



Eastern
Credit Union

**EASTERN CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED
AND ITS SUBSIDIARY**

**CONSOLIDATED
FINANCIAL STATEMENTS**

31 DECEMBER 2014

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Eastern Credit Union

Co-operative Society Limited

LEADING THE WAY®

FICES

Administrative Headquarters

La Joya
Eastern Main Road,
Joseph
Phone: 662-1184 - 6
Fax: 662-1192

Parataria Branch

Eastern Main Road,
Parataria
Phone: 638-2148 or 674-6248
Fax: 675-4413

Port-of-Spain Branch

Park Street, Port of Spain
Phone: 624-5059 / 5061
Fax: 625-5729

Joseph Branch

La Joya, Eastern Main Road,
St. Joseph
Phone: 662-1184 - 6
Fax: 663-7974

Tunapuna Branch

133 Eastern Main Road,
Tunapuna
Phone: 662-4986 / 0588
Fax: 645-3532

Sangre Grande Branch

168 Eastern Main Road,
Sangre Grande
Phone: 691-2178-9 / 691-2180-1/
Fax: 668-5875

Trinidad Branch

43 Sorzano Street,
Trinidad
Phone: 667-3477/0599/4563
Fax: 667-0559

San Fernando Branch

Penitence & St. James Street,
San Fernando
Phone: 652-2393 / 652-2919 / 653-1968
Fax: 653-0790

Chaguanas Branch

12 Main Road,
Chaguanas
Phone: 671-2295 or 665-1185
Fax: 671-5309

Tobago Branch

Main Street, Scarborough,
Tobago
Phone: 639-3599
Fax: 660-7090

CALL CENTRE

1-4ECU (4328)
1-LOAN (5626)

March 6th 2015

Eastern Credit Union Co-operative Society Limited

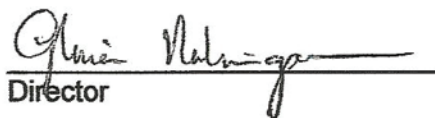
Statement of Management Responsibilities

It is the responsibility of management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society as at the end of the financial year and of the operating results of the Society for the year. It is also management's responsibility to ensure that the Society keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society. They are also responsible for safeguarding the assets of the Society.

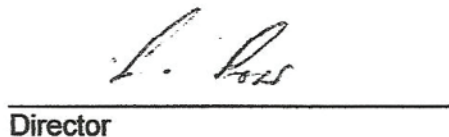
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. Management are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Society and of its operating results. Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of Management to indicate that the Society will not remain a going concern for at least the next twelve months from the date of this statement.


Director

Date: March 6th 2015


Director

Date: March 6th 2015

Members Matter Most



Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT

The Members

Eastern Credit Union Co-operative Society Limited

We have audited the accompanying consolidated financial statements of Eastern Credit Union Co-operative Society Limited and its Subsidiary, which comprise the consolidated statements of financial position as at 31 December 2014, the consolidated statements of comprehensive income, appropriated funds and undivided earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eastern Credit Union Co-operative Society Limited and its Subsidiary as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Port-of-Spain
6 March 2015**

Direct tel (868) 624-4569 | Direct fax (868) 624-4388

Email pkf-trinidad@trinidad.net

PKF | 90 Edward Street | Port-of-Spain | PO Bag 250 Belmont | Trinidad | WI

Directors | René-Lisa Philip | Mark K. Superville

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF FINANCIAL POSITION

ASSETS

Credit Union 31 December				Group 31 December	
<u>2013</u>	<u>2014</u>		<u>Notes</u>	<u>2014</u>	<u>2013</u>
Cash Resources:					
\$ 79,914,454	\$ 128,018,885	Cash in hand and at bank	5	\$ 128,603,181	\$ 81,200,009
<u>134,916,596</u>	<u>131,459,831</u>	Short-term investments	6	<u>139,498,376</u>	<u>142,670,780</u>
<u>214,831,050</u>	<u>259,478,716</u>	Total Cash Resources		<u>268,101,557</u>	<u>223,870,789</u>
Other Assets:					
11,347,728	14,865,947	Accounts receivable and prepayments	7	11,849,988	9,364,543
800,425	857,858	Deferred charges	8	857,858	800,425
355,441	341,172	Inventories	9	341,172	355,441
286,931,238	283,242,658	Long-term investments	10	224,975,757	228,736,562
1,065,591,874	1,156,673,859	Loans to members	11	1,156,673,859	1,065,591,874
24,637,903	23,768,606	Loans to subsidiary	12	-	-
<u>23,986,230</u>	<u>24,958,756</u>	Fixed assets	13	<u>114,969,803</u>	<u>112,271,763</u>
<u>1,413,650,839</u>	<u>1,504,708,856</u>	Total Other Assets		<u>1,509,668,437</u>	<u>1,417,120,608</u>
<u>\$ 1,628,481,889</u>	<u>\$ 1,764,187,572</u>	Total Assets		<u>\$ 1,777,769,994</u>	<u>\$ 1,640,991,397</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities:					
\$ 43,141,788	\$ 47,379,434	Accounts payable and accruals	14	\$ 48,171,834	\$ 43,006,158
289,275,816	324,419,614	Members' deposits		324,419,614	289,275,816
1,129,748,846	1,206,923,148	Members' shares (non-permanent)	16	1,206,923,148	1,129,748,846
-	-	Taxation payable		3,489	301,949
-	-	Deferred taxation	15	2,203,347	8,043,960
1,462,166,450	1,578,722,196	Total Liabilities		1,581,721,432	1,470,376,729
Members' Equity:					
18,598,554	19,548,562	Members' shares (permanent)	16	19,548,562	18,598,554
76,442,594	81,982,446	Reserve Fund	17	83,600,770	77,425,300
756,932	115,301	Education Fund	18	589,140	1,059,154
		Small Business Development Company Fund		1,690,000	1,690,000
1,690,000	1,690,000				
11,336,158	10,987,706	Investment Remeasurement Reserve	19	11,328,679	11,749,356
57,491,201	71,141,361	Undivided Earnings		79,291,411	60,092,304
166,315,439	185,465,376	Total Members' Equity		196,048,562	170,614,668
\$ 1,628,481,889	\$ 1,764,187,572	Total Liabilities and Members' Equity		\$ 1,777,769,994	\$ 1,640,991,397

These financial statements were approved by the Board of Directors and authorized for issue on 6 March 2015 and signed on their behalf by:


Member,
Board of Directors


General Manager


Member
Supervisory Committee

(The accompanying notes form part of these financial statements)

STRONG FOUNDATION. VIBRANT FUTURE

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF COMPREHENSIVE INCOME

Credit Union For the year ended 31 December				Group For the year ended 31 December	
2013	2014		Notes	2014	2013
Income:					
\$ 125,393,419	\$ 134,240,606	Interest on loans		\$ 134,240,606	\$ 123,223,810
9,265,788	9,961,659	Investment income		10,088,818	9,328,265
-	-	Rental income		1,740,789	1,614,620
16,635,974	17,492,724	Other income	24	16,700,819	18,333,123
-	-	Gain on disposal of fixed assets		-	3,862,790
<u>151,295,181</u>	<u>161,694,989</u>			<u>162,771,032</u>	<u>156,362,608</u>
Expenditure:					
55,914,252	60,624,079	Administrative expenses	25	57,172,355	53,272,004
877,718	1,271,389	Board and committee expenses	26	1,625,960	1,123,418
318,312	395,744	Finance cost		415,528	344,187
1,963,756	2,856,647	Marketing expenses		2,954,525	2,079,542
46,703,894	41,163,388	Personnel costs	27	44,978,060	50,091,946
<u>105,777,932</u>	<u>106,311,247</u>	Total Expenditure		<u>107,146,428</u>	<u>106,911,097</u>
45,517,249	55,383,742	Net surplus before taxation		55,624,604	49,451,511
-	-	Taxation	28	6,115,320	(2,371,877)
45,517,249	55,383,742	Net surplus for the year		61,739,924	47,079,634
Other comprehensive income:					
5,790,033	(348,452)	Unrealised gain on available-for-sale financial assets		(420,677)	6,203,231
<u>\$ 51,307,282</u>	<u>\$ 55,035,290</u>	Total Comprehensive Income for the year		<u>\$ 61,319,247</u>	<u>\$ 53,282,865</u>

