Credit Unions liabilities.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Credit Union has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023. The Credit Union is currently assessing the impact of these new accounting standards and amendments.

3. Significant Accounting Policies

a. Basis of Preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as at 31st December 2020 (The reporting date).

These financial statements of Mabouya Valley Co-operative Credit Union Society Limited are prepared under the historical cost convention except the following material items in the statement of financial position that are measured at fair value. Equity investments are recognised at fair value through other comprehensive income whereas, land and building measured at revalued amounts.

The Credit Union presents its statements of financial position on a non-classified basis in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the year-end date(current) and more than twelve months after the year-end date (non-current), present in the notes. The Credit Union classifies its expenses by the nature of expenses.

The following are non-current balances: non-current investment securities, property, plant and equipment, long- term portion of members' loans and advances, non-current savings, deposits and borrowing.

The following are current balances: cash and cash equivalents, current investment securities, current portion of loans and advances due within one year, accounts payables and accruals, and current shares and deposits, accounts receivable and prepaid expenses.

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

b. Use of judgements and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Credit Union's accounting policies. Changes in assumption may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are the measurement of the expected credit loss allowance disclosed in note 5.

c. Interest Income and Expense

The accruals basis has been used for recording of income and expenses. Interest income and expense are recognised in the statement of comprehensive income for all instruments measured at amortised cost using the accrual method, except for held-to-maturity investments which use the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Credit Union estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or discounts received between parties to the contract that are an integral part of the effective interest rate. Once a financial asset has been written down as a result of a provision for loan loss, interest income is not recognised until received.

d. Offsetting Financial Instruments

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

e. Foreign Currency Translation

Functional and presentation currency

Items in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Eastern Caribbean Dollars, which is the Credit Union's functional and presentation currency.

Transactions balance

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

f. Provisions

Provisions are recognized when the Credit Union has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense of any provision is recognized in the statement of comprehensive income. If the effect of the time value of money is risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

g. Taxation

The Credit Union is not liable to income taxes in accordance with section 25 (1) (q) of the Income Tax Act Cap 15.02 of the Revised Law of Saint Lucia.

h. Financial Instruments

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

i. Dividends Distributions

Dividends are based on the available earnings and are declared by the Board of Directors. Dividends distribution to the Credit Union's members are recognised as a liability in the Credit Union's financial statements in the period in which the dividends are approved by the Board of Directors.

j. Members' Equity

Members' shares are the savings and deposits accounts of the owners of the Credit Union. Share ownership of more than twenty shares at \$5 each allows the member to vote in the election of the Board of Directors and other corporate matters. Each member has one vote and is subordinate to other liabilities in the Credit Union upon liquidation.

k. Reserves

Reserves are set aside by the Credit Union whereby allocations are transferred from retained earnings as necessary. Retained earnings include all prior and current period results of operations as disclosed in the statement of comprehensive income.

l. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year financial statements.

m. Financial Assets

The Credit Union classifies its financial assets into the following categories: Loans and advances, held-to-maturity investments and available-for-sale investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Credit Union provides money, goods or services directly to a member with no intention of trading the receivable. Loans and advances are initially recognised at fair value which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest rate method. Loans and advances are reported in the statement of financial position as members' loans and advances. Interest on loans and advances and investment securities are included in the statement of comprehensive income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loans and advances and recognised in the statement of comprehensive income.

(ii) Held-to-Maturity investments

Held-to-Maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Credit Union management has the positive intention and ability to hold to maturity. Were the Credit Union to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(iii) Available-for-sale investments

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets are subsequently carried at fair value and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category is included in the statement of comprehensive income in the period in which they arise. Gains and losses arising from changes in the fair value of "available-for-sale" financial assets are recognised in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. Interest calculated using the effective interest method is recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the equity's right to receive payment is established.

Purchase and sales of held-to-maturity and available-for-sale investments are recognised on trade date - the date on which the Credit Union commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Credit Union has transferred substantially all risks and rewards or ownership.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Credit Union establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, and other valuation techniques commonly used by market participants.

n. Fees and Commission Income

Fees and commission are generally recognised on an accrual basis when the service has been provided.

o. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition including cash on hand and non-restricted cash balances.

p. Borrowings

Borrowings are recognised initially at fair value, being the issue proceeds (fair value of consideration received) net of transaction cost incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction cost and the redemption value is recognised in the statement of comprehensive income over the period of the borrowing using the effective interest method.

q. Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation is calculated using the reducing balance method for property, plant and equipment to allocate their cost or re-valued amounts to their residual values over their estimated useful lives, as follows:

Leasehold Improvement	20%	Computer Software	33.3%
Furniture and Equipment	10&15%	Computer and Equipment	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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

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Notes to Financial Statements...

31st December, 2020
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r. Classification and measurement of financial instruments

All financial assets are measured either at amortized cost, Fair Value through other comprehensive Income (FVOCI) or Fair Value through profit or loss (FVTPL) based on their contractual cash flow characteristics and the business model for managing the financial assets. All financial instruments are initially measurement at fair value. They are recognized at the trade date, when the Credit Union becomes a party to the contractual provisions of the instrument, and initially measured at fair value.

Transactions costs on financial instruments classified as FVTPL are expensed as incurred. For all other classifications of financial instruments, initial transaction costs are capitalized.

In order to meet the cash flow characteristics criteria for purposes of classifying as financial asset at amortized cost, the cash flow for the asset must be solely payment of principal and interest (SPPI) on the principal amount outstanding. Principle is defined as the fair value of the asset at initial recognition. Interest payments can include for the time value of money as well as credit and liquidity risk and certain profit margin.

