

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

KCCU

57TH ANNUAL GENERAL MEETING

REPORTS AND ACCOUNTS FOR 2018



“Ever Progressing”

Monday 7th October, 2019 • Commencing at 4:30 pm

Methodist Church Hall

PRESIDENT'S MESSAGE

TO THE 57th ANNUAL GENERAL MEETING OF KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED (KCCU)



Fellow members, good afternoon and welcome to the 57th Annual General Meeting (AGM) of the Kingstown Co-operative Credit Union Limited.

This past year, it was once again my privilege to be the President of KCCU's Board of Directors, and I take this opportunity to thank my colleagues, the management team and staff for their hard work and support. Collectively, we have made our Credit Union better.

A wonderful milestone has now been reached, as our Credit Union has completed sixty (60) years of operations and we give God thanks for that achievement. We are proud to be a chapter in the history of the Credit Union at this memorable and auspicious time.

The organisation celebrated the sixtieth milestone with a number of planned activities that were designed to penetrate the KCCU brand, improve its humanitarian image, generate revenue and enhance its reputation as a stable and solid organisation to all stakeholders.

We will continue to forge ahead, despite the challenges in our efforts to serve members and to build a Credit Union for the future.

I wish to pause and to acknowledge the dedicated efforts and hard work of the 60th Anniversary Committee in achieving such tremendous success.

As a Board, we have worked diligently to set the overall direction and provide guidance through good governance and policy as we evolve and adapt.

We continue to live out our vision and mission "to be the leading financial institution providing high quality, affordable financial and other related services".

I would like to thank you my fellow board members and the management committees for your valued contribution, especially in the current environment of change and competency requirements.

I would also like to thank the management team and staff and to acknowledge their continued professional adherence to KCCU's vision and mission statements in carrying out their duties.

KCCU is appreciative of the important role that you the members have played in the success of the Credit Union. You have demonstrated unwavering commitment to the Credit Union by your loyalty.

57h Annual General Meeting..... "Ever Progressing"

We continue to focus on our members by maintaining our ethos, core beliefs and striving to provide quality and competitive product offerings. We thank you for your business and the confidence placed in our capacity to take the Credit Union into the future.

The honour is mine to thank you for your attendance at this Annual General Meeting. This is your opportunity to participate in the decision making of the Credit Union, let your voice be heard. Your input is crucial as we continue to forge ahead to build our Credit Union.

My wish is for a successful 57th annual general meeting, and may God bless us all.

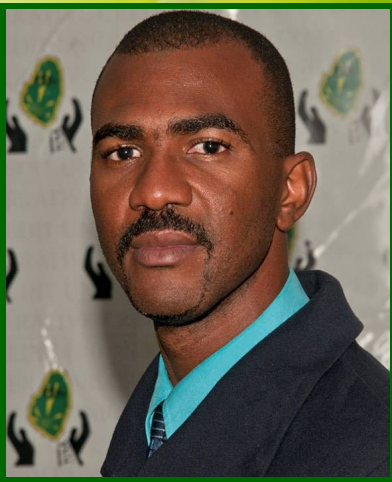
Cynthia Hope-Browne.

Cynthia Hope-Browne
President
Board of Directors

BOARD OF DIRECTORS



Cynthia Hope-Browne,
President



Gillon Frederick, Treasurer



Angelita Miller, Secretary



Jerome De Shong,
Vice President



Dominic White, Director



Terral Mapp, Director



Colin John, Director

STANDING ORDERS

1. a. A member to stand when addressing the Chair.
b. Speeches to be clear and relevant to the subject before the meeting.
2. A member shall only address the meeting when called upon by the Chairman to do so, after which he/she shall immediately take his or her seat.
3. No member shall address the meeting except through the Chairman.
4. A member shall not speak on the subject twice except:
 - a. The Mover of a motion – who has the right to reply.
 - b. He/she rises to object or explain (with the permission of the Chair).
5. The Mover of a Procedural Motion – (Adjournment lay on the table, Motion to Postpone) to have no right to reply.
6. No speeches to be made after the "Question" has been put and carried or negated.
7. A member rising on a "Point of Order" to state the point clearly and concisely. (A "Point of Order" must have relevance to the "Standing Orders").
8. a. Member should not "Call" another member "To Order" but may draw the attention of the Chair to a ("Breach of Order").
b. In no event shall a member call the Chair to order.
9. A "Question" should not be put to the vote if a member desires to speak on it or move an amendment to it except, that a Procedural Motion, the "Previous Question".
10. "Proceed to the next Business" or the Closure: "That the Question be Now Put", may be moved at any time.
11. When a motion is withdrawn any amendment to it falls.
12. The Chairman to have the right to a "Casting Vote".
13. If there is equality of voting on an amendment, and if the Chairman does not exercise his casting vote, the amendment is "lost".
14. Provision to be made for protection by the Chairman from vilification (Personal Abuse).
15. No member shall impute improper motives against another member.

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NOTICE AND AGENDA OF THE 57TH ANNUAL GENERAL MEETING

Notice is hereby given that the 57th Annual General Meeting of the Kingstown Co-operative Credit Union Limited is scheduled to be held on Monday, October 7, 2019, at the Methodist Church Hall, Kingstown at 4:30 pm.

AGENDA

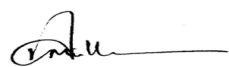
OPENING SESSION

1. Ascertainment of Quorum
2. Call to Order and Welcome
3. Prayer
4. National Anthem
5. Credit Union Song
6. Apologies for Absence
7. Silent Tribute
8. Greetings

BUSINESS SESSION

1. Call to Order
2. Adoption of Standing Orders
3. Minutes of the 56th Annual General Meeting
 - (a) Amendments and Confirmation
 - (b) Matters arising from the Minutes
4. Reports – Presentation and Adoption
 - (a) Board of Directors
 - (b) Treasurer and Auditor
 - (c) Credit Committee
 - (d) Supervisory Committee
 - (e) Education Committee
5. Election of
 - (a) Officers
 - (b) Auditors
6. New Business
7. Resolution
8. Adjournment

Co-operatively yours



Sis. Angelita Miller
Secretary

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CREDIT UNION PRAYER

LORD, Make me an instrument of thy peace
Where there is hatred, Let me sow Love,
Where there is injury Pardon;
Where there is doubt Faith;
Where there is despair Hope;
Where there is darkness Light;
Where there is sadness Joy.

O divine Master, grant that I may not so much seek
To be consoled, as to console;
To be understood, as to understand;
To be loved, as to love;
For it is in giving, that we receive;
It is in pardoning, that we are pardoned;
It is in dying, that we are born to eternal life,

Bless, O Lord our deliberations and grant that
whatever
We may say and do will have Thy blessing and
Guidance through Jesus Christ our Lord.

Amen.

THE NATIONAL ANTHEM OF ST.VINCENT AND THE
GRENADINES

St Vincent, Land so beautiful
With Joyful hearts we pledge to thee
Our Loyalty and Love and Vow
To keep you ever free.

Hairoun Our fair and Blessed Isles
Your mountains high so clear and green
Are home to me though I may stray
A haven calm serene.

Our little sister Islands are
Those gems, the lovely Grenadines
Upon their seas and golden sands
The sunshine ever beams.

Refrain

Whate'er the future brings
Our faith will see us through
May peace reign from shore to shore
And God bless and keep us true

BROTHERS IN CO-OPERATION

Men and Women of the nation,
Join us in co-operation
For our social elevation
Hasten to the call
The present is the time for action
Let no selfish class or faction
Here among you spread distraction,
Come one and all.

Refrain:

Hand in hand on pressing,
All our wrongs redressing,
Work and we right soon shall see
Wide scattered many a blessing
Ernest true Co-operation,
Be our glorious aspiration
Till we see among the nation,
Love for one and all.

Be our efforts never tiring,
Each success a new inspiring,
Here's a cause your aid requiring
Here's work for you.
Come and make each man a brother,
If you're strong come help another,
Strong and weak can aid each other
If their hearts be true.

See the banner waving o'er us,
Hear the men who've gone before us,
Sending back the shouting chorus
Keep the flag unfurled,
Their's the seed that now upspringing,
Hope to many a heart is bringing
All our moans we'll change to singing
Aye, throughout the world.

57th Annual General Meeting..... "Ever Progressing"

CORPORATE PROFILE

DATE OF REGISTRATION

12th April 1958

REGISTERED OFFICE

K.C.C.U. Financial Centre

P.O Box 1533

Granby Street

Kingstown

St Vincent and the Grenadines

BOARD OF DIRECTORS

Sis. Cynthia Hope-Browne	-	President
Bro. Terral Mapp	-	Vice President
Sis. Angelita Miller	-	Secretary
Bro. Gillon Frederick	-	Treasurer
Bro. Dominic White	-	Director
Bro. Colin John	-	Director
Bro. Jerome Deshong	-	Director

CREDIT COMMITTEE

Bro. Bernard John	-	Chairman
Bro. Timothy Scott	-	Secretary
Bro. Osneith Cato	-	Member
Sis. Ingrid Susan Clarke	-	Member
Sis. Juanika Joseph	-	Member

INVESTMENT COMMITTEE

Bro. Terral Mapp	-	Chairman
Bro. Laurent Hadley	-	Secretary
Bro. Shaun Daniel	-	Member
Bro. Gillon Frederick	-	Member
Bro. Dominic White	-	Member

SUPERVISORY & COMPLIANCE COMMITTEE

Bro. Rohan Providence	-	Chairman
Sis. Akeisha Yearwood	-	Secretary
Bro. Steve Millington	-	Member
Sis. Marlyn Richards	-	Member
Bro. Elvis Dublin	-	Member

HUMAN RESOURCES COMMITTEE

Sis. Phyllis Allen-James	-	Chairman
Sis. Wendie Edwards-Wilson	-	Secretary
Sis. Cynthia Hope-Browne	-	Member
Sis. Angelita Miller	-	Member
Bro. Jerome Deshong	-	Member

EDUCATION COMMITTEE

Sis. Joselle Joslyn-White	-	Chairman
Sis. Arlette Maloney	-	Secretary
Sis. Wendie Edwards-Wilson	-	Member
Sis. Iyanna Trimmingham	-	Member
Sis. Kathy-Ann Tommy-Samuel	-	Member

BANKER

Bank of St. Vincent & the Grenadines

AUDITOR

KPMG

SOLICITOR

Saunders & Huggins

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STAFF PROFILE

Mr.	Clement Lynch	-	Chief Executive Officer
Mrs.	Alice Adams-Francois	-	C.E.O. Secretary
Ms.	Hadasha Butcher-Cruickshank	-	Compliance Officer
Ms.	Ruth Stowe	-	Marketing Officer (Recruited 2019)
Ms.	Oszette Glasgow	-	Human Resource Officer (Recruited 2019)

CUSTOMER SERVICES AND ADMIN DEPARTMENT

Mr.	Alonso Munroe	-	Head of Customer Service and Administration
Mrs.	Clairiesa Anderson-Pierre	-	Customer Service Representative
Mr.	Joshua Romeo	-	Customer Service Representative
Ms.	Roshanna Haynes	-	Customer Service Representative
Mrs.	Michka Keizer	-	Receptionist
Ms.	Senica Williams	-	Office Assistant

CREDIT DEPARTMENT

Mrs.	Marcelle Alexander	-	Head of Credit
Ms.	Sharlene Antoine	-	Senior Loans Officer
Ms.	Sharol-Rose Gregg-Abbott	-	Loans Officer
Ms.	Sherry-Ann Parsons	-	Loans Officer
Ms.	Theresa John	-	Securities Officer
Ms.	Felicia Shearman	-	Loans Clerk

LOANS RECOVERIES DEPARTMENT

Ms.	Judith Seaman	-	Head of Recoveries Department
Ms.	Rishma Ashton	-	Recoveries Officer
Mr.	Devorn Walker	-	Recoveries Officer

ACCOUNTS DEPARTMENT

Ms.	Jonella Hanson	-	Chief Accountant (Resigned 2019)
Ms.	Allisa Barnum	-	Senior Accounts Clerk
Ms.	Koriene Chance	-	Accounts Clerk
Mr.	Troy Bullock	-	Accounts Clerk
Mrs.	Monique Springer-Cupid	-	Head Teller
Ms.	Shana Cunningham	-	Teller
Ms.	Makini St. Hilaire	-	Teller
Ms.	Zada Stephens	-	Teller
Ms.	Krystal Craigg	-	Teller

BRANCH OFFICES

MARRIAQUA

Ms. Cara Hunter
Ms. Jasmine Woods
Ms. Rhonelle John
Mr. Carlos Ryan
Mr. Alex Caine

BEQUIA

Ms. Shemica Hazell
Mr. Jared James

UNION ISLAND

Ms. Rachel Phillips
Mr. Asean Craigg

CANOUAN

Ms. Shirlon Ashton

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MINUTES OF THE 56TH ANNUAL GENERAL MEETING

OF THE

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED (KCCU)

HELD AT THE PEACE MEMORIAL HALL ON 25TH JUNE, 2018 BEGINNING AT 4:30 P.M.

OPENING SESSION

1. ASCERTAINMENT OF THE QUORUM

The Financial Services Authority (FSA) ascertained that there was a quorum.

2. CALL TO ORDER AND WELCOME

The meeting was called to order by Sis. Cynthia Hope/Browne, President of the Board of Directors of KCCU and chairperson of the Annual General Meeting.

3. PRAYER

A prayer was offered by Bro. Douglas Melville.

4. NATIONAL ANTHEM AND CREDIT UNION SONG

The National Anthem of St. Vincent and the Grenadines was played while the Credit Union Song was rendered by Sis. Judith Seaman.

5. APOLOGIES FOR ABSENCE

There were no apologies for absence.

6. SILENT TRIBUTE

One (1) minute of silence was observed in memory of those members who died in 2017.

7. GREETINGS

Greetings were received from the following organizations in attendance.

- SVG Co-operative Credit Union League
- St. Vincent and the Grenadines Teachers Co-operative Credit Union Ltd.
- Financial Services Authority
- Police Co-operative Credit Union Ltd.

BUSINESS SESSION

1. CALL TO ORDER

The President called the business session to order.

2. ADOPTION OF THE STANDING ORDERS

A motion to adopt the standing orders was moved by Bro. Clement Lynch, and seconded by Bro. Ryan.

The motion was carried.

3. MINUTES OF THE 55th ANNUAL GENERAL MEETING

Amendment and Confirmation

On page 16, under the heading **Elections and Nominations**, Sis. Euna Thompson corrected the spelling of Sis. Denise "Prescott" to Prescod.

On page 17, under the heading **Members Nominated by the Nominations Committee**, Bro. Elvis Dublin corrected the name, Sis. Marilyn Isaacs to Sis. Marlyn Richards.

Matters Arising

There were no matters arising out of the minutes of the last meeting.

A motion was moved for the adoption of the minutes by Bro. Rohan Providence and seconded by Sis. Ingrid Susan Clarke. The motion was carried.

A second motion was moved by Bro. Rohan Providence to conduct elections after the reading of each committee report. This motion was seconded by Bro. Kazon Simmons. The motion was carried.

4. REPORTS – PRESENTATION AND ADOPTION

BOARD OF DIRECTORS REPORT

Sis. Annis Bailey-Providence moved a motion to accept the Board Report as read. This motion was seconded by Sis. Fayann Durham Richards. The motion was carried.

Discussion of Board of Directors Report

Bro. Harvey Farrell commented that the Board of Directors report needed improvement. More statistics should be included rather than prose. He also stated that the report should also contain comparative information with last year's performance as well as information on the performances of our branches.

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Bro. Rohan Providence commented on the positive growth experienced in 2017, he asked for the contributing factors for the increase of the delinquency rate to 7.5%.

The Treasurer Bro. Gillon Frederick indicated that the increase was as a result of a few large loans totaling EC\$1.8 M which were in the process of recovery through the courts. Bro. Frederick took the opportunity to remind membership to honour their loan obligations with the Credit Union.

As a continuation on the substance of the Board of Director's report, Bro. Cools Vanloo stated that the values of the loans responsible for the increase in delinquency, should have been highlighted along with the number of loans delinquent. He stated that the information would have illustrated the point that the increase was caused by a few loans.

Bro. Kazon Simmons inquired about the composition of the other EC\$5.0 M delinquent loans.

The Chief Executive Officer said that delinquency was EC\$5.52 M as at December 2017 compared with EC\$3.5 M at the end of 2016, which points strongly to the EC\$1.8 M being the main component of the adverse movement in the delinquency rate.

When asked about the value of the largest delinquent loan by Bro. Vanloo, the Treasurer informed the meeting that it stood at approximately EC\$900 K and it was in the process of being recovered through the courts. Bro. Vanloo stated that he understood the process of recovery of loans, through courts but he believed that not all delinquent members were treated fairly. He gave an example of a member whose payments were refused and correspondences remain unanswered. The President responded to Bro. Vanloo, noting his comments and concerns.

Bro. Harvey Farrell asked for the names of the persons appointed to the Human Resources Committee and requested their plans for management succession.

The Chairman stated that the Human Resources Committee comprised of the following members:

- | | |
|----------------------------|------------------------------|
| Sis. Phyllis Allen-James | - Chairperson |
| Sis. Angelita Miller | - Board Member |
| Bro. Elsworth Abbott | - Board Member |
| Sis. Wendie Edwards-Wilson | - Education Committee Member |
| Sis. Cynthia Hope-Browne | - Board Member |

The chairman congratulated KCCU employees on outstanding academic performance in their respective fields:

- | | |
|---|--|
| Sis. Chante Melville Francis (past scholarship holder) | -Bachelors of Science in Law |
| Sis. Reisa Daly | -Bachelors of Science in Banking and Finance |
| Sis. Sharol-Rose Gregg/Abbott | -Accreditation from the Canadian Certified Residential Underwriters Program. |

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It was suggested that staff training information be presented to aid in understanding the commitment to delivery on the Credit Union's goals and mission.

Bro. Harvey Farrell asked about the Building and Investment Committee. Bro. Terral Mapp took the opportunity to outline the structure of the Committee and made a presentation on one of the investment properties.

He stated that the Committee has both financial and technical personnel, who contributed the information needed to make decisions on the future of the Credit Union's investment properties.

He outlined that members of the committee are financially inclined and have economics background:-

- Bro. Dominic White, banking background
- Bro. Gillon Frederick, Treasurer of the Board of Director
- Bro. Laurent Hadley, financial experience in stocks and bonds

The technical team consists of:-

- Bro. Franklyn Browne, valuator
- Bro. Shaun Saunders, Engineer

He said that the committee focused primarily on investments. He also mentioned that the committee was in the process of research and analysis to better tackle the building investments. He noted that an appreciation and understanding of the current and future economic climates was also needed.

He elaborated that the Bequia property in La Pompe had potential for commercial development, and the Canouan property also has opportunities for development, through alliances with other companies on the island. The development of the Kingstown Park property was still under discussion.

In response to a question asked by Bro. Reuben John on the status of the lands owned by KCCU in Brighton, Bro. Mapp gave a presentation on the cost of subdividing and developing the lands into residential plots.