(The accompanying notes form part of these financial statements)

STRONG FOUNDATION. VIBRANT FUTURE

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY
STATEMENTS OF APPROPRIATED FUNDS AND UNDIVIDED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2014

Credit Union	Reserve Fund	Education Fund	Investment Remeasurement Surplus	Undivided Earnings
Balance as at 1 January 2013	\$ 71,889,248	\$ 626,033	\$ 5,546,125	\$ 42,904,072
Total comprehensive income for the year			5,790,033	45,517,249
Appropriations:				
(i) 10% to Reserve Fund	4,551,725	-	-	(4,551,725)
(ii) 3% of the balance to the Education Fund	-	1,228,966	-	(1,228,966)
	76,440,973	1,854,999	11,336,158	82,640,630
Entrance fees	1,621	-	-	(1,621)
Education supplies and expenses	-	(1,098,067)	-	1,098,067
Dividends and interest rebate paid	-	-	-	(26,245,875)
Balance as at 31 December 2013	<u>\$ 76,442,594</u>	<u>\$ 756,932</u>	<u>\$ 11,336,158</u>	<u>\$ 57,491,201</u>
Balance as at 1 January 2014	\$ 76,442,594	\$ 756,932	\$ 11,336,158	\$ 57,491,201
Total comprehensive income for the year			(348,452)	55,383,742
Appropriations:				
(i) 10% to Reserve Fund	5,538,374	-	-	(5,538,374)
(ii) 3% of the balance to the Education Fund	-	1,495,361	-	(1,495,361)
	81,980,968	2,252,293	10,987,706	105,841,208
Entrance fees	1,478	-	-	(1,478)
Education supplies and expenses	-	(2,136,992)	-	2,136,992
Dividends and interest rebate paid	-	-	-	(36,835,361)
Balance as at 31 December 2014	<u>\$ 81,982,446</u>	<u>\$ 115,301</u>	<u>\$ 10,987,706</u>	<u>\$ 71,141,361</u>

(The accompanying notes form part of these financial statements)

STRONG FOUNDATION. VIBRANT FUTURE

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY
STATEMENTS OF APPROPRIATED FUNDS AND UNDIVIDED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2014

Group	Reserve Fund	Education Fund	Investment Remeasurement Surplus	Undivided Earnings
Balance as at 1 January 2013	\$ 72,715,716	\$ 886,071	\$ 5,546,125	\$ 44,141,212
Total comprehensive income for the year			6,203,231	47,079,634
Appropriations:				
	4,707,963	-	-	(4,707,963)
(i) 10% to Reserve Fund	-	1,271,150	-	(1,271,150)
(ii) 5% of the balance to the Education Fund	77,423,679	2,157,221	11,749,356	85,241,733
Entrance fees	1,621	-	-	(1,621)
Education supplies and expenses	-	(1,098,067)	-	1,098,067
Dividends and interest rebate paid	-	-	-	(26,245,875)
Balance as at 31 December 2013	<u>\$ 77,425,300</u>	<u>\$ 1,059,154</u>	<u>\$ 11,749,356</u>	<u>\$ 60,092,304</u>
Balance as at 1 January 2014	\$ 77,425,300	\$ 1,059,154	\$ 11,749,356	\$ 60,092,304
Total comprehensive income for the year	-	-	(420,677)	61,739,924
Appropriations:				
	6,173,992	-	-	(6,173,992)
(i) 10% to Reserve Fund	-	1,666,978	-	(1,666,978)
(ii) 3% of the balance to the Education Fund	83,599,292	2,726,132	11,328,679	113,991,258
Entrance fees	1,478	-	-	(1,478)
Education supplies and expenses	-	(2,136,992)	-	2,136,992
Dividends and interest rebate paid	-	-	-	(36,835,361)
Balance as at 31 December 2014	<u>\$ 83,600,770</u>	<u>\$ 589,140</u>	<u>\$ 11,328,679</u>	<u>\$ 79,291,411</u>

(The accompanying notes form part of these financial statements)

STRONG FOUNDATION. VIBRANT FUTURE

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF CASH FLOWS

Credit Union For the year ended 31 December			Group For the year ended 31 December	
2013	2014		2014	2013
Operating Activities:				
\$ 45,517,249	\$ 55,383,742	Net surplus before taxation	\$ 55,624,604	\$ 49,451,511
		Add items not involving cash:		
3,164,191	-	Bad debts written-off/expense	-	3,164,191
4,810,620	3,556,381	Depreciation	4,877,454	6,175,941
1,000,000	-	Change in investment loss provision	-	1,000,000
4,083,817	14,800,000	Loan loss expense (net of recoveries)	14,800,000	4,083,817
(936,478)	(380,728)	Net unrealized loss on short-term investments	(380,728)	(936,478)
-	(28,740)	Gain on disposal of fixed assets	(28,740)	(3,862,790)
57,639,399	73,330,655	Changes in non-cash working capital amounts:	74,892,590	59,076,192
		Net change in accounts receivable, prepayments and deferred charges	(2,542,878)	7,609,289
7,361,902	(3,575,652)	Net change in inventories	14,269	(6,806)
(6,806)	14,269	Net change in accounts payable and accruals	5,165,676	(410,112)
523,653	4,237,646	Taxes paid	(23,753)	(27,082)
-	-	Cash provided by operating activities	77,505,904	66,241,481
65,518,148	74,006,918			
Investing Activities:				
26,397	869,297	Net change in loans to subsidiary	-	-
(86,992,505)	(105,881,985)	Net change in members' loans	(105,881,985)	(86,992,505)
(4,537,064)	(4,653,997)	Net change in fixed assets	(7,700,584)	(11,504,278)
(50,177,201)	3,720,856	Net change in long-term investments	3,720,856	(50,675,303)
-	153,830	Proceeds from disposal of fixed assets	153,830	9,075,500
(141,680,373)	(105,791,999)	Cash used in investing activities	(109,707,883)	(140,096,586)
Financing Activities:				
(26,245,875)	(36,835,361)	Dividends and interest rebate	(36,835,361)	(26,245,875)
77,589,277	78,124,310	Increase in members' shares	78,124,310	77,589,277
27,345,348	35,143,798	Increase in members' deposits	35,143,798	28,671,324
78,688,750	76,432,747	Cash provided by financing activities	76,432,747	80,014,726
2,526,525	44,647,666	Net change in cash resources	44,230,768	6,159,621
212,304,525	214,831,050	Cash resources, beginning of year	223,870,789	217,711,168
\$214,831,050	\$259,478,716	Cash resources, end of year	\$ 268,101,557	\$ 223,870,789
Represented by:				
\$ 79,914,454	\$128,018,885	Cash in hand and at bank	\$ 128,603,181	\$ 81,200,009
134,916,596	131,459,831	Short-term investments	139,498,376	142,670,780
\$214,831,050	\$259,478,716		\$ 268,101,557	\$ 223,870,789

(The accompanying notes form part of these financial statements)

STRONG FOUNDATION. VIBRANT FUTURE

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

1. Registration and Objectives:

The Society is registered under the Co-operative Societies Act Chapter 81:03. Its objectives are to promote the economic welfare of its members, encourage the spirit and practice of thrift, self-help and co-operation and promote the development of co-operative ideas. Its registered office is situated at La Joya Complex, Eastern Main Road, St. Joseph. Its fully owned subsidiary, EPL Properties Limited, incorporated in Trinidad and Tobago, is included in these consolidated statements.

2. Significant Accounting Policies:**a) Basis of financial statements preparation -**

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Trinidad and Tobago dollars, rounded to the nearest dollar. These consolidated financial statements are stated on the historical cost basis, except for the measurement at fair value of available-for-sale investments and certain other financial instruments.

b) Basis of consolidation -

The consolidated financial statements incorporate the financial statements of Eastern Credit Union Co-operative Society Limited and its wholly owned subsidiary, EPL Properties Limited. The Society has the power to govern the financial and operating policies of EPL Properties Limited so as to obtain benefits from its activities.