The Credit Union's business models are determined in a manner that reflect how groups of financial assets are managed to achieve a particular business objective. The business models refer to how the Credit Union manages its financial assets in order to generate cash flows, that is, they reflect whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Determining business models requires the use of judgement and is based on all relevant evidence available at the date of the assessment.

The Credit Union's business models are defined as follows:

- Held to collect contractual cash flows:
- Held to collect contractual cash flows and sell:
- Other business models: the objective is not consistent with any of the above-mentioned business models and represent business objectives where assets are managed on a fair value basis.

Financial assets are not reclassified following their recognition, unless the business model for management of those financial assets change.

Financial assets measured at amortized cost

Financial assets are measured at amortized cost if they are held within the held to collect contractual cash flows business model and their contractual cash flows pass the SPPI test. The assets are initially recognized at fair value which is the cash consideration to originate or purchase the assets, including any transaction costs, and is subsequently measured at amortized cost using the effective interest rate method. Financial assets measured at amortized cost are reported in the statement of financial position as cash on hand, shares and term deposits held at Credit Union, loans outstanding and other assets. Interest is included in the statement of comprehensive income as apart of interest income.

For loans outstanding, allowance for loss is presented as a deduction in the loan's carrying value and is recognized in the statement of comprehensive income as provision for loan impairment.

Financial assets at fair value through other comprehensive income

Financial assets with the held to collect contractual cash flows and sell business model, where contractual cash flows meet the SPPI test, are measured at FVOCI. Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in other comprehensive income (OCI). There are no active markets for these shares, therefore the Credit union has determined that the carrying amount is indicative of fair value.

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Financial assets measured at fair value through profit or loss

The financial assets at FVTPL comprise two sub-categories: financial assets required to be measured at fair value as a result of the business model for managing those assets and financial assets designed by the Credit Union as FVTPL upon initial recognition.

Equity instruments are measured FVTPL. Fair value changes are recorded as part of other income in the statement of comprehensive income.

Financial Liabilities measured at amortized cost

Financial liabilities not classified as FVTPL fall into this category and include members' withdrawable shares and deposits, accounts payable and accrued liabilities. These are measured at fair value on initial recognition and subsequently at amortized cost using the effective interest method.

Modifications and recognition

A modification occurs when a loan's original terms, payment schedule, interest rate and limit are renegotiated or modified, which results in a change to the loans' contractual cash flows. A modification is calculated by taking the net present value of the new contractual cash flows, discounted at the original effective interest rate less the current carrying value, with the difference recognized as a gain or loss. The asset will continue to be subject to the same assessments for significant increase in credit risk and stage migration prior to being modified.

s. Impairment of Financial Assets

The Credit Union records and allowance for loss for all assets that are measured at amortized cost or at FVOCI. Equity investments are not subject to impairment. Impairment losses are measured based on the estimated amount and timing of future cash flows, and collateral values.

For loans carried at amortised cost, impairment losses are recognised as an allowance for losses on the statement of financial position, and as a provision for loan loss on the statement of income and comprehensive income. Losses are based on a three-stage impairment model outlined below.

For financial assets measurement at FVOCI, the calculated allowance for loss does not reduce the carrying amount in the statement of financial position, which remains value, instead the allowance is recognized in OCI as an accumulated impairment amount and charged to profit or loss when the asset is derecognized.

t. Adoption of IFRS 9

IFRS 9 replaces the existing incurred loss model with a forward-looking expected credit loss (ECL) model. This model recognizes credit loss earlier than under IAS 39, as it will no longer be appropriate for entities to wait for incurred loss event to have occurred before credit losses are recognized.

Previously under IAS 39, provisions for credit loss would have been recognized only once there has been an incurred loss event. Under IFRS9 the scope of the scope of the impairment requirements has expanded to include for example, certain loan commitments and financial guarantees. There are three different approaches to applying the new IFRS 9 model.

1. The “simplified approach” which is applied to trade receivables, contract assets and lease receivables.
2. The “general approach” which is applied to all financial assets classified at amortised cost or fair value through other comprehensive income for debt as well issued loan commitments and financial guarantees that are within the scope of the new requirements.
3. The purchased or originated credit impaired approach which is applied to financial assets that are credit impaired at initial recognition.

The credit union follows the general approach.

u. Measurement of allowance for loss

The Credit Union recognizes an allowance for loss based on an impairment model that comprises three different stages:

- Stage 1: for financial instruments that have not had a significant increase in credit risk since initial recognition and are not considered credit- impaired financial assets at initial recognition, an allowance for loss amounting to 12- month expected credit losses is recognized.
- Stages 2: for financial instrument that have had a significant increase in credit risk since initial recognition but are not considered-impaired financial assets, an allowance for the loss amounting to lifetime expected credit losses is recognized.
- Stage 3: for financial instruments that have had significant increase in credit risk since initial recognition but are not considered credit- impairment financial assets, an allowance for loss amounting to lifetime expected credit losses is recognized.

Stages 1 and 2 are considered to be performing loans and stages 3 consists of impaired loans. Financial instruments may, over their life, move from one impairment model stage to another based on the improvement or deterioration in their credit risk and the level of expected credit losses. Instruments are categorized based on the change in credit risk from origination (initial recognition) to the current reporting date.

v. Significant increase in credit risk

Movement in the stages relies on the judgement to assess whether a loan credit risk has significantly increased relatively to the date the loan was initially recognized. For this assessment, an increase in credit risk is considered at the instruments level.