5. BUILDING AND INVESTMENTS COMMITTEE PRESENTATION

PRESENTATION OF BRIGHTON LANDS INVESTMENT

Bro. Mapp's presentation on behalf of the Building and Investments Committee outlined the following:

- Location of Lands – Kitchen, Brighton
- Size – 9.2 acres, or about just over 400,000 sq. ft.
- As an investment security, it should earn income but was not presently doing so.
- The existing approved site plan showed subdivision into 26 building lots.
- The costs of the development were in excess of EC\$1 M due to the need for infrastructural roads, drains and utilities. The current condition of the public access roads to the site are barely motorable and therefore reduced the appeal for immediate residential use.
- The incremental infrastructural development costs would make the individual lots unaffordable for the average income earner.

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Recommendation:

To sell the land and redistribute the wealth to membership through the allocation of the proceeds of sale to the loan portfolio. Thereby making more money accessible for credit by membership.

Discussion of Presentation:

Bro. Reuben John disagreed with the entire sale in the manner proposed and stated the original intention to subdivide should be followed. He further indicated that the roads could be developed overtime by the owners of the sub-divided lands.

He also stated that there was another important reason for the land purchase, it was to diversify the balance sheet. Therefore it would serve the Credit Union well to keep the land in the event of any unforeseen financial difficulties. He made the point that the land's value would continue to appreciate overtime.

Bro. Cools Vanloo communicated his opinion, that given the liquidity at the financial institutions adding more cash from the proceeds of sale would worsen the situation.

Several other members added their concurrence that the land should be kept, and subdivided as residential building lots for sale to membership.

Bro. Kazon Simmons however, spoke in favour of the sale of the land, indicating that rather than allocating the proceeds of sale to the loan portfolio, it could be used to acquire another investment security with greater potential for earning income.

Bro. Richard Mc Leish suggested that use of an investment policy would be helpful in guiding the membership about reasons to divest investment properties.

Bro. Leroy Rocque observed that all membership comments were justifiable and suggested that the committee put more thought into the future of the Brighton lands, with the intention of the membership taking a decision by voting.

Continuation of Board of Director Report discussion

The President further informed the membership that the fraud situation at the Canouan branch office was being handled in the court and the perpetrator was arrested.

The President moved a motion for the adoption of the Board of Director's report which was seconded by Bro. Brent Cupid.

The motion was carried.

6. TREASURER AND ADUITOR'S REPORT

The Auditor's report was presented by Reuben John, Partner of BDO. In the opinion of the auditor, the financial statements were presented fairly, in all material respects. The financial position of the Credit Union as at December 31, 2017, the financial performance and the cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS).

The Treasurer asked that a motion be moved for the adoption of the auditor's report. This was moved by Bro. Cools Vanloo and seconded by Bro. Kazon Simmons.

The motion was carried.

The Treasurer expressed that KCCU had experienced a profitable financial year. Growth was noted in assets, loans, cash resources and investment securities. An increase in administrative expenses was the result of the expansion in operation.

He expressed that the growth over the Credit Union's sixty (60) years of existence was evident through the generation of about EC\$100 M in assets, and thanked the membership for their unwavering commitment.

He proposed dividend and interest rebate at:-

- Permanent Shares – 6%
- Redeemable Shares – 1.85%
- Rebates on Loan Interest – 4.5%

A motion was moved for the acceptance of the proposed rates by Bro. Rohan Providence. This was seconded by Bro. Clement Lynch.

The motion was carried.

Bro. Cools Vanloo inquired whether or not there was a policy to write off interest on loans. He was informed that there were no policy on the write-off of interest on loans.

The motion for the adoption for the report was moved by Bro. Timothy Scott and seconded by Sis. Phyllis Allen-James.

The motion was carried.

7. CREDIT COMMITTEE REPORT

The Credit Committee report was presented by Bro. Bernard John, committee chairman . A motion was moved to adopt the report as read by Bro. Rohan Providence and seconded by Sis. Marcelle Burgin.

The motion was carried.

He highlighted the trend of declining interest rates in the financial sector and how this has spurred KCCU to review loan rates to remain competitive.

He indicated loans reviewed in 2016 saw an increase from 2854 to 3547 in 2017. This represented a 24.3% increase.

Bro. Bernard John thanked the membership for their continued patronage of KCCU and opened the floor for questions.

Discussions on Credit Committee's Report

There were no questions.

A motion was moved for the adoption of the Credit Committee report by Bro. Timothy Scott and seconded by Bro. Colin John.

The motion was carried.

8. SUPERVISORY AND COMPLIANCE COMMITTEE REPORT

A motion was moved by Sis. Euna Thompson and seconded by Bro. Kazon Simmons for the report to be taken as read. Bro. Steve Millington, Committee chairman stood to answer questions posed by the members.

Discussions on Supervisory and Compliance Report

There were no questions.

Bro. Brent Cupid moved the motion for the adoption of the Supervisory and Compliance Report, which was seconded by Bro. Timothy Scott.

The motion was carried.

9. **EDUCATION COMMITTEE REPORT**

Sis. Jozelle White, committee chairman stood to present the committee report which was accepted as read, from a motion carried by the meeting.

Discussion on Education Report

A motion for the adoption for the report was moved by Sis. Wendie Wilson and seconded by Bro. Kazon Simmons.

The motion was carried.

10. **ELECTIONS AND NOMINATIONS**

Nomination Committee Members

Euna Thompson
Jerome DeShong
Jules Anthony

A motion was carried earlier in the meeting by the membership for the holding of each committee election at the end of the adoption by members of its respective report. The results were as follows:

Board of Directors

Sis. Angelita Miller and Bro. Elsworth Abbott retired from the board of directors.

Members nominated by the Nominations Committee:

Sis. Ingrid Susan Clarke
Bro. Nigel Creese
Bro. Rohan Providence
Bro. Colin John

A motion was moved and seconded to close nominations.

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The results were as follows:

Sis. Angelita Miller	– 30
Bro. Elsworth Abbott	– 20
Sis. Ingrid Susan Clarke	– 25
Bro. Nigel Creese	– 13
Bro. Rohan Providence	– 21
Bro. Colin John	– 28

The two (2) positions were filled by Sis. Angelita Miller and Bro. Colin John.

Credit Committee

Bro. Osneth Cato and Sis. Coleen Thomas retired from the Credit Committee.

Members nominated by the Nominations Committee:

Bro. Osneth Cato

Nominated from the floor:

Bro. Osneth Cato
Sis. Nelcia Primus/Samuel
Sis. Ingrid Susan Clarke

A motion was moved and seconded to close nominations.

The votes were as follows:

Bro. Osneth Cato	- 60
Sis. Nelcia Primus/Samuel	- 47
Sis. Ingrid Susan Clarke	- 61

Bro. Osneth Cato and Sis. Ingrid Clarke were elected to serve on the Credit Committee.

Auditors

BDO was nominated by Bro. Timothy Scott to continue as our auditors. A motion was moved by Sis. Ingrid Susan Clarke and seconded by Bro. Cools Vanloo to close nominations.

The motion was carried.

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Results:

BDO was elected to serve as auditors for the up coming financial year.

Supervisor and Compliance Committee

Sis. Gale Thorpe resigned during the year. Bro. Alleyne Weekes and Bro. Steve Millington retired this year.

Members nominated by the Nominations Committee:

Bro. Steve Millington
Bro. Nigel Creese

Nominated from the floor:

Sis. Akisha Yearwood
Bro. Kazon Simmons
Bro. Rohan Providence

A motion was moved and seconded for the closure of nominations. The motion was carried.

The votes were as follows:

Steve Millington	- 51
Nigel Creese	- 41
Akiesha Yearwood	- 59
Kazon Simmons	- 42
Rohan Providence	- 43

Steve Millington, Akiesha Yearwood and Rohan Providence were elected to serve.

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11. ADJOURNMENT OF MEETING

A motion was moved and seconded for the adjournment of the meeting. The motion was carried.

C.H. Browne

Sis. Cynthia Hope-Browne
President

A. Miller

Sis. Angelita Miller
Secretary

57th Annual General Meeting..... "Ever Progressing"

12. BOARD OF DIRECTORS REPORT TO THE 57TH ANNUAL GENERAL MEETING OF THE KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

12.1 Background and Introduction

The Board of Directors of the Kingstown Co-operative Credit Union LTD (KCCU) is pleased to report to our members, on the operations, activities and performance of the Credit Union for the year ended 31st December, 2018.

The Board would like to take this opportunity to thank the membership for its patience, and the Financial Services Authority (FSA) for its guidance, in the matter of holding this long overdue Annual General Meeting (AGM) and this delay is regrettable. The requirement to be compliant is indispensable and the introduction of the International Financial Reporting Standard number nine (IFRS9) imposed significant challenges to our technical resource capabilities. The standard is very complex and the competence required for its implementation was not resident locally neither was it easily available within the region. The learning curve, extensive data gathering and analysis processes and the scarcity of available technical resources resulted in a protracted implementation and consequently a late AGM. The cost of the preparatory gap analysis, training and implementation was in excess of East Caribbean dollars (EC\$) one hundred thousand (K).

This year we are focusing on the vintage theme: "*ever progressing*"

KCCU has stayed true to its strategic mission of promoting and providing affordable high quality financial services that are geared principally to the development of members.

KCCU has performed well amidst the numerous challenges faced in the industry such as derisking, technological advances, IFRS9 and competition. There was growth in membership, and assets increased to over one hundred million (M) EC dollars.

KCCU will continue to change lives one member at a time. It is important for us to redouble our efforts, and to remain focused on our strategic goals thereby contributing significantly to the socio-economic development of our members and by corollary our nation St. Vincent and the Grenadines (SVG).

12.2 Economic Review

Economic activity in St. Vincent and the Grenadines is gaining momentum. Real gross domestic product (GDP) grew by 2.4 percent in 2018, faster than the average annual growth of 0.7 percent over the period 2013-2017. This improved performance was mainly driven by increases in tourism related services, fishing and manufacturing. Activity in the construction and agriculture industries also supported this outturn.

Benefitting from the first full year of operations of the Argyle International Airport (AIA), output in the tourism industry expanded by 3.8 percent in 2018, following a contraction of 18.2 percent in 2017. Stay-over arrivals increased by 5.4 percent to 80,080, buoyed by non-stop direct flights from Air Canada Rouge, Caribbean Airlines and American Airlines. At the same time, arrivals by cruise and yacht rose by 25.1 percent and 10.7 percent, respectively. Benefitting also from the operationalization of the AIA is the fishing subsector, which recorded growth of 158.3 percent in the value of fish exported to international markets. In the manufacturing industry, higher production of building materials for construction activities in neighbouring islands affected by Hurricanes Irma and Maria, coupled with increase output of beer, led to a 5.8 percent acceleration.

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Growth is projected to strengthen over the short to medium term in St. Vincent and the Grenadines. This favourable outlook is hinged on continuation of the positive trajectory in tourism related services, agriculture and fishing, bolstered by intensification of ongoing construction projects and the commencement of several major capital initiatives. In the private sector, work is expected to progress on the Glossy Bay Marina in Canouan and Black Sand Resort Project in Mt. Wynne and Peter's Hope. Rehabilitation of roads and bridges, coastal defense protection, the Port Modernisation Project, the Geothermal Development Project, Canouan Runaway Resurfacing Project, and the hotel development projects in Diamond and Mt. Wynne are major initiatives in the 2019-2021 Public Sector Investment Programme (PSIP).

12.3 Strategic Agenda 2018

2018 marked the second year of a three year strategic plan (2017-2019). Our strategic mission of promoting and providing affordable high quality financial services that are geared principally to the development of members, and our people is our ideal and the guiding light that we strive to achieve.

Our targets and goals set the benchmark for achieving much success as we continue to monitor and respond to the industry and to the needs of our members.

The strategic goals are:

- Provide excellent member services (service delivery and technological enablement)
- Provide high quality products and services
- Achieve financial performance above industry average.
- Human Resources Development to meet the challenges of providing excellent service.
- Citizenry: Co-operation with co-operatives' community development.

12.4 Financial Performance

2018 financial year was a challenging one for KCCU. The Credit Union Sector, continued to face the challenge of de-risking. In June 2018, The respondent Banks in SVG discontinued the relationship, for example the processing of international wire transfers and foreign cheques, with the credit unions and as a result KCCU members were adversely affected.

Despite the challenges, KCCU achieved growth in many areas of its operations. KCCU generated profit of EC\$1.69M for the 2018 financial year compared to EC\$0.798M in 2017. It must be noted here that 2018 profits excluded dividends (note 28 of the financial statements refers) declared. If the declared dividends (rebate and redeemable shares EC\$598K) are approved, the comparative 2018 income will be EC\$1.1M reflecting a growth against 2017 of EC\$0.3M or 37%.

The total asset was EC\$103.3M, a growth of EC\$4.2M or 4% compared with the previous financial year. The growth in net assets arose mainly as a result of an increase of EC\$3.6M or 5% in net loans; and EC\$1.9M or 67% in investment securities.

The total revenue generated for 2018 was EC\$6.6M, an increase of EC\$0.4M or 7% compared with the previous financial year. General and Administrative Expenses were EC\$3.6M in 2018, an increase of EC\$0.2M, or 7%, compared with the corresponding period of the previous year.

12.5 Board of Directors Elections & Meetings

At the Annual General Meeting one new member was elected in the person of Bro. Colin John to the Board of Directors.

The Board of Directors held its inaugural meeting on the 29th June 2018 to elect the executive positions.

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The full Board of Directors is comprised as follows:-

- Sis Cynthia Hope-Browne - President
- Bro. Terral Mapp - Vice President
- Bro. Gillan Frederick - Treasurer
- Sis. Angelita Miller - Secretary
- Bro. Dominic White - Director (Resigned September 12, 2019)
- Bro. Colin John - Director
- Bro. Jerome Deshong - Director
- Bro. Bernard John - Director (Co-opted September 12, 2019)

The Board is primarily responsible for the financial health, growth and strategic direction of the Credit Union.

The Board also functions through three sub-committees, namely the Human Resource Committee; the Investment and Building Committee; and the Education Committee. In addition the statutory committees, the Supervisory and compliance committee and the Credit committee are essential to the proper management of the credit union. The structure of committees has assisted the Board in carrying out its responsibilities during the year 2018. The composition of the statutory and Education committees can be found in their enclosed reports.

The Investment/Building Committee comprised the following persons:

- Bro. Terral Mapp - Chairman
- Bro. Laurent Hadley - Secretary
- Bro. Gillon Frederick
- Bro. Dominic White
- Bro. Shaun Daniel

The Human Resources Committee comprised the following persons:

- Sis Phillis Allen-James -Chairman
- Sis Wendie Edwards-Wilson -Secretary
- Sis Cynthia Hope-Browne
- Sis Angelita Miller
- Jerome De Shong

12.6 Meetings

The Board held a total of 16 meetings during the year. There were 12 scheduled Board meetings and 4 additional special meetings.

A summary of attendance is given in Table 1

Table 1: Summary of Attendance of Board of Directors

Member	Scheduled	Special	Total
Sis Cynthia Hope-Browne	12	4	16
Bro. Terral Mapp	11	3	14
Bro. Gillon Frederick	12	4	16
Sis. Angelita Miller	12	4	16
Bro. Jerome De Shong	11	4	15
Bro. Dominic White	11	3	14
Bro. Colin John	6	0	6

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Our meetings continued to be more forward thinking and acting in an effort to provide more value to KCCU members. We are also committed to ensuring that the organisation evolve and adapt to meet future challenges. Education, awareness and compliance with regulatory requirements and self assessment continued to be our focus.

12.7 Membership

KCCU had another positive year of membership growth with approximately 1060 new members in the financial year. Our total membership as at December 2018 was 22,112, an increase 5%. However, we had 92 account closures. The new members comprised:

516 Males
544 Females

Age Group	New Members	
	Number	%
Below 20 years	506	48%
21-25 years	118	11%
26-30 years	167	16%
31-40 years	132	12%
41-50 years	104	10%
51+ years	33	3%
	1,060	100%

We continue to focus our attention on active engagement in our young people and the continuous promotion of the various benefits to membership.

We would encourage all members to refer family members and others to join if they are not presently members of the Credit Union. Applications for membership can also be completed online. One of the challenges for a growing membership is ongoing dormancy and the plan is to continue to contact members to encourage them to reactivate their accounts. We continue to foster and maintain a positive relationship with our members and we thank them for their support throughout the year and beyond.

12.8 Human Resource Development

The development of the human resource capabilities and competencies within KCCU is of utmost importance.

We continue to develop our staff and volunteers in achieving personal as well as professional development. We continued to provide training opportunities for our staff during the year.

A review of the organisation's structure was conducted and the following positions deemed necessary were earmarked to be filled: Marketing Officer, Human Resource Officer and the Information Technology Officer.

Our recruitment policy is geared towards meeting the ever evolving needs of the members and building an efficient and trained human resource to effectively serve our members.

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12.9 Staff Training and Development

Capacity building is an ongoing process, and KCCU supports initiatives to upgrade staff skills. There are about three (3) persons pursuing undergraduate studies, and another doing post graduate work and this speaks well for the sustainability for the organisation. The Compliance Officer completed the Anti-Money Laundering/Counter Financing of Terrorism certified Associate Course with the Florida International Banking Association.

Some areas where the need for training were identified were addressed, namely in-house customer service, AML and IFRS9.

The following chart sets out the training undertaken during the period under review.

Table 2: Staff Training

Training	Participants	Date	Facilitator
IFRS9 Accounting Standard	Alonso Munroe	February 2018	CaribErisk
	Allisa Barnum		
	Marcelle Alexander		
	Hadasha Butcher		
	Jonella Hanson		
	Sharol-Rose Abbott		
	Judith Seaman, Clement Lynch, B.O.D members		
Legal & Business Aspects of Insurance	Sharol-Rose Abbott	April 2018	Insurance Institute of SVG
Driving Workshop for Women	Hadasha Butcher	April 2018	Jaric SVG LTD
	Makeda Frederick		
Understanding Occupational Safety and Health Act 2017 – Steps to Compliance	Hadasha Butcher		
ATM Software	Alonso Munroe	May 2018	MSD LTD
	Jonella Hanson		
	Marcelle Alexander		
	Clement Lynch		
Pronett Training on Business Strategy	Alice Adams-Francois	June 2018	Invest SVG
Anti-Money Laundering/Counter Financing of Terrorism	Hadasha Butcher	August 2018	Florida International Bankers Association
Emortelle (Software)	Alonso Munroe		
	Allisa Barnum	September 2018	MSD LTD
	Jonella Hanson		
	Devorn Walker		
	Sharol-Rose Gregg-Abbott		
Emortelle (Software)	Alonso Munroe		
	Allisa Barnum	November 2018	MSD LTD
	Hadasha Butcher		
	Jonella Hanson		
	Judith Seaman		

12.10 Awards

The annual special awards dinner was held to acknowledge the contribution of long serving members of staff and those whose distinguished performance in the various areas of customer services, sales, finance and academia during 2018, warranted recognition.