The results of EPL Properties Limited are included in the consolidated Statement of Comprehensive Income from the date of incorporation. Where necessary, adjustments are made to the financial statements of EPL Properties Limited to bring the accounting policies used in line with those used by Eastern Credit Union Co-operative Society Limited.

All significant inter-company transactions and balances have been eliminated on consolidation.

c) Use of estimates -

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Society's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of income and expenditure during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. New Accounting Standards and Interpretations -

- i) The Society has not applied the following standards and amendments that became effective during the current year, as they do not apply to the activities of the Society:

IFRS 2	Share-based payment – Amendment to the definition of vesting condition (effective for accounting periods beginning on or after 1 July 2014).
IFRS 3	Business Combinations – Amendment re: accounting for a contingent consideration in a business combination (effective for accounting periods beginning on or after 1 July 2014).
IFRS 3	Business Combinations – Amendment on the scope of exception for joint ventures (effective for accounting periods beginning on or after 1 July 2014).
IFRS 8	Operating Segments – Amendment re: disclosure of the aggregation of operating segments and the reconciliation of assets (effective for accounting periods beginning on or after 1 July 2014).
IFRS 10	Consolidated Financial Statements – Amendment for investment entities (effective for accounting periods beginning on or after 1 January 2014).
IFRS 12	Disclosure of Interests in Other Entities – Amendment for investment entities (effective for accounting periods beginning on or after 1 January 2014).
IFRS 13	Fair Value Measurement – Amendment re: clarification of portfolio exception (effective for accounting periods beginning on or after 1 July 2014).
IAS 16	Property, Plant and Equipment – Amendment re: proportionate restatement of accumulated depreciation under the revaluation method (effective for accounting periods beginning on or after 1 July 2014).
IAS 24	Related Party Disclosures – Amendment on disclosures for entities providing key management personnel services (effective for accounting periods beginning on or after 1 July 2014).

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. Significant Accounting Policies (Cont'd):c) **New Accounting Standards and Interpretations (cont'd) -**

- | | |
|----------|---|
| IAS 27 | Separate Financial Statements – Amendment to measure at fair value eligible investment entities (effective for accounting periods beginning on or after 1 January 2014). |
| IAS 32 | Financial Instruments; Presentation – Amendment re: application guidance on the offsetting of financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2014). |
| IAS 38 | Intangible Assets – Amendment re: the proportionate restatement of accumulated amortisation under the revaluation method (effective for accounting periods beginning on or after 1 July 2014). |
| IAS 39 | Financial Instruments: Recognition and Measurement – Amendment re: the novation of derivatives and continuation of hedge accounting (effective for accounting periods beginning on or after 1 January 2014). |
| IAS 40 | Investment Property – Amendment re: clarification of specific transactions that are both business combinations and investment property (effective for accounting periods beginning on or after 1 July 2014). |
| IFRIC 21 | Levies (effective for accounting periods beginning on or after 1 January 2014). |

ii) The Society has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Society or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

- | | |
|--------|---|
| IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations - 2014 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2016). |
| IFRS 7 | Financial Instruments: Disclosures - 2014 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2016). |
| IFRS 9 | Financial Instruments (effective for accounting periods beginning on or after 1 January 2018). |

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. Significant Accounting Policies (Cont'd)c) **New Accounting Standards and Interpretations (cont'd) -**

- IFRS 10 Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 10 Consolidated Financial Statements - Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 11 Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 12 Disclosure of Interest in Other Entities - Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 14 Regulatory Deferral Accounts (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2017).
- IAS 1 Presentation of Financial Statements - Amendments resulting from disclosure initiative (effective for accounting periods beginning on or after 1 January 2016).
- IAS 16 Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective for accounting periods beginning on or after 1 January 2016).
- IAS 16 Property, Plant and Equipment - Amendments bringing bearer plants into the scope of IAS 16 (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 19 Employee Benefits: Disclosures - 2014 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2016).
- IAS 27 Separate Financial Statements - Amendments reinstalling the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (effective for accounting periods beginning on or after 1 January 2016).

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. Significant Accounting Policies (Cont'd):c) **New Accounting Standards and Interpretations (cont'd) –**

- IAS 28 Investment in Associates - Amendments regarding the sale or contribution of assets between investor and its associate or joint venture (effective for accounting periods beginning on or after 1 January 2016).
- IAS 28 Investment in Associates - Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016).
- IAS 34 Interim Financial Reporting - 2014 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2016).
- IAS 38 Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective for accounting periods beginning on or after 1 January 2016).
- IAS 41 Agriculture - Amendments bringing bearer plants into the scope of IAS 16 (effective for accounting periods beginning

d) **Fixed assets -**

Fixed assets are stated at historical cost less accumulated depreciation. Depreciation is provided using the diminishing balance method.

The following rates are considered appropriate to write-off the assets over their estimated useful lives are applied:

Buildings	-	1%
Furniture, fixtures and fittings	-	20%
Office and other equipment	-	10 - 33 1/3%
Computer hardware and software	-	20%
Motor vehicles	-	25%
Leasehold improvements	-	20%

No depreciation is provided on Land and Capital Work-in-Progress.

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. Significant Accounting Policies (Cont'd):d) **Fixed assets (cont'd) -**

The assets' residual values and useful lives are reviewed at each reporting date, and adjusted as appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

e) **Investments -**

The Society has classified all investments into the following categories:

Available-for-sale

These securities are intended to be held for an indefinite period of time but may be sold in response to the needs for liquidity or changes in interest rates, exchange rates or equity prices. After initial recognition, available-for-sale investments are measured at fair value with unrealised gains or losses recognised in the Investment Re-measurement Reserve.

For actively traded investments, fair value is determined by reference to the Stock Exchange quoted market prices at the reporting date, adjusted for transaction costs necessary to realise the investment. For investments where there is no quoted market price, the carrying value is deemed to approximate fair value.

Held to maturity

These are securities which are held with the positive intention of holding them to maturity and are stated at amortized cost less provisions made for any permanent diminution in value. Amortized cost is calculated by taking into account any premium or discounts on acquisition over the period of maturity using the effective interest rate method.

f) **Financial instruments -**

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised on the Society's Statement of Financial Position when the Society becomes a party to the contractual provisions of the instrument.

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. Significant Accounting Policies (Cont'd):f) **Financial instruments (cont'd) -****Financial assets**

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, that is, the date on which the Society commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

Impairment of financial assets

The Society assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial assets or group of financial assets is impaired includes observable data that comes to the attention of the Society about the following loss events:

- i) Significant financial difficulty of the issuer or obligor.
- ii) A breach of contract, such as default or delinquency in interest or principal payments.
- iii) It becoming probable that the borrower will enter in bankruptcy or other financial reorganisation.
- iv) The disappearance of an active market for that financial asset because of financial difficulties.
- v) Observable data indicating that there is a measurable decrease in the estimated cash-flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the Society or national or economic conditions that correlate with defaults on assets in the Society.

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. **Significant Accounting Policies (Cont'd):**f) **Financial instruments (cont'd) -****Impairment of financial assets (cont'd)**

The Society first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Society determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Impairment losses are recorded in an allowance account and are measured and recognised as follows:

i) **Financial assets measured at amortised cost**

The difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognised in the Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the Statement of Comprehensive Income.

ii) **Financial assets measured at cost**

The difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in the Statement of Comprehensive Income. These losses are not reversed.

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. Significant Accounting Policies (Cont'd):f) **Financial instruments (cont'd) –****Financial liabilities**

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the Statement of Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of twelve months or less and are carried at cost, which approximates market value.

Accounts receivable

Accounts receivable are initially measured at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the asset is impaired.

Loans to members

Loans to members are stated at principal amounts outstanding net of allowances for loan losses. Specific provisions are made for potential losses on non-performing loans on the basis of net realisable value. Periodic portfolio reviews are conducted during the course of each year to determine the adequacy of provisions.

Loans are secured by various forms of collateral, including charges over tangible assets, certificates of deposit, and assignment of funds held with other financial institutions.

