FINANCIAL STATEMENTS

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STATEMENT OF

MANAGEMENT'S RESPONSIBILITY

For the year ended December 31, 2019
(Expressed in Trinidad and Tobago Dollars)

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of RHAND Credit Union Co-operative Society Limited (the "Credit Union") which comprise the statement of financial position as at December 31, 2019, the statement of comprehensive income, statement of changes in institutional capital, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
- Ensuring that the Credit Union keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures the security of the Credit Union's assets, detection/prevention of fraud, and the achievement of the Credit Union's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Credit Union will not remain a going concern for the next twelve (12) months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Ainsley Andrews	Lister Puckerin
General Manager	**Manager, Finance**
March 25, 2020	March 25, 2020
Date	**Date**

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Trinidad and Tobago

Independent Auditors' Report

To the Members of
RHAND Credit Union Co-operative Society Limited

Opinion

We have audited the financial statements of RHAND Credit Union Co-operative Society Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in institutional capital, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of 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 are 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.

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Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

BDO

March 25, 2020

Port of Spain,
Trinidad, West Indies

STATEMENT OF
FINANCIAL POSITION

(Expressed in Trinidad and Tobago Dollars)

As at December 31, 2019	Notes	2019	2018
ASSETS			
Cash and cash equivalents	7	55,990,776	50,018,220
Investment securities	8	193,041,343	163,472,742
Accounts receivable and prepayments	9	5,870,132	6,592,543
Net loans to members	10	391,695,935	393,833,295
Property and equipment	11	38,181,994	31,590,560
TOTAL ASSETS		**$684,780,180**	**$645,507,360**
INSTITUTIONAL CAPITAL AND LIABILITIES			
INSTITUTIONAL CAPITAL			
Reserve fund		32,309,246	29,920,261
Education fund		2,806,354	2,665,253
Loan protection fund	15	2,736,941	2,245,675
Building fund		16,000,000	15,250,000
Investment re-measurement reserve		20,271,466	13,410,741
Undivided earnings		32,094,551	25,139,196
TOTAL INSTITUTIONAL CAPITAL		**106,218,558**	**88,631,126**
LIABILITIES			
Accounts payable & accruals	12	13,364,786	10,853,332
Members' deposit savings		65,087,905	58,711,954
Members' time deposits		86,790,336	89,780,601
Retirement benefit obligation	13	1,621,600	2,150,700
Members' share savings	14	411,696,995	395,379,647
TOTAL LIABILITIES		**578,561,622**	**556,876,234**
TOTAL INSTITUTIONAL CAPITAL AND LIABILITIES		**$684,780,180**	**$645,507,360**

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

On March 25, 2020, the Board of Directors of RHAND Credit Union Co-operative Society Limited authorised these financial statements for issue.

President	Treasurer	Member, Supervisory Committee

STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Trinidad and Tobago Dollars)

As at December 31, 2019	Notes	2019	2018
Income			
Interest income calculated using the effective interest rate method:			
- Loans		41,177,963	43,432,734
- Investment securities		5,395,013	4,383,225
Unrealised gain on FVTPL		3,826,582	-
Other (loss)/income	19	(109,783)	1,520,286
Other income	20	2,124,358	2,127,062
Total income		**52,414,133**	**51,463,307**
Expenditure			
Administrative expenses	21	(8,865,898)	(9,258,200)
Board and committees' expenses	22	(1,017,867)	(1,158,245)
Life savings insurance expense		(746,257)	(987,889)
Loan protection expense	15	(1,800,946)	(2,200,621)
Expected credit loss on loans to members	10	(1,159,794)	(346,116)
Expected credit loss on investment securities		(65,801)	-
Unrealised loss on FVTPL		-	(1,629,383)
Interest on members' deposits		(2,107,835)	(2,225,231)
Member education, training and development expenses		(1,005,005)	(1,048,243)
Salaries and benefits	23	(12,464,320)	(11,475,555)
Green fund levy		(690,886)	-
Total expenditure		**(29,924,609)**	**(30,329,483)**
Net surplus for the year		**22,489,524**	**21,133,824**
Other comprehensive income			
Unrealised gain/(loss) on FVOCI investment securities		6,860,725	(3,136,537)
Net actuarial gain/(loss) on retirement benefit obligation	13	432,600	(1,279,600)
Total other comprehensive income /(loss)		**7,293,325**	**(4,416,137)**
Total comprehensive income for the year		**$29,782,849**	**$16,717,687**

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

STATEMENT OF

CHANGES IN INSTITUTIONAL CAPITAL

(Expressed in Trinidad and Tobago Dollars)

As at December 31, 2019	Reserve Fund	Education Fund	Loan Protection Fund	Building Fund	Investment Re-measurement Reserve	Undivided Earnings	Total
Year ended December 31, 2019							
Balance as at January 1, 2019	29,920,261	2,665,253	2,245,675	15,250,000	13,410,741	25,139,196	88,631,126
Total comprehensive income for the year	-	-	-	-	6,860,725	22,922,124	29,782,849
Appropriation for the year:							
- 10% to the Reserve Fund	2,292,212	-	-	-	-	(2,222,841)	-
- 5% to the Education Fund	-	1,146,106	-	-	-	(1,111,421)	-
- 10% to the Loan Protection Fund	-	-	2,292,212	-	-	(2,222,841)	-
- Transfer to Building Fund	-	-	-	750,000	-	(750,000)	-
	32,212,473	**3,811,359**	**4,537,887**	**16,000,000**	**20,271,466**	**41,580,790**	**118,413,975**
Dividends	-	-	-	-	-	(12,195,417)	(12,195,417)
Entrance fees	96,773	-	-	-	-	(96,773)	-
Member education, training and development expenses	-	(1,005,005)	-	-	-	1,005,005	-
Loan protection expense	-	-	(1,800,946)	-	-	1,800,946	-
Balance as at December 31, 2019	**$32,309,246**	**$2,806,354**	**$2,736,941**	**$16,000,000**	**$20,271,466**	**$32,094,551**	**$106,218,558**
Year ended December 31, 2018							
Balance as at January 1, 2018	27,855,499	2,720,785	2,460,874	14,500,000	16,547,278	19,100,463	83,184,899
Total comprehensive income for the year	-	-	-	-	(3,136,537)	19,854,224	16,717,687
Appropriation for the year:			-				
- 10% to the Reserve Fund	1,985,422	-	-	-	-	(1,985,422)	-
- 5% to the Education Fund	-	992,711	-	-	-	(992,711)	-
- 10% to the Loan Protection Fund	-	-	1,985,422	-	-	(1,985,422)	-
- Transfer to Building Fund	-	-	-	750,000	-	(750,000)	-
	29,840,921	**3,713,496**	**4,446,296**	**15,250,000**	**13,410,741**	**33,241,132**	**99,902,586**
- Dividends	-	-	-	-	-	(11,271,460)	(11,271,460)
- Entrance fees	79,340	-	-	-	-	(79,340)	-
- Member education, training and development expenses	-	(1,048,243)	-	-	-	1,048,243	-
- Loan protection expense	-	-	(2,200,621)	-	-	2,200,621	-
Balance as at December 31, 2018	**$29,920,261**	**$2,665,253**	**$2,245,675**	**$15,250,000**	**$13,410,741**	**$25,139,196**	**$88,631,126**

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

STATEMENT OF
CASH FLOWS
(Expressed in Trinidad and Tobago Dollars)

As at December 31, 2019	2019	2018
Cash flows from operating activities		
Net surplus for the year	22,489,524	21,133,824
Adjustments for:		
Depreciation	967,062	1,111,845
Expected credit loss on loans to members	1,159,794	346,116
Expected credit loss on investment securities	65,801	-
Loss on disposal of property and equipment	22,488	80,701
Unrealised (gain)/loss on investment securities measured at FVTPL	(3,826,582)	1,629,383
Retirement benefits asset - IAS 19 adjustment	(96,500)	(253,400)
Operating surplus before working capital changes:	**20,781,587**	**24,048,469**
Decrease/(increase) in accounts receivable and prepayments	722,411	(2,284,494)
Decrease in net loans to members	977,566	9,438,669
Increase in accounts payable and accruals	2,511,454	2,002,712
Increase in members' deposit savings	6,375,951	7,144,607
Decrease in members' time deposits	(2,990,265)	(3,247,295)
Increase in members' share savings	16,317,348	11,825,714
Net cash generated from operating activities	**44,696,052**	**48,928,382**
Cash flows from investing activities		
Proceeds from disposal of property and equipment	24,538	1,490
Purchase of property and equipment	(7,605,522)	(4,027,124)
Proceeds on disposal and maturity of investments	(18,947,095)	(4,914,155)
Net cash used in investing activities	**(26,528,079)**	**(8,939,789)**
Cash flows from financing activities		
Dividends distribution	(12,195,417)	(11,271,459)
Net cash used in financing activities	**(12,195,417)**	**(11,271,459)**
Increase in cash and cash equivalents	**5,972,556**	**28,717,134**
Cash and cash equivalents, beginning of year	50,018,220	21,301,086
Cash and cash equivalents, end of year	**$55,990,776**	**$50,018,220**