Assessing for significant increases in credit risk is performed quarterly based on the following factors. Should any of these factors indicate a significant increase in credit risk, the loan is moved to the appropriate stage:

- Contractual cash flow obligations are more than 30 days past due: or
- An adverse change in the borrower’s situation indicates that their ability to fulfill their contractual cash flow obligations has been reduced: or
- Forward-looking information indicates that the ability of the borrower to fulfill its contractual cash flow obligations will be reduced.

The Credit Union has not used the low credit risk exemption for any financial instruments in the years ended December 31st 2020 and December 31st 2019.

w. Forward-looking information

Forward-looking information is incorporated into the measurement of allowance for loss. The Credit Union performs historical analysis and identifies the key economic variables impacting credit risk and expected for each loan type. Forecasts of these economic variables are based on data from economic experts and consideration of variety of external, actual and forecast information that allows the Credit union to formulate a based case view of the future direction of relevant economic variables as well as representative range of other possible forecast scenarios. This process involves developing four additional economic scenarios and considering the relevant probabilities for each outcome.

- (i) As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty therefore the actual outcome may be significantly different to those projected. The Credit Union considers these forecast to represent its best estimate of the possible outcomes and analyzes the non-linearities and asymmetries within the Credit Union’s different portfolios to establish that the chosen scenarios are appropriately representative of the range possible scenarios.

Default

The Credit Union has defined instrument default as meeting at least one of the following criteria:

- 90 or more days due, unless other factors rebut this presumption
- Less than 90 days past due but the Credit Union has information indicating that the member is unlikely to pay their credit obligations in full. Examples include member bankruptcy and breach in covenants.

An instrument is no longer considered default when it no longer meets any of the default criteria

x. Derecognition of financial instruments

Financial assets are derecognized when the rights to receive cash flows from the asset have expired or substantially all the risks rewards of the assets have been transferred. If the Credit Unions has neither transferred nor retained substantially all the risks and rewards of the financial asset, it will assess whether it has retained control over the asset. If the Credit Union determines that it has retained control over the asset. If the Credit Union determines that control has not been retained, it will derecognize the transferred asset.

Financial liabilities are derecognized when the obligation has been discharged, cancelled or expired.

y. Write-offs

The Credit Union writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include: ceasing enforcement activity and where the Credit Unions recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovery in full. The Credit Union may write-off financial assets that are still subject to enforcement activity. The Credit Union still seeks to recover amounts it is legally owned in full, but which have been partially written-off due to no reasonable expectation of full recovery.

I. Financial Risk Management

Strategy in using Financial Instruments

By its nature, the Credit Union's activities are principally related to the use of financial instruments. The Credit Union accepts deposits from members and seeks to earn an interest margin by lending to members, while maintaining sufficient liquidity to meet claims as that may fall due. The Credit Union also seeks to raise its interest margins by obtaining above average margins, net of allowances, through investing in various financial instruments.

a) Credit Risk

The Credit Union takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the reporting date, significant changes in the economy or in the health of a particular industry segment that represents a concentration in the Credit Union's portfolio could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk.

The Credit Union structures the levels of credit risks it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis. Limits on the level of credit risk by products are approved by the Board of Directors.

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

The estimate of credit exposure is complex and requires the use of models, as the value of product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of default occurring of the associated loss ratios and of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

In measuring credit risk of loans and advances at a counterparty level, the Credit Union considers three components:

- the probability of default by the member or counterparty on its contractual obligations;
- current exposures to the counterparty and its likely future development, from which the Credit Union derives the exposure at default;
- likely recovery ratio on the defaulted obligations loss given default.

The maximum exposure to credit risk from financial assets, without taking into account any collateral held or other credit enhancements, is as follows.

4. (a) Commercial loans, mortgages and lines of credit

The Credit Union often takes security as collateral in a manner similar to other lending institutions. The Credit Union maintains guidelines on the acceptability of specific types of collateral and prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. Collateral may include mortgages over commercial properties and charges over business assets such as premises, inventory and accounts receivable. Where significant impairment indicators are identified, the Credit Union will take additional measures to manage the risk of default, which may include seeking additional collateral. The Credit Union's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Credit Union since the prior period.

The Credit Union may foreclose on overdue loans by repossessing the pledged asset. The pledged asset may consist of real estate, equipment or vehicles which the Credit Union will seek to dispose of by sale. In some instances, the Credit Union may provide refinancing.

(a) Credit risk exposure relating to statement of financial position:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,667,860	4,360,519
Investments	5,472,002	2,954,222
Account receivables and prepaid expenses	689,251	551,489
Loans and advances to members	<u>7,099,079</u>	<u>8,336,332</u>
	<u>17,928,192</u>	<u>16,202,562</u>

Credit risks in respect of loans and advances are limited as this balance is shown net of impairment losses on loans and advances. The maximum exposure to credit risk for loans and advances to members at the reporting date by category was: -

	<u>2020</u>	<u>2019</u>
Personal loans	979,962	781,812
Mortgages and real estate	3,753,995	3,820,980
Vehicle	1,558,601	1,926,470
Business	202,862	177,407
Agricultural	36,793	27,977
Refinancing	240,463	202,791
Promotional	82,517	1,038,931
Education	68,461	60,830
Debt consolidation	754,044	909,800
Other	386	-
	<u>\$ 7,678,084</u>	<u>8,946,998</u>

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4. (b) Liquidity Risk

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

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Credit Union. It is unusual for Credit Union to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

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 Credit Union and its exposure to changes in interest rates.