Accounts payable

Accounts payable are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Members' deposits

Members' deposits are stated at the principal amounts invested by members together with any capitalised interest. Members' deposits bear interest at rates that are not significantly different from current market rates and are assumed to have discounted cash flow values which approximate carrying values.

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. **Significant Accounting Policies (Cont'd):**f) **Financial instruments (cont'd) -****Financial liabilities (cont'd)**Members' shares

Members' shares (permanent) are classified as equity and members' shares (non-permanent) are classified as liabilities and stated at fair value. In accordance with the Society's bye-laws, shareholdings comprise the following:-

- a) Section 6 (b) requires every member, not being a minor, to purchase eight (8) special shares at twenty-five dollars (\$25.00) each; and
- b) Section 7 requires that every member shall purchase at least one (1) ordinary share valued at five dollars (\$5.00) each.

g) **Revenue recognition -**Loan Interest

Interest charged on all loans to members is calculated between 0.56% to 1.75% per month on the outstanding balance at the end of each month in accordance with Section 12 of the Bye-laws and the General Loan Policy. Loan interest is accounted for on the cash basis.

Interest on non-performing loans is not accrued or taken into income on an ongoing basis because there is doubt as to the recoverability of the loans. Income from non-performing loans is taken into income on a cash basis, but only after specific provisions for losses have been made.

For non-performing loans, specific provisions are made for the unsecured portion of the loan. The amount of the provision is dependent upon the extent of the delinquency.

Investment Income

Income from investments is accounted for on the accruals basis except for dividends, which are accounted for on a cash basis, consistent with International Accounting Standard (IAS) #18.

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. Significant Accounting Policies (Cont'd):**h) Dividends payable to members -**

Dividends are computed on the basis of the average value of shares held throughout the year, the average being determined on the basis of the lowest value of shares held in each month. Dividends that are proposed and declared after the reporting date are not shown as a liability in accordance with IAS #10 but are disclosed as a note to the financial statements.

i) Foreign currency -

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling at the reporting date. All revenue and expenditure transactions denominated in foreign currencies are translated at the average rate and the resulting profits and losses on exchange from these trading activities are recorded in the Statement of Comprehensive Income.

j) Provisions -

Provisions are recognised when the Society has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

k) Taxation -Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

2. Significant Accounting Policies (Cont'd):**k) Taxation (cont'd) -**Deferred tax

Deferred income tax is provided, using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

l) Comparative figures -

Where necessary, comparative amounts have been adjusted to conform with changes in presentation in the current year.

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

3. **Financial Risk Management:****Financial instruments**

The following table summarizes the carrying amounts and fair values of the Group's financial assets and liabilities:

	2014	
	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets		
Cash in hand and at bank	\$ 128,603,181	\$ 128,603,181
Short-term investments	139,498,376	139,498,376
Accounts receivable and prepayments	11,849,988	11,849,988
Deferred charges	857,858	857,858
Long-term investments	224,975,757	224,975,757
Loans to members	1,156,673,859	1,156,673,859

Financial Liabilities

Accounts payable and accruals	48,171,834	48,171,834
Members deposits	324,419,614	324,419,614
Members' shares (non-permanent)	1,206,923,148	1,206,923,148

	2013	
	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets		
Cash in hand and at bank	\$ 81,200,009	\$ 81,200,009
Short-term investments	142,670,780	142,670,780
Accounts receivable and prepayments	9,364,543	9,364,543
Deferred charges	800,425	800,425
Long-term investments	228,736,562	230,477,825
Loans to members	1,065,591,874	1,065,591,874

Financial Liabilities

Accounts payable and accruals	43,006,158	43,006,158
Members deposits	289,275,816	289,275,816
Members' shares (non-permanent)	1,129,748,846	1,129,748,846

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

3. **Financial Risk Management (Cont'd):****Financial risk factors**

The Society is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the Society to manage these risks are discussed below:

a) Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Society is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including investments in bonds, loans, customer deposits and other funding instruments.

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

a) Interest rate risk -**i) Bonds**

The Society invests mainly in medium to long term bonds consisting of both floating rate and fixed rate instruments.

The market values of the fixed rate bonds are not very sensitive to changes in interest rates. The market values of the floating rate bonds are sensitive to changes in interest rates. The longer the maturity of the bonds, the greater is the sensitivity to changes in interest rates. Because these assets are being held to maturity and are not traded, any changes in market value will not impact the Statement of Comprehensive Income.

The Society actively monitors bonds with maturities greater than ten years, as well as the interest rate policies of the Central Bank of Trinidad and Tobago.

ii) Loans

The Society generally invests in fixed rate loans to members for terms that average five years, however, mortgage loans can extend to a maximum of twenty-five (25) years. These are funded mainly from member deposits and shares and loan repayments.

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

3. Financial Risk Management (Cont'd):**Interest rate sensitivity analysis**

The Society's exposure to interest rate risk is summarized in the table below, which analyses assets and liabilities at their carrying amounts categorized according to their maturity dates.

2014

	<u>Effective Rate</u>	<u>Up to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Non-Interest Bearing</u>	<u>Total</u>
Financial Assets						
Cash in hand and at bank	0.01%	\$ 66,568,300	\$ -	\$ -	\$ 62,034,881	\$ 128,603,181
Short term investments	1.69%	131,498,376	8,000,000	-	-	139,498,376
Accounts receivable and prepayments	0.00%	-	-	-	11,849,988	11,849,988
Deferred charges	0.00%	-	-	-	857,858	857,858
Long term investments	3.08%	5,784,291	109,698,128	92,621,949	16,871,389	224,975,757
Loans to members	11.51%	53,416,726	783,626,238	275,340,100	44,290,795	1,156,673,859
Financial Liabilities						
Accounts payable and accruals	0.00%	-	-	-	48,171,834	48,171,834
Members' deposits	0.73%	324,419,614	-	-	-	324,419,614
Members' shares	2.95%	1,206,923,148	-	-	-	1,206,923,148

2013

	<u>Effective Rate</u>	<u>Up to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Non-Interest Bearing</u>	<u>Total</u>
Financial Assets						
Cash in hand and at bank	0.01%	\$ 42,031,204	\$ -	\$ -	\$ 39,168,805	\$ 81,200,009
Short term investments	2.16%	139,170,780	2,000,000	-	1,500,000	142,670,780
Accounts receivable and prepayments	0.00%	-	-	-	9,364,543	9,364,543
Deferred charges	0.00%	-	-	-	800,425	800,425
Long term investments	2.85%	101,426,198	17,577,966	101,558,008	8,174,390	228,736,562
Loans to members	11.77%	49,737,527	729,652,192	265,686,649	20,515,506	1,065,591,874
Financial Liabilities						
Accounts payable and accruals	0.00%	-	-	-	43,006,158	43,006,158
Members' deposits	0.72%	289,275,816	-	-	-	289,275,816
Members' shares	2.95%	1,129,748,846	-	-	-	1,129,748,846

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

3. Financial Risk Management (Cont'd):**b) Credit risk -**

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Society relies heavily on its written Policies and Procedures Manuals, which sets out in detail the current policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function. Adherence to these guidelines is expected to communicate the Society's lending philosophy; provide policy guidelines to team members involve in lending; establish minimum standards for credit analysis, documentation, decision making and post-disbursement administration; as well as create the foundation for a sound credit portfolio.

The Society's loan portfolio is managed and consistently monitored by the Credit Committee and is adequately secured by collateral and where necessary, provisions have been established for potential credit losses on delinquent accounts.

Cash balances are held with high credit quality financial institutions and the Society has policies to limit the amount of exposure to any single financial institution.

The Society also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

c) Liquidity risk -

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Society has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

The Society is able to make daily calls on its available cash resources to settle financial and other liabilities.

Risk management

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Society. The Society employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of the Society's assets as well as generating sufficient cash from new and renewed members' deposits and shares.

To manage and reduce liquidity risk the Society's management actively seeks to match cash inflows with liability requirements.

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

3. Financial Risk Management (Cont'd):c) Liquidity risk (cont'd) -Liquidity gap

The Society's exposure to liquidity risk is summarized in the table below which analyses assets and liabilities based on the remaining period from the Balance Sheet date to the contractual maturity date.