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

1. Incorporation and Business Activities

RHAND Credit Union Co-operative Society Limited (the Society) was registered under the Co-operative Societies Act of Trinidad and Tobago Ch: 81:03 on March 27, 1947. The registered office of the Credit Union is located at 57-61 Abercromby Street, Port of Spain, with branch operations in Arima and Scarborough, Tobago. Its objectives are to promote the economic and social welfare of its members, to encourage the spirit and practice of thrift, self-help and co-operation among members and to promote the development of co-operative ideas.

2. Basis of Accounting

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

3. Use of Judgements and Estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 6.

4. Significant accounting policies

(a) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided using both the reducing balance method and the straight-line method. Land is not depreciated.

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

Building	2%	Straight line
Car park	10%	Straight line
Furniture, fixtures and fittings	10%	Reducing balance
Office equipment	20%	Reducing balance
Telephone facilities	$33^1/_3$%	Reducing balance

4. Significant accounting policies (continued)

(a) Property and equipment (continued)

Other equipment	$12\frac{1}{2}\%$, $33\frac{1}{3}\%$	Reducing balance
Motor vehicles	25%	Reducing balance
Computer facilities	20%	Reducing balance

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 surplus or deficit.

(b) Financial instruments

Financial instruments carried on the statement of financial position include cash and cash equivalents, investments securities, loans to members, accounts receivable, accounts payable, member deposits, and members share savings. The standard treatment for recognition, derecognition, classification and measurement of financial instruments is described in notes (i) – (vii) below.

i. Recognition and initial measurement

The Society initially recognises financial instruments on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at Fair Value through Profit or Loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

ii. Classification

The Society classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair Value through Other Comprehensive Income ("FVOCI")
- FVTPL

The Society only measures cash and cash equivalents and loans to members and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows

4. Significant accounting policies (continued)

(b) Financial instruments (continued)

ii. Classification (continued)

that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The details of these conditions are outlined below.

Business model assessment

The Society determines its business model at the level that best reflects how the Society manages its financial assets to achieve its business objective.

The Society's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Society's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- The expected frequency, value and timing of sales are also important aspects of the Society's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Society's original expectations, the Society does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As the second step of its classification process, the Society assesses the contractual terms of financial instruments to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

4. Significant accounting policies (continued)

(b) Financial instruments (continued)

ii. Classification (continued)

Financial assets or financial liabilities held for trading

The Society classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit-taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in the statement of comprehensive income. Interest and dividend income or expense are recorded in the statement of comprehensive income according to the terms of the contract, or when the right to payment has been established.

iii. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Society has access at that date. The fair value of a liability reflects its non- performance risk.

When one is available, the Society measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Society uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Society determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the

4. Significant accounting policies (continued)

(b) Financial instruments (continued)

iii. Fair value measurement (continued)

Society measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Society recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

iv. Impairment

The Society recognises loss allowances for Expected Credit Loss ("ECL") on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Society measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Society expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Society if the commitment is drawn down and the cash flows that the Society expects to receive.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is

4. Significant accounting policies (continued)

(b) Financial instruments (continued)

iv. Impairment (continued)

Restructured financial assets (continued)

made of whether the financial asset should be derecognised (see (iv)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Society assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are creditimpaired. A financial asset is 'creditimpaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contracts such as a default or past due event;
- the restructuring of a loan or advance by the Society on terms that the Society would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

4. Significant accounting policies (continued)

(b) Financial instruments (continued)

iv. Impairment (continued)

Presentation of allowance for ECL in the statement of financial position (continued)

- loan commitments: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Society cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Society presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the investment remeasurement reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Society determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Society's procedures for recovery of amounts due.

(c) 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 value of shares held at the end of each month.

(d) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling at the statement of financial position 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.

4. Significant accounting policies (continued)

(e) Provision

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 statement of financial position 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.

(f) Retirement benefit

The Society operates a defined benefit plan for all employees who have completed at least three months of continuous service with the Credit Union and have attained the age of eighteen (18) years but are not yet sixty (60) years at the time of enrolment. Provision is made for pension benefits based on employees' salaries. Pension benefits are based upon contributions made by employees and the Credit Union during employment and determined by actuarial valuations of the Pension Fund Plan. International Accounting Standard 19 – Employee Benefits, requires the use of actuarial techniques on an annual basis to measure the present value of the defined benefit obligation, the related current service cost and the actuarial gains and losses that are recognised in the financial statements.

The Plan was established by Trust Deed dated August 18, 1988, made between the RHAND Credit Union Co-operative Society Limited and Republic Bank Limited and is approved by the Board of Inland Revenue and registered with the Inspector of Financial Institutions. Its operations are governed by the aforementioned Trust Deed, Rules and the applicable laws of Republic of Trinidad and Tobago. The Trustee, Republic Bank Limited has elected to fund the benefits by way of a Deposit Administration Contract with the Pan-American Life Insurance Company Limited.

(g) Taxation

The profits arising from the Society are exempt from income tax, as per the Co-operative Societies Act Chapter 81:03 sections 76-77. The Society pays Green Fund Levy at 0.3% of its gross receipts.

(h) Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risks of change in value. These are shown at cost, which is equivalent to fair value.

Cash and cash equivalents also comprise cash balances which are payable on demand and deposits with maturities of three months or less from the date of acquisition. Bank overdrafts are disclosed as current liabilities.

4. Significant accounting policies (continued)

(i) Members' deposit savings and time deposits

Members' deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument. Members' deposits are subsequently measured at amortised cost, using the effective interest rate method.

(j) Members' shares

Upon opening an account at the Society, new members are required to subscribe for a minimum of one share. Subsequently, every member subscribes at least twelve shares per annum to his/her share capital in the Society. Members can withdraw all or any portion of their unencumbered shares from the Society at any time.

Members' shares are classified as other financial liabilities under the International Accounting Standard (IAS) 32 Financial Instruments: Disclosure and Presentation and are measured at par value.

(k) Accounts payable and accruals

Liabilities for creditors and other payables are classified as accounts payable and accruals and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortised cost using the effective interest rate method.

(l) Funds and reserves

Included within this financial statement caption are the following funds and reserves:

i) Reserve Fund

In accordance with the Act (Section 47(2)) and Bye-Law 58 of the Society, at least 10% of the net surplus of each year is transferred to the Reserve Fund. The reserve fund is indivisible, and no member is entitled to any specific share thereof.

Under Regulation 47 of the Co-operative Society Act 1971, the Reserve Fund of a society may, with the approval of the Commissioner, be applied to meet bad debts or losses sustained through extraordinary circumstances over which the Society has no control.

ii) Education Fund

In accordance with Bye-Law 12 (A) (v.) of the Credit Union, an amount of 5% of the net surplus for the year, is transferred to the education fund. This fund is to be used for educational purposes.

4. Significant accounting policies (continued)

(l) Funds and reserves (continued)

iii) Loan Protection Fund

The Loan Protection Fund provides loan protection coverage for members, which allows the loan balance, up to a maximum of $100,000, to be liquidated in the event of the death of the member before his/her indebtedness to the Credit Union has been repaid.

iv) *Building Fund*

In accordance with Bye-Law 12 (A) (v.) of the Credit Union, an amount of $750,000 of the net surplus for the year is transferred to Building Fund. The building fund was established for the construction and or expansion of the Society's offices.

v) Investment measurement reserve

The society created an investment measurement reserve to include unrealised gain/ losses on investments recorded as fair value through other comprehensive income.