Employees of the year performance award

Performance Award: Troy Bullock
Sharol-Rose Gregg-Abbott

Employee Department Award: Judith Seaman – Recoveries
Troy Bullock – Loan Sales
Rivaldo Sealey – Customer Service

A summary of long service awards is given in Table 3

Table 3: Long Service Awards

10 – 15 years	Over 15 years
Hadasha Butcher	Clement Lynch
Shana Cummingham	Rhonel John
Monique Springer	

12.11 Branch Offices

Apart from Head Office in Kingstown, KCCU operates offices in Marriaqua, Bequia, Union Island and Canouan. All our offices are rented premises with the exception of Marriaqua.

During the year the Mesopotamia branch office as well as the Archives Building were completed. Customers are now doing business in a better environment and they are very satisfied with the service.

Some refurbishment work was identified at the offices in Bequia, Union Island and Canouan and this will be addressed in 2019. This work is necessary to better serve members of those communities. The furniture was being upgraded at all the offices in the Grenadines and televisions were installed for digital promotion purposes.

We continue to provide sponsorship for cultural development in Marriaqua, and this is done in collaboration with the P'Tani Development Committee.

Some members of the branch offices in the Grenadine Islands received Christmas Hampers as part of our Christmas outreach programme.

Every effort is being made to promote and market the various products and services in the branch offices. Promotional material is on display as well as a digital signage that runs throughout the day. Regular visits are being made by the officer from the head office who supervises these offices.

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The branch statistics are as follows:-

12.12 Financial

Office	Members		Shares		Loans	
	2017	2018	2017	2018	2017	2018
			EC\$000's	EC\$000's	EC\$000's	EC\$000's
Marriaqua	1879	1925	1,541	1,774	1,261	1,508
Bequia	450	521	792	955	564	1,116
Union Island	289	317	580	645	1105	1,452
Canouan	207	216	326	402	350	373

12.13 Corporate Governance

Corporate governance continued to be high on the agenda for the Board of Directors, and therefore is pleased to report that all statutory obligations were adhered to during the period of its tenure.

KCCU transitioned from the ISA39 to the new IFRS 9, Accounting standard for recognition, measurement and impairment of financial assets, which took effect 1st January, 2018. However the extensive technical nature of the standard requires that we review our information processing systems to ensure that voluminous, relevant and comprehensive data can be extracted with more efficiency. During the year, the Draft Asset Liability management policy was reviewed.

The Share Capital of KCCU is inadequate to cushion the adverse impact of unexpected systemic losses. It is (share capital to total assets ratio) 2%. This is significantly below the double digit (approximately 11%) of the other large credit unions in St Vincent and the Grenadines. This matter needs rectification for our own sustainability. From our analysis and formulation of a capital adequacy plan the proposed solution seems to be to increase the quantity of permanent shares and thereafter introduce an annual share subscription.

12.14 Community Development

We are proud of our presence in our communities, and have sponsored many community groups, charities, clubs and individuals in the past year primarily in the areas of Education, Culture and Sports. One of our core values is to help local communities in genuine altruistic ways and that is something that will never change.

In education, KCCU awarded three (3) academic secondary school scholarships and three (3) socio-economic scholarships in the amount of \$1,500.00 each. In addition, two (2) bursaries were granted, one academic and one socio-economic.

Our annual national primary school quiz continued to provide a forum for the nation's young children to exhibit their competitive skills. This year, the competition was won by the Stubbs Government Primary school.

KCCU continued to strengthen the relationship with the St. Vincent and the Grenadines Grammar School and the Girls' High School through the road relay and their inter-secondary school sports meet. Additionally, assistance was given to the Thomas Saunders Secondary School to aid with their participation in the Penn State relay games.

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Our young members are the future of the Credit Union and KCCU continued to host the annual KCYC Summer Camp. This camp caters for the youths 8 to 16 years.

KCCU again was the sponsor of the Dance Festival in partnership with the Ministry of Education.

12.15 Sixtieth Anniversary

KCCU marked its 60th anniversary with a series of planned events and activities. The objectives of the celebrations were geared towards:- commemorating the achievement; public relations and brand penetration; revenue generation; product promotion; member participation.

The 60th anniversary committee planned and executed a number of activities viz: press conference; launch of the diamond wheels product; church service; Mespo office opening; donation of shoes to primary school kids in Sandy Bay; plant a tree at Milton Cato Memorial Hospital entrance; donating a water tank to a Pre-school in Canouan; KCCU Fun day; and car raffle.

The car raffle was successful. The cost of the vehicle was recovered. This was made possible through the hard work of the staff in taking the time out to be on the road and in the villages selling tickets during the weekends.

The Fun Day was extended to include the senior care day and a combination of members of all ages took the opportunity to interact as one Credit Union family;

The Diamond Wheels product was created as a sixtieth anniversary revenue initiative and it generated noteworthy sales during the year.

The Board takes this opportunity to thank the committee and all who were involved in making the year a successful one.

12.16 Investment and Lending

Loans activity remained the core of the Credit Union's business. During the reporting period, the gross loan portfolio (including interest receivable) was EC\$75.0M, an increase of EC\$5.8M or 8.3%. This growth was dominated by mortgages and vehicles which recorded increases of EC\$2.2M (+4.8%) and EC\$2.7M (+74%) respectively. The portfolio distribution was 63% for mortgages, 19% for consumer and 8% for vehicle loans. These categories accounted for 90% of the portfolio.

The Loans Department interviewed and processed over 3068 applicants in the year. We strive to minimise credit risk by applying the loan policy during our loan underwriting procedures.

The Investment Portfolio at the end of 2018 was EC\$4.6M, an increase of 64% when compared with the previous year. Investments were made in Treasury Bills and Bonds of the Governments of St. Lucia, St. Vincent and the Grenadines and Antigua and Barbuda.

KCCU has planned a project to invest EC\$136K in solar energy generation with the objectives of positive environment climate change, energy efficiency and operating cost reduction. The 25Kw solar PV system will be installed at the Kingstown location and the system has a ready for service date of August 2019.

12.17 Customer Services and Marketing

Our Strategic Mission of promoting and providing affordable high quality financial services that are geared principally to the development of members and our people is our ideal and the guiding light that we strive to achieve one of our strategic goals, therefore, is to provide high calibre people to provide excellent service, and this we do by providing the necessary training for the development of technical and leadership competencies in a number of critical areas within KCCU for the entire staff.

The review of the organisation is a continued exercise to ensure that service is delivered with excellence. We have therefore identified the need to recruit a Marketing Officer who will be primarily dedicated to Marketing and support Public Relations development. This position is expected to be filled in the first quarter of 2019.

KCCU continued to utilize the following marketing channels:

- Digital marketing – the use of the website facebook page, KCCU mobile application
- Text blasts
- Billboards
- Creating television and radio ads
- Print media
- Direct sales
- School and Corporate visits
- Marketing drives on the Grenadine Islands

The KCCU brand continues to be visible at the Argyle International Airport. The contracts were renewed for the upkeep of 2 plots in their "maintain a plot initiative", as well as the advertising space for the LED lit billboard in the departure area, that promotes KCCU's mobile application.

12.18 Products and Services

As stated previously, one of KCCU's strategic goals is to provide high quality products and services to our members. With this in mind, we continued to review our product offerings with a view of implementing new and improved technologies to meet members demands.

The ATM has progressed and we are at the testing phase. It has been a protracted delay that resulted in our members not being able to use this facility. We can now assure members that this product will be launched in 2019.

The Diamond Wheels product was a success in the sales generated. KCCU Protect was launched and the timing of the promotional effort was coordinated to coincide with the start of the Hurricane Season. The KCCU Educate Loan product was developed and launched. This product is geared towards meeting the educational needs of students.

In terms of our palette of products, these new products offerings contributed to our appeal to membership.

KCCU continued to promote the Death Benefit and Medical Plan to the membership.

12.19 Co-operative Movement

KCCU continues to play a critical role in strengthening the Credit Union sector locally as well as regionally.

Two representatives of the Board of Directors sit on the Board of Directors of the SVG Credit Union League.

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KCCU continued the close working relationship with SVG Credit Union League, Financial Services Authority, the Co-operative Division and the sister Credit Unions and participated in the various activities involving the sector.

KCCU was represented at the 61st Annual International Convention of the Caribbean Confederation of Credit Unions (CCCU) by a Director of the Board.

In relation to the voluntary liquidation of the SVG Small Business and Micro Finance Co-operative Limited (COMFI), KCCU awaits the legal transfer of title of the collateral used to secure the loans.

12.20 Condolences

It is with great sadness that we acknowledged the passing of some of our members. KCCU extends sincere and heartfelt condolences to all bereaved members and their families. May their souls rest in peace.

12.21 Acknowledgements

The Board of directors wishes to express its gratitude and appreciation to the general membership for their unwavering support.

To the various management committees, the CEO, management and staff, other volunteers; thank you for your assiduous and invaluable work, loyalty and commitment to KCCU during the year 2018.

We would also like to register our thanks for the professional and supportive relationships with the Registrar and staff of the Financial Services Authority; the Co-operative Department; the SVG Co-operative Credit Union League; sister Credit Unions; Co-operatives; the auditors; and all stakeholders.

To all past board of directors, committee members, management and staff, volunteers and well wishers of KCCU; thank you for your investment in the development of KCCU.

The Board of Directors thanks you for choosing KCCU as your financial partner and expresses sincere gratitude for the opportunity to serve you during the year.

Thank you once again, and may God bless us all.

Presented by and on behalf of the Board of directors.

Cynthia Hope-Browne

Cynthia Hope-Browne
President

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14. TREASURER'S REPORT TO THE 57TH ANNUAL GENERAL MEETING OF THE KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

14.1 INTRODUCTION

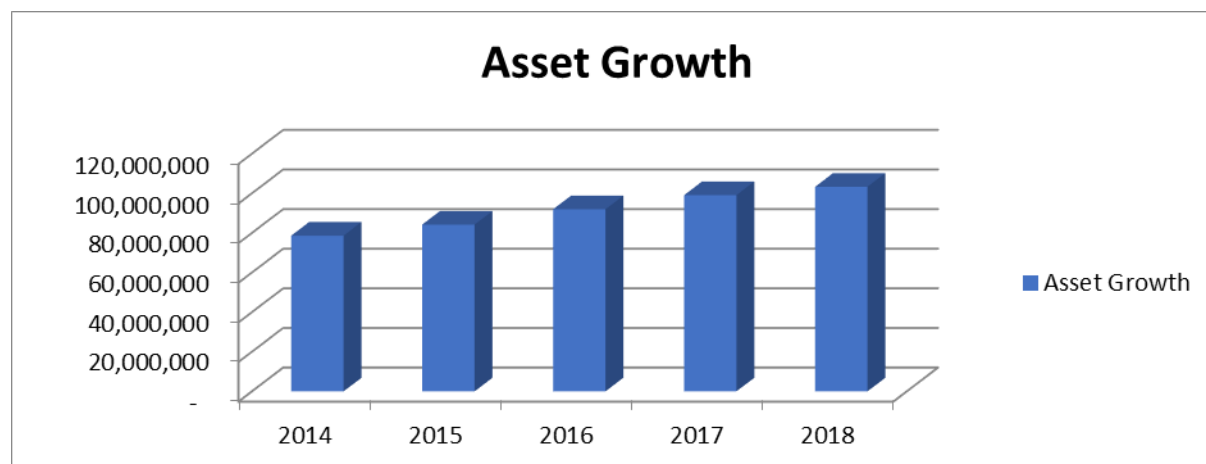
I am happy to report that for the financial year ended December 31, 2018, the Kingstown Co-operative Credit limited continues to achieve growth despite the challenges that remain in the financial sector. It is therefore incumbent on each member to take a fresh guard on matters relating to the Credit Union and the movement as a whole to ensure sustainable growth continues for future years.

The Credit Union now has an asset base of 103 Million dollars which is attributed to growth experienced in many areas of the institution. These areas are highlighted below and further explanations provided for greater clarity to members. However, challenges remain within the financial sector which would require adjustments to be made by the Credit Union on its approach to maintain sustainable growth. The most notable being the adoption and implementation of IFRS 9. Nonetheless, there is all confidence that the Credit Union would meet these challenges as we have done for the past (61.5) sixty one and a half years in existence.

14.2 FINANCIAL RESULTS - SUMMARY

The Kingstown Co-operative Credit Union limited achieved growth in all of the key financial areas. The exception was that of investment properties where there were reductions in values as a result of a property revaluation exercise conducted. The growth in asset is shown in the chart below and total assets value is above 100 Million in 2018.

The following are Key financial performance indicators for the financial year ended December 31, 2018 with comparison to the 2017 financial year.



14.3 Assets

		2018	2017	Difference	Change
		\$ 000,s	\$ 000,s	\$ 000,s	%
1	Total Assets	103,275	99,081	4,194	4%
2	Loans (Net)	70,962	67,376	3,586	5%
3	Cash Resources	13,549	14,804	(1,255)	(8)%
4	Property, Plant & Equipment	9,982	9,611	371	4%
6	Investment Securities	5,774	3,385	2,389	71%
5	Investment properties	2,829	3,772	(943)	(25)%

There was an increase of 4% in the total assets in 2018 which was driven largely by growth in investment securities up 71%; loans up 5% and property ,plant and equipment up by 4%. Members demand for loans continues to grow although at a slower pace than prior periods and is a reflection of the competitiveness of the financial sector. Therefore, more effort was made to seek alternative investments so that investment securities received greater focus in 2018 resulting in an increase of \$2.4M representing a 71% increase. In addition, there was a write down in the value of \$942,903 in the fair value of investment properties during the period which curtailed the overall growth in total as-sets from 8% in the past to 4% for 2018.

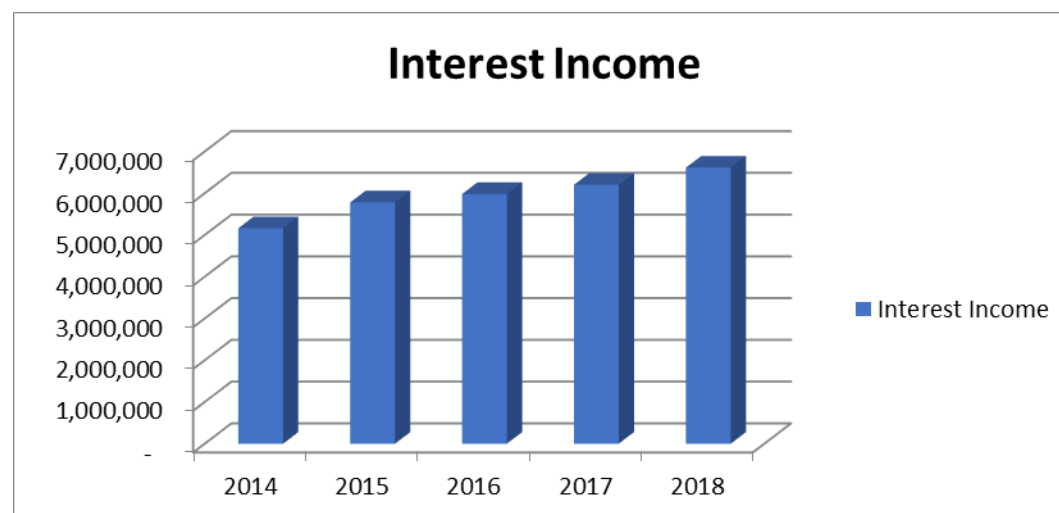
14.4 Share Capital and Members Deposit

	Share Capital and Members Deposits	\$	\$	\$	%
		2018	2017	Difference	Change
1	Share Capital	2,235,506	2,499,893	(264,387)	11%
2	Members` Share Savings	49,626,991	46,981,334	2,645,657	6%
3	Term Deposits	35,820,866	31,275,751	4,545,115	15%

The credit Union continues to see growth in all major areas of financing. There were increases in both members share savings of 6% and term deposits of 15%. The combined contribution of members to these accounts amounted to EC\$ 7.190 Million. Members continue to demonstrate confidence in the Kingstown Co-operative Credit Union ltd and we would ensure that this confidence in the Credit Union is maintained by safeguarding member's investments by prudent investments combined with good governance practices.

14.5 Statement of Profit and loss and Other Comprehensive Income

In the period 2018, interest income grew by EC\$0.4Million from 6.2Million to 6.6Million. The chart below illustrates that growth in interest has been sustained for the past five years.



There was growth in total Comprehensive income of EC\$1.03M created largely by upward operational movement in the following;

	INCOME	2018	2017	Difference	Change
		\$ 000,s	\$ 000,s	\$ 000,s	%
1	Interest on loans	6,060,707	5,824,238	236,469	4%
2	Investment Income	553,118	380,787	172,331	45%

These gains were however off-set by the following:

	Expenses	2018	2017	Difference	Change
		\$ 000,s	\$ 000,s	\$ 000,s	%
1	General and administrative expenses	3,632,157	3,386,407	245,750	7%
2	Fair value of investment properties (Decrease) / Increase	(942,903)	239,460	1,182,363	494%
3	Selling expenses	498,435	315,349	183,086	58%

14.6 Dividends and Rebates

The following dividends and rebates rates are being proposed for the financial year:

- *Permanent Shares* : 6.5%
- *Redeemable Shares* : 1.0 %
- *Rebates on loan interest* : 2.0 %

14.7 IFRS 9

The implementation of IFRS 9 has had an impact on the delay of these financial statements and for this we do apologize to members for such a late AGM meeting date. However, the rigorous and often time consuming process was necessary in an effort to comply with the standard and to ensure that the quality of the Credit Union's financial reporting was not compromised. The standard requires a more forward looking approach to provisioning and the Expected Credit loss (ECL) model is now being applied as opposed to the incurred credit loss model that was being used prior to IFRS 9. The major impact on the financial statements as a result of the implementation of this standard are as followed;

- Retained earnings was adjusted downward by \$(2,373,210) for initial adoption (2017)
- Allowance for expected credit loss (ECL) is \$ 4,056,487 for 2018

We continue the implementation process as work is going to train staff members to become more proficient in the requirement and implementation of IFRS 9.

14.8 CONCLUSION

The Kingstown Co-operative Credit Union limited performed well financially during the year 2018 as is shown in the financial statements presented.

However, we must not become complacent as there are challenges within the sector which can affect sustainable growth. Therefore, each member must take a new approach to increase their commitment for the Credit Union brand over competitors and seek as much as possible to increase their contribution towards the capital base of this institution.

Finally, this financial performance would not have been possible without the support of the many loyal members of the Kingstown Credit Union Ltd. We thank you and ask for your continued support going forward.

Thank you!