	2014			
	<u>Up to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Financial Assets				
Cash in hand and at bank	\$ 128,603,181	\$ -	\$ -	\$ 128,603,181
Short-term investments	131,498,376	8,000,000	-	139,498,376
Accounts receivable and prepayments	11,654,357	-	195,631	11,849,988
Deferred charges	857,858	-	-	857,858
Long-term investments	22,655,680	109,698,128	92,621,949	224,975,757
Loans to members	97,707,521	783,626,238	275,340,100	1,156,673,859
Financial Liabilities				
Accounts payable and accruals	48,171,834	-	-	48,171,834
Members' deposits	324,419,614	-	-	324,419,614
Members' shares (non-permanent)	1,206,923,148	-	-	1,206,923,148

	2013			
	<u>Up to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Financial Assets				
Cash in hand and at bank	\$ 81,200,009	\$ -	\$ -	\$ 81,200,009
Short-term investments	140,670,780	2,000,000	-	142,670,780
Accounts receivable and prepayments	8,814,005	265,408	285,130	9,364,543
Deferred charges	800,425	-	-	800,425
Long-term investments	109,127,199	17,780,966	101,828,397	228,736,562
Loans to members	70,253,034	729,652,192	265,686,648	1,065,591,874
Financial Liabilities				
Accounts payable and accruals	43,006,158	-	-	43,006,158
Members' deposits	289,275,816	-	-	289,275,816
Members' shares (non-permanent)	1,129,748,846	-	-	1,129,748,846

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

3. **Financial Risk Management (Cont'd):****d) Currency risk -**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Society's measurement currency. The Society is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The operation of a Bureau de Charge at the various branches also provide exposure to currency risk. The Society's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

e) Operational risk -

Operational risk is the risk derived from deficiencies relating to the Society's information technology and control systems, as well as the risk of human error and natural disasters. The Society's systems are evaluated, maintained and upgraded continuously. In April 2008 a new IT platform was implemented. Supervisory controls are also installed to minimise human error. There is also an Internal Audit department that is adequately staffed with personnel who are equipped with the required skills, knowledge and expertise. Additionally, staff is often rotated and trained on an on-going basis.

f) Compliance risk -

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Inspector of Financial Institutions at the Central Bank of Trinidad and Tobago, as well as by the monitoring controls applied by the Society. The Society has an Internal Audit department, which does routine reviews on compliance.

g) Reputation risk -

The risk of loss of reputation arising from the negative publicity relating to the Society's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Society. The Society engages in public social endeavours to engender trust and minimize this risk.

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

4. Critical Accounting Estimates and Judgments:

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Society's accounting policies. See **Note 2 (c)**.

Estimates and judgments 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. The Society makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- i) Whether investments are classified as held-to-maturity investments, available-for-sale or loans and receivables.
- ii) Whether leases are classified as operating leases or finance leases.
- iii) Which depreciation method for plant and equipment is used.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Impairment of assets

Management assesses at each reporting date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

ii) Plant and equipment

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and in estimating the useful lives and residual values of these assets.

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

5. Cash in Hand and at Bank:

Credit Union 31 December			Group 31 December	
2013	2014		2014	2013
\$68,848,201	\$118,513,045	Current/savings accounts	\$119,092,873	\$70,128,831
<u>11,066,253</u>	<u>9,505,840</u>	Cash in hand	<u>9,510,308</u>	<u>11,071,178</u>
<u>\$79,914,454</u>	<u>\$128,018,885</u>		<u>\$128,603,181</u>	<u>\$81,200,009</u>

6. Short-Term Investments:

Credit Union 31 December			Group 31 December	
2013	2014		2014	2013
		<u>Available-for-sale</u>		
\$ 33,575,899	\$ 33,988,820	Ansa Merchant Bank Limited	\$ 33,988,820	\$ 33,575,899
		Home Mortgage Bank - Mutual		
2,012,562	2,039,900	Fund	2,039,900	2,012,562
9,238,302	9,324,340	Republic Bank Limited	9,324,340	9,238,302
1,500,000	1,500,000	R. E. Matthews and Associates	1,500,000	1,500,000
28,569,764	29,071,128	ROYTRIN Money Market Fund	29,071,128	28,569,764
		Trinidad and Tobago Unit Trust		
		Corporation		
19,096	19,253	- US\$ Income Fund	19,253	19,096
32,262,558	32,558,188	- TT\$ Income Fund	40,596,733	39,549,184
		First Citizens Investment Services		
8,000,000	3,000,000	Limited – Fixed Income Paper	3,000,000	8,000,000
		Guardian Asset Management –		
14,738,415	14,958,202	TT\$ Income Fund	14,958,202	14,738,415
		Bourse Securities Limited –		
<u>5,000,000</u>	<u>5,000,000</u>	Repurchase Agreements	5,000,000	5,000,000
		Scotiabank Trinidad and Tobago		
134,916,596	131,459,831	Limited	-	467,558
			139,498,376	142,670,780
		<u>Held-to-maturity</u>		
<u>1,000,000</u>	<u>1,000,000</u>	Various overseas bonds held in	<u>1,000,000</u>	<u>1,000,000</u>
		foreign currencies		
135,916,596	132,459,831		140,498,376	143,670,780
<u>(1,000,000)</u>	<u>(1,000,000)</u>	Provision for investment loss	<u>(1,000,000)</u>	<u>(1,000,000)</u>
<u>\$134,916,596</u>	<u>\$131,459,831</u>		<u>\$139,498,376</u>	<u>\$142,670,780</u>

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

7. Accounts Receivable and Prepayments:

Credit Union 31 December			Group 31 December	
2013	2014		2014	2013
\$ 5,984,101	\$ 6,171,712	Accrued interest on investments	\$ 6,171,712	\$ 5,984,101
199,431	195,631	Claim recoverable	195,631	199,431
3,407,812	3,690,048	EPL Properties Limited	-	-
3,806,644	6,882,956	Other receivables	7,361,388	4,124,289
622,725	565,889	Prepayments	627,508	1,686,523
237,751	237,751	Recoverable expenses	237,751	237,751
253,455	-	Rent receivable	109,489	36,150
-	286,151	Staff loans and advances	310,700	260,489
-	-	Travel service receivable	-	-
14,511,919	18,030,138		15,014,179	12,528,734
(3,164,191)	(3,164,191)	Less: Provision for doubtful debts	(3,164,191)	(3,164,191)
<u>\$11,347,728</u>	<u>\$14,865,947</u>		<u>\$11,849,988</u>	<u>\$ 9,364,543</u>
		<u>Provision for doubtful debts</u>		
\$ 294,239	\$ 3,164,191	Balance, beginning of year	\$ 3,164,191	\$ 294,239
(294,239)	-	Bad debts written-off	-	(294,239)
3,164,191	-	Charge for the year	-	3,164,191
<u>\$ 3,164,191</u>	<u>\$ 3,164,191</u>	Balance, end of year	<u>\$ 3,164,191</u>	<u>\$ 3,164,191</u>

8. Deferred Charges:

Credit Union 31 December			Group 31 December	
2013	2014		2014	2013
<u>\$ 800,425</u>	<u>\$ 857,858</u>	San Fernando Agency	<u>\$ 857,858</u>	<u>\$ 800,425</u>

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

9. Inventories:

Credit Union 31 December			Group 31 December	
2013	2014		2014	2013
\$ 236,774	\$ 236,116	Stationery/office supplies	\$ 236,116	\$ 236,774
<u>118,667</u>	<u>105,056</u>	ATM Card Stock	<u>105,056</u>	<u>118,667</u>
<u>\$ 355,441</u>	<u>\$ 341,172</u>		<u>\$ 341,172</u>	<u>\$ 355,441</u>