(m) Revenue recognition

Revenue comprises interest on loans to members as well as income from investments.

The interest charged on loans to members is calculated at rates varying between 0.5% and 1.5% per month on the reducing balance and is recognised on the accrual basis net of provisions for expected credit losses.

All other income is recognised on an accrual basis.

(n) New, revised and amended standards and interpretations not yet effective

(i) New and amended standards adopted by the Society

The Society adopted IFRS 16 with a transition date of January 1, 2019. There were no material changes to these financial statements resulting from the adoption of this new standard.

(ii) New standards, amendments and interpretations issued but not effective and not early adopted

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 but are not considered relevant to the Society and have not been disclosed.

(iii) Standards and amendments to published standards early adopted by the Society

The Society did not early adopt any new, revised or amended standards.

4. Significant accounting policies (continued)

(o) Comparative figures

Certain changes in presentation have been made during the year and comparative figures have been restated accordingly.

(p) Leases

The Society accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- There is an identified asset;
- The Society obtains substantially all the economic benefits from the use of the
- asset; and
- The Society has the right to direct use of the asset.

The Society considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Society obtains substantially all the economic benefits from the use of the asset, the Society considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Society has the right to direct use of the asset, the Society considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre- determined due to the nature of the asset, the Society considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.
If the contract or portion of a contract does not satisfy these criteria, the Society applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low-value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted January 1, 2019, without restatement of comparative figures. The Society has one lease which is considered a short-term lease and as such has been exempted from IFRS 16 requirements.

5. Financial Risk Management

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:

5. Financial Risk Management (continued)

(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.

(i) Investment securities

The Society invests mainly in medium-term bonds consisting of 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 not traded, any changes in market values will not impact the statement of comprehensive income.

(ii) Loans to members

The Society generally invests in fixed-rate loans for terms not exceeding five years. These are funded mainly from member deposits and shares.

(b) Credit risk

Credit exposures arise principally in lending activities that lead to loans. Credit risk relates to the failure by counterparties to discharge their obligations and could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. All lending activities are conducted with various counterparties and it is in pursuing these activities that the Society becomes exposed to credit risk.

It is expected that this area of business will continue to be the principal one for the Society in the future and with loans currently comprising a significant portion of the Society's assets and being responsible for a substantial portion of the revenue generated, it is anticipated that the Society will continue to be exposed to credit risk well into the future. The management of credit risk is therefore of utmost importance to the Society and an appropriate organizational structure has been put in place to ensure that this function is effectively discharged; management therefore carefully manages its exposure to credit risk. Exposure to credit risk is managed through appropriate credit policies, procedures, practices and audit functions, together with approved limits. Exposure is also managed by obtaining tangible collateral.

5. Financial Risk Management (continued)

(b) Credit risk (continued)

(i) Credit risk management

In its management of credit risks, the Society has established an organizational structure which supports its lending philosophy. This structure comprises the Board of Directors, the Credit Committee, the Internal Risk Review Committee (IRRC), the General Manager, the Credit Administration Department, the Internal Audit Department, and the Supervisory Committee. The Board of Directors maintains general oversight to ensure that policies and procedures are consistent with the strategic direction and credit philosophy of the Society and that they serve to bring the required level of protection over assets that are exposed to credit risks. The Board also sanctions amendments to credit policies, the delegation of lending authority to senior management and credit requests exceeding the authority of management.

The Credit Committee, the statutory body appointed by the membership to approve loans and to provide oversight of the loan portfolio, has delegated authority for specific areas to the General Manager, with an appropriate reporting system, to facilitate day to day decision making and timely implementation of decisions. The IRRC reviews all credit requests exceeding the authority of the General Manager. The major focus of the Manager, Credit Administration Department is to formulate credit policies, monitor compliance with them and on a continuous basis to assess their relevance to the changing business environment. Most of these policies and procedures are established and communicated through the Society's written Credit Policy Manual and Credit Procedures & Guidelines Manual. These documents set out in detail the current policies governing the lending function and provide a comprehensive framework for prudent risk management of the credit function. Major areas of focus are general credit criteria and control risk mitigants over the Credit Portfolio among others. The Internal Audit Department monitors the effectiveness of credit procedures and policies and may recommend changes to strategies to improve the effectiveness of policies.

(ii) Credit risk measurement

As part of the on-going process of prudent risk management, the Society's policy is to perform Credit Bureau credit checks at the time of approval in addition to a preset ranking (Credit Classification System). The ranking is guided by a model developed for the Society for this purpose. The model utilizes a scale incorporating rating of 0 to 15 with 0 being too new to rate. These have been consolidated into five (5) rating bands which have been set in relation to the total credit portfolio. The rating process is exercised at the discretion of the Delinquency Control Unit of the Credit Administration Department.

(iii) Credit classification system

The Society's Credit Classification System is outlined as follows:

5. Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit classification system (continued)

Classification	Description	Rating
Pass	Standard/Pass	1,2,3
SM	Special mention	0,4,5,6,12
SS	Substandard	7,8,13,14
D	Doubtful	9, 10
L	Loss	11, 15

(iv) Risk limit control and mitigation policy

The Society structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. The Society monitors its concentration of credit exposure so that no single borrower default will have a material impact on the Society. These limits are implemented and monitored by the Manager, Credit Administration via the stipulations of the Society's Credit Policy Manual. In instances where it is strategically beneficial and adequately documented, the Society would seek approval on an exception basis for variation to its standard approved limits from the Board of Directors.

Collateral

The principal collateral types for loans and advances are:

- Cash deposits;
- Cash equivalents such as cash surrender values of life insurance policies and shares listed on the TTSE;
- Mortgage Bills of Sale over motor vehicles; and
- Mortgages over residential properties.

The Society does not take a second or inferior collateral position to any other lender on advances outside the lending value calculated as per the Society's stipulated guidelines. The Society recognizes that the value of items held as collateral may diminish over time resulting in loans being less protected than initially intended. To mitigate the effect of this, margins are applied to security items in evaluating coverage. The Society assesses the collateral value of credits at the point of inception and monitors the market value of collateral during periodic review of loan accounts in arrears as per the Credit Policy.

(v) Impairment and provisioning policies

The Society's impairment policy is covered in detail in Note 4(b).

The Society's impairment provisioning model was developed using a multi-criteria decision-making model for determining Expected Credit Loss. The data used to develop this model are based on records and data of the Society backed by economic and financial estimates

5. Financial Risk Management (continued)

(b) Credit risk (continued)

(v) Impairment and provisioning policies (continued)

based on management's experience and professional judgment.

The model calculates an unbiased and probability-weighted estimation of Expected Credit Loss utilizing the following approach:

Expected Credit Losses (ECL) = EAD×LGD×PD

Where,

- EAD – Exposure at Default
- LDG - Loss Given Default
- PD – Probability of Default

The model utilized the following inputs:

1. The paper from the World Council of Credit Unions (WOCCU) on IFRS 9 Loan Loss Accounting for Cooperative Financial Institutions;

2. Expert judgment - As provided by the internal (and MBA qualified) IFRS 9 Project team comprising the General Manager (former Credit Manager), Finance Manager, the senior supervisor in charge of delinquency management and the acting senior ICT administrator.

3. The implementation of IFRS 9 impairment requirements by banks, detailed by the Global Public Policy Committee of representatives of the six largest accounting networks (GPPC).

Exposure at Default (EAD)

The Exposure at Default is the principal amount that is estimated to be at risk of non-recoverability at default. This is reflective of the carrying value of the asset adjusted for the expected changes in the exposure after the reporting date. These changes are influenced by various factors given that each loan type has unique features and equally unique credit exposures. RHAND's Exposure at Default (EAD) factors these variables by firstly stratifying the portfolio of assets by type.

In assessing RHAND's loan portfolio it was determined that all loans fall into three broad categories/ types based on the interest rate, contractual period, collateral, and purpose. These types are:

- Instalment - for which loans are typically partially secured by the assignment and typically experience reducing exposures over the life of the loan.

5. Financial Risk Management (continued)

(b) Credit risk (continued)

(v) Impairment and provisioning policies (continued)

Exposure at Default (EAD) (continued)

- Motor Vehicles - for which loans are typically fully secured by the assignment and typically remain with coverage at par or with small exposures over the life of the loan.