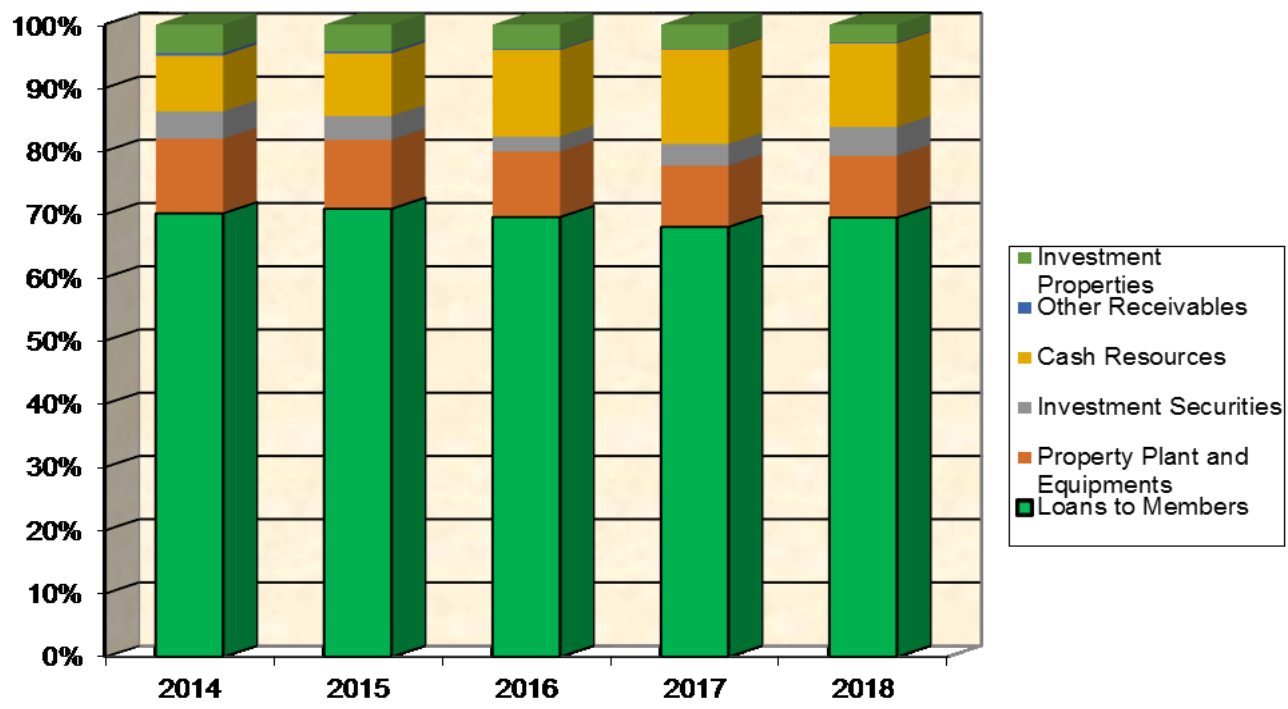


Gillon Frederick
Treasurer

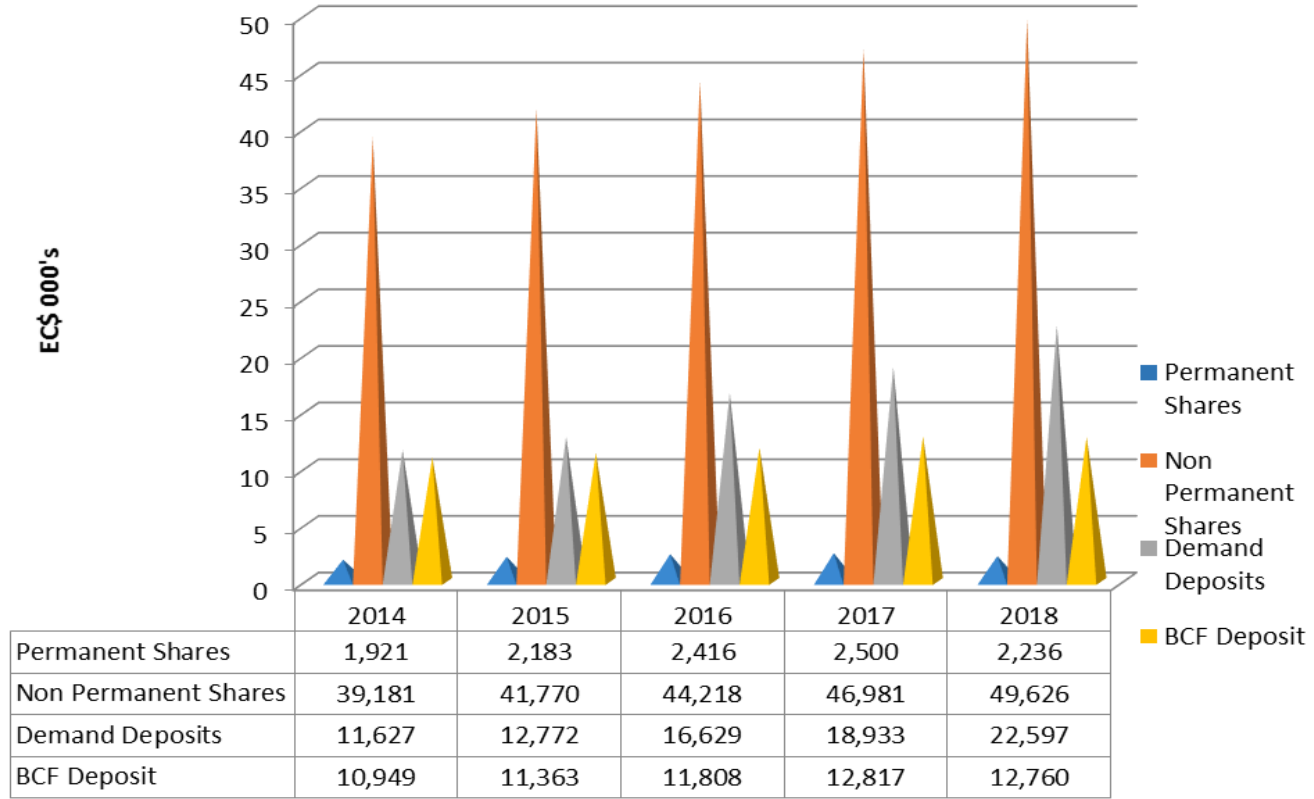
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PEARLS RATIO				
	Financial Ratios	Actual 2017	Actual 2018	Standard
P1	<u>Allowance for loan Losses</u> Delinquency >12mths	102%	131%	100%
E1	<u>Net Loan</u> Total Assets	68%	69%	70-80%
E3	<u>Financial Investment</u> Total Assets	3%	4%	<10%
A1	<u>Total Loan Delinquency</u> Total Loan Portfolio	7.5%	6.1%	<=5%
A2	<u>Non Earning Assets</u> Total Assets	3.6%	3.7%	<=5%
R1	<u>Net Loan Income</u> Average Net Loan Portfolio	8.9%	8.8%	10%
R9	<u>Operating Expense</u> Average Total Assets	3.5%	3.6%	5.0%
L1	<u>Net Liquidity</u> Savings	15.9%	14.5%	>15%
S9	<u>Increase in Loans</u> Total Loan portfolio of Previous Year	4%	8%	Not Specified
S10	<u>Increase in Total Assets</u> Total Assets of Previous year	8%	4%	Not Specified

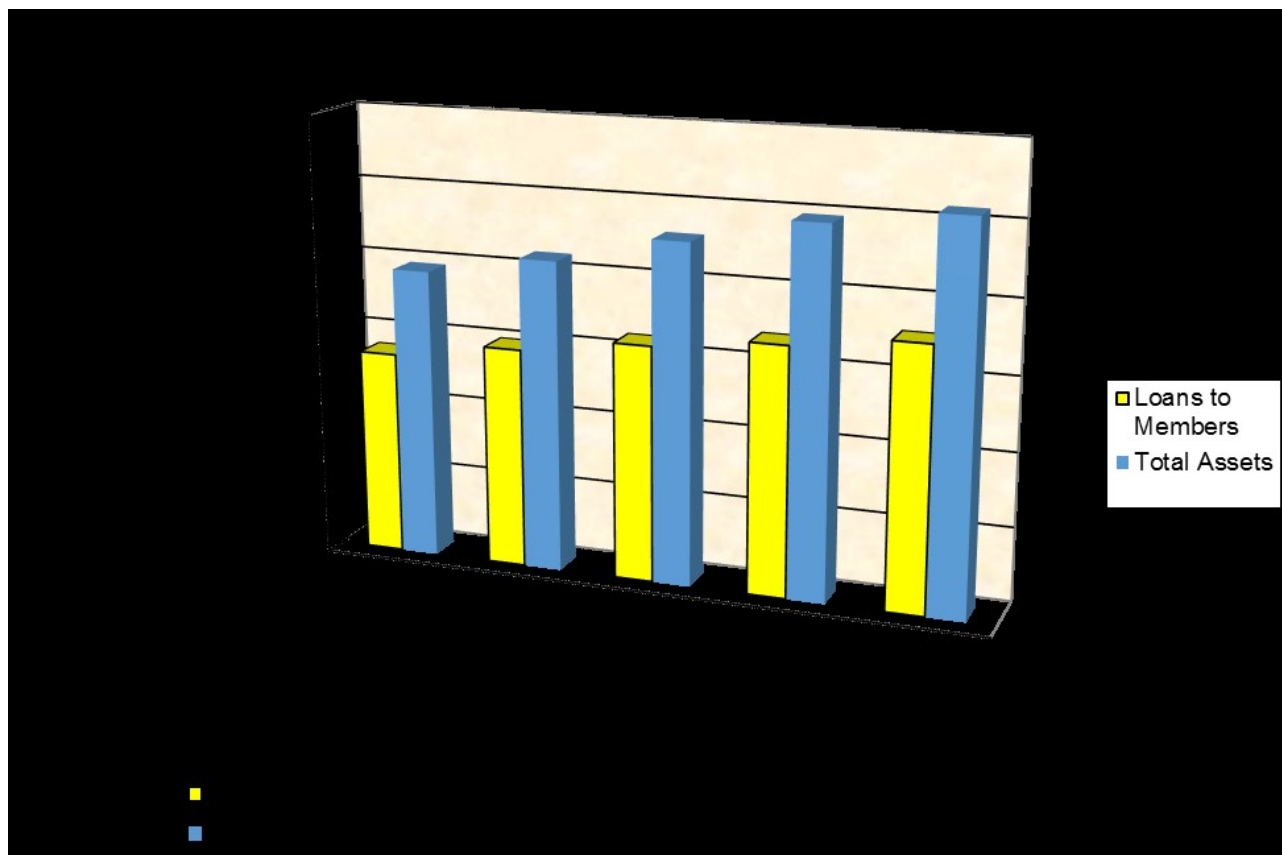
ASSETS



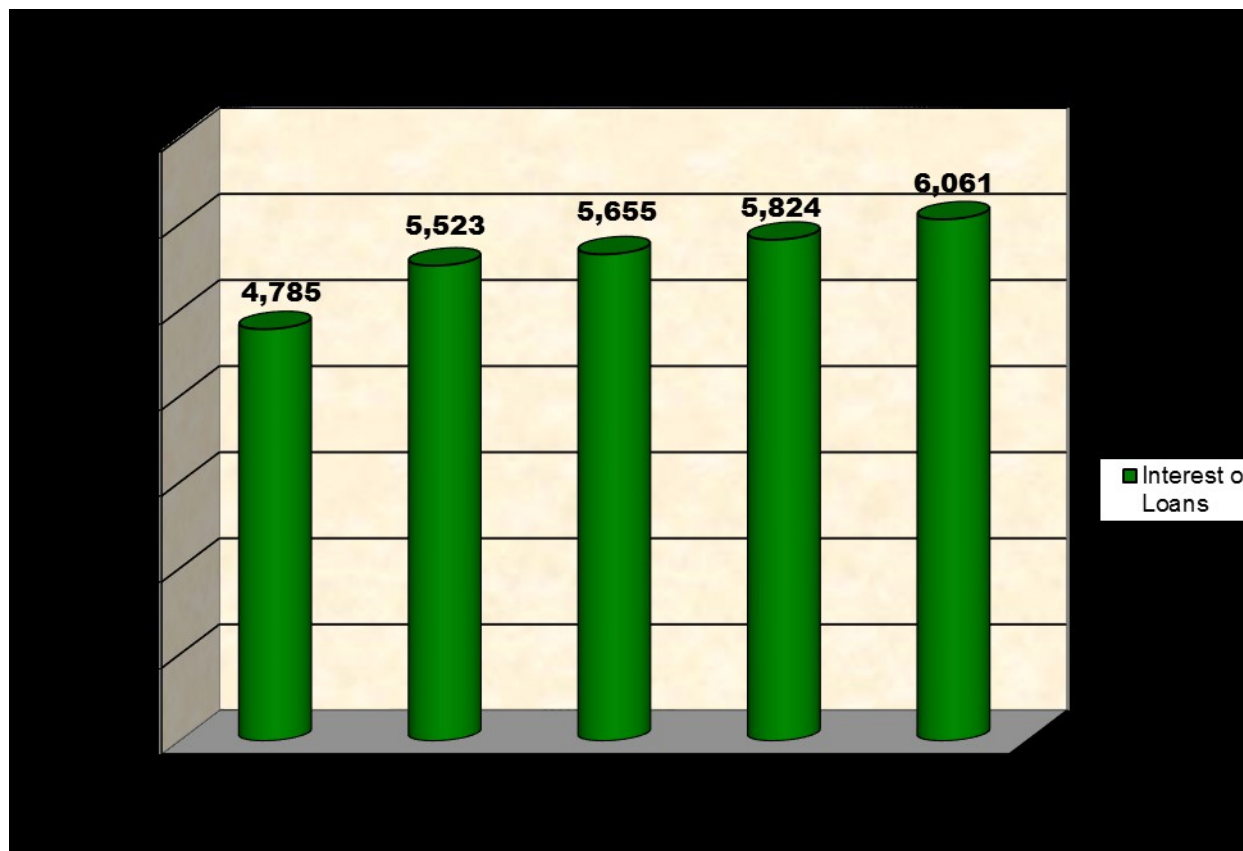
SHARE CAPITAL AND MEMBERS' DEPOSIT



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Financial Statements

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Year ended December 31, 2018

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

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KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Corporate Information

REGISTERED OFFICE

Granby Street, Kingstown
St. Vincent and the Grenadines

BOARD OF DIRECTORS

Cynthia Hope-Browne – President
Terral Mapp – Vice President
Gillon Frederick - Treasurer
Dominic White
Colin John
Jerome De Shong

SECRETARY

Angelitha Miller

SOLICITORS

Saunders & Huggins

BANKERS

Bank of St. Vincent and the Grenadines Limited

AUDITORS

KPMG
First Floor, National Insurance Services Building
St. Vincent and the Grenadines



KPMG

First Floor
National Insurance Services Headquarters
Upper Bay Street
P.O. Box 587, Kingstown
St. Vincent and the Grenadines

Telephone: (784) 451-1300
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Independent Auditors' Report

To the Members of Kingstown Co-operative Credit Union Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kingstown Co-operative Credit Union Limited ("the Credit Union"), which comprise the statement of financial position as at December 31, 2018, the statements of profit or loss and other comprehensive income, changes in members' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in St. Vincent and the Grenadines, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of Kingstown Co-operative Credit Union Limited for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 6, 2018.



Independent Auditors' Report (Cont'd)

To the Members of Kingstown Co-operative Credit Union Limited

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2018 but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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.

Auditors' Responsibilities for the Audit of the Financial Statements

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



Independent Auditors' Report (Cont'd)

To the Members of Kingstown Co-operative Credit Union Limited

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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

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

KPMG
Kingstown, St. Vincent and the Grenadines
September 26, 2019

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Statement of Financial Position

As at December 31, 2018


With comparative figures for 2017

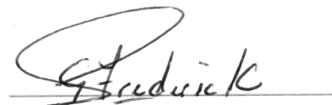
(Expressed in Eastern Caribbean dollars)

	Notes	2018 \$	2017 \$
Assets			
Cash and cash equivalents	7	13,549,806	14,804,427
Investment securities	8	4,643,401	2,777,959
Loans to members	9	70,962,622	67,376,721
Other assets	10	176,374	130,333
Investment in associates	11	1,130,990	607,616
Investment properties	12	2,829,811	3,772,714
Property and equipment	13	9,982,276	9,611,450
Total assets		103,275,280	99,081,220
Liabilities and members' equity			
Liabilities			
Bank overdraft	7	64,162	143,298
Accounts payable and accrued liabilities	14	1,122,132	1,011,044
Deposits	15	35,820,866	32,275,751
Dividend and rebates payable		-	1,034,711
Redeemable member shares	16	49,626,991	46,981,334
Total liabilities		86,634,151	81,446,138
Members' equity			
Share capital	16	2,235,506	2,499,893
Statutory reserve fund	17	5,020,356	4,677,061
Development fund	18	5,000	15,359
Unrealized gains on investments		-	470,126
Revaluation surplus		5,610,510	5,480,157
Retained earnings		3,769,757	4,492,486
Total members' equity		16,641,129	17,635,082
Total liabilities and members' equity		103,275,280	99,081,220

See accompanying notes to the financial statements.

Approved by the Board of Directors on September 26, 2019.