The table below presents the cash flows payable by the Credit Unions for financial liabilities by remaining contractual maturity dates at the date of the financial statements. The amounts disclosed in the table are the contractual undiscounted cash flow, whereas the Credit Union manages the inherent liquidity.

	Carrying Amounts	6 months or less	6- 12 Months	1 - 2 Years	2 - 5 Years	More than 5 years
	\$	\$	\$	\$	\$	\$
As at December 31, 2020						
Account payables	142,938	127,938	15,000	-	-	-
Deposits from members	6,640,263	6,640,263	-	-	-	-
Withdrawable shares	9,215,332	9,215,332	-	-	-	-
	<u>15,998,533</u>	<u>15,983,533</u>	<u>15,000</u>			
As at December 31, 2019						
Account payables	99,705	84,705	15,000	-	-	-
Deposits from members'	5,589,456	5,589,456	-	-	-	-
Withdrawable shares	8,781,018	8,781,018	-	-	-	-
	<u>14,470,179</u>	<u>14,455,179</u>	<u>15,000</u>			

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4. (c) Currency Risk

The Credit Union takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Credit Union's exposure to currency risk is minimal since most of its assets and liabilities are held in Eastern Caribbean Dollars. The exchange rate of the Eastern Caribbean Dollar (XCD) to the United States Dollar (US\$) has been formally pegged at XCD \$2.70 = US\$1.00 since 1974.

(d) Interest Rate Risk

The Credit Union takes on the effects of fluctuations in prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The table below summaries the exposures to interest rate risks on the Credit Unions financial assets and financial liabilities. Amounts are stated at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

Immediately rate Sensitive	1-3 Months	3-12 Months	Greater than 12 months	Non-interest Bearing	Total
\$	\$	\$	\$	\$	\$

Risk

As at December 31, 2020

Financial Assets

Cash and cash equivalents	-	-	-	-	4,667,860	4,667,860
Investments	-	-	2,638,002	2,834,000	-	5,472,002
Accounts receivables and prepayments	-	1,553	46,117	54,035	587,546	689,251
Interest receivable	-	55,923	-	-	-	55,923
Loans and advances to members	-	426,506	1,326,283	5,925,295	-	7,678,084

Financial Liabilities

Accounts payables	-	-	-	-	(142,938)	(142,938)
Deposits from members	(6,640,263)	-	-	-	-	(6,640,263)
Withdrawable shares	(9,215,332)	-	-	-	-	(9,215,332)
Total interest sensitivity gap	<u>(15,855,595)</u>	<u>483,982</u>	<u>4,010,402</u>	<u>8,813,330</u>	<u>5,112,468</u>	<u>2,564,587</u>
Net liquidity gap	<u>(15,855,595)</u>	<u>(15,371,613)</u>	<u>(11,361,211)</u>	<u>(2,547,881)</u>	<u>2,564,587</u>	<u>-</u>

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4. (d) At the reporting date, the carrying values of the Credit Union's interest-bearing, fixed – rate financial instruments were:

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash at bank – savings accounts only	\$ 2,324,935	261,818
Investments – Held to Maturity	5,472,002	2,954,222
Loans and advances to members	7,099,079	8,336,332
	<u>14,896,016</u>	<u>11,552,372</u>
Financial Liabilities		
Deposits from members	6,640,263	5,589,456
Withdrawable shares	9,215,332	8,781,018
	<u>\$ 15,855,595</u>	<u>14,370,474</u>

The table below summarises the interest rates on financial assets and liabilities held at the reporting date.

	<u>2020</u> %	<u>2019</u> %
Financial Assets		
Cash and cash equivalents	0- 0.50	0 – 0.50
Investments	3- 5.25	2.50 – 4.50
Members Loans and advances	9-12	9 -12
Financial Liabilities		
Deposits from members	0	0
Withdrawable shares	0	2

(e) **Market Risk**

The Credit Union is not exposed to equity securities price risk because the Credit Union holds no investments classified on the statement of financial position as available-for-sale.

(f) **Geographical Concentration of Risk**

The area of operations of the Credit Union is the Mabouya Valley basin. Membership in the Credit Union is restricted primarily to residents not younger than 16 years of age. As a result of the restriction, its risk is concentrated to members in that area.

Mabouya Valley Co-operative Credit Union Society Limited

Notes to Financial Statements...

31st December, 2020

(Expressed in Eastern Caribbean Dollars)

4. (d)

	Immediately rate Sensitive	1-3 Months	3-12 Months	Greater than 12 months	Non- interest Bearing	Total
	\$	\$	\$	\$	\$	\$
Risk						
As at December 31, 2019						
Financial Assets						
Cash and cash equivalents	-	-	-	-	-	4,360,519
Investments	-	-	2,954,222	-	-	2,954,222
Accounts receivables and prepayments	-	1,631	26,890	-	522,968	551,489
Interest receivable	-	45,533	-	-	-	45,533
Loans and advances to members	-	275,508	405,007	8,266,483	-	8,946,998
Financial Liabilities						
Accounts payables	-	-	-	-	(99,705)	(99,705)
Deposits from members	(5,589,456)	-	-	-	-	(5,589,456)
Withdrawable shares	(8,781,018)	-	-	-	-	(8,781,018)
Total interest sensitivity gap	(14,370,474)	322,672	3,386,119	8,266,483	4,783,782	2,388,582
Net liquidity gap	(14,370,474)	(14,047,802)	(10,661,683)	(2,395,200)	2,388,582	-

4. (g) Capital Risk Management

The Credit Union's objectives when managing capital are:

- To comply with statutory capital requirements of the Co-operative Societies Act Cap 12.06 of the revised laws of Saint Lucia;
- The Credit Union is guided by its loan policy and the regulations in the Co-operative Societies Act, taking into consideration changes in the economy or any particular segment that may represent a concentration in the Credit Union's portfolio;
- To safeguard the Credit Union's ability to continue as a going concern so that it can continue to provide returns for members' and benefits to other stakeholders; and
- To maintain a strong capital base to maintain members', creditors and other parties' confidence and to sustain future development of the Credit Union.