- Real Property (Mortgages) - for which loans are typically fully secured by the assignment and typically remain with a buffer of coverage during the life of the loan.

Adjusting for value of member shares held

The Society's standing policy on loans requires the drawdown on shareholdings (cash) associated with a given loan upon delinquency (30 days past due). Further to this, once encumbered, members are not permitted to withdraw shares which are held against borrowings.

As such, according to policy and operating practice, the credit loss exposure is reduced by the carrying value of the encumbered shares being that encumbered shares would be liquidated by the time default occurs.

As at December 31, 2019				
Stage	**Type**	**Balance**	**Shares held**	**EAD**
Stage 1 - Performing Loans	Consumer	202,452,835	149,061,507	53,391,328
	Motor Vehicle	34,386,184	15,846,844	18,539,340
	Mortgage	131,652,292	45,898,946	85,753,346
	Total Performing Loans	**368,491,311**	**210,807,297**	**157,684,014**
Stage 2 – Under Performing Loans	Consumer	5,034,051	3,078,002	1,956,049
	Motor Vehicle	585,022	534,698	50,324
	Mortgage	5,480,184	973,238	4,506,946
	Total Under Performing Loans	**11,099,257**	**4,585,938**	**6,513,319**
Stage 3 – Non-Performing Loans	Consumer	10,877,498	1,656,310	9,221,188
	Motor Vehicle	2,009,060	76,184	1,932,876
	Mortgage	7,304,790	308,696	6,996,094
	Total Non-Performing Loans	**20,191,348**	**2,041,190**	**18,150,158**
	TOTAL	**$399,781,916**	**$217,434,425**	**$182,347,491**

5. **Financial Risk Management (continued)**
(b) **Credit risk (continued)**
(v) **Impairment and provisioning policies (continued)**
Adjusting for value of member shares held (continued)

As at December 31, 2018				
Stage	**Type**	**Balance**	**Shares held**	**EAD**
Stage 1 - Performing Loans	Consumer	198,233,650	147,848,670	50,384,914
	Motor Vehicle	37,656,394	17,273,182	20,383,212
	Mortgage	130,008,714	42,653,557	87,355,157
	Total Performing Loans	**365,898,692**	**207,775,409**	**158,123,283**
Stage 2 – Under Performing Loans	Consumer	6,686,999	3,640,123	3,046,876
	Motor Vehicle	1,945,145	700,975	1,244,170
	Mortgage	3,313,148	710,215	2,602,933
	Total Under Performing Loans	**11,945,292**	**5,051,313**	**6,893,979**
Stage 3 – Non-Performing Loans	Consumer	6,271,401	772,691	5,498,710
	Motor Vehicle	1,341,374	156,738	1,184,636
	Mortgage	15,209,518	163,926	15,045,592
	Total Non-Performing Loans	**22,822,293**	**1,093,355**	**21,728,938**
	TOTAL	**$400,666,277**	**$213,920,077**	**$186,746,200**

Probability at Default (PD)

This is the likelihood of a member defaulting (90 days past due). In estimating the likelihood of a borrower's default (PD), the Society used an internal benchmark which examined the delinquency rate of each loan type portfolio stratified by stages for period 2015-2019.

An average rate for stage 1 and 2 was calculated using delinquency data over a five- year period and adjusted utilizing forward-looking assumption which historically had a material impact on the Society's credit quality. For stage 3, 100% probability of default was used on the basis that default criteria are achieved by all loans at this stage.

Probability of default was calculated as follows:
PD = AR × (1+WF1)
Where,
• AR = Average Delinquency Rate (Over a 5-year period)
• W = Weighting by correlation
• F = Economic Factor (average unemployment rate over a four-year period)

5. Financial Risk Management (continued)

(b) Credit risk (continued)

(v) Impairment and provisioning policies (continued)

Loss Given Default (LGD)

This is the share of a member's loan principal that is expected to be unrecoverable if a borrower defaults, expressed as a percentage (or expected loss percentage). The Default is defined as 90 days or more past due.

LGD was determined for each of the 9 sub-buckets based on a different rationale applied to each of the 3 primary buckets. The respective details follow:

Calculation of Loss Given Default (LGD)

Using WOCCU's guidelines for establishing expected loss percentages, the option of a 2-Year Weighted Average approach was determined to be best. The formula was expressed as:

ex = (2L0 + L1)/3

Where:

- ex = the expected loss percentage for each Sub-bucket.
- L0 = losses as a percentage of face value incurred on similar loans over the previous 12 months.
- L1 = losses as a percentage of face value incurred on similar loans 12-24 months ago

Note 6(b)(vii)(c)-Individually Impaired of the Notes to the Financial Statements in the Society's Annual Report for the year ended December 31, 2018, provided the data to calculate this.

L0 for the respective sub-bucket was calculated as the 2018 Impairment allowance / Loans to members.

L1 for the respective sub-bucket was calculated as the 2017 Impairment allowance / Loans to members.

Expected Credit Loss

The final ECL is measured in a way that reflects the time value of money. This meant that cash shortfalls associated with default are discounted back to the statement of financial position date, using the effective interest rate (EIR) (i.e. the same rate used to recognize interest income) or an approximation and the average time to maturity on the portfolio.

The ECL for Stage 1 of the portfolio (12 Month ECL) was calculated by dividing the average ECL (ECLA) balance for these assets by the portfolio. Stage 2 incorporated the average portfolio time to maturity as its time factor. (3.02 years) While Stage 3 no discounting is needed for these accounts as the default technically occurred already.

5. Financial Risk Management (continued)

(b) Credit risk (continued)

(v) Impairment and provisioning policies (continued)
Expected Credit Loss (continued)

Thus ECL = ECL / (1+EIR) ^t

The ECL provision for the loan portfolio of the Society for the year ended December 31, 2019, is estimated to be $8,085,980 (2018: $6,832,981).

(vi) Maximum exposure to credit risk before collateral held or other credit enhancement

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.

	2019	2018
Due from banks and other financial institutions	203,814,062	173,367,236
Accounts receivable	5,483,654	6,022,758
Loans to members (Gross)	399,781,916	400,666,277
	$609,079,632	**$580,056,271**

The above table represents a worst-case scenario of credit risk exposure to the Society without taking account of any collateral held or other credit enhancements attached.

Financial assets that are neither past due nor impaired

	2019	2018
Cash and cash equivalents	55,232,363	49,362,496
Investment securities	148,581,701	124,004,740
Accounts receivable with full repayment expected	5,483,654	6,022,758
Loans to members	368,104,736	364,332,777
	$577,402,454	**$543,722,771**

(vii) Loans to members and other financial assets

Financial assets that are neither past due nor impaired

5. **Financial Risk Management (continued)**

(b) **Credit risk (continued)**

(vii) **Loans to members and other financial assets (continued)**
Financial assets that are neither past due nor impaired (continued)

(a) Neither past due nor impaired

The composition of the portfolio of loans to members that were neither past due nor impaired on an individual basis is illustrated below by loan type.

	2019	2018
Instalment loans	202,167,965	244,102,989
Motor vehicles	34,284,479	33,256,113
Mortgages	131,652,292	86,973,675
Total	**$368,104,736**	**$364,332,777**

(b) Past due but not impaired

Loans to members less than 90 days past due are not considered impaired unless other information is available to indicate the contrary. Gross amount of loans to customers that were past due but not impaired on an individual basis are as follows:

As at December 31, 2019	Up to 31 days	32 to 61 days	62 to 90 days	Total
Instalment loans	3,757,883	1,561,039	-	5,318,922
Motor vehicles	480,557	206,170	-	686,727
Mortgages	4,231,513	1,994,527	-	6,226,040
Sub-total	**$8,469,953**	**$3,761,736**	**$-**	**$12,231,689**
Fair value of collateral	**$13,004,558**	**$4,134,761**	**$-**	**$17,139,319**

As at December 31, 2018	Up to 31 days	32 to 61 days	62 to 90 days	Total
Instalment loans	6,302,282	3,515,301	153,914	9,971,497
Motor vehicles	1,049,416	270,430	85,288	1,405,134
Mortgages	2,023,048	1,253,823	-	3,276,871
Sub-total	**$9,374,746**	**$5,039,554**	**$239,202**	**$14,653,502**
Fair value of collateral	**$11,580,481**	**$3,114,782**	**$94,273**	**$14,789,536**

5. Financial Risk Management (continued)

(b) Credit risk (continued)

(vii) Loans to members and other financial assets (continued)

Financial assets that are neither past due nor impaired (continued)

(c) Individually impaired

As at December 31, 2019	Up to 31 days	32 to 61 days	62 to 90 days	Total
Loan to members	10,877,498	2,009,060	7,304,790	20,191,348
Fair value of collateral	184,166	956,854	8,832,833	9,973,853
Impairment allowance	(7,283,583)	(639,759)	(1,293,423)	(9,216,765)
As at December 31, 2018	**Up to 31 days**	**32 to 61 days**	**62 to 90 days**	**Total**
Loan to members	10,597,543	1,913,687	11,747,577	24,258,807
Fair value of collateral	837,327	731,524	15,239,542	16,808,393
Impairment allowance	(7,647,187)	(590,755)	(355,952)	8,593,894

Upon initial recognition of loans to customers, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In the subsequent periods, the fair values are referenced by marked values for cash and cash equivalents; written down market value for motor vehicles based on annual discounting, and written down market value (at initial assignment) as outlined in the Credit Policy for real property.