10. Long-Term Investments:

Credit Union 31 December			Group 31 December	
2013	2014		2014	2013
		<u>Held-to-Maturity</u>		
\$ 61,244,056	\$ 61,244,056	Bonds - Government of Trinidad and Tobago	\$ 61,244,056	\$ 61,244,056
471,390	471,390	- Government of Antigua and Barbuda	471,390	471,390
140,201	-	- Government of Barbados	-	140,201
7,063,610	7,063,610	- Government of Belize	7,063,610	7,063,610
		- National Insurance Property Development Company Limited	10,008,633	6,198,000
6,198,000	10,008,633	- Prestige Holdings Limited	1,721,008	1,921,008
1,921,008	1,721,008	- Trinidad and Tobago Mortgage Finance Company Limited	28,750,000	24,000,000
24,000,000	28,750,000	- Urban Development Company of Trinidad and Tobago	2,657,757	3,032,757
3,032,757	2,657,757	- Telecommunications Services of Trinidad and Tobago	5,000,000	13,429,539
13,429,539	5,000,000	- Various overseas bonds held in foreign currencies	<u>549,999</u>	<u>1,564,763</u>
<u>1,564,763</u>	<u>549,999</u>		<u>\$117,466,453</u>	<u>\$ 119,065,324</u>
<u>\$119,065,324</u>	<u>\$117,466,453</u>			

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

10. Long-Term Investments (Cont'd):

Credit Union 31 December		Group 31 December	
2013	2014	2014	2013
<u>Available-for-sale</u>			
\$ 1,050	\$ 1,050	\$ 1,050	\$ 1,050
433,640	586,000	586,000	433,640
200,000	200,000	200,000	200,000
3,000	3,000	3,000	3,000
59,105,976	59,105,976	-	-
542,418	417,245	417,245	542,418
6,092,643	5,609,772	6,448,847	14,035,004
172,500	182,500	182,500	172,500
1,327,494	1,256,378	1,256,378	1,327,494
64,120	54,062	54,062	64,120
11,187,711	11,564,369	11,564,369	11,187,711
843,000	967,500	967,500	843,000
867,496	861,071	861,071	867,496
3,394,406	3,860,493	3,860,493	3,394,406
2,254,491	1,911,734	1,911,734	2,254,491
55,063	55,807	55,807	55,063
2,400,000	2,426,600	2,426,600	2,400,000
435,000	357,000	357,000	435,000
57,666	65,530	65,530	57,666
472,500	478,000	478,000	472,500
974,833	995,921	995,921	974,833
7,031,061	7,373,182	7,373,182	-
569,058	575,614	575,614	569,058
3,569,640	-	-	3,569,640
13,002,536	-	-	13,002,536
1,154,898	777,390	777,390	1,154,898
142,000	140,000	140,000	142,000
596,867	577,561	577,561	596,867
27,405,310	27,772,795	27,772,795	27,405,310
5,357,267	5,392,048	5,392,048	5,357,267
-	5,000,000	5,000,000	-
2,553,692	2,618,593	2,618,593	2,553,692
15,598,578	24,589,014	24,589,014	15,598,578
167,865,914	165,776,205	107,509,304	109,671,238
<u>\$286,931,238</u>	<u>\$283,242,658</u>	<u>\$224,975,757</u>	<u>\$228,736,562</u>

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

11. Loans to Members:

Loans to members are stated at principal outstanding net of a provision for loan losses. The provision for loan losses is based on management's evaluation of the performance of the loan portfolio under current economic conditions and past loan loss experience.

Credit Union 31 December			Group 31 December	
2013	2014		2014	2013
\$1,095,468,728	\$1,190,441,731	Loans to members	\$1,190,441,731	\$1,095,468,728
<u>(29,876,854)</u>	<u>(33,767,872)</u>	Less: Provision for loan losses	<u>(33,767,872)</u>	<u>(29,876,854)</u>
<u>\$1,065,591,874</u>	<u>\$1,156,673,859</u>		<u>\$1,156,673,859</u>	<u>\$1,065,591,874</u>

Provision for Loan Losses

Credit Union 31 December			Group 31 December	
2013	2014		2014	2013
\$ 39,000,000	\$ 29,876,854	Balance, beginning of year	\$ 29,876,854	\$ 39,000,000
4,083,817	14,800,000	Charge for the year	14,800,000	4,083,817
<u>(13,206,963)</u>	<u>(10,908,982)</u>	Amounts written off	<u>(10,908,982)</u>	<u>(13,206,963)</u>
<u>\$ 29,876,854</u>	<u>\$ 33,767,872</u>	Balance, end of year	<u>\$ 33,767,872</u>	<u>\$ 29,876,854</u>

12. Loans to Subsidiary:

Credit Union 31 December			Group 31 December	
2013	2014		2014	2013
<u>\$ 24,637,903</u>	<u>\$ 23,768,606</u>	Loans to subsidiary	<u>\$ -</u>	<u>\$ -</u>

These loans have been advanced to EPL Properties Limited, the fully owned subsidiary of Eastern Credit Union Cooperative Society Limited.

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

13. Fixed Assets:

Credit Union

Cost	Furniture, Fixtures and Fittings	Office Equipment	Computer Hardware and Software	Other Equipment	Motor Vehicles	Leasehold Improvements	Capital work-in- progress	Total
Balance as at 1 January 2014	\$ 12,844,064	\$15,940,354	\$33,210,552	\$ 4,276,588	\$ 1,048,402	\$ 8,695,989	\$ 3,521,761	\$ 79,537,710
Additions	246,786	259,102	2,778,663	64,559	645,654	122,747	536,398	4,653,909
Disposals	-	-	-	-	(294,760)	-	-	(294,760)
Transfers/Re-classifications	416,420	229,519	3,092,525	-	-	-	(3,738,464)	-
Balance as at 31 December 2014	13,507,270	16,428,975	39,081,740	4,341,147	1,399,296	8,818,736	319,695	83,896,859
Accumulated Depreciation								
Balance as at 1 January 2014	9,994,295	11,002,433	25,066,036	2,872,581	462,356	6,153,779	-	55,551,480
Charge for the year	308,700	841,348	1,477,886	271,227	134,956	522,264	-	3,556,381
Disposals	-	-	-	-	(169,670)	-	-	(169,670)
Transfers/Re-classifications	(88)	-	-	-	-	-	-	(88)
Balance as at 31 December 2014	10,302,907	11,843,781	26,543,922	3,143,808	427,642	6,676,043	-	58,938,103
Net Book Value								
Balance as at 31 December 2014	<u>\$ 3,204,363</u>	<u>\$ 4,585,194</u>	<u>\$12,537,818</u>	<u>\$ 1,197,339</u>	<u>\$ 971,654</u>	<u>\$ 2,142,693</u>	<u>\$ 319,695</u>	<u>\$ 24,958,756</u>
Balance as at 31 December 2013	<u>\$ 2,849,769</u>	<u>\$ 4,937,921</u>	<u>\$ 8,144,516</u>	<u>\$ 1,404,007</u>	<u>\$ 586,046</u>	<u>\$ 2,542,210</u>	<u>\$ 3,521,761</u>	<u>\$ 23,986,230</u>

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

13. Fixed Assets (Cont'd):Credit Union (cont'd)

Cost	Furniture, Fixtures and Fittings	Office Equipment	Computer Hardware and Software	Other Equipment	Motor Vehicles	Leasehold Improvements	Capital work-in- progress	Total
Balance as at 1 January 2013	\$ 12,588,812	\$15,412,876	\$33,061,433	\$ 4,276,588	\$ 1,048,402	\$ 8,612,535	\$ -	\$ 75,000,646
Additions	255,252	527,478	149,499	-	-	83,454	3,521,761	4,537,444
Disposals	-	-	(380)	-	-	-	-	(380)
Transfers/Re-classifications								
Balance as at 31 December 2013	12,844,064	15,940,354	33,210,552	4,276,588	1,048,402	8,695,989	3,521,761	79,537,710
Accumulated Depreciation								
Balance as at 1 January 2013	9,321,363	9,982,055	23,071,489	2,559,854	267,008	5,539,091	-	50,740,860
Charge for the year	672,932	1,049,581	1,988,554	289,517	195,348	614,688	-	4,810,620
Transfers/Re-classifications	-	(29,203)	5,993	23,210	-	-	-	-
Balance as at 31 December 2013	9,994,295	11,002,433	25,066,036	2,872,581	462,356	6,153,779	-	55,551,480
Net Book Value								
Balance as at 31 December 2013	<u>\$ 2,849,769</u>	<u>\$ 4,937,921</u>	<u>\$ 8,144,516</u>	<u>\$ 1,404,007</u>	<u>\$ 586,046</u>	<u>\$ 2,542,210</u>	<u>\$ 3,521,761</u>	<u>\$ 23,986,230</u>
Balance as at 31 December 2012	<u>\$ 3,267,449</u>	<u>\$ 5,430,821</u>	<u>\$ 9,989,944</u>	<u>\$ 1,716,734</u>	<u>\$ 781,394</u>	<u>\$ 3,073,444</u>	<u>\$ -</u>	<u>\$ 24,259,786</u>