The Board of Directors monitors the return on members' investment, which is defined as surplus for the year divided by total shares, as well as the level of dividends to members.

4. (h) Fair Value Hierarchy

IFRS 7 specifies a hierarchy valuation technique based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Credit Union's market assumptions.

Where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the reporting date. The values derived from applying these techniques are significantly affected by the underlying assumption used concerning both amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used: -

The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;

The fair value of variable-rate financial instruments is assumed to approximate their carrying amount.

Observable and unobservable inputs have created the following fair value hierarchy:

Level 1- Quoted prices (unadjusted) in active markets for identical assets or liabilities. This includes listed equity securities and debt instruments on exchanges.

Level 2- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (that is, as prices) or indirectly (that is derived from prices).

Level 3- Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The Credit Union's financial assets and financial liabilities are disclosed in the statement of financial position approximate their fair value.

4. (i) The following table shows the analysis of financial instruments measured at their fair value by level of the fair value hierarchy

	Level 1 \$	Level 3 \$	Total \$
As at December 31, 2020			
Securities available for sale unlisted	-	-	-
	-	-	-
	-	-	-
As at December 31, 2019			
Securities available for sale unlisted	32,979	-	-
	(32,979)	-	-
	-	-	-

5. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Credit Union makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual results may differ from the estimates and assumptions. The effects of a change in an accounting estimate is recognised prospectively by including it in the statement of comprehensive income in the period of the change, if the change affects that period only; in the period of the change and future periods, if the change affects both.

a. Impairment losses on loans and advances

The Credit Union reviews its loan portfolio to assess the expected credit loss at least on a quarterly basis. The measurement of the expected credit loss for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

A number of significant judgements are also required in applying the accounting requirements for measuring expect credit loss, such as:

- determining criteria for Significant increase in credit risk
- choosing appropriate models and assumptions for the measurements of expected credit loss;
- establishing the number and relative weighing of forward- looking scenarios or each type of product and the
- associated expected credit loss; and
- establishing groups of similar financial assets for the purpose of measuring expected credit loss

The judgements, inputs, methodology and assumptions used for estimating the expected credit loss allowance are reviewed regularly to reduce any difference between the loss estimates and actual loss experience.

b. Impairment of available-for-sale equity investments

The Credit Union determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Credit Union evaluates among other factors, when there is evidence of deterioration in the financial health of the investee industry and sector performance, changes in technology and operational and financing cash flows.

5. c. Revaluation of land and buildings and investment property

The Credit Union measures its land and building classified as property and equipment at revalued amounts with changes in fair value being recognized in other comprehensive income. Land and buildings classified as investment property are measured at fair value with changes being recognized in profit or loss. The Credit Union engages independent valuation specialists to determine fair value of its land and buildings. The valuer uses judgment in the application of valuation techniques such as replacement cost, capitalization of potential rentals and the market price of comparable properties, as applicable in each case.

d. Going Concern

The Credit Union's management is satisfied that it has the resources to continue in business for the foreseeable future. The Credit Union's management is not aware of any material uncertainties that may cast significant doubt upon its ability to continue as a going concern.

e. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less cost of disposal is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental cost of disposing of the asset. The value in use calculation is based on a DCF model. The recoverable amount is sensitive to the discount rate used for DCF model as well as the future cash inflows.

f. Fair value of financial instruments

For financial instruments, where recorded current market transactions or observable market data are not available at fair value using valuation techniques, fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Credit Union's best estimates of the most appropriate model assumption.

	<u>2020</u>	<u>2019</u>
6. <u>Cash and Cash Equivalents</u>		
For the purpose of the cash flows cash and cash equivalents comprise the following balances with less than three months maturity.		
Cash on hand	\$ 463,834	366,532
Bank of St. Lucia Limited - Current Account	394,037	230,945
1 st National Bank St. Lucia Limited - Savings Account	2,324,935	261,818
1 st National Bank St. Lucia Limited - Current Account	1,485,054	3,501,224
	<u>4,667,860</u>	<u>4,360,519</u>
7. <u>Accounts Receivable and Prepaid Expenses</u>		
Investment interest receivable	100,151	26,890
Western union receivable	537,669	495,705
Prepaid expenses	1,553	1,631
Other	49,878	27,263
	<u>689,251</u>	<u>551,489</u>
8. <u>Members' Loans and Advances</u>		
Members' Loans and Advances	7,678,084	8,946,998
Less: Provisions for Impairment of Loans	579,005	610,666
	<u>7,099,079</u>	<u>8,336,332</u>
9. <u>Provision for Impairment of Loans</u>		
Movements in the provision for bad debts are as follows:		
Balance- at beginning of year	610,666	468,885
Charges for the year	239,502	141,781
Write-offs for the year	(271,163)	-
	<u>579,005</u>	<u>610,666</u>