(d) Loans to customers restructured

Restructuring activities include extended payment arrangements and modification of payment. Restructuring policies and practices are based on indicators or criteria that, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to instalment loans. In some cases, restructuring results in the assets continuing to be impaired but in most cases, restructuring is geared to facilitate correction of the root cause of impairment which eventually improves collectability of the assets.

	2019 $	2018 $
Number of loans restructured	50	77
Value of restructured	**$5,474,695**	**$5,070,410**

5. **Financial Risk Management (continued)**

(b) Credit risk (continued)

(vii) Loans to members and other financial assets (continued)
Financial assets that are neither past due nor impaired (continued)

(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 and by having available an adequate amount of committed credit facilities.
The Society can 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.

Liquidity gap

The Society's exposure to liquidity risk is summarized in the table below which analyses the discounted cash flow of financial assets and liabilities based on the remaining period from the Statement of Financial Position date to the contractual maturity date.

As at December 31, 2019	Up to 1	1 to 5 Years	Over 5 years	Total
Financial Assets				
Cash and cash equivalents	55,232,362	-	-	55,232,362
Investment securities	123,086,977	18,383,580	7,111,145	148,581,702
Investment interest receivable	1,719,578	-	-	1,719,578
Loan interest receivable	1,499,884	-	-	1,499,884
Loans to members (gross)	14,300,448	266,057,998	119,423,470	399,781,916
Total financial assets	**195,839,249**	**284,441,578**	**126,534,615**	**606,815,442**
Financial liabilities				
Members' savings and time deposits	151,878,241	-	-	151,878,241
Members' shares	411,696,995	-	-	411,696,995
Accrued interest payable	10,392,968	-	-	10,392,968
Total financial liabilities	**573,968,204**	**-**	**-**	**573,968,204**
Net position	**($378,128,955)**	**$284,441,578**	**$126,534,615**	**$32,847,238**

5. Financial Risk Management (continued)

(c) Liquidity risk (continued)

Liquidity gap (continued)

As at December 31, 2018	Up to 1	1 to 5 Years	Over 5 years	Total
Financial Assets				
Cash and cash equivalents	4,780,467	-	-	4,780,467
Investment securities	123,853,442	24,454,371	20,278,957	168,586,770
Investment interest receivable	1,842,558	-	-	1,842,558
Loan interest receivable	1,696,323	-	-	1,696,323
Loans to members	91,455,626	235,424,574	73,786,076	400,666,276
Total financial assets	**223,628,416**	**259,878,945**	**94,065,033**	**577,572,394**
Financial liabilities				
Members' savings and time deposits	148,492,555	-	-	148,492,555
Members' shares	395,379,647	-	-	395,379,647
Accounts payable	8,836,523	-	-	8,836,523
Total financial liabilities	**552,708,725**	**-**	**-**	**552,708,725**
Net position	**($329,080,309)**	**$259,878,945**	**$94,065,033**	**$24,863,669**

(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 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. Supervisory controls are also installed to minimise human error.

(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

5. **Financial Risk Management (continued)**

(f) Compliance risk (continued)

due to the supervision applied by the Commissioner of Co-operative Development in the Ministry of Labour and Small and Micro Enterprise Development, as well as by the monitoring controls applied by the Society.

(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.

(h) Fair value

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

As at December 31, 2019	Carrying Value	Fair Value
Financial assets		
Cash at bank	55,232,362	55,232,362
Investment securities	148,581,703	148,581,703
Investment interest receivable	1,719,578	1,719,578
Loan interest receivable	1,499,884	1,499,884
Other accounts receivable	2,650,670	2,650,670
Loans to members	391,695,935	391,695,935
	$601,380,132	**$601,380,132**
Financial liabilities		
Members' savings and time deposits	151,878,241	151,878,241
Members' shares	411,696,995	411,696,995
Other accounts payable	13,364,786	13,364,786
	$576,940,022	**$576,940,022**

5. **Financial Risk Management (continued)**

(h) Fair value (continued)

As at December 31, 2018	Carrying Value	Fair Value
Financial assets		
Cash at bank	49,362,496	49,362,496
Investment securities	124,004,740	124,004,740
Investment interest receivable	1,842,558	1,842,558
Loan interest receivable	1,696,323	1,696,323
Other accounts receivable	3,053,662	3,053,662
Loans to members	393,833,295	393,833,295
	$573,793,075	**$573,793,075**
Financial liabilities		
Members' savings and time deposits	148,492,555	148,492,555
Members' shares	395,379,647	395,379,647
Other accounts payable	8,836,523	8,836,523
	$552,708,725	**$552,708,725**

6. **Significant Accounting Estimates and Judgements**

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in the process of applying the Society's accounting policies. See Note 4.

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

6. Significant Accounting Estimates and Judgements (continued)

(i) Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

(ii) Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward looking information into the measurement of ECL and selection and approval of modes used to measure ECL.

(iii) Impairment of financial instruments: determining inputs into the ECL measurement model, including the incorporation of forward-looking information. Determination of fair value of financial instruments with significant unobservable inputs.

(iv) Measurement of defined benefit obligation: key actuarial assumptions

(v) Impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

(vi) Which depreciation method for property and equipment is used.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position 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

IFRS 9 dictates that entities are to develop an impairment model that would reflect the general pattern of deterioration in the credit quality of financial instruments and in which the amount of expected credit losses recognized as a loss allowance or provision would depend on the level of deterioration in the credit quality of financial instruments since initial recognition. As such, RHAND has developed a three-stage model for its loan portfolio stratified (as defined by Note 4)

(ii) Property 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.

7. Cash and cash equivalents

	2019	2018
Cash in hand and at bank	6,866,828	5,436,190
Mutual Fund	46,781,789	42,710,585
Cash at broker	2,342,159	1,871,445
	$55,990,776	**$50,018,220**

8. Investment Securities

	2019	2018
Investment securities measured at FVTPL	73,377,634	67,703,990
Investment securities measured as at FVOCI	88,277,254	79,672,060
Investment securities at amortised cost	31,386,455	16,096,692
	$193,041,343	**$163,472,742**