President
 Cynthia Hope-Browne


Treasurer
 Gillon Frederick

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Statement of Changes in Members' Equity
For the year ended December 31, 2018
With comparative figures for 2017
(Expressed in Eastern Caribbean dollars)

	Notes	Share capital	Statutory reserve fund	Development fund	Unrealised gains on investments	Revaluation surplus	Retained earnings	Total
		\$	\$	\$	\$	\$	\$	\$
Restated balance as of December 31, 2016		2,416,885	4,254,614	15,359	475,106	5,480,157	4,117,883	16,760,004
Profit for the year		-	-	-	-	-	798,355	798,355
Issuance of shares		83,008	-	-	-	-	-	83,008
Appropriation of development fund	18	-	-	5,000	-	-	(5,000)	-
Statutory development contribution funds paid		-	-	(5,000)	-	-	-	(5,000)
Appropriation of statutory reserve	17	-	418,752	-	-	-	(418,752)	-
Entrance fees		-	3,695	-	-	-	-	3,695
Unrealised loss on investments		-	-	-	(4,980)	-	-	(4,980)
Balance as of December 31, 2017, as previously stated		2,499,893	4,677,061	15,359	470,126	5,480,157	4,492,486	17,635,082
Adjustment on initial adoption of IFRS 9	2, 29	-	-	-	(470,126)	-	(1,903,084)	(2,373,210)
Restated balance at January 1, 2018		2,499,893	4,677,061	15,359	-	5,480,157	2,589,402	15,261,872
Profit for the year		-	-	-	-	-	1,697,147	1,697,147
Issuance of shares		105,002	-	-	-	-	-	105,002
Redemption of shares	16	(369,389)	-	-	-	-	-	(369,389)
Appropriation of development fund	18	-	-	5,000	-	-	(5,000)	-
Statutory development contribution funds paid		-	-	(15,359)	-	-	-	(15,359)
Dividends paid		-	-	-	-	-	(171,792)	(171,792)
Appropriation of statutory reserve	17	-	340,000	-	-	-	(340,000)	-
Entrance fees		-	3,295	-	-	-	-	3,295
Revaluation of property and equipment	13	-	-	-	-	130,353	-	130,353
Balance as of December 31, 2018		2,235,506	5,020,356	5,000	-	5,610,510	3,769,757	16,641,129

See accompanying notes to the financial statements.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2018

With comparative figures for 2017

(Expressed in Eastern Caribbean dollars)

	Notes	2018 \$	2017 \$
Income			
Interest on loans	19	6,060,707	5,824,238
Investment income	20	553,118	380,787
		6,613,825	6,205,025
Interest expense		(847,912)	(886,143)
Rebates and interest to members		2,387	(876,655)
Net interest income		5,768,300	4,442,227
Recovery of (Allowance for) impairment on loans		252,842	(990,142)
(Allowance for) recovery of impairment on interest receivable		(100,000)	121,278
		5,921,142	3,573,363
Rental income		244,510	246,219
		6,165,652	3,819,582
Selling expenses	21	(498,435)	(315,349)
General and administrative expenses	22	(3,632,157)	(3,386,407)
		2,035,060	117,826
Other income			
Income on death benefit plan – net	23	250,805	269,400
Commissions and miscellaneous income		282,165	292,664
(Decrease) increase in fair value of investment properties	12	(942,903)	239,460
		(409,933)	801,524
Share of profit (loss) of associated companies accounted for using the equity method		72,020	(120,995)
Profit for the year		1,697,147	798,355
Other Comprehensive Income			
Items that will never be reclassified subsequently to profit or loss			
Appreciation in property and equipment	13	130,353	-
Other comprehensive income for the year		130,353	-
Total comprehensive income for the year		1,827,500	798,355

See accompanying notes to the financial statements.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Statement of Cash Flows

For the year ended December 31, 2018

With comparative figures for 2017

(Expressed in Eastern Caribbean dollars)

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Profit for the year		1,697,147	798,355
Adjustments for:			
Depreciation	13	331,461	354,141
Interest capitalized on investments		-	(17,933)
Decrease (increase) in fair value of investment properties		942,903	(239,460)
Share of (profit) loss of associates		(72,020)	64,265
(Recovery of) Allowance for impairment on loans		(152,842)	971,203
Net profit before changes in operating assets and liabilities		2,746,649	1,930,571
(Increase) decrease in other assets		(46,041)	28,242
Increase in loans to members		(5,806,269)	(4,377,552)
Increase in accounts payable and accrued liabilities		111,088	354,110
Decrease in interest payable		-	(20,225)
Increase in deposits		3,545,115	3,312,131
Increase in redeemable member shares		2,645,657	2,762,143
Decrease in dividend and rebates payable		(1,034,711)	(190,729)
Net cash generated from operating activities		2,161,488	3,798,691
Cash flows from investing activities			
Additions to property and equipment	13	(571,934)	(424,209)
Proceeds from sale of investment securities		-	161,180
Purchase of investment securities		(1,865,442)	(1,615,055)
(Purchase of) proceeds from investment in associates		(451,354)	171,012
Net cash used in investing activities		(2,888,730)	(1,707,072)
Cash flows from financing activities			
(Redeemed) proceeds from issuance of shares		(264,387)	83,008
Dividends paid		(171,792)	-
Entrance fees received		3,295	3,695
Development fund contributions paid		(15,359)	(5,000)
Net cash (used in) from financing activities		(448,243)	81,703
(Decrease) increase in cash and cash equivalents		(1,175,485)	2,173,322
Cash and cash equivalents - beginning of year		14,661,129	12,487,807
Cash and cash equivalents - end of year	7	13,485,644	14,661,129

See accompanying notes to the financial statements.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

1. Incorporation and principal activities

The Kingstown Co-operative Credit Union Limited ("the Credit Union") was registered on April 12, 1958, as a Co-operative Society. The Credit Union's operations are subject to the provisions of the Co-operative Societies Act 2012 of St. Vincent and the Grenadines and supervision by the Financial Services Authority. The Credit Union's principal activities are to promote thrift among its members, to receive the savings of and to provide a source of credit to members.

2. Basis of preparation

a. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) as at December 31, 2018 (the reporting date).

b. Significant accounting judgments, estimates and assumptions

The preparation of the Credit Union's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Credit Union's accounting policies, management has made various judgments. Those which management has assessed to have the most significant effect on the amounts recognized in the financial statements have been discussed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Credit Union based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Credit Union. Such changes are reflected in the assumptions when they occur.

The Credit Union carries its investment properties at fair value, with changes in fair value being recognized in profit or loss. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognized in other comprehensive income (OCI). The Credit Union engaged an independent valuation specialist to assess fair value for investment properties, land and buildings.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

2. Basis of preparation (cont'd)

c. New standards, interpretations and amendments effective during the year

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning on January 1, 2018 and have been applied in preparing these financial statements. None of these had a significant effect on the Credit Union's financial statements except IFRS 9 as disclosed below.

The effect of initially applying IFRS 9 is mainly attributed to the following:

- an increase in impairment losses recognized on financial assets
- additional disclosures related to IFRS 9

Except for the changes below, the Credit Union has consistently applied the accounting policies as outlined to all periods presented in these financial statements.

IFRS 9 Financial Instruments

In 2014, the IASB issued IFRS 9, *Financial Instruments* replacing IAS 39, *Financial Instruments: Recognition and Measurement*. The requirements of IFRS 9 represent a significant change from IAS 39 and brings fundamental changes to the accounting for financial assets. IFRS 9 includes revised guidance on the classification and measurement of financial assets, a forward-looking 'expected credit loss' model ("ECL model") for assessing the impairment of financial assets and a new general hedge accounting model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. The new impairment model also applies to certain loan commitments and financial guarantee contracts. These new requirements are forward-looking and eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the new approach it is no longer necessary for a credit event to have occurred before credit losses are recognized and therefore under IFRS 9, credit losses are recognized earlier than under IAS 39. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The impairment allowance is based on a three-stage model that determines the expected credit loss based on the probability of default, the exposure at default and the loss given default.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

2. Basis of preparation (cont'd)

c. New standards, interpretations and amendments effective during the year (cont'd)

The Credit Union has used the exemption not to restate comparative information for prior periods with respect to classification and measurement including impairment requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9, but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held; and
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

The following is a comparative summary of the classifications and carrying values as at January 1, 2018 between IAS 39 and IFRS 9 of the Credit Union's financial assets:

	Classification		Carrying values	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Financial Assets				
Cash equivalents	HTM	AC	14,545,293	14,545,293
Treasury bills	HTM	AC	686,483	686,138
Bonds	HTM	AC	928,572	926,854
Certificates of deposit	AFS	FVTPL	100	100
Certificates of deposit	HTM	AC	699,732	698,388
Equity securities – unquoted	AFS	FVTPL	198,578	198,578
Equity securities – quoted	AFS	FVTPL	259,817	259,817
Loans to members	LAR	AC	67,085,612	64,715,809
Other receivables	LAR	AC	80,201	80,201
Investments in associates	AFS	FVTPL	607,616	607,616
			<u>85,092,004</u>	<u>82,718,794</u>
Financial Liabilities				
Member deposits	AC	AC	32,275,751	32,275,751
Bank overdraft	AC	AC	143,298	143,298
Accounts payable	AC	AC	1,011,044	1,011,044
			<u>33,430,093</u>	<u>33,430,093</u>

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

*(Expressed in Eastern Caribbean dollars)***2. Basis of preparation (cont'd)****c. New standards, interpretations and amendments effective during the year (cont'd)**

The following reconciles, as of January 1, 2018, the carrying amounts under IAS 39 with the carrying amounts under IFRS 9:

	IAS 39	Remeasurement	IFRS 9
	\$	\$	\$
Held-to-Maturity Financial Assets Reclassified to Amortised Cost			
Cash equivalents	14,545,293	-	14,545,293
Treasury bills	686,483	(345)	686,138
Bonds	928,572	(1,718)	926,854
Certificates of deposit	699,732	(1,344)	698,388
	<u>16,860,080</u>	<u>(3,407)</u>	<u>16,856,673</u>
Available-for-Sale Financial Assets Reclassified to Fair Value through Profit or Loss			
Certificates of deposit	100	-	100
Equity securities – unquoted	198,578	-	198,578
Equity securities – quoted	259,817	-	259,817
Investment in associates	607,616	-	607,616
	<u>1,066,111</u>	<u>-</u>	<u>1,066,111</u>
Loans and Receivables Financial Assets Reclassified to Amortised Cost			
Loans to members	67,085,612	(2,369,803)	64,715,809
Other receivables	80,201	-	80,201
	<u>67,165,813</u>	<u>(2,369,803)</u>	<u>64,796,010</u>
Total Financial Assets	<u>85,092,004</u>	<u>(2,373,210)</u>	<u>82,718,794</u>

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue – Barter Transactions involving Advertising Services*) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17 (or IFRS 16 *Leases*, once applied).

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

2. Basis of preparation (cont'd)

c. New standards, interpretations and amendments effective during the year (cont'd)

IFRS 15 Revenue from Contracts with Customers (cont'd)

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognized:

- identify contracts with members or customers,
- identify the separate performance obligation,
- determine the transaction price of the contract,
- allocate the transaction price to each of the separate performance obligations, and
- recognize the revenue as each performance obligation is satisfied.

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- Revenue may be recognized earlier than under previous standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.) –minimum amounts must be recognized if they are not at significant risk of reversal.
- The point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with members and the related assets and liabilities recognised by the Credit Union.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

2. Basis of preparation (cont'd)

c. New standards, interpretations and amendments effective during the year (cont'd)

Annual improvements to IFRSs effective for accounting periods beginning on or after January 1, 2018 are as follows:

- IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant.
- IAS 28 - clarifies that the election by venture capital organizations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition.
- IAS 40 - clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer.

The adoption of these amendments did not have any impact on the amounts recognized and is not likely to affect future periods.

d. New standards, amendments and interpretations not yet effective and have not been early adopted

New standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements are as follows:

IFRS 16 Leases

IFRS 16, effective for annual reporting periods beginning on or after January 1, 2019, was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Credit Union plans to implement IFRS 16 in the reporting period beginning January 1, 2019 and anticipates it will not have a significant impact on the amounts reported in respect of assets and liabilities.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

2. Basis of preparation (cont'd)

d. New standards, amendments and interpretations not yet effective and have not been early adopted (cont'd)

IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*

Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*, which is effective for annual reporting periods beginning on or after January 1, 2019, was issued in December 2017. The narrow-scope amendments enable entities to measure certain pre-payable financial assets with negative compensation at amortised cost. These assets, which include some loans and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

IAS 28 *Long-term Interests in Associates and Joint Ventures*

Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*, which is effective for annual reporting periods beginning on or after January 1, 2019 was issued in October 2017. The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 *Financial Instruments* before applying the loss allocation and impairment requirements in IAS 28 *Investments in Associates and Joint Ventures*.

This amendment will not affect the Credit Union's financial statements nor key performance indicators.

Annual improvements to IFRSs which will be effective for accounting periods beginning on or after January 1, 2019 as follows:

- IFRS 3 – clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11 – clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 23 – clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies

a. Cash, cash equivalents and short-term investment securities

Cash equivalents include highly liquid investments with insignificant interest rate risk and original maturities of ninety (90) days or less at the date of purchase. Investments with maturities between ninety (90) days and one year at the date of purchase are considered to be short-term investment securities. Short-term investment securities consist primarily of investment grade commercial paper, bankers' acceptances, and certificates of deposit.

b. Loans to members

Loans to members are initially recognised at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Subsequently loans are carried at amortised cost less allowance for impairment.

c. Interest income and expense

Interest income and expense are recognized in profit or loss for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability when calculated. When calculating the effective interest rate, the Credit Union estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or discounts received between parties to the contract that are an integral part of the effective interest rate.

d. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are recognized initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

e. Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses except land and building which are stated at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Increases in the carrying amount arising on revaluation of land and buildings are included in other comprehensive income and ultimately credited to revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against revaluation surplus directly in equity; all other decreases are charged to profit or loss.

Land is not depreciated. Depreciation of other assets is calculated using a straight-line method as to allocate their cost less their residual values over their estimated useful lives, as follows:

Furniture and equipment	-	10 - 20%
Building	-	2%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other income/expenses in profit or loss. Any gains or losses arising on the remeasured value of the Credit Union's property are included in other comprehensive income.

Repairs and maintenance are charged to profit or loss when the expenditure is incurred.

f. Investment properties

Investment properties are accounted for by the fair value model. Accordingly, gains or losses arising from changes in the fair value of investment properties are included in profit or loss.

g. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

h. Borrowing costs

Generally, borrowing costs are recognised as an expense in the period in which they are incurred; except where such costs are directly attributable to the acquisition, production or construction of an asset which takes a substantial period of time to get ready for its intended use.

i. Foreign currency translation

These financial statements are expressed in Eastern Caribbean dollars, which is the Credit Union's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognized in profit or loss, and other changes in the carrying amount are recognized through other comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss are recognized through profit or loss, and are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as fair value through other comprehensive income financial assets, are included in the fair value in other comprehensive income and ultimately accounted for under reserves in equity.

j. Financial instruments

Financial Assets

Recognition, initial measurement and derecognition

Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Credit Union commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category is presented in profit or loss within the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of investment income when the Credit Union's right to receive payments is established.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

j. Financial instruments (cont'd)

Recognition, initial measurement and derecognition (cont'd)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired;
- the Credit Union retains the right to receive contractual cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Credit Union has transferred its rights to receive contractual cash flows from the asset and either (a) has transferred substantially all of the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all of the risks and rewards of the asset, but has transferred control of the asset.

When the Credit Union has transferred its rights to receive contractual cash flows from an asset and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Credit Union's continuing involvement in the asset. On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss. From January 1, 2018, any cumulative gain or loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities, but transferred to retained earnings.

Measurement Categories of Financial Assets

Policy applicable from January 1, 2018

Effective January 1, 2018, financial assets, are categorized and measured based on the Credit Union's business model for managing their contractual cash flows, as follows:

- Amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

Deposits with Other Institutions, Treasury Bills, Loans and Advances to Members

The Credit Union measures deposits with other institutions, treasury bills and loans and advances to members at amortised cost if the following criteria are met:

- the financial asset is held within a business model with the objective to hold the financial asset in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

j. Financial instruments (cont'd)

Equity Instruments

Equity instruments under IFRS 9 are always reported at fair value since they fail the SPPI test. Where the Credit Union's management has elected to present fair value gains or losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as investment income when the Credit Union's right to receive payment is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in other gain (loss) in the statement of profit or loss as applicable.

Debt Instruments

Debt instruments, including loans and debt securities, are classified into one of the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL).

Investments in debt instruments are measured at amortised cost if they meet both of the following conditions and are not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the outstanding principal balance.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

j. Financial instruments (cont'd)

Business Model Assessment

With the adoption of IFRS 9, the business model test was used by the Credit Union to migrate the instruments along with the SPPI test to the new reporting classifications. The assessment was done by reviewing the investments under the existing IAS 39 classifications and selecting the business model that best suits the individual instruments in the respective classifications.

The objective of this test was to determine whether an arrangement pays only interest and principal and would then qualify as a basic lending arrangement. An instrument would therefore pass the SPPI test if it does not introduce risks or volatility that is inconsistent with a basic lending arrangement. Conversely, financial assets which have SPPI characteristics but are held within the business model whose objective is both to collect the contractual cash flows and to sell the financial assets ("hold to collect" and sell) are subsequently measured at fair value through other comprehensive income (FVOCI).

The Credit Union currently holds loans and advances for the collection of principal and interest. Based on the business model, it is the Credit Union's intention to hold these instruments until they are fully amortised. However, there may be instances where the Credit Union may need to dispose of a portion of its portfolio to meet liquidity requirements; this is however only done in exceptional circumstances and is not considered to be the sole purpose of negotiating these instruments.

For the held-to-maturity (HTM) instruments the "hold to collect" business model was adopted since the objective is to hold the financial asset and to collect contractual cash flows. The existing fixed income HTM portfolio consists of only bond instruments with fixed contractual cash flows. The money market instrument portfolio includes fixed deposit and treasury bills with fixed contractual cash flows. Since investment disposals, for these portfolios are infrequent and incidental to the model's objective, the measurement category used will be amortised cost.

The SPPI Test

As a second step of the classification process, the Credit Union assesses the contractual terms of financial assets to identify whether they meet the SPPI criteria.

'Principal' for the purpose of this test is defined as the fair value for the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal).

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 Credit Union 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, the contractual terms that introduce a more than de minimis exposure to risk 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 SPPI on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL or FVOCI.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

j. Financial instruments (cont'd)

The SPPI Test (cont'd)

Debt Instruments Measured at Amortised Cost

Debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortised cost. Interest income on these instruments is recognized in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortised cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortised cost are presented net of the allowance for credit losses (ECL) in the statement of financial position.

Debt Instruments Measured at Fair Value through Other Comprehensive Income (FVOCI)

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship. Upon derecognition, realized gains and losses are reclassified from OCI and recorded in profit or loss. Foreign exchange gains and losses that relate to the amortised cost of the debt instrument are recognized in the statement of profit or loss and other comprehensive income.

Premiums, discounts and related transaction costs are amortised over the expected life of the instrument to interest income in profit or loss using the effective interest rate method.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the statement of financial position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognized in OCI with a corresponding charge to provision for credit losses in profit or loss. The accumulated allowance recognized in OCI is recycled to profit or loss upon derecognition of the debt instrument.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

j. Financial instruments (cont'd)

Debt Instruments Measured at Fair Value through Profit or Loss (FVTPL)

Debt instruments are measured at FVTPL for assets:

- held for trading purposes;
- held as part of a portfolio managed on a fair value basis; or
- whose cash flows do not represent payments that are SPPI.

These instruments are measured at fair value in the statement of financial position, with transaction costs recognized immediately in profit or loss as part of non-interest income. Realized and unrealized gains and losses are recognized as part of non-interest income in profit or loss.

Debt Instruments Designated at FVTPL

Financial assets classified in this category are those that have been designated by the Credit Union upon initial recognition, and once designated, the designation is irrevocable. The FVTPL designation is available only for those financial assets for which a reliable estimate of fair value can be obtained.

Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognized in non-interest income in profit or loss.

Measurement Categories of Financial Assets - Policy Applicable before January 1, 2018

The Credit Union classified its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

Classification:

- Fair value through profit or loss*
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

j. Financial instruments (cont'd)

Classification: (cont'd)

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Credit Union's loans and receivables comprise 'other receivables', 'loans to members' and 'cash resources' in the statement of financial position.

(iii) *Held-to-maturity investments*

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

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Impairment of Financial Assets

Policy Applicable from January 1, 2018

The Credit Union recognizes expected credit losses (ECLs) on the following financial assets that are not measured at FVTPL:

- debt instruments measured at amortised cost and fair value through other comprehensive income;
- lease receivables; and
- loan commitments.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

j. Financial instruments (cont'd)

Impairment of Financial Assets (cont'd)

The measurement of expected credit loss involves increased complex judgement that includes:

Determining a significant increase in credit risk since initial recognition

The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12 months ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition. The Credit Union applies a three-stage approach based on the change in credit quality since initial recognition.

Expected credit loss impairment model

The Credit Union's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either:

- (i) over the following twelve months; or
- (ii) over the expected life of a financial instrument depending on credit deterioration since origination.