9. Provision for Impairment of Loans ...*(cont'd)*

Provision for Loans and advances to members are summarized as follows: -

Year: 2020	Value	Stage 1	Stage 2	Stage 3	Total
Personal loans	979,962	47,893	-	15,769	63,662
Mortgages and real estate	3,753,995	264,028	-	20,721	284,749
Vehicle	1,558,601	50,221	-	7,382	57,603
Business	202,862	10,450	-	29,251	39,701
Promotional	82,517	10,342	-	16,059	26,401
Education	68,461	6,780	-	-	6,780
Debt consolidation	754,044	83,197	-	-	83,197
Agriculture	36,793	2,051	-	-	2,051
Refinancing	240,463	4,327	-	10,534	14,861
Other	386	-	-	-	-
	<u>7,678,084</u>	<u>479,289</u>	<u>-</u>	<u>99,716</u>	<u>579,005</u>
Allowance for loss	7,099,079	479,289	-	99,716	579,005

10. <u>Investment Securities</u>	<u>2020</u>	<u>2019</u>
Held to Maturity (i)	\$ 5,472,002	2,954,222
Total Investment Securities	<u>5,472,002</u>	<u>2,954,222</u>

(i) Held to Maturity

Capita Finance Investment	551,196	534,319
Financial Investment & Consultancy Services Ltd.	2,086,806	1,585,903
British American - Fixed deposit (BAICO)	102,292	102,292
First Citizen's Investments Services Ltd.	2,834,000	834,000
Less: Fixed deposit impairment (ii)	<u>102,292</u>	<u>102,292</u>
Total held to maturity investment	\$ <u>5,472,002</u>	<u>2,954,222</u>

The fixed deposit held support the requirements for the liquidity reserves required to be maintained under section 119 (3) of the Co-operative Societies Act. Interest rates on fixed deposits range from 3% to 5.25% per annum.

(ii) BAICO

The investments for BAICO have been fully provided for against impairment.

Mabouya Valley Co-operative Credit Union Society Limited

Notes to Financial Statements....

31st December, 2020

(Expressed in Eastern Caribbean Dollars)

12. Borrowing

This is a 1.0% per annum interest bearing loan from the Mabouya Valley Development Program for the purpose of facilitating a micro project program. The loan is payable in quarterly instalments. The loan has been outstanding for over fifteen (15) years. The Credit Union proposes to obtain forgiveness from the Government of Saint Lucia. The Board of Directors on July 21st, 2021, authorized the writing-off of the loan borrowed.

	2020	2019
13. Accounts Payable and Accruals		
Trade payable	\$ 21,444	19,062
Other payable	25,494	20,643
Rent payable	96,000	60,000
	<u>142,938</u>	<u>99,705</u>

14. Members' Shares and Deposit
Members' Deposit

Balance - beginning of year	5,589,456	4,304,603
Deposit made	12,903,723	12,014,904
Deposit withdrawn	(11,852,916)	(10,730,051)
Balance - end of year	\$ <u>6,640,263</u>	<u>5,589,456</u>

Members' Shares

	2020 Number of Shares	2020 Share Capital	2019 Number of Shares	2019 Share Capital
Balance - beginning of year	\$ 1,756,204	8,781,018	1,506,516	7,532,578
Shares purchased	570,388	2,851,942	743,424	3,717,120
Shares withdrawn	(483,526)	(2,417,628)	(493,736)	(2,468,680)
Balance - end of year	\$ <u>1,843,066</u>	<u>9,215,332</u>	<u>1,756,204</u>	<u>8,781,018</u>

15. Permanent Shares

At a special meeting dated 18th August 2012, By-Law 14 was amended to incorporate a By-Law relating to permanent shares to be included as By-Law 14 (2). The applicant upon acceptance and payment of at least twenty (20) permanent shares shall be enrolled as a member and shall be entitled to any of the rights or privileges of membership.

	2020	2019
Number of Shares	172,971	154,412
Share Capital	\$ <u>864,857</u>	<u>772,058</u>

Mabouya Valley Co-operative Credit Union Society Limited
Notes to Financial Statements....
31st December, 2020
(Expressed in Eastern Caribbean Dollars)

11. Property, Plant and Equipment:

A breakdown of fixed assets is as follows:

	Furniture & Equipment	Computer & Equipment	Land	Computer Software	Leasehold Improvement	Total
Cost						
Cost at 31/12/18	71,973	91,511	275,591	25,199	96,325	560,599
Additions	5,218	8,672	-	-	-	13,890
Disposal	(822)	(595)	-	-	-	(1,417)
Cost at 31/12/19	76,369	99,588	275,591	25,199	96,325	573,072
Additions	31,398	3,702	-	-	-	35,100
Disposal	(29,361)	-	-	-	-	(29,361)
Cost at 31/12/20	78,406	103,290	275,591	25,199	96,325	578,811
Accumulated depreciation						
Accumulated depreciation - 31/12/18	41,841	62,188	-	-	82,002	186,031
Charge for the year	4,473	7,074	-	8,391	2,865	22,803
Disposal expense	(512)	(149)	-	-	-	(661)
Accumulated depreciation - 31/12/19	45,802	69,113	-	8,391	84,867	208,173
Charge for the year	3,094	6,900	-	5,597	2,292	17,883
Disposal expenses	(19,377)	-	-	-	-	(19,377)
Accumulated depreciation - 31/12/20	29,519	76,013	-	13,988	87,159	206,679
Net Book Value						
Net Book Value - 31/12/20	48,887	27,277	275,591	11,211	9,166	372,132
Net Book Value - 31/12/19	30,567	30,475	275,591	16,808	11,458	364,899
Net Book Value - 31/12/18	30,132	29,323	275,591	25,199	14,323	374,568

Mabouya Valley Co-operative Credit Union Society Limited

Notes to Financial Statements....