Investment securities measured at FVTPL		
First Citizens Investment Services Limited Medium-Term Fixed Rate Notes	8,500,000	8,500,000
Guardian Asset Management and Investment Services Limited - Fixed Rate Note	3,036,083	5,000,000
Bourse Securities Limited - Repurchase Agreement	19,558,940	16,231,698
KCL Capital Market Brokers Limited - Assets Under Management	11,214,782	3,960,922
KCL Capital Market Brokers Limited - Participation Investment Certificate	4,991,323	13,475,156
Firstline Securities Limited - Commercial Paper Secured Notes	6,538,042	6,233,334
Central Bank - Open Market Operation	785,368	-
KSBM Asset Management Limited - Equities	14,734,346	14,302,880
Caribbean Finance Company Limited - Certificate of Deposit	4,018,750	-
Total investment securities measure at FVTPL	**$73,377,634**	**$67,703,990**
Investment securities measured at FVOCI		
Quoted equities		
Republic Bank Limited	1,915,025	1,565,352
Prestige Holdings Limited	1,636,074	1,332,491
Grace Kennedy Company Limited	592,500	435,000
Guardian Holdings Limited	411,350	343,900
Massy Holdings Limited	964,715	743,305
West Indian Tobacco Company Limited	964,853	2,221,189
One Caribbean Media Limited	306,000	370,440
Sagicor Financial Corporation	572,250	472,500
Jamaica Money Market Brokers Limited	585,189	398,475
Ansa Mc Al Limited	804,264	801,350
Scotiabank Trinidad and Tobago Limited	951,600	1,002,300
Royal Bank of Canada	169,488	146,632
National Commercial Bank of Jamaica	543,000	426,500
Angostura Holdings Limited	324,000	317,200
CLICO Investment Fund	669,750	470,705
First Citizens Bank Limited	12,691,133	9,688,040
Trinidad and Tobago NGL Limited	1,988,800	2,415,446
Exchange Traded Funds (ETF):		
First Citizens Investment Services Limited	3,633,287	2,570,861
Unquoted Equity		
The Central Finance Facility Co-operative Society of Trinidad and Tobago Limited	-	100,000
Mutual Fund Units		
Trinidad and Tobago Unit Trust Corporation		
- Calypso Macro Index Fund	3,136,676	2,987,310
- Growth and Income Fund	55,417,300	50,532,239
First Citizens Investment Services Limited	-	330,825
Total investment securities measured at FVOCI	**$88,277,254**	**$79,672,060**

8. Investment Securities (continued)

Investment securities measured at Amortised cost:		
Bonds:		
Government of the Republic of Trinidad and Tobago	6,130,106	811,100
Government of St. Lucia	362,948	362,948
Housing Development Corporation	189,000	189,000
National Insurance Property Development Company	1,153,596	1,153,595
Neal and Massy Holdings Limited	500,000	500,000
National Infrastructure Development Company Limited	138,065	156,565
Phoenix Park Gas Processors Limited	76,074	121,015
Trinidad and Tobago Mortgage Finance Company Limited	497,500	497,500
Republic Bank of Trinidad & Tobago	1,967,480	1,967,480
First Citizens Bank Limited	805,488	805,488
National Investment Fund	9,632,000	9,632,000
Methanol Holding Limited	5,000,000	-
Guardian Holdings Limited	4,976,011	-
Less: Provision on ECL	(41,814)	(99,999)
Total investments securities measured at amortised cost	**$31,386,455**	**$16,096,692**

9. Accounts Receivable and Prepayments

	2019	2018
Interest receivable on investments	1,719,578	1,842,558
Interest receivable on loans	1,499,884	1,696,323
Other receivables and prepayments	1,208,423	1,303,862
Staff members' loans	709,847	349,836
LINCU settlement advance & reserve	450,000	450,000
CUNA Payment Protector & FIP Claims & FIP Payable	282,400	949,965
	$5,870,132	**$6,592,543**

10. Net Loans to Members

(a) Loans to Members

Member loans are initially measured at cost, net of loan origination fees and inclusive of transaction costs incurred. They are subsequently measured at amortised cost, using the effective interest rate method, less any impairment losses. Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans.

Impairment provisions for loans to members are recognised based on the three-stage approach within IFRS 9 as follow:

10. Net Loans to Members (continued)

(a) Loans to Members (continued)

Stage 1 represents 12 months expected credit losses

- Applicable when no significant increase in credit risk;
- Entities continue to recognise 12-month expected losses that are updated at each reporting date;
- Presentation of interest on a gross basis.

Stage 2 represents lifetime expected credit losses

- Applicable in case of a significant increase in credit risk;
- Recognition of lifetime expected losses;
- Presentation of interest on a gross basis.

Stage 3 represents - lifetime expected credit losses (net interest)

- Applicable in case of credit impairment;
- Recognition of lifetime expected losses;
- Presentation of interest on a net basis.

Analysis of movement in expected credit loss

	2019	2018
Expected credit loss at beginning of the year	6,832,981	6,334,545
ECL adjustment	93,206	152,320
Expected credit loss for the year	1,159,794	346,116
Expected credit loss at end of the year	**$8,085,981**	**$6,832,981**

10. Net Loans to Members (continued)

(a) Loans to Members (continued)

The table below shows the staging of loans to members and the related expected credit losses based on the Company's adoption of IFRS 9.

Analysis of movement in provision for loan losses

As at December 31, 2019	Stage 1 0-90 days in arrears	Stage 2 91–120 days in arrears	Stage 3 >120 days in arrears	Sum Total
Principal	368,491,311	11,099,257	20,191,348	399,781,916
Credit losses	(2,167,541)	(63,182)	(5,855,258)	(8,085,981)

As at December 31, 2018	Stage 1 0-90 days in arrears	Stage 2 91–120 days in arrears	Stage 3 >120 days in arrears	Sum Total
Principal	365,898,692	11,945,292	22,822,293	400,666,277
Credit losses	(1,920,812)	(92,009)	(4,809,160)	(6,821,981)

(b) Loans to members are stated at principal outstanding net of expected credit losses.

	2019	2018
Loans to members	399,781,916	400,666,277
Less: Expected Credit loss	(8,085,981)	(6,832,981)
	$391,695,935	**$393,833,296**

11. Property & Equipment

	Land	Car Park	Building	Work-in-Progress
Cost				
Balance as at January 1, 2019	19,356,907	186,868	10,143,049	3,072,746
Additions	6,157,901	-	-	1,176,861
Disposals	-	-	(2,961)	(19,953)
Reclassification	630,000	-	26,798	(1,334,813)
Balance as at December 31, 2019	**26,144,808**	**186,868**	**10,166,886**	**2,894,841**
Accumulated Depreciation				
Balance as at January 1, 2019	-	(186,868)	(5,457,440)	-
Charges for the year	-	-	(203,345)	-
Disposals	-	-	997	-
Balance as at December 31, 2019	**-**	**(186,868)**	**(5,659,788)**	**-**
Net book value	**$26,144,808**	**$-**	**$4,507,098**	**$2,894,841**
Cost				
Balance as at January 1, 2018	15,493,608	186,868	10,143,049	3,780,320
Additions	261,095	-	-	3,695,224
Disposals	-	-	-	(52,427)
Reclassification	3,602,204	-	-	(4,350,371)
Balance as at December 31, 2018	**19,356,907**	**186,868**	**10,143,049**	**3,072,746**
Accumulated Depreciation				
Balance as at January 1, 2018	-	(186,868)	(5,254,579)	-
Charges for the year	-	-	(202,861)	-
Disposals	-	-	-	-
Balance as at December 31, 2018	**-**	**(186,868)**	**(5,457,440)**	**-**
Net book value	**$19,356,907**	**$-**	**$4,685,609**	**$3,072,746**

11. Property & Equipment (continued)

Furniture Fixtures and Fittings	Office Equipment	Telephone Facilities	Other Equipment	Motor Vehicle	Computer Facilities	Total
3,375,260	764,731	338,000	2,768,243	467,627	8,526,502	48,999,933
51,085	10,828	-	3,720	-	205,127	7,605,522
(3,372)	(1,944)	-	(53,105)	-	(50,559)	(131,894)
179,185	-	-	211,683	-	287,147	-
3,602,158	**773,615**	**338,000**	**2,930,541**	**467,627**	**8,968,217**	**56,473,561**
(2,332,888)	(569,013)	(296,900)	(1,917,701)	(363,130)	(6,285,433)	(17,409,373)
(141,306)	(36,410)	(11,789)	(123,300)	(23,329)	(427,583)	(967,062)
1,523	1,638	-	43,919	-	36,791	84,868
(2,472,671)	**(603,785)**	**(308,689)**	**(1,997,082)**	**(386,459)**	**(6,676,225)**	**(18,291,567)**
$1,129,487	**$169,830**	**$29,311**	**$933,459**	**$81,168**	**$2,291,992**	**$38,181,994**
3,374,683	753,228	331,281	2,706,452	467,627	8,727,052	45,964,168
13,262	11,503	12,166	42,457	-	43,844	4,079,551
(12,685)	-	(5,447)	(3,105)	-	(970,122)	(1,043,786)
-	-	-	22,439	-	725,728	-
3,375,260	**764,731**	**338,000**	**2,768,243**	**467,627**	**8,526,502**	**48,999,933**
(2,231,097)	(527,552)	(283,344)	(1,795,956)	(333,096)	(6,594,200)	(17,206,692)
(109,826)	(41,461)	(15,462)	(124,289)	(30,034)	(587,912)	(1,111,845)
8,035	-	1,906	2,544	-	896,679	909,164
(2,332,888)	**(569,013)**	**(296,900)**	**(1,917,701)**	**(363,130)**	**(6,285,435)**	**(17,409,373)**
$1,042,372	**$195,718**	**$41,100**	**$850,542**	**$104,497**	**$2,241,069**	**$31,590,560**