The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts. This impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

j. Financial instruments (cont'd)

Impairment of Financial Assets (cont'd)

To assess whether there is significant increase in credit risk, the Credit Union compares the risk of default occurring on the asset at the reporting date with the risk of default at initial recognition. It considers available reasonable and supportable forward looking information. A summary of the assumptions underpinning the assessment of significant increase in credit risk are as follows:

Category	Credit Union Definition of Category	Basis of Recognition of Expected Credit Loss
Stage 1: Performing	Customers who have low risk of default and strong capacity to meet contractual cash flows	12 month expected credit loss. Where the expected lifetime of an asset is less than 12 months, expected losses are measured over its expected lifetime.
Stage 2: Non-performing	Loans for which there is significant increase in credit risk is evidenced by: <ul style="list-style-type: none"> - absence of up to date financial information on file - inadequate credit documentation to support borrowing which may result in losses if not corrected - breach of loan covenant - other potential weakness that deserve management's attention but do not expose the Credit Union to significant risk 	Lifetime expected losses.
Stage 3: Credit Impaired	All or most of the weaknesses of 'non-performing' in stage 2. <ul style="list-style-type: none"> - Full liquidation of collection of debt improbable - Significant financial difficulty of the borrower or issuer; a breach of contract such as a default or being more than 90 days past due; - The restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not consider otherwise; - It is probable that the borrower will enter bankruptcy or other financial reorganization; or - The disappearance of an active market for a security because of financial difficulties. 	Lifetime expected losses.
Write-off	Cases in which the Credit Union determines that the borrower does not have assets or source of income that could generate sufficient cash flows to repay the amount subject to write-off.	Asset is written off.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

j. Financial instruments (cont'd)

Measurement of Expected Credit Losses

Expected credit losses are computed as unbiased, probability weighted amounts determined by evaluating a range of reasonably possible outcomes, incorporating the time value of money, and considering all reasonable and supportable information including that which is forward looking.

ECLs are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Credit Union in accordance with the contract and the cash flows that the Credit Union 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 discounted by the effective interest rate.
- For undrawn loan commitments, the Credit Union estimates the expected portion of the loan commitment that will be drawn down over its expected life and calculates the ECL as the present value of the difference between the contractual cash flows that are due to the Credit Union if the commitment is drawn down and the cash flows that the Credit Union expects to receive.
- Financial guarantee contracts as the expected payments to reimburse the holder less any amounts the Credit Union expects to recover.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the loss arising at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

j. Financial instruments (cont'd)

Incorporation of Forward-Looking Information

The standard requires the incorporation of forward looking information in the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecast of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Assessment of Significant Increase in Credit Risk (SICR)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Credit Union compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument. In making this assessment, the Credit Union considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that was available.

The assessment of an increase in credit risk includes macroeconomic outlook, management judgement, and delinquency and monitoring. With regards to delinquency and monitoring, there was a rebuttable presumption that the credit risk of the financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days overdue.

Some of the indicators which were incorporated included:

- i) Internal credit rating
- ii) External credit rating (as far as available)
- iii) Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations. This includes but is not limited to evidence of one or more of the following:
 - a. Delinquency in contractual payments of principal or interest;
 - b. Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
 - c. Breach of loan covenants or conditions;
 - d. Initiation of bankruptcy proceedings;
 - e. Deterioration of the borrower's competitive position.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

j. Financial instruments (cont'd)

Assessment of Significant Increase in Credit Risk (SICR) (cont'd)

- iv) Actual or expected changes in the operating results of the borrower
- v) Significant increase in credit risk on other financial instrument of the same borrower
- vi) Significant change in the value of the collateral supporting the obligation
- vii) Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Credit Union and changes in the operating result of the borrower
- viii) Deterioration in the value of collateral.

Quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime determined PD by comparing the remaining lifetime PD at reporting date with the remaining lifetime PD at the point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Credit Union still considers separately some qualitative factors to assess if credit risk has increased significantly. For loans and advances, there is particular focus on assets that are included on a 'watch list' once there is a concern that the creditworthiness of the specific counterparty has deteriorated; events such as unemployment, bankruptcy or death are also considered.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD. Financial assets that are 30 or more days past due and are not credit impaired will always be considered to have experienced a significant increase in credit risk. For less material portfolios where a loss rate or churn rate approach is applied to compute expected credit losses, significant increase in credit risk is primarily based on 30 days past due on the contractual payment.

Improvement in Credit Risk/Curing

A period may elapse from the point at which financial instruments enter lifetime expected credit losses (Stage 2 and Stage 3) and are reclassified back to 12 months expected credit losses (Stage 1). For financial assets that are credit impaired (Stage 3), a transfer to Stage 2 or Stage 1 is only permitted where the instrument is no longer considered to be credit impaired. An instrument will no longer be considered credit impaired when there is no shortfall of cash flows compared to the original contractual terms.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

j. Financial instruments (cont'd)

Improvement in Credit Risk/Curing (cont'd)

For financial assets within Stage 2, these can only be transferred to Stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Where a significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to Stage 1 when the original transfer criteria are no longer valid. Where instruments were transferred to Stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to Stage 1.

A forborne loan can only be removed from the category (cured) if the loan is performing (Stage 1 or 2) and a further one-year probation is met.

In order for a forborne loan to become performing, the following criteria have to be satisfied:

- At least a year has passed with no default upon the forborne contract terms
- The customer is likely to repay its obligations in full without realizing security
- The customer has no accumulated impairment against amounts outstanding

Subsequent to the criteria above being met, probation continues to assess if regular payments are made by the customer and none of the exposures to the customer are more than 30 days past due.

Expected Life

When measuring expected credit loss, the Credit Union considers the maximum contractual period over which the Credit Union is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, extension and rollover options.

Presentation of Expected Credit Losses in the Statement of Financial Position

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the financial assets;
- Debt instruments measured at fair value through other comprehensive income: no allowance is recognized in the statement of financial position because the carrying values of these assets is their fair values. However, the allowance determined is presented in accumulated other comprehensive income;
- Off-balance sheet credit risks including undrawn lending commitments, letters of credit and letters of guarantee: as a provision in other liabilities.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

j. Financial instruments (cont'd)

Impairment of Financial Assets - Policy applicable before January 1, 2018

Assets carried at amortised cost

The Credit Union assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Credit Union uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales)
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position
- Deterioration in the value of collateral
- Downgrading below investment grade level

The estimated period between losses occurring and their identification is determined by management for each identified portfolio. In general, the periods used vary between three months and twelve months; in exceptional cases, longer periods are warranted.

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Credit Union may measure impairment on the basis of an instrument's fair value using an observable market price.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

j. Financial instruments (cont'd)

Assets carried at amortised cost (cont'd)

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Assets classified as available-for-sale

The Credit Union assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through the statement of profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of profit or loss.

Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due on the basis of the renegotiated terms and conditions.

A provision for restructuring is recognized when the restructuring has commenced.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

j. Financial instruments (cont'd)

Loans and Advances

All non-performing and performing loans and advances are individually reviewed and specific provisions made for impaired portion based on the realizable value of the loan collateral and discounted by the original effective rate of the loan. The provision made is the difference between the loan balance and the discounted value of the collateral. Previously accrued income is reversed and further interest income not accrued. Loans and advances with similar characteristics are assessed for impairment on a group basis. Where possible the Credit Union seeks to restructure loans instead of taking possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms are renegotiated, any impairment is measured using the original effective interest rate and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and the future payments likely to occur. The loans continue to be subject to impairment assessment.

When all efforts have been exhausted to recover a non-performing loan, that loan is deemed uncollectible and written off against the related provision for loan losses.

Investment securities

The Credit Union assesses at each reporting date, whether there is objective evidence that a financial asset is impaired at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Assets that are not individually significant, are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Credit Union uses historical information and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

If any evidence of impairment exists, the cumulative loss that was recognized in the fair value reserve is reclassified to profit or loss. If the fair value of an impaired debt security subsequently increases and the increase can be related objectively to an event occurring after impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through other comprehensive income.

Offsetting Financial Instruments

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

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

3. Summary of significant accounting policies (cont'd)

k. Financial liabilities

Accounts payable and accrued liabilities, interest payable, deposits, dividend and rebates payable, and redeemable member shares are measured at amortised cost.

During the ordinary course of business, the Credit Union issues deposit contracts that expose the Credit Union to financial risk. Deposits are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest method.

l. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

m. Share capital

Share capital costs

The proceeds from the issue of new shares, except shares redeemable at the option of the holder, are accounted for as equity, net of transaction costs. Shares which are redeemable at the option of the holder are accounted for as financial liabilities.

Dividends

Dividends on shares, other than those redeemable at the option of the holder, are recognised in equity in the period in which they are approved by the directors. Dividends on shares, which are redeemable at the option of the holders, are accounted for as a charge in profit or loss in the period they are approved by the directors.

Revaluation reserve

Gains/losses arising on the revaluation of property (other than investment property).

Retained earnings

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

4. Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Credit Union's risk management framework. The Credit Union's risk management policies are established to identify and analyse the risk faced by the Credit Union, to set appropriate risk limits and controls and to monitor risks and adherence to limits and controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Credit Union's activities. The Credit Union, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Supervisory Committee oversees how management monitors compliance with the Credit Union's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Credit Union. The Compliance Officer undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Supervisory Committee and to the Board of Directors.

The Credit Union's activity of accepting funds risks including members and of investing deposit receipts in loans and other investments exposes the Credit Union to various financial risks. Financial risks include credit, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The effects of these risks are disclosed in the sections below.

(a) Credit risk

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Credit Union's cash resources, loans and advances to members and investment securities.

The exposure to credit risk is dependent on the degree of failure of counterparties, including its customers, banks and other debtors, to honour their obligations to the Credit Union. The Credit Union's credit risk is spread primarily over a diversity of private customers, commercial entities, and government securities.

The Credit Union manages limits and controls concentrations of credit risk whenever they are identified, in particular to individual counterparties and groups, and to industries. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations. Exposure to credit risk is also managed in part by obtaining collateral and personal guarantees.

The Credit Union structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, of groups of borrowers.

Collateral

The Credit Union employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Credit Union implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types of loans and advances are:

- (i) Mortgages over real properties; and
- (ii) Charges over members' deposits and ordinary savings.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

4. Financial risk management (cont'd)

(a) Credit risk (cont'd)

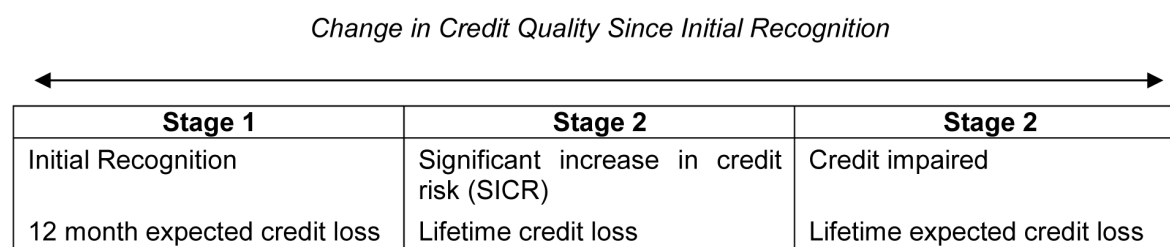
Collateral (cont'd)

The Credit Union's risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically depending upon the nature of the collateral. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Credit Union's credit exposure.

In addition, in order to minimize the credit loss, the Credit Union will seek additional credit collateral from the counterparty as soon as impairment indicators are notices for the relevant individual loans and advances.

Impairment and provisioning policies

The internal rating systems focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognized for financial reporting purposes an expected loss model using a three stage approach. This impairment model measures credit loss allowance using a three-stage approach based on the extent of credit deterioration since initial recognitions as summarized in the diagram below:



The Credit Union's policy requires the review of individual financial assets that are above the materiality threshold at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Financial instruments that are not already credit impaired are originated into Stage 1 and a 12-month expected credit loss provision is recognized.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

4. Financial risk management (cont'd)

(a) Credit risk (cont'd)

Impairment and provisioning policies (cont'd)

Instrument will remain in Stage 1 until they are repaid, unless they experience significant credit deterioration (Stage 2) or they become credit impairment (Stage 3).

Instruments will transfer to Stage 2 and a lifetime expected credit loss provision recognized when there has been a significant increase in credit risk compared with what was expected at origination.

Impairment losses and investment valuations (IAS 39)

Under IAS 39, financial assets were determined to be impaired when the carrying value was greater than the recoverable amount and there was objective evidence of impairment. The recoverable amount was the present value of the future cash flows.

It has been the Credit Union's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Collective impairment on advances

Inherent provisions on advances are calculated on an estimate of impairment incurred but not existing in assets as at the statement of financial position date. Estimated impairment incurred is determined by applying against performing loan balances, the average loan default rates and adjusting this balance for current economic factors that affect loan performance. An anticipated recovery rate (determined from historical average) is then applied to determine the value that is recoverable. This calculation is computed by product type.

Valuation of investment

The Credit Union has applied IAS 39 in its classification of investment securities which requires measurement of securities as fair value. For unlisted securities, fair values are estimated using price/earnings or price/cash flow ratios which have been refined to accommodate the specific circumstances of the issuer.

The following summarizes the maximum credit risk:

	2018	2017
	\$	\$
Deposit with commercial banks	12,975,121	14,545,293
Investment securities	4,645,090	2,772,782
Loans to members	70,962,622	67,376,721
Other assets	68,202	80,201
	<u>88,651,035</u>	<u>84,774,997</u>

The exposures set out above are based on net carrying amounts as reported in the statement of financial position, and represent a worst case scenario of credit risk exposure as at December 31, 2018 and 2017 without taking account of any collateral held or other credit enhancements attached.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

4. Financial risk management (cont'd)

(a) Credit risk (cont'd)

Loans and advances to members are summarized as follows:

	Mortgage \$	Consumer \$	Vehicle \$	Education \$	Promotional \$	Micro- business \$	Total \$
At December 31, 2018							
Gross loans	47,079,991	14,520,975	6,315,831	2,736,307	3,437,383	212,396	74,302,883
Less: ECL allowance on gross loans	(1,413,461)	(976,966)	(154,858)	(139,877)	(612,198)	(203,627)	(3,500,987)
	45,666,530	13,544,009	6,160,973	2,596,430	2,825,185	8,769	70,801,896
Add: interest receivable	374,720	169,788	50,478	29,369	69,994	21,877	716,226
Less: ECL allowance on interest receivable	(226,099)	(154,931)	(24,558)	(22,182)	(97,085)	(30,645)	(555,500)
	45,815,151	13,558,866	6,186,893	2,603,617	2,798,094	1	70,962,622
At December 31, 2017							
Gross loans	44,911,694	13,702,077	3,631,499	3,197,873	2,985,080	90,974	68,519,197
Less: allowance for impaired loans	(938,475)	(287,368)	(76,182)	(67,068)	(62,605)	(1,887)	(1,433,585)
	43,973,219	13,414,709	3,555,317	3,130,805	2,922,475	89,087	67,085,612
Add: interest receivable	410,248	162,344	75,195	30,114	58,928	9,801	746,630
Less: allowance for impaired interest receivable	(249,831)	(98,677)	(45,706)	(18,304)	(35,818)	(7,185)	(455,521)
	44,133,636	13,478,376	3,584,806	3,142,615	2,945,585	91,703	67,376,721

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

4. Financial risk management (cont'd)

(a) Credit risk (cont'd)

Loans and advances to members – credit quality

The credit quality of the portfolio of loans and advances can be assessed by reference to the internal rating system adopted by the Credit Union.

	Stage 1	Stage 2	Stage 3	Total
	\$	\$	\$	\$
As at December 31, 2018				
Mortgage	45,530,323	345,987	1,203,681	47,079,991
Consumer	13,743,018	101,903	676,054	14,520,975
Vehicle	6,117,935	-	197,896	6,315,831
Education	2,719,269	-	17,038	2,736,307
Promotional	2,985,526	37,834	414,023	3,437,383
Micro-business	132,591	-	79,805	212,396
	<u>71,228,662</u>	<u>485,724</u>	<u>2,588,497</u>	<u>74,302,883</u>
Add: interest receivable	364,100	6,614	345,512	716,226
	<u>71,592,762</u>	<u>492,338</u>	<u>2,934,009</u>	<u>75,019,109</u>
Less: ECL allowance	(2,099,442)	(153,183)	(1,803,862)	(4,056,487)
	<u>69,493,320</u>	<u>339,155</u>	<u>1,130,147</u>	<u>70,962,622</u>
	Neither past due nor impaired	Past due not impaired	Impaired	Total
	\$	\$	\$	\$
As at December 31, 2017				
Mortgage	41,213,676	830,788	2,867,230	44,911,694
Consumer	13,051,909	99,624	550,544	13,702,077
Vehicle	3,349,158	23,440	258,901	3,631,499
Education	3,109,290	-	88,583	3,197,873
Promotional	2,652,156	45,681	287,243	2,985,080
Micro-business	5,968	-	85,006	90,974
	<u>63,382,157</u>	<u>999,533</u>	<u>4,137,507</u>	<u>68,519,197</u>
Add: interest receivable	279,022	22,421	445,187	746,630
	<u>63,661,179</u>	<u>1,021,954</u>	<u>4,582,694</u>	<u>69,265,827</u>
Less: allowance for impaired loans	-	-	(1,889,106)	(1,889,106)
	<u>63,661,179</u>	<u>1,021,954</u>	<u>2,693,588</u>	<u>67,376,721</u>

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

4. Financial risk management (cont'd)

(b) Liquidity risk

Liquidity risk is the exposure that the Credit Union may encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns.

The contractual maturities of assets and liabilities, and the ability of the Credit Union to meet payment obligations associated with financial liabilities when they fall due and to replace funds when they are withdrawn, are important factors in assessing the liquidity of the Credit Union.

Projections and examination of the Credit Union's asset and liability maturity structure to facilitate the matching of asset and liability maturity dates as far as possible and providing for any shortfall or excess cash situations is a fundamental part of the Credit Union's liquidity risk management.

Management undertakes continuous review of cash inflows and outflows and seeks to maintain a loans-to-savings ratio not exceeding 85%. For the purpose of this ratio savings include deposits from members and shareholder balances.

The table below presents the cash flows payable by the Credit Union for financial liabilities by remaining contractual maturity dates at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	1 year \$	1 and 5 years \$	After 5 years \$	Total \$
As at December 31, 2018				
Accounts payable	1,122,132	-	-	1,122,132
Bank overdraft	64,162	-	-	64,162
Deposits	35,820,866	-	-	35,820,866
Redeemable member shares	49,626,991	-	-	49,626,991
	<u>86,634,151</u>	<u>-</u>	<u>-</u>	<u>86,634,151</u>
	1 year \$	1 and 5 years \$	After 5 years \$	Total \$
As at December 31, 2017				
Accounts payable	1,011,044	-	-	1,011,044
Bank overdraft	143,298	-	-	143,298
Deposits	32,275,751	-	-	32,275,751
Dividends and rebates payable	1,034,711	-	-	1,034,711
Redeemable member shares	46,981,334	-	-	46,981,334
	<u>81,446,138</u>	<u>-</u>	<u>-</u>	<u>81,446,138</u>

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

4. Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

The Credit Union holds a diverse portfolio of cash and investments to support payment obligation. Assets held for managing liquidity comprise cash and balances with banks, certificates of deposit and government bonds that are readily acceptable. The Credit Union would also be able to meet unexpected cash flows by selling investments.

(c) Interest rate risk

Interest rate risk arises when changes in the market rates of interest affect either the cash flows arising from interest or the fair value of the entity's financial instruments. Generally, interest rates on the Credit Union's financial instruments are fixed for the contractual term. As of reporting date, the Credit Union is exposed to interest rate risk to the extent that the market rate of interest impacts on the fair value of its financial instruments and the replacement of maturing financial instruments.