31st December, 2020*(Expressed in Eastern Caribbean Dollars)***16. Statutory Reserve**

The society maintains a reserve fund pursuant to Section 119 (2) of the Act, in which not less than twenty-five percent (25%) of the net surplus before dividends are carried. In addition, all entrance fees, transfer and other fines are carried to this fund.

	<u>2020</u>	<u>2019</u>
Opening balance	\$ 680,454	591,514
Transfer from education and development fund	280,253	-
	960,707	591,514
Entrance fee	1,509	691
Add: 25% net surplus for the year	55,154	88,249
Closing Balance	1,017,370	680,454

17. Education Fund

In accordance with a resolution passed by members, when the society indicates a surplus at least 10% of the surplus will be transferred to the education fund.

Opening balance	\$ 124,084	130,170
Transfer to statutory reserve	(99,267)	-
	24,817	130,170
Add: 10% net surplus for the year	22,062	35,299
Less: Training	12,025	41,385
Closing balance	34,854	124,084

18. Development Fund

In accordance with Section 120 of the Act, the Society shall establish and maintain a development fund by contributing an amount not exceeding 10% of the society's realised surplus to the National League.

Opening balance	226,233	190,934
Transfer to statutory reserve	(180,986)	-
	45,247	190,934
Add: 10% net surplus for the year	22,062	35,299
Closing balance	\$ 67,309	226,233

Mabouya Valley Co-operative Credit Union Society Limited

Notes to Financial Statements....

31st December, 2020*(Expressed in Eastern Caribbean Dollars)***19. Operating Expenses**

	<u>2020</u>	<u>2019</u>
Security expenses	\$ 36,206	37,044
License fees	4,015	4,149
Legal fees	5,000	-
Stationery and office supplies	43,591	46,246
League dues	-	5,000
Auditing fees	15,000	13,500
Insurance	6,549	6,472
Bad debt	-	4,700
Special events	1,305	5,437
Total operating expenses	111,666	122,548

20. Personnel Expenses

Salaries and wages	166,988	172,681
Staff expenses	11,272	7,111
Total personnel expenses	178,260	179,792
Average number of employees	8	8

21. Member Meeting Expenses

Advertising and promotions	8,157	-
Donation	1,600	8,350
AGM expenses	19,810	16,062
Credit union week	-	2,370
Total marketing expenses	29,567	26,782

22. Occupational Expenses

Utilities	34,792	32,729
Repairs and maintenance	22,971	8,929
Depreciation expense	17,883	22,803
Rent expense	36,000	36,000
Travelling expense	706	1,068
Total occupational expenses	112,352	101,529

23. Board and Committee Expenses

Meeting and other expenses	9,359	14,450
Total board and committee expenses	\$ 9,359	14,450

Mabouya Valley Co-operative Credit Union Society Limited

Notes to Financial Statements....

31st December, 2020

(Expressed in Eastern Caribbean Dollars)

24. Other Income

Commission and foreign exchange gains	76,405	60,361
Fees for statement and other income	77,899	24,967
Sale of passbooks	2,270	2,380
Recovered loans	21,855	50,582
Sub lease	-	7,250
(Loss)/Gain on assets	(9,984)	(756)
Total other income	\$ 168,445	144,784

25. Fair Values of Financial Assets and Liabilities

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. The estimated fair values have been arrived at by the credit union using available market information and appropriate valuation methods. However, considerable judgement is necessarily required to interpret market data to develop an estimate of market values. Accordingly, the estimates presented herein are not indicative of the amount that the credit union would realise in a market exchange.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is possible to estimate market values.

Cash resources and other assets and liabilities

The fair values of cash resources and other assets and liabilities are assumed to approximate their carrying values due to their short-term nature.

Investment Securities

The fair values of securities are assumed to be equal to the estimated market value. The fair values of unquoted securities are estimated at book value which is not significantly different from their carrying values.

Loans and advances to members

The estimated fair value of loans and advances to members are determined by discounting contractual future cash flows, over the remaining term to maturity, at current interest rates. The impact of delinquent loans on the estimation of fair values is not expected to have a material effect on delinquent loans are valued at net of provisions made. The estimated fair values of loans are not significantly different from their carrying values.

Members Shares and Deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

26. Commitments and Contingencies

The Credit Union is a party to various legal actions associated with collecting loan and associated with financial institutions, the aggregate of which, in management opinion, would not have a material adverse effect on the financial condition or results of operation on the credit union. The credit union has no outstanding commitments to sell investments at 31st December 2020.

Mabouya Valley Co-operative Credit Union Society Limited

Notes to Financial Statements....

31st December, 2020

(Expressed in Eastern Caribbean Dollars)

27. Related Party Transactions

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

In the normal course of business, the Credit Union extends credit to members of the Board of Directors, credit committee, supervisory committee members and other key management personnel. These transactions are entered into with related parties at Credit Union lending rates.