12. Accounts Payable and Accruals

	2019	2018
Death/disability claims payable	7,316,644	5,961,856
Other payables and accruals	3,819,071	2,538,752
Interest payable on members' time deposits	862,659	979,887
Cummings/ Fraser Foundation Account	760,000	770,000
Unclaimed members' deposits	547,730	547,730
Non-members receipts	33,860	30,285
Unclaimed members' share savings	24,595	24,595
Sharon FYFE "Coopers" Account	227	227
	$13,364,786	**$10,853,332**

13. Retirement Benefit Obligations

(a) Change in Present Value of Defined Benefit Obligations

	2019	2018
Opening Present Value of Defined Benefit Obligation	20,134,400	17,162,700
Current service cost	792,700	731,100
Interest cost	1,017,300	906,600
Plan participant contributions	252,800	254,800
Actuarial (gain) loss on obligation	(604,600)	1,111,100
Benefit paid	(1,666,700)	(31,900)
	$19,925,900	**$20,134,400**

(b) Change in Fair Value of Plan Assets

	2019	2018
Opening fair value of plan assets	17,983,700	16,038,200
Administrative expenses	(54,800)	(23,100)
Expected return on plan assets	889,300	833,900
Actuarial loss on Plan Assets	(172,000)	(168,500)
Employer contributions	1,072,000	1,080,300
Plan participant contributions	252,800	254,800
Benefit paid and administrative expenses	(1,666,700)	(31,900)
	$18,304,300	**$17,983,700**

13. Retirement Benefit Obligations (continued)

(c) Items for Inclusion in Statement of Financial Position

	2019	2018
Defined benefit obligation	19,925,900	20,134,400
Fair value of plan assets	(18,304,300)	(17,983,700)
	$1,621,600	**$2,150,700**

(d) Items for Inclusion in Statement of Comprehensive Income

	2019	2018
Current service cost	792,700	731,100
Interest cost	128,000	72,700
Administrative expenses	54,800	23,100
	$975,500	**$826,900**

(e) Reconciliation of Opening and Closing Statement of Financial Position Entries

	2019	2018
Opening defined benefit asset	2,150,700	1,124,500
Net pension cost	975,500	826,900
Actuarial (gain) loss on obligation	(432,600)	1,279,600
Company contributions paid	(1,072,000)	(1,080,300)
	$1,621,600	**$2,150,700**

(f) Actual Return on Plan Assets

	2019	2018
Expected return on plan assets	889,300	833,900
Actuarial loss on plan assets	(172,000)	(168,500)
	$717,300	**$665,400**

13. Retirement Benefit Obligations (continued)

(g) Expected Society Contributions

Expected Society Contributions	$1,147,000	$1,362,000

(H) Summary of Principal Assumptions

Discount rate at start of year	5%	5%
Discount rate at end of year	5%	5%
Future salary increase	5%	5%
Expected return on assets	5%	5%

(i) Major Categories of Plan Assets

Deposit Administration Contract	100%	100%

Sensitivity of Present Value of Defined Benefit Obligation

Should the discount rate increase by 1%, the obligation will decrease by $3,295,300 and should the rate decrease by 1%, the obligation will increase by $4,305,900. Should there be a 1% increase in expected salary growth, the obligation will increase by $1,687,400 and should there be a 1% decrease, the obligation will decrease by $1,438,300. The weighted average duration of the obligation in 22 years (2018: 20 years).

14. Member' Share Savings

The Bye-Laws of RHAND Credit Union Co-operative Society Limited allows for the issue of an unlimited number of shares valued at $5.00 each. In accordance with International Financial Reporting Interpretation Committee (IFRIC) Interpretation #2 redeemable shares have been treated as liabilities.

15. Loan Protection Fund

The Loan Protection Fund provides loan protection coverage for members, which allows the loan balance, up to a maximum of $100,000, to be liquidated in the event of the death of the member before his/her indebtedness to the credit union has been repaid. For the year ended December 31, 2019, $1,800,946 (2018: $2,200,621) was expensed from the Fund and $2,292,212 (2018: $1,985,422) was allocated to the Fund. As at December 31, 2019, the balance stood at $2,736,941 (2018: $2,245,675).

16. 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:

16. Related Party Transactions (continued)

	2019	2018
Assets, Liabilities and Members' Equity		
Loans and other receivables		
Due from directors, committee members, key management personnel	5,813,955	5,484,528
Due from LINCU Limited	450,000	450,000
Shares, deposits and other liabilities		
Directors, committee members, key management personnel	5,026,040	4,939,252
Cummings/Fraser Foundation Account	760,000	770,000
Interest and other income		
Directors, committee members, key management personnel	476,437	482,765
Interest and other expenses		
Directors, committee members, key management personnel	124,038	105,051
Key management compensation		
Short-term benefits	2,334,450	2,549,259

17. 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, the 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) Accounts receivable and Accounts payable

The carrying amounts of accounts receivable and accounts payable are a reasonable approximation of the fair values because of their short-term nature.

(b) Members' loans

Loans are net of specific allowances 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.

17. Fair Values (continued)

(c) Investment securities

The fair values of investments are determined on the basis of market prices available at December 31, 2019.

(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.

(e) Members' share savings

The carrying amounts of members' share savings are a reasonable approximation of the fair values because they are due on demand.

(f) Classification of financial instruments at fair value

The Society measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

There were no transfers of financial instruments between levels during the year, neither were there any changes in the categorization from the prior year.

The following table shows the fair values of financial assets and financial liabilities, including their level in the fair value hierarchy. It does not include the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

17. Fair Values (continued)

(f) Classification of financial instruments at fair value (continued)

As at December 31, 2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	26,089,990	135,564,898	-	161,654,888
Financial assets not measured at fair value				
Investment securities	-	-	31,386,455	31,386,455
Loans to members	-	-	391,695,935	391,695,935
Financial liabilities not measured at fair value				
Members' deposits	-	-	(151,878,241)	(151,878,241)
Members' savings	-	-	(411,696,995)	(411,696,995)
	$26,089,990	**$135,564,898**	**($140,492,846)**	**$21,162,042**

As at December 31, 2018	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investment securities	23,150,825	124,125,226	-	147,276,051
Financial assets not measured at fair value				
Investment securities	-	-	16,096,692	16,096,692
Loans to members	-	-	393,833,295	393,833,295
Financial liabilities not measured at fair value				
Members' deposits	-	-	(148,492,555)	(148,492,555)
Members' savings	-	-	(395,379,647)	(395,379,647)
	$23,150,825	**$124,125,325**	**($133,942,215)**	**$13,433,835**

18. 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 reserves and undivided earnings.

19. Investment Income

	2019	2018
Foreign exchange gain/loss on investments	(109,783)	1,270,287
Net gain on sale of investments	-	249,999
	($109,783)	**$1,520,286**

20. Other Income

	2019	2018
CUNA commissions	907,258	995,759
Rental income	478,213	348,070
MSDP registration and education	375,941	340,700
Miscellaneous income	188,064	272,300
Entrance fees	96,773	79,340
Other commissions	66,627	63,346
Service charges	11,482	27,547
	$2,124,358	**$2,127,062**

21. Administrative Expenses

	2019	2018
Repairs, maintenance and cleaning	2,130,195	1,182,984
Depreciation	967,062	1,111,845
Stationery, computer supplies, printing and postage	769,922	1,232,248
Legal and professional services	722,755	1,277,005
Property rental	720,000	720,000
Telephone	678,436	679,326
Advertising & promotions	527,363	671,758
Annual and special general meetings	502,689	631,449
Electricity	372,062	428,476
Bank charges	332,583	278,692
Miscellaneous expenses	277,193	294,889
Security	260,807	219,947
Insurances	209,133	204,250
LINCU Debit Card expenses	162,000	161,956
Cummings Fraser Foundation	100,000	-
Debt collector's commissions	42,535	22,626
Donations	49,675	41,020
Loss on disposal of fixed assets	22,488	80,701
Rates and taxes	19,000	19,028
	$8,865,898	**$9,258,200**

22. Board and Committees' Expenses

	2019	2018
Meeting	337,684	270,350
Subsistence	282,335	318,800
Honoraria	275,260	291,767
Entertainment and duty allowance	43,200	39,200
Conferences	32,875	163,398
Supervisory committee	25,213	32,780
Training	15,350	39,850
Travelling	5,950	2,100
	$1,017,867	**$1,158,245**

23. Salaries and Benefits

	2019	2018
Salaries and other staff benefits	12,353,253	11,475,309
Retirement Benefit Asset – IAS 19 adjustment	(96,500)	(253,400)
Training and subsistence	207,567	253,646
	$12,464,320	**$11,475,555**

24. Contingent Liabilities

The Company is involved in various claims and litigations arising in the normal course of its business, and there are legal proceedings to which the Company is a party that, in the Company's opinion, would not have a significant effect on the Company's financial position or results of operations. No provision has been made in these financial statements as the Company's management do not consider that there is any probable loss.