The following summarizes, as of reporting date, the materiality horizon of the Credit Union's interest bearing financial instruments.

The table below summarises the Credit Union's exposures to interest rate risks on its financial instruments whose carrying amounts are categorized by the earlier of contractual re-pricing or maturity dates.

	Up to 1 Year \$	1 and 5 Years \$	Over 5 Years \$	Non- interest bearing \$	Total \$
As at December 31, 2018					
Financial assets					
Cash	12,975,121	-	-	574,685	13,549,806
Investment securities	913,305	1,275,597	1,895,156	559,343	4,643,401
Accounts receivable	-	-	-	68,202	68,202
Loans to members	1,877,880	27,912,567	41,011,449	160,726	70,962,622
	<u>15,766,306</u>	<u>29,188,164</u>	<u>42,906,605</u>	<u>1,362,956</u>	<u>89,224,031</u>
Financial liabilities					
Trade and other payables	-	-	-	437,953	437,953
Bank overdraft	64,162	-	-	-	64,162
Deposits from members	29,990,149	5,830,717	-	-	35,820,866
Redeemable Members shares	49,626,991	-	-	-	49,626,991
	<u>79,681,302</u>	<u>5,830,717</u>	<u>-</u>	<u>437,953</u>	<u>85,949,972</u>
Total interest sensitivity gap	<u>(63,914,996)</u>	<u>23,357,447</u>	<u>42,906,605</u>	<u>925,003</u>	<u>3,274,059</u>

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

4. Financial risk management (cont'd)

(c) Interest rate risk (cont'd)

At the reporting date, the carrying values of the Credit Union's interest-bearing fixed-rate financial instruments were:

	2018	2017
	\$	\$
Financial assets		
Cash at bank - savings accounts only	12,975,121	14,545,293
Investment securities	4,193,831	2,314,784
Loans and advances to members	70,801,896	67,085,612
	<u>87,970,848</u>	<u>83,945,689</u>
Financial liability		
Bank overdraft	64,162	143,298
Deposits from members	35,356,691	31,749,100
	<u>35,420,853</u>	<u>31,892,398</u>

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

Sensitivity analysis

Cash flow interest rate risk arises from loans and advances to members at variable rates.

(d) Foreign currency risk

Currency risk arises from changes in currency exchange rates and the impact of those changes on the entity's cash flows from trading in foreign currencies and the fair value measurement on its financial instruments. Generally, the Credit Union transacts in its functional currency and its financial instruments, are denominated in its functional currency.

The Credit Union is exposed to currency risk on financial instruments which are denominated in currencies other than its functional currency. As of reporting date, the Credit Union was exposed to currency risk on financial instruments having a fair value of \$210,062, which are denominated in Barbados currency. Had the Barbados currency either increased or decreased by 5% at reporting date, other comprehensive income would have increased or decreased respectively by \$10,503.

(e) Fair value risk

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

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

4. Financial risk management (cont'd)

(e) Fair value risk (cont'd)

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

Fair value risk is the risk that the fair value of a financial instrument may vary in response to changes in interest rates, equity prices, currency exchange rates or other market factors.

Financial assets and financial liabilities measured at fair value in the Statement of Financial Position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The Credit Union's financial assets and financial liabilities as disclosed in the Statement of Financial Position approximate their fair value.

5. Capital risk management

The Credit Union's objectives when managing capital are:-

- To comply with the statutory capital requirements of the Co-operative Societies Act of St. Vincent and the Grenadines;
- To safeguard the Credit Union's ability to continue as a going concern so that it can continue to provide returns for members and benefits for other stakeholders; and
- To maintain a strong capital base to maintain members, creditors and other parties' confidence and to sustain future development of the Credit Union.

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

Section 119 of the Co-operative Societies Act Cap 12.06 requires the Credit Union to maintain statutory and other reserves at not less than 10% of its liabilities. The Credit Union is in compliance as at December 31, 2018 (see Note 30).

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

6. Critical accounting estimates and judgments

Judgments and estimates 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 Credit Union makes estimates and assumptions concerning the future. 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.

a. Estimated impairment of assets

The Credit Union tests annually whether assets have suffered any impairment in accordance with the accounting policy stated in the significant accounting policies section. The recoverable amounts of some assets have been determined based on value-in-use calculations. These calculations require the use of estimates.

b. Valuation of property

The Credit Union utilizes professional valuers to determine the fair value of its properties. Valuations are determined through the application of a variety of different valuation methods which are all sensitive to the underlying assumption chosen.

c. Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The shares held in St. Vincent Co-operative Credit Union League are not traded in active markets. The carrying amount of these financial assets classified as FVTPL (2017: available-for-sale) would be estimated using the value of the members' equity in the audited financial statements of St. Vincent Co-operative Credit Union League.

7. Cash and cash equivalents

	2018	2017
	\$	\$
Cash on hand	574,685	259,134
Deposits and special savings	12,975,121	14,545,293
Cash and cash equivalents in statement of financial position	13,549,806	14,804,427
Bank overdraft	(64,162)	(143,298)
Cash and cash equivalents in statement of cash flows	13,485,644	14,661,129

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition including: cash on hand, deposits with banks and non-bank financial institutions and overdraft facilities.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

8. Investment securities	2018 \$	2017 \$
Held-to-maturity		
Debt securities	-	2,314,787
Interest receivable	-	5,177
	-	2,319,964
Available-for-sale		
Equities	-	457,895
Debt	-	500,000
	-	957,895
Less: impairment allowance	-	(499,900)
	-	457,995
Amortised cost		
Debt securities	4,633,745	-
Interest receivable	60,086	-
	4,693,831	-
Less: expected credit losses	(508,325)	-
Total debt securities	4,185,506	-
Fair value through profit or loss		
Equities	457,895	-
	4,643,401	2,777,959

The movements in the expected credit loss are as follows:

	2018 \$	2017 \$
At December 31,		
Balance, beginning of year	499,900	499,900
Impact of IFRS 9	3,407	-
	503,307	499,900
Charge for the year	5,018	-
	508,325	499,900

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)
9. Loans to members

Loans to members are comprised of the following:

At December 31, 2018

	Mortgage	Consumer	Vehicle	Education	Promotional	Micro-business	Total
	\$	\$	\$	\$	\$	\$	\$
Gross loans	47,079,991	14,520,975	6,315,831	2,736,307	3,437,383	212,396	74,302,883
Less: expected credit losses on loans	(1,413,461)	(976,966)	(154,858)	(139,877)	(612,198)	(203,627)	(3,500,987)
	45,666,530	13,544,009	6,160,973	2,596,430	2,825,185	8,769	70,801,896
Add: interest receivable	374,720	169,788	50,478	29,369	69,994	21,877	716,226
Less: expected credit losses on interest receivable	(226,099)	(154,931)	(24,558)	(22,182)	(97,085)	(30,645)	(555,500)
	45,815,151	13,558,866	6,186,893	2,603,617	2,798,094	1	70,962,622

At December 31, 2017

	Mortgage	Consumer	Vehicle	Education	Promotional	Micro-business	Total
	\$	\$	\$	\$	\$	\$	\$
Gross loans	44,911,694	13,702,077	3,631,499	3,197,873	2,985,080	90,974	68,519,197
Less: impairment allowance on loans	(938,475)	(287,368)	(76,182)	(67,068)	(62,605)	(1,887)	(1,433,585)
	43,973,219	13,414,709	3,555,317	3,130,805	2,922,475	89,087	67,085,612
Add: interest receivable	410,248	162,344	75,195	30,114	58,928	9,801	746,630
Less: impairment allowance on interest receivable	(249,831)	(98,677)	(45,706)	(18,304)	(35,818)	(7,185)	(455,521)
	44,133,636	13,478,376	3,584,806	3,142,615	2,945,585	91,703	67,376,721

The average yield on loans for the year was 8.7% (2017: 8.3%)

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

9. Loans to members (cont'd)

The Credit Union's loan portfolio was categorized in the following credit groupings at year end:

	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
As at December 31, 2018				
Mortgage	45,530,323	345,987	1,203,681	47,079,991
Consumer	13,743,018	101,903	676,054	14,520,975
Vehicle	6,117,935	-	197,896	6,315,831
Education	2,719,269	-	17,038	2,736,307
Promotional	2,985,526	37,834	414,023	3,437,383
Micro-business	132,591	-	79,805	212,396
	<u>71,228,662</u>	<u>485,724</u>	<u>2,588,497</u>	<u>74,302,883</u>
Add: interest receivable	364,100	6,614	345,512	716,226
	<u>71,592,762</u>	<u>492,338</u>	<u>2,934,009</u>	<u>75,019,109</u>
Less: expected credit losses	(2,099,442)	(153,183)	(1,803,862)	(4,056,487)
	<u>69,493,320</u>	<u>339,155</u>	<u>1,130,147</u>	<u>70,962,622</u>
	Neither past due nor impaired \$	Past due but not impaired \$	Impaired \$	Total \$
As at December 31, 2017				
Mortgage	41,213,676	830,788	2,867,230	44,911,694
Consumer	13,051,909	99,624	550,544	13,702,077
Vehicle	3,349,158	23,440	258,901	3,631,499
Education	3,109,290	-	88,583	3,197,873
Promotional	2,652,156	45,681	287,243	2,985,080
Micro-business	5,968	-	85,006	90,974
	<u>63,382,157</u>	<u>999,533</u>	<u>4,137,507</u>	<u>68,519,197</u>
Add: interest receivable	279,022	22,421	445,187	746,630
	<u>63,661,179</u>	<u>1,021,954</u>	<u>4,582,694</u>	<u>69,265,827</u>
Less: impairment allowance	-	-	(1,889,106)	(1,889,106)
	<u>63,661,179</u>	<u>1,021,954</u>	<u>2,693,588</u>	<u>67,376,721</u>

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

9. Loans to members (cont'd)

The movements in the expected credit losses are as follows:

	Mortgage	Consumer	Vehicle	Education	Promotional	Micro-business	Total
	\$	\$	\$	\$	\$	\$	\$
At December 31, 2018							
Balance, beginning of year	1,188,306	386,045	121,888	85,372	98,423	9,072	1,889,106
Impact of IFRS 9	796,962	791,816	205,171	189,074	297,694	89,086	2,369,803
	1,985,268	1,177,861	327,059	274,446	396,117	98,158	4,258,909
Written-off - net	(45,156)	(47,447)	(118,622)	(23,558)	-	-	(234,783)
Charge for the year	(300,552)	1,483	(29,021)	(88,829)	313,166	136,114	32,361
Balance, end of year	1,639,560	1,131,897	179,416	162,059	709,283	234,272	4,056,487
At December 31, 2017							
Balance, beginning of year	1,509,630	475,544	141,545	111,180	120,596	-	2,358,495
Written-off - net	(1,047,246)	(119,737)	(119,725)	(62,353)	(12,658)	-	(1,361,719)
Charge for the year	725,922	30,238	100,068	36,545	(9,515)	9,072	892,330
Balance, end of year	1,188,306	386,045	121,888	85,372	98,423	9,072	1,889,106

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

10. Other assets

	2018	2017
	\$	\$
Interest receivable	44,974	42,312
Prepaid expenses	91,366	50,132
Inventories	16,806	-
Other accounts receivable	23,228	37,889
	<u>176,374</u>	<u>130,333</u>

11. Investment in associates

	2018	2017
	\$	\$
Investments at the beginning of the year	607,616	728,611
Additional investment in St. Vincent and the Grenadines Credit Union League Limited	451,354	-
Share of profit (loss) for the year	72,020	(120,995)
	<u>1,130,990</u>	<u>607,616</u>

The investment in associates comprise the Credit Union's proportional share of its holdings in the St. Vincent and the Grenadines Credit Union League Limited and SVG Micro-Finance Co-operative Limited.

During 2016, SVG Small Business and Micro-Finance Co-operative Limited (COMFI) was placed in voluntary liquidation. The liquidator is in the process of determining the value of shareholding to be allocated to the various Credit Unions that currently own shares in the entity. Consequently, the Credit Union has fully provided for impairment losses anticipated on the investment.

12. Investment properties

	Land at Canouan \$	Land and building at Kingstown Park \$	Land at Bequia \$	Land at Brighton \$	Total \$
December 31, 2016	355,192	611,791	171,671	2,394,600	3,533,254
Increase in fair value	-	-	-	239,460	239,460
December 31, 2017	355,192	611,791	171,671	2,634,060	3,772,714
Decrease in fair value	(166,266)	(29,741)	(93,523)	(653,373)	(942,903)
December 31, 2018	<u>188,926</u>	<u>582,050</u>	<u>78,148</u>	<u>1,980,687</u>	<u>2,829,811</u>

On May 27, 2019, the Credit Union's investment properties were valued by Christopher Browne, independent Chartered Valuation Surveyor, on a market basis. The directors adopted the combined appraisal value of \$2,829,811 in the Credit Union's records in December 2018. The decline of \$942,903 in the fair value of investment properties was charged to profit or loss.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

13. Property and equipment

	Land \$	Building \$	Furniture & Equipment \$	Total \$
At January 1, 2017				
Cost or valuation	2,361,273	6,794,942	2,289,287	11,445,502
Accumulated depreciation	-	(277,821)	(1,626,299)	(1,904,120)
Net book amount	2,361,273	6,517,121	662,988	9,541,382
Year ended December 31, 2017				
Opening net book amount	2,361,273	6,517,121	662,988	9,541,382
Additions	-	257,251	166,958	424,209
Depreciation charge	-	(135,899)	(218,242)	(354,141)
Closing net book amount	2,361,273	6,638,473	611,704	9,611,450
At January 1, 2018				
Cost or valuation	2,361,273	7,052,193	2,456,245	11,869,711
Accumulated depreciation	-	(413,720)	(1,844,541)	(2,258,261)
Net book amount	2,361,273	6,638,473	611,704	9,611,450
Year ended December 31, 2018				
Opening net book amount	2,361,273	6,638,473	611,704	9,611,450
Additions	-	255,647	316,287	571,934
Revaluation	349,227	(218,874)	-	130,353
Depreciation charge	-	(144,335)	(187,126)	(331,461)
Closing net book amount	2,710,500	6,530,911	740,865	9,982,276
At December 31, 2018				
Cost or valuation	2,710,500	7,307,840	2,772,532	12,790,872
Accumulated depreciation	-	(776,929)	(2,031,667)	(2,808,596)
Net book amount	2,710,500	6,530,911	740,865	9,982,276

On May 27, 2019, the Credit Union's land and building were valued by Christopher Browne, independent Chartered Valuation Surveyor, on a market basis; the directors adopted the combined appraisal value of \$9,240,000 in the Credit Union's records in December 2018. The excess of appraised value over cost of \$130,353 recognized through other comprehensive income for the year was credited to revaluation surplus.

Depreciation expense of \$331,461 (2017: \$354,141) was charged to general and administrative expenses.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

*(Expressed in Eastern Caribbean dollars)***14. Accounts payable and accrued liabilities**

	2018	2017
	\$	\$
Accounts payable	420,068	437,953
Payroll obligations	637,355	517,354
Other accruals	64,709	55,737
	<u>1,122,132</u>	<u>1,011,044</u>

15. Deposits

	2018	2017
	\$	\$
Members' demand deposits	22,596,515	18,932,431
Building capitalization fund shares	12,760,176	12,816,669
	<u>35,356,691</u>	<u>31,749,100</u>
Interest payable	464,175	526,651
	<u>35,820,866</u>	<u>32,275,751</u>

The building capitalization fund shares have varying maturity dates.

The effective interest rates at the reporting date were as follows:

	2018	2017
	%	%
Members' demand deposits	2.26	2.38
Building capitalization fund shares	3.25	3.45

All deposits are denominated in Eastern Caribbean currency.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

*(Expressed in Eastern Caribbean dollars)***16. Share capital****Issued Share Capital**

	2018 Share Numbers	2017 Share Numbers
Redeemable \$5 par value member shares	9,925,398	9,396,203
Non-redeemable fully paid \$5 par value member shares	447,101	499,979
	<u>2018</u> \$	<u>2017</u> \$
Paid-up Capital		
Reported as Financial Liabilities		
Redeemable \$5 par value member shares	49,626,991	46,981,334
Reported as Equity		
Permanent fully paid \$5 par value member shares	2,151,595	2,415,894
Subscription for permanent \$5 par value member shares	83,911	83,999
	<u>2,235,506</u>	<u>2,499,893</u>
	<u>51,862,497</u>	<u>49,481,227</u>

Each member, notwithstanding the number of shares held, is entitled to one vote. Further, each member is required to hold a minimum of 20 permanent \$5 par value shares.

The Credit Union shall not pay a dividend if its institutional capital is less than 10% of its assets.

Redemption of Shares

In relation to the Marriagua acquisition in 2014, the Credit Union purchased shares from the General Employees Co-operative Credit Union and the St. Vincent and the Grenadines Teachers Co-operative Credit Union Ltd. This was completed under an agreement which allowed the Credit Union to redeem shares at any time. The purchase was completed in January 2018.

17. Statutory reserve

Article 16.1 of the Credit Union's By-Laws provides that entrance fees and fines collected from members, and at least 20% of net profits shall be credited to a Reserve Fund. The Reserve Fund may be used to meet bad debts and other extraordinary losses. The Reserve Fund shall be maintained in a liquid form to the satisfaction of the Registrar. During the year, the Board approved an appropriation of \$340,000 (2017: \$418,752) to the statutory reserve fund.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

*(Expressed in Eastern Caribbean dollars)***18. Development fund**

In accordance with section 125 of the Co-operative Societies Act 2012, the Credit Union shall appropriate such sums, not exceeding ten percent of net profit, to a Fund, which shall be administered by the National Leagues, for the development of registered societies. During the year, the Board approved an appropriation of \$5,000 (2017: \$5,000) to the development fund.

19. Interest on loans

	2018	2017
	\$	\$
Mortgage loans	3,205,633	3,124,588
Consumer loans	2,323,793	2,147,485
Vehicle loans	356,267	360,182
Education loans	175,014	191,983
	<u>6,060,707</u>	<u>5,824,238</u>

20. Investment income

Investment income comprises:

	2018	2017
	\$	\$
Interest earned on bank deposits and fixed deposits	273,169	330,117
Interest earned on securities at amortised cost	244,839	38,366
Dividends	40,027	12,304
Diminution in value of investments	(4,917)	-
	<u>553,118</u>	<u>380,787</u>

21. Selling expenses

	2018	2017
	\$	\$
Donations	75,498	35,891
Publicity, promotions and sponsorship	374,982	232,686
Scholarship funds	47,955	46,772
	<u>498,435</u>	<u>315,349</u>

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

*(Expressed in Eastern Caribbean dollars)***22. General and administrative expenses**

The following summarizes the Credit Union's administrative expenses by their nature.