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

13. Fixed Assets (Cont'd):

Group	Land and Buildings	Furniture, Fixtures and Fittings	Office Equipment	Computer Facilities	Other Equipment	Motor Vehicles	Leasehold Improvements	Capital work-in-progress	Total
Cost									
Balance as at 1 January 2014	\$ 92,683,586	\$ 15,333,731	\$ 16,312,674	\$ 33,903,942	\$ 7,425,921	\$ 1,393,600	\$ 8,695,989	\$ 6,809,532	\$ 182,558,975
Additions	1,372,429	271,666	302,797	2,868,223	389,608	645,654	122,747	1,726,533	7,699,657
Disposals	-	-	-	-	-	(294,760)	-	-	(294,760)
Transfers/re-classifications	3,819,295	416,420	229,519	3,092,525	-	-	-	(7,557,759)	-
Balance as at 31 December 2014	<u>97,875,310</u>	<u>16,021,817</u>	<u>16,844,990</u>	<u>39,864,690</u>	<u>7,815,529</u>	<u>1,744,494</u>	<u>8,818,736</u>	<u>978,306</u>	<u>189,963,872</u>
Accumulated Depreciation									
Balance as at 1 January 2014	11,419,344	11,290,464	11,194,431	25,413,581	4,203,865	591,867	6,173,660	-	70,287,212
Charge for the year	660,836	549,799	882,860	1,550,987	521,830	188,878	522,264	-	4,877,454
Disposals	-	-	-	-	-	(169,670)	-	-	(169,670)
Transfers/re-classifications	(768)	(117)	(563)	719	(198)	-	-	-	(927)
Balance as at 31 December 2014	<u>12,079,412</u>	<u>11,840,146</u>	<u>12,076,728</u>	<u>26,965,287</u>	<u>4,725,497</u>	<u>611,075</u>	<u>6,695,924</u>	<u>-</u>	<u>74,994,069</u>
Net Book Value									
Balance as at 31 December 2014	<u>\$ 85,795,898</u>	<u>\$ 4,181,671</u>	<u>\$ 4,768,262</u>	<u>\$ 12,899,403</u>	<u>\$ 3,090,032</u>	<u>\$ 1,133,419</u>	<u>\$ 2,122,812</u>	<u>\$ 978,306</u>	<u>\$ 114,969,803</u>
Balance as at 31 December 2013	<u>\$ 81,264,242</u>	<u>\$ 4,043,267</u>	<u>\$ 5,118,243</u>	<u>\$ 8,490,361</u>	<u>\$ 3,222,056</u>	<u>\$ 801,733</u>	<u>\$ 2,522,329</u>	<u>\$ 6,809,532</u>	<u>\$ 112,271,763</u>

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

13. Fixed Assets (Cont'd):Group (cont'd)

Cost	Land and Buildings	Furniture, Fixtures and Fittings	Office Equipment	Computer Facilities	Other Equipment	Motor Vehicles	Leasehold Improvements	Capital work-in-progress	Total
Balance as at 1 January 2013	\$ 94,285,671	\$15,013,272	\$ 15,722,350	\$ 33,647,332	\$ 7,297,246	\$ 1,728,415	\$ 8,612,535	\$ 666,770	\$ 176,973,591
Additions	3,882,541	320,459	590,324	256,990	158,675	-	83,454	6,221,215	11,513,658
Disposals	(5,549,378)	-	-	-	(30,000)	(334,815)	-	-	(5,914,193)
Transfers/re-classifications	64,752	-	-	(380)	-	-	-	(78,453)	(14,081)
Balance as at 31 December 2013	<u>92,683,586</u>	<u>15,333,731</u>	<u>16,312,674</u>	<u>33,903,942</u>	<u>7,425,921</u>	<u>1,393,600</u>	<u>8,695,989</u>	<u>6,809,532</u>	<u>182,558,975</u>
Accumulated Depreciation									
Balance as at 1 January 2013	11,224,620	10,323,448	10,131,541	23,351,817	3,649,976	577,081	5,558,972	-	64,817,455
Charge for the year	631,638	967,016	1,092,093	2,055,771	544,163	270,572	614,688	-	6,175,941
Disposals	(432,213)	-	-	-	(13,484)	(255,786)	-	-	(701,483)
Transfers/re-classifications	(4,701)	-	(29,203)	5,993	23,210	-	-	-	(4,701)
Balance as at 31 December 2013	<u>11,419,344</u>	<u>11,290,464</u>	<u>11,194,431</u>	<u>25,413,581</u>	<u>4,203,865</u>	<u>591,867</u>	<u>6,173,660</u>	<u>-</u>	<u>70,287,212</u>
Net Book Value									
Balance as at 31 December 2013	<u>\$ 81,264,242</u>	<u>\$ 4,043,267</u>	<u>\$ 5,118,243</u>	<u>\$ 8,490,361</u>	<u>\$ 3,222,056</u>	<u>\$ 801,733</u>	<u>\$ 2,522,329</u>	<u>\$ 6,809,532</u>	<u>\$ 112,271,763</u>
Balance as at 31 December 2012	<u>\$ 83,061,051</u>	<u>\$ 4,689,824</u>	<u>\$ 5,590,809</u>	<u>\$ 10,295,515</u>	<u>\$ 3,647,270</u>	<u>\$ 1,151,334</u>	<u>\$ 3,053,563</u>	<u>\$ 666,770</u>	<u>\$ 112,156,136</u>

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

14. Accounts Payable and Accruals:

Credit Union 31 December			Group 31 December	
2013	2014		2014	2013
\$15,277,109	\$ 18,327,083	CUNA Claims	\$ 18,327,083	\$ 15,277,109
55,314	27,123	Trade creditors	27,123	55,314
366,225	818,551	Interest payable	818,551	366,225
2,001,436	1,192,596	Other payables	1,984,996	1,865,806
1,962,993	2,693,706	Accrued expenses	2,693,706	1,962,993
659,736	302,351	Statutory deductions payable	302,351	659,736
1,426,213	(862)	Provision for retroactive salaries	(862)	1,426,213
20,989,005	22,348,133	Provision for severance	22,348,133	20,989,005
		Automated Teller Machine –		
403,757	1,670,753	Branch Settlement	1,670,753	403,757
<u>\$43,141,788</u>	<u>\$ 47,379,434</u>		<u>\$48,171,834</u>	<u>\$ 43,006,158</u>

15. Deferred Taxation:

Credit Union 31 December			Group 31 December	
2014	2013		2014	2013
\$ -	\$ -	Balance at beginning of year	\$ 8,043,960	\$ 5,699,165
-	-	Effect of Statement of Comprehensive Income	(5,840,613)	2,344,795
<u>\$ -</u>	<u>\$ -</u>	Balance at end of year	<u>\$ 2,203,347</u>	<u>\$ 8,043,960</u>
Deferred taxation is attributable to the following items:				
\$ -	\$ -	Excess of written-down value over net book value	\$ 7,752,821	\$ 12,960,448
-	-	Tax losses carried forward	(5,549,474)	(4,916,488)
<u>\$ -</u>	<u>\$ -</u>		<u>\$ 2,203,347</u>	<u>\$ 8,043,960</u>

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

16. Members' Shares:

According to the Bye-Laws of Eastern Credit Union Co-operative Society Limited, the capital of the Society may be composed of an unlimited number of shares of \$5 each. In accordance with International Financial Reporting Interpretation Committee (IFRIC) Interpretation #2, redeemable shares have been treated as liabilities.

17. Reserve Fund:

In accordance with the Co-operatives Societies Act, 1971, Section 47 (2), 10% of the annual net surplus of the Society is charged to the Reserve Fund.