25. Subsequent Events

There were no events occurring after the reporting date and before the date of approval of the financial statements by the Board of Directors that require adjustment to or disclosure in these financial statements. With the exception that dividends are proposed and declared after the Statement of Financial Position date are not shown as a liability in accordance with IFRS 10 – Events after the Reporting Period.

2018 QUANTITATIVE OBJECTIVES

PROPOSED CAPITAL EXPENDITURE AND FINANCIAL PROJECTIONS

2020 Quantitative Objectives

Key Results Area	Budgeted 2020 ($)	Actual 2019 ($)	Increase/(Decrease) ($)	%
Share savings portfolio	428,196,995	411,696,995	16,500,000	4.00
Time deposits portfolio	87,990,336	86,790,336	1,200,000	1.38
Deposit savings portfolio	65,087,905	65,087,905	0	-
Loans portfolio (Gross)	435,959,016	399,781,916	36,177,100	9.00
Non-performing loans (Gross)	25,103,831	27,926,494	(2,822,663)	(10.11)
Investment Securities under 2 years	107,767,234	107,767,234	0	-
Investment Securities over 2 years	136,010,834	134,398,057	1,554,837	1.20%

During the year 2020, the key initiatives for the Credit Union will be:-

- the adoption of risk-based lending for the granting of loans;
- attractive loan promotions focused on debt consolidation, investments and other member needs while targeting members who are good credit risks;
- establishment of network payment services solution depositing of funds from across the country without visiting a branch;
- completion of operational restructuring exercise geared toward improving efficiency and our members' experience;
- completion of the relocation of our Tobago branch to interim office (more member-friendly location) completion of Head Office first floor remodeling
- completion of our Business Intelligence system
- marketing campaigns and outreach programs targeting both existing and potential members;
- marketing campaigns specifically targeting existing and potential millennial members;

2020 Proposed Capital Expenditure with 2019 Comparisons

Project/Item Of Expenditure	Proposed 2019 ($)	Actual 2019 ($)	Proposed 2020 ($)
Land Improvement Works	10,000,000	6,300,000	0.00
Buildings	2,393,100	13,129	2,650,000
Computer facilities	1,672,740	285,160	945,397
Furniture, fixtures and fittings	883,300	156,502	2,571,500
Office equipment	81,500	8,764	20,700
Other equipment	39,530	237,537	52,000
Total	**15,070,170**	**7,585,468**	**6,239,597**

PROPOSED CAPITAL EXPENDITURE AND FINANCIAL PROJECTIONS

2020 Financial Projections with Budgeted and Actual Results for 2018 and 2019

Income Interest Income Calculated using the effective Interest Method	2018 BUDGETED $	 ACTUAL $	2019 BUDGETED $	 ACTUAL $	2020 BUDGETED $
. Interest on loans	43,659,183	43,432,734	43,445,304	41,177,963	45,914,969
. Investment Securities	4,071,554	4,383,225	4,784,650	5,395,013	6,420,174
Unrealised Gain on FVTPL	-	-	840,000	3,826,582	533,719
Investment income (net)	-	1,520,286	-	(109,783)	300,000
Other income *	1,955,000	2,127,062	2,866,856	2,124,358	1,885,551
Total Income	**49,685,737**	**51,463,307**	**51,936,810**	**52,414,133**	**55,054,413**

Expenditure

Administrative expenses **	8,696,000	9,358,198	9,417,000	8,865,897	10,471,799
Board and committees' expenses	1,294,000	1,158,245	1,244,461	1,017,867	1,285,000
Life savings insurance expense	1,080,000	987,889	1,200,000	746,257	840,000
Loan protection expense	1,200,000	2,200,621	1,200,000	1,800,946	1,200,000
Expected credit loss - loans	1,000,000	346,116	1,000,000	1,159,794	600,000
Expected credit loss - investments	6,000	-	1,000,000	65,801	120,000
Unrealised loss on FVTPL	-	1,629,383	-	-	-
Interest on members' deposits	2,128,665	2,225,231	2,343,228	2,107,835	2,276,235
Member education, training and development expenses	900,000	948,243	1,440,905	1,005,005	1,084,000
Salaries and benefits	14,473,700	11,475,555	12,414,500	12,464,320	16,054,763
Green Fund Levy	-	-	-	690,886	150,000
Total expenditure	**30,778,365**	**30,329,481**	**31,260,094**	**29,924,609**	**34,081,797**
Net surplus for the year	**18,907,372**	**21,133,824**	**20,676,716**	**22,489,524**	**20,972,616**

PROPOSED CAPITAL EXPENDITURE AND FINANCIAL PROJECTIONS

***OTHER INCOME DETAILS**

OTHER INCOME	2018 BUDGETED $	2018 ACTUAL $	2019 BUDGETED $	2019 ACTUAL $	2020 BUDGETED $
Rental Income	480,000	348,070	522,105	478,213	528,000
CUNA Commissions	720,000	995,759	1,057,063	907,258	900,000
Other Commissions	40,000	63,346	55,000	66,627	57,840
Service Charges	-	27,547	5,000	11,482	7,500
Entrance Fees	50,000	79,340	60,000	96,773	80,400
MSDP registration and education	295,000	340,700	352,172	375,941	282,500
Miscellaneous Income	370,000	272,300	815,516	188,064	29,311
TOTAL	**1,955,000**	**2,127,062**	**2,866,856**	**2,124,358**	**1,885,551**

****ADMINISTRATIVE EXPENSES DETAILS**

ADMINISTRATIVE EXPENSES	2018 BUDGETED $	2018 ACTUAL $	2019 BUDGETED $	2019 ACTUAL $	2020 BUDGETED $
Advertising and promotion	600,000	671,758	900,000	527,363	1,221,388
Annual and Special general meetings	550,000	631,449	610,000	502,689	633,900
Bank charges	96,000	278,692	240,000	332,583	322,160
Debt collector's commissions	120,000	22,623	100,000	42,535	123,000
Depreciation	1,128,000	1,111,845	1,128,000	967,061	1,064,088
Donations	48,000	41,020	48,000	49,675	50,000
Electricity	420,000	428,476	420,000	372,062	466,000
Insurances	108,000	204,250	180,000	209,133	174,532
Legal and professional services	660,000	1,277,005	600,000	722,755	793,500
LINCU Debit Card expenses	162,000	161,956	162,000	162,000	162,000
Loss on disposal of fixed assets	24,000	80,703	60,000	22,488	60,000
Miscellaneous expenses	528,000	294,888	461,000	277,192	222,600
Rates and taxes	36,000	19,028	36,000	19,000	25,520
Property rental	720,000	720,000	720,000	720,000	888,000
Repairs, maintenance and cleaning	1,596,000	1,182,984	1,548,000	2,130,196	2,398,041
Security	216,000	219,947	300,000	260,807	305,200
Stationery, computer supplies, printing and postage	864,000	1,232,248	1,204,000	769,922	853,938
Telephone	720,000	679,326	600,000	678,436	607,932
Cummings Fraser Foundation	100,000	100,000	100,000	100,000	100,000
TOTAL	**8,696,000**	**9,358,198**	**9,417,000**	**8,865,897**	**10,471,799**