	Management Personnel	Committee Members	Board of Directors	Total
Loan outstanding at 1 st January, 2018	\$ 71,029	210,589	188,244	469,862
Net issued during the year	<u>(3,730)</u>	<u>(109,007)</u>	<u>(95,771)</u>	<u>(208,508)</u>
Loan outstanding at 1 st January, 2019	67,299	101,582	92,473	261,354
Net issued during the year	<u>(9,020)</u>	<u>19,929</u>	<u>(37,292)</u>	<u>(26,383)</u>
Loan outstanding at 31 st December, 2020	<u>58,279</u>	<u>121,511</u>	<u>55,181</u>	<u>234,971</u>

The following are the aggregate of Shares and Deposits of Board of Directors, members of the supervisory and credit committees and other management personnel.

	Management Personnel	Committee Members	Board of Directors	Total
Shares & Deposits at 1 st January, 2018	27,576	125,000	101,328	253,904
Net savings during the year	<u>5,177</u>	<u>(60,881)</u>	<u>(40,367)</u>	<u>(96,071)</u>
Shares & Deposits at 1 st January, 2019	32,753	64,119	60,961	157,833
Net savings during the year	<u>1,425</u>	<u>29,584</u>	<u>(10,210)</u>	<u>20,799</u>
Shares & Deposits at 31 st December, 2020	<u>\$ 34,178</u>	<u>93,703</u>	<u>50,751</u>	<u>178,632</u>

32. Provisioning

The following disclosure is required in accordance with Schedule 3 of the Regulations 30(1) of the Co-operative Societies Act. Chapter 12:06, the loan loss on outstanding loans is computed as follows:

Duration of Period of Overdue Loans	Delinquent Loans	Qualifying Collateral	Net Delinquent Loans	Loss Exposure	Regulatory Provision
3-6 mths (91-180 days)	56,728	22,342	34,386	25%	8,597
6-9 mths (181-270 days)	87,470	24,417	63,053	50%	31,527
9-1 year (271-365 days)	24,299	2,340	21,959	75%	16,469
Over 1 year (>365 days)	155,897	3,032	152,865	100%	152,865
Total	324,394	52,131	272,262		209,458

Under the "incurred loss framework" Credit Unions were required to recognise credit losses only when evidence of a loss was apparent. Provisioning is calculated under IFRS 9's ECL impairment framework. Under this framework Credit Unions are required to recognise ECLs at all times, taking into account past events, current conditions and forecast information, and to update the amount of ECLs recognised at each reporting date to reflect changes in an asset's credit risk. The provision for impairment is contained in note 9 of the financial statements.

Mabouya Valley Co-operative Credit Union Society Limited

Notes to Financial Statements....

31st December, 2020

(Expressed in Eastern Caribbean Dollars)

28. Co-operative Societies Act Compliance Requirements

Liquidity Reserve Requirements

Under section 119 (3a) of the Act the Credit Union is to maintain a liquidity investment calculated at 15% of members' shares and deposits at year end and this amounted to **\$2,378,399** (2019: \$2,155,571).

The liquid assets at the year-end comprised:

	2020	2019
Cash	\$ 4,667,860	4,360,519
Investment Securities	5,472,002	2,954,222
Total investment securities and cash	\$ 10,139,862	7,314,741
Total investment securities and cash	10,139,862	7,314,741
Total members savings and deposit	16,720,452	15,142,532
Liquidity ratio	61%	48%

The Credit Union is therefore in compliance with the liquidity reserve requirement as at the December 31st, 2020 (2019: in compliance).

Statutory Reserve Requirements

Section 119 (3b) of The Co-operative Societies Act requires that statutory and other reserves at no stage be less than 10% of its total liabilities.

The Credit Union's reserves to liabilities ratio is as follows: -

	2020	2019
Statutory and other reserves	\$ 1,084,679	1,030,771
Total liabilities	15,998,533	14,525,899
Reserves to liabilities ratio	7%	7%

The Credit Union is therefore not in compliance with the reserve requirement as at December 31, 2020 and 2019.

29. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a novel corona virus (COVID-19) as a global pandemic in 2020. The pandemic caused a decline in the world economies, with every country around the world experiencing a decline in the GDP. The virus resulted in a decline in tourism arrival which had the effect of causing widespread loss of income and jobs in many sectors, including wholesale, retail, restaurants, and hotels sector. The periodic shutdown of various sectors of the economy has resulted in a decrease in government revenues, it is estimated that the GDP contracted by 18 percent in 2020.

The Management of the Credit Union is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary. There is uncertainty about the length and potential impact of the disturbance. The Credit Union's Management is unable to estimate the potential impact on the Credit Union's operations as at the date of these financial statements.

RESOLUTIONS

1. TO APPOINT AN AUDITOR

WHEREAS:

- The Mabouya Valley Co-operative Credit Union Society Limited is duly registered under the Co-Operative Societies Act Chapter 12:06
- Section 129 (1) (b) of the Co-operatives Societies Act chapter 12:06 that member of a society shall at each Annual General Meeting appoint an Auditor to hold office until the close of the next Annual General Meeting.
- The Auditor MARIO LENDOR provided External Audit services to the Mabouya Valley Co-operative Credit Union Society Limited for the financial years 2012 - 2020.

BE IT RESOLVED

That this Annual General Meeting approves:

- That the Board of Directors of the Mabouya Valley Co-operative Credit Union Society Limited be empowered to appoint an Auditor to hold office until the close of the next Annual General Meeting.

Passed at the Annual General Meeting this _____ day of _____ 2021.

Proposed by _____ Seconded _____

Votes for: _____ Against: _____ Abstentions: _____

President/Chairperson

Secretary