18. Education Fund:

The Board of Directors has set aside at the end of the year an amount to an Education Fund of 3% of the net surplus for the year, after making provision for the Reserve Fund. This fund is to be used for educational purposes of its members.

19. Investment Re-measurement Reserve:

In accordance with IAS #39, an investment re-measurement reserve has been created to capture unrealized gains/losses on available-for-sale investments.

20. Dividends:

The Board of Directors has proposed a dividend of **\$38.2 million** and interest rebate of **\$6.5 million** for the year ended 31 December 2014. This dividend is subject to approval by the membership at the Annual General Meeting and has not been included as a liability in these consolidated financial statements in accordance with IAS #10.

21. Capital Risk Management:

The Society manages its capital to ensure that it will be able to continue as a going concern while maximising the return to members, whilst providing value to its members by offering loan and savings facilities. The Society's overall strategy remains unchanged from previous years.

The capital structure of the Society consists of equity attributable to members, which comprises issued members shares, reserves and undivided earnings.

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

22. Fair Values:

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

The following methods have been used to estimate the fair values of various classes of financial assets and liabilities:

a) Current assets and liabilities -

The carrying amounts of current assets and liabilities are a reasonable approximation of the fair values because of their short-term nature.

b) Members' Loans -

Loans are net of specific provisions for losses. These assets result from transactions conducted under typical market conditions and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values which are substantially in accordance with financial statement amounts.

c) Investments -

The fair values of investments are determined on the basis of market prices available at 31 December 2014.

d) Members' deposits -

Members' deposits bear interest at rates that are not significantly different from current rates and are assumed to have discounted cash flow values which approximate carrying values.

EASTERN CREDIT UNION CO-OPERATIVE SOCIETY LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

23. 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 decisions.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Society.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms at market rates.

Balances and transaction with related parties and key management personnel during the year were as follows:

	31 December	
	<u>2014</u>	<u>2013</u>
<u>Assets, Liabilities and Members' Equity</u>		
Loans and other receivables		
Directors, committee members, key management personnel	\$ 6,260,643	\$ 7,733,877
Shares, deposits and other liabilities		
Directors, committee members, key management personnel	\$ 5,519,316	\$ 6,672,052
Interest and other income		
Directors, committee members, key management personnel	\$ 584,141	\$ 802,469
Interest and other expenses		
Subsidiary, directors, committee members, key management personnel	\$ 13,281,676	\$ 12,765,418
Key management compensation		
Short-term benefits	\$ 2,714,190	\$ 2,363,126

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NOTES TO THE FINANCIAL STATEMENTS

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24. Other Income:

Credit Union 31 December			Group 31 December	
<u>2013</u>	<u>2014</u>		<u>2014</u>	<u>2013</u>
\$ 2,490,364	\$ 2,339,896	EPL Properties Limited –		
		Loan income	\$ -	\$ -
		EPL Properties Limited –		
1,500,000	1,000,000	Investment income	-	-
9,405,718	9,640,028	Loan processing fees	9,640,028	9,405,718
-	1,648,747	Loan late fees	1,648,747	-
697,440	1,272,318	CUNA commissions	1,272,318	697,440
509,246	246,227	Service charges	246,227	509,246
1,621	1,478	Entrance fees	1,478	1,621
413,227	491,025	Commission	491,025	413,227
1,618,358	824,265	Miscellaneous income	1,498,099	5,113,710
-	-	Gym income	1,874,157	2,192,161
-	28,740	Gain on disposal of fixed assets	28,740	-
<u>\$ 16,635,974</u>	<u>\$ 17,492,724</u>		<u>\$ 16,700,819</u>	<u>\$ 18,333,123</u>

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25. Administrative Expenses:

Credit Union 31 December			Group 31 December	
2013	2014		2014	2013
\$ 431,162	\$ 565,648	Annual and special general meetings	\$ 565,648	\$ 431,162
195,000	205,200	Audit fees	255,200	243,000
3,164,191	-	Bad debt expense	-	3,252,731
1,098,228	1,692,072	Computer supplies and expenses	1,692,072	1,098,228
4,810,620	3,556,381	Depreciation	4,877,454	6,175,941
149,195	147,098	Donations and sponsorships	152,046	149,580
1,098,067	2,136,992	Education supplies and expenses	2,136,992	1,098,067
1,385,882	1,480,543	Electricity	1,480,543	1,385,882
-	-	Green Fund Levy	17,205	13,432
3,525,558	5,751,713	Insurances	6,454,520	4,108,427
2,084,820	2,371,470	Interest on members' deposits	2,371,470	2,084,820
4,083,817	14,800,000	Loan loss expense (net of recoveries)	14,800,000	4,083,817
5,379,070	-	Loss on investments	-	5,379,070
3,252,461	3,425,491	Maintenance	4,290,200	4,777,564
594,756	535,239	Miscellaneous expenses	854,883	853,072
62,058	48,054	Motor vehicle expenses	66,116	70,079
1,084,161	1,159,683	Office expenses	1,267,468	1,176,904
1,104,094	914,436	Printing, postage and stationery	946,814	1,135,135
1,318,124	1,608,208	Professional services	2,234,251	1,675,207
13,541,711	13,942,979	Property rental	4,711,449	4,668,185
-	-	Rates and taxes	361,004	380,004
1,411,681	-	Reversal of provisioning	-	1,411,681
2,846,346	2,757,828	Security	3,677,430	3,860,767
140,163	359,423	Sports and family day expenses	359,423	140,163
414,684	458,892	Staff training	465,842	433,732
2,738,403	2,706,729	Telephone	3,134,325	3,185,354
\$ 55,914,252	\$ 60,624,079		\$ 57,172,355	\$ 53,272,004

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26. Board and Committee Expenses:

Credit Union 31 December			Group 31 December	
2013	2014		2014	2013
\$ 618,157	\$ 884,844	Stipend	\$ 1,239,415	\$ 863,857
188,550	283,280	Meeting expenses	283,280	188,550
4,200	13,920	Training and conferences	13,920	4,200
15,191	16,815	Entertainment	16,815	15,191
5,169	12,007	Corporate wear	12,007	5,169
42,050	53,742	Donations	53,742	42,050
4,401	6,781	Miscellaneous	6,781	4,401
<u>\$ 877,718</u>	<u>\$ 1,271,389</u>		<u>\$ 1,625,960</u>	<u>\$ 1,123,418</u>

27. Personnel Costs:

Credit Union 31 December			Group 31 December	
2013	2014		2014	2013
\$ 45,658,582	\$ 39,953,229	Salaries and other staff benefits	\$ 43,767,901	\$ 49,046,634
1,045,312	1,210,159	Travelling and subsistence	1,210,159	1,045,312
<u>\$ 46,703,894</u>	<u>\$ 41,163,388</u>		<u>\$ 44,978,060</u>	<u>\$ 50,091,946</u>

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28. Taxation:

Credit Union 31 December			Group 31 December	
2013	2014		2014	2013
\$ -	\$ -	Business Levy	\$ (27,242)	\$ (27,082)
-	-	Deferred taxation	5,840,613	(2,344,795)
-	-	Reversal of over-provision on corporation tax	301,949	-
<u>\$ -</u>	<u>\$ -</u>		<u>\$ 6,115,320</u>	<u>\$ (2,371,877)</u>
<u>\$ -</u>	<u>\$ -</u>	Net surplus before taxation	<u>\$ 55,624,604</u>	<u>\$ 49,451,511</u>
\$ -	\$ -	Tax calculated at 25%	\$(13,906,151)	\$(12,362,878)
-	-	Portion re Credit Union Activities	13,595,935	11,004,312
-	-	Business Levy	(27,242)	(27,082)
-	-	Expense not deductible for tax purposes	(7,290)	(4,502)
-	-	Exempt income	18,811	14,901
-	-	Permanent difference re: Fixed Assets which do not attract Wear and Tear Allowance	6,139,308	(996,628)
-	-	Reversal of over-provision on corporation tax	301,949	-
<u>\$ -</u>	<u>\$ -</u>		<u>\$ 6,115,320</u>	<u>\$ (2,371,877)</u>