	2018	2017
	\$	\$
Annual general meeting expenses	37,397	53,376
Annual licence fee	49,474	30,482
Audit fees	77,772	69,000
Bank charges	23,757	4,681
Board and committee meetings	140,785	130,941
Communication expenses	183,512	153,788
Conventions and summits	22,359	50,084
Deposits due to members' accounts	-	43,920
Depreciation expense	331,461	354,141
Electricity	85,106	84,831
General insurance	53,625	58,785
Insurance on loans and shares	395,404	381,727
League dues	67,364	68,636
Other operating expenses	11,490	51,168
Professional fees	94,530	7,341
Rental expense	66,403	59,400
Repairs and maintenance - buildings	70,584	76,755
Repairs and maintenance - equipment	111,988	77,981
Security	165,846	127,652
Staff costs	1,470,872	1,355,148
Stationery and office supplies	114,403	110,785
Travel	40,257	20,593
Water	17,768	15,192
	<u>3,632,157</u>	<u>3,386,407</u>

23. Income on death benefit plan – net

	2018	2017
	\$	\$
Death benefit contributions	501,805	491,900
Death benefit claims paid	(251,000)	(222,500)
	<u>250,805</u>	<u>269,400</u>

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

24. Staff costs

	2018	2017
	\$	\$
Bonus	50,180	33,000
Staff medical insurance	26,390	27,290
National Insurance contributions	55,517	51,800
Salaries and wages	1,173,053	1,139,998
Staff training and education	28,754	12,679
Staff uniforms	5,787	33,656
Retirement benefit	72,155	31,288
Vacation	59,036	25,437
	<u>1,470,872</u>	<u>1,355,148</u>
Number of employees at reporting date	<u>36</u>	<u>39</u>

25. Related party transactions

(a) Definition of related party

A related party is a person or entity that is related to the Credit Union.

1. A person or a close member of that person's family is related to the Credit Union if that person:
 - (i) has control or joint control of the Credit Union;
 - (ii) has significant influence over the Credit Union; or
 - (iii) is a member of the key management personnel of the Credit Union or of a parent of the Credit Union.
2. An entity is related to the Credit Union if any of the following conditions applies:
 - (i) The entity and the Credit Union are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Credit Union or to the parent of the Credit Union.

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

25. Related party transactions (cont'd)

(b) Definition of related party

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependents of that person or that person's spouse or domestic partner.

(c) Identity of related parties

The Credit Union has a related party relationship with its Directors, Committee Members and Management Staff.

(d) Related party transactions and balances

A number of transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and conditions.

i) Key management compensation

	Transaction values for the year ended December 31	
	2018	2017
	\$	\$
Salaries and wages	537,800	564,213
National Insurance contributions	15,818	15,983
Total	553,618	580,196

ii) Loans and deposits

a. Loans

	Balance outstanding as at December 31	
	2018	2017
	\$	\$
Directors and committee members	1,058,924	1,603,851
Management staff	2,026,524	1,927,443
Total	3,085,448	3,531,294

b. Deposits

	Balance outstanding as at December 31	
	2018	2017
	\$	\$
Directors and committee members	275,472	206,446
Management staff	656,445	656,937
Total	931,917	863,383

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

(Expressed in Eastern Caribbean dollars)

25. Related party transactions (cont'd)

(d) Related party transactions and balances (cont'd)

ii) Loans and deposits (cont'd)

No specific allowance has been made for impairment losses on balances with key management personnel at the reporting date.

26. Income tax

Section 25 (1) (n) of the Income Tax Act exempts Co-operative Societies from income tax.

27. Commitments

(a) As of the reporting date, the Credit Union is committed, under four operating leases, to a total monthly rental of \$5,205 (2017: \$4,950).

(b) Undrawn loan commitments at year end amounted to \$4,229,742 (2017: \$2,244,380).

28. Subsequent Event

On September 12th, 2019, the directors declared a dividend of 6.5%, 1% and 2% rebate on the permanent shares, redeemable shares and loans respectively to members on record as of December 31, 2018.

29. IFRS 9 Transition disclosure

The impact of transition to IFRS 9 on reserves and retained earnings is as follows:

	Unrealised gains \$	Retained earnings \$	Total \$
Closing balance under IAS 39 (December 31, 2017)	470,126	4,492,486	4,962,612
Initial recognition of IFRS 9 ECLs	-	(2,373,210)	(2,373,210)
Reclassification of unrealised gains on AFS securities now classified as FVTPL	(470,126)	470,126	-
Opening balance under IFRS 9 (January 1, 2018)	-	2,589,402	2,589,402

KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

*(Expressed in Eastern Caribbean dollars)***30. Co-operative Societies Act compliance requirements**

	2018	2017
	\$	\$
Fixed deposits	4,633,745	2,314,787
Cash	13,485,644	14,661,129
	<u>18,119,389</u>	<u>16,975,916</u>
Members' deposits and ordinary shares	<u>85,447,857</u>	<u>79,257,085</u>
Liquid investments to shares and deposits ratio	21%	21%

Section 119 (3) of The Co-operative Societies Act requires that not less than 15% of the Members' shares and deposits be kept in liquid reserve. Liquid reserves of the Credit Union represented 21% (2017 – 21%) of Members' shares and deposits.

	2018	2017
	\$	\$
Statutory and other reserves	10,635,866	10,642,703
Total liabilities	<u>86,634,151</u>	<u>81,446,138</u>
Reserves to liabilities ratio	12%	13%

Section 124 (3) of The Co-operative Societies Act requires that statutory and other reserves at no stage be less than 10% of its total liabilities. Statutory and other reserves of the credit union represented 12% (2017 – 13%) of its total liabilities.

31. Comparative figures

Certain of the comparative amounts have been reclassified to conform with the current year's presentation.

57th Annual General Meeting..... "Ever Progressing"

15. CREDIT COMMITTEE REPORT TO THE 57TH ANNUAL GENERAL MEETING OF THE KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

15.1 INTRODUCTION

On the 57th Annual General Meeting of the Kingstown Co-operative Credit Union Limited, the Credit Committee takes this opportunity to present its report to the members of this noble institution, having served for the year 2018.

Bros. Bernard John, Timothy Scott and Osneth Cato and Sis. Kolene Thomas-Williams continued to serve on the Credit Committee for the year 2018. At the 56th Annual General Meeting, Sis. Susan Clarke was elected to fill a vacancy on the Credit Committee.

15.2 MEETINGS AND ATTENDANCE

Volunteers	Position	Attendance
Bro. Bernard John	Chairman	37
Bro. Timothy Scott	Secretary	38
Bro. Osneth Cato	Member	38
Sis. Juanika Joseph	Member	39
Sis. Susan Clarke	Member	39

15.3 FUNCTIONS AND OPERATIONS OF THE CREDIT COMMITTEE

The Credit Committee can be seen as the heart of the Credit Union as it plays a vital role in its operations. As in previous years, meetings of the Committee were held every Tuesday at 5 pm to conduct its main duty, which is to review loan applications made by members; the decisions upon such applications are made within the authority/threshold as delegated to the Committee based on the Co-operatives Society Act 2012 and the KCCU Bye-laws.

The Committee also conducted periodic checks on loans granted by internal management to ensure that the loans were in compliance with the lending regulations and the Credit Union's loan policy, as approved by the Board. Additionally, periodic site visits were conducted on properties to ensure that funds disbursed were used for the purpose intended.

The Chairperson presented monthly reports to the Board of Directors. These reports summarized the activities of the Committee for the previous month; it included a thorough breakdown of the number of loans approved/ disapproved, the purpose and collateral of each loan presented.

15.4 TRAINING

The table below shows the training activities that the committee participated in for 2019.

57th Annual General Meeting..... "Ever Progressing"

TRAINING TITLE	PARTICIPANT	DATE	VENUE
SVG Co-operative League Training Session: Credit Risk Management and Credit Recoveries Management	All members of the Credit Committee, Staff: Compliance Officer, Sis. Hadasha Butcher, Staff: Loans Officer, Sis. Sherry-Ann Parsons Staff: Head of Recoveries, Sis. Judith Seaman	May 20 th and 21 st , 2019	SVG Co-operative League Conference Room, Co-operative League Center

15.5 OVERVIEW

KCCU being cognizant of the financial constraints being experienced by members introduced new loan products, to meet customer demand; namely, the Diamond Wheels and the KCCU Protect. Also, KCCU continued to promote the debt consolidation product which continues to be in high demand.

The Credit Committee also provided financial counseling to members who were increasing debt too rapidly, especially from multiple organizations.

The Credit Committee continued to work closely with the Credit Department and the Board to develop new and innovative loan products that would continue to address members' need.

15.6 LOAN ANALYSIS

The table below shows a comparison of the loan activities for 2017 versus 2018.

YEAR	NO. REVIEWED	NO. APPROVED	VALUE REVIEWED	VALUE APPROVED
2017	3547	3386	37,059,520.00	19,869,615.00
2018	3068	3003	44,174,362.00	20,902,281.00
% CHANGE	24.3	23.4	61.2	13.1

15.7 LOAN APPLICATION AND APPROVALS

There was a shortfall in loan activity for the 2018 period. Loans reviewed decreased from **3547** in 2017 to **3068** in 2018, which represented a decline in activity by 13.5%. Consequently, loans approved for the year 2018 totaled **3003**, also a decline in activity by 11.3%, when compared to the year 2017 which registered **3386** approved loans.

Despite the contraction in loan activity for the period under review, the value of the loans reviewed increased from \$37.1 million in 2017 to \$44.2 million in 2018, representative of a 19.2% improvement. Additionally, the value of the loans approved increased from \$19.9 million in 2017 to in \$20.9 million in 2018, illustrative of a 5.2% improvement.

15.8 LOAN DISBURSEMENTS

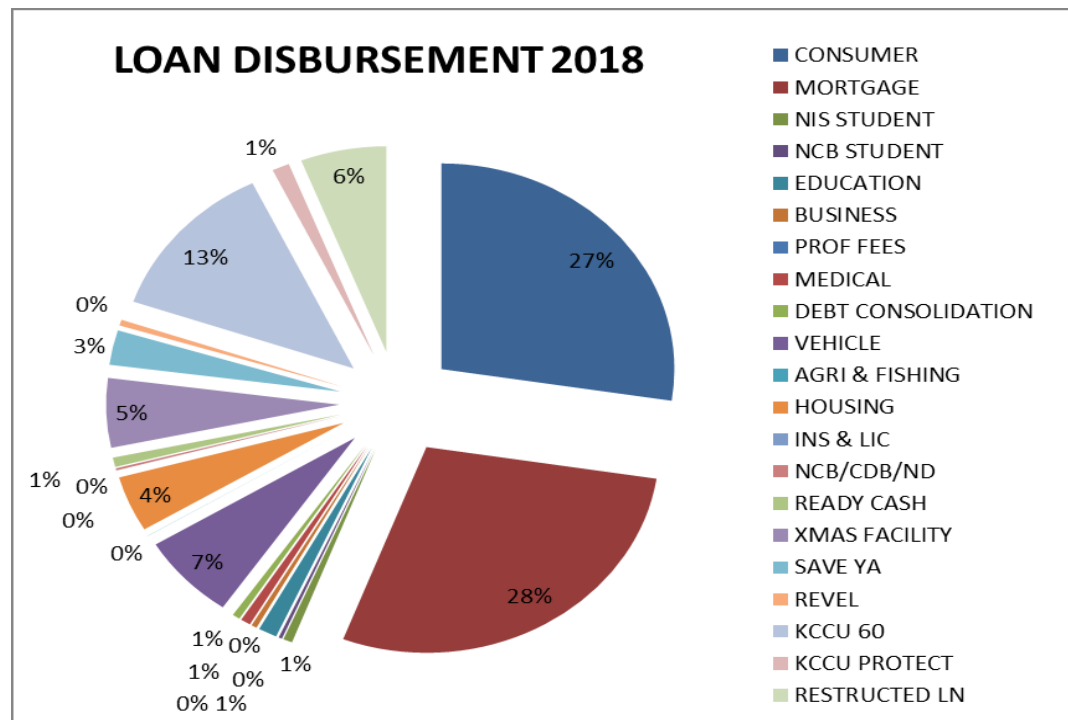
The table below shows loans disbursed by type.

Table 1.

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TOTAL DISBURSEMENT							
LOAN TYPES	2018			2017			% CHANGE VALUE
	NO.OF LOANS DISBURSED	AMOUNT (\$)	% of TOTAL LOAN VALUE	NO.OF LOANS DISBURSED	AMOUNT (\$)	% OF TOTAL LOAN VALUE	
CONSUMER	4044	7,158,868	27.46	4056	6,869,445	31.33	4.21
MORTGAGE	277	7,395,280	28.36	277	6,960,628	31.74	6.24
NIS STUDENT	20	165,756	0.64	31	400,667	1.83	-58.63
NCB STUDENT	1	62,955	0.24	-	-	-	-
EDUCATION	188	337,082	1.29	176	475,745	2.17	-29.15
BUSINESS	36	100,591	0.39	63	768,353	3.50	-86.91
PROF FEES	0	0	0	1	3,000	0.01	-
MEDICAL	83	180,868	0.69	49	107,397	0.49	68.41
DEBT CONSOLIDATION	48	136,998	0.53	61	175,437	0.80	-21.91
VEHICLE	336	1,756,207	6.74	383	2,459,571	11.22	-28.60
AGRI & FISHING	3	4,010	0.02	2	1,510	0.01	165.56
HOUSING	326	1,142,310	4.38	345	1,121,475	5.11	1.86
INS & LIC	2	2,010	0.01	6	3,720	0.02	-45.97
NCB/CDB/ND	2	43,152	0.17	-	-	-	-
READY CASH	291	191,671	0.74	424	315,140	1.44	-39.18
XMAS FACILITY	655	1,419,125	5.44	629	1,010,357	4.61	40.46
SAVE YA	223	711,535	2.73	199	614,983	2.80	15.70
REVEL	74	118,714	0.46	412	639,973	2.92	-81.45
KCCU 60	441	3,280,641	12.58	-	-	-	-
KCCU PROTECT	45	312,183	1.20	-	-	-	-
RESTRUCTED LN	30	1,553,202	5.96	-	-	-	-
TOTAL	7125	26,073,158	100	7114	21,927,401	100	

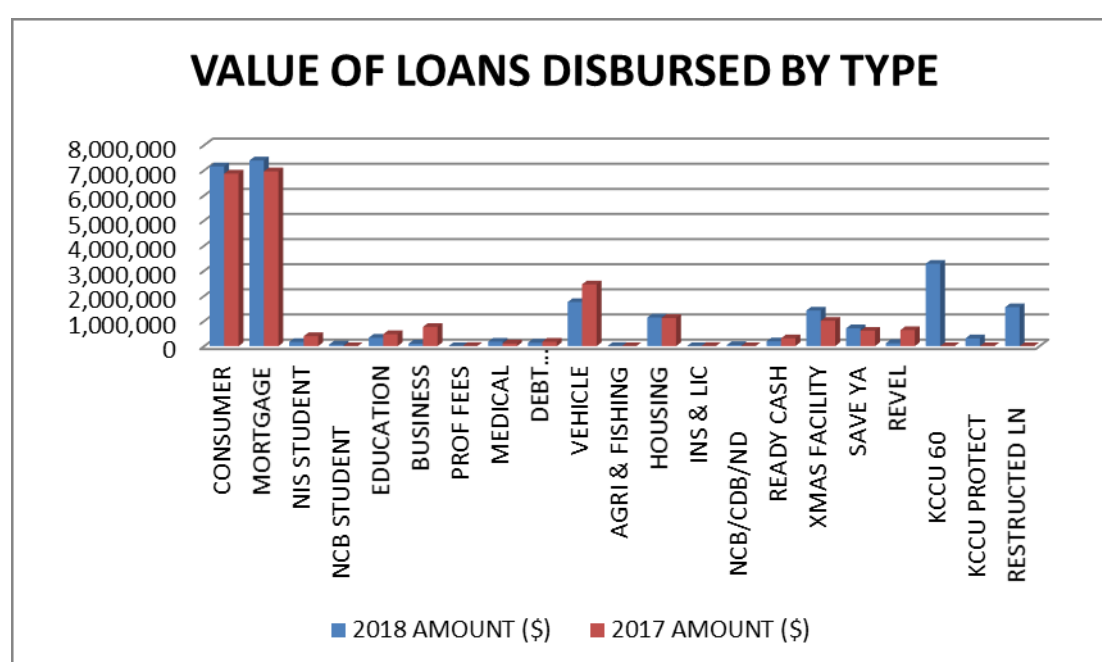
The Pie Chart below shows the percentage of funds disbursed by category of loan in 2018.



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Mortgages and Consumer loans accounted for the bulk of the loans disbursed in 2018, accounting for 28% and 27% respectively. The KCCU 60 (Diamond Wheels special product) which was introduced as part of KCCU's 60th Anniversary promotions accounted for 13%, while the regular vehicle loans registered 7%; Debt Consolidation accounted for 6%, and X-MAS Facility 5% of total disbursement in 2018.

The Column Chart below shows a comparison of the value of loans disbursed in 2017 versus 2018.



The graphical representation of data presented in Column Chart shows that the bulk of the loans disbursed in 2017 and 2018 were concentrated in the mortgages and consumer loan categories.

Further analysis of the data in Table 1. also indicates that although consumer loans accounted for a greater number of loans when compared to mortgages, the value of mortgages is greater than that of consumer loan.

15.9 DELINQUENCY

The delinquency rate stood at 6.11% at the end of financial year 2018, representative of an improvement in the rate when compared to 7.55% in 2017. The delinquency is concentrated in the Property/Mortgage category of the loan portfolio.

The Credit Committee continues to work with the Recoveries Department to reduce the level of delinquency in the organization.

15.10 ACKNOWLEDGEMENTS

The Credit Committee would like to take this opportunity to thank all the members for their continued support throughout the year. We are grateful for the contribution you have made to the continual development and sustainability of the credit union by way of your savings and honouring of loan commitments. It is through your contributions that the credit union is able to stand firm financially amidst a market beleaguered with a high degree of uncertainty.

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We would like to thank the Management and staff for their cooperation in fulfilling their roles and duties to facilitate the smooth and effective functioning of the Credit Committee. Additionally, thanks to the Supervisory Committee, Education Committee, Credit Department and Board of Directors for their continued guidance and support in achieving the overall goals and objectives of the credit union.

The Credit Committee would continue to strive to fulfil its duties effectively by exploring innovative and affordable loan products offerings to the general membership in order to offer a variety of options to suit the best interest of all members. We are looking forward to your continued support in the upcoming year and we will continue to provide the high-quality service as manifested in previous years.



Bernard John
Chairperson



Timothy Scott
Secretary

16. REPORT OF THE SUPERVISORY AND COMPLIANCE COMMITTEE TO THE 57TH ANNUAL MEETING OF THE KINGSTOWN CO-OPERATIVE CREDIT UNION LTD

16.1 INTRODUCTION

The Supervisory and Compliance Committee is pleased to submit to this the 57th Annual General Meeting of the Kingstown Co-operative Credit Union the following report on its activities and undertakings for the period under review.

16.2 Regulation

The Supervisory and Compliance Committee (SCC) is the Management Committee within the Credit Union Movement which is tasked with the overall duty and responsibility to protect, look after and attend to the examination of all the affairs of the Credit Union.

The Committee is regulated by the Co-operative Societies Act (CSA) 2012, sections 65-71 and Article 8 of the Bye-Laws, which is currently under review.

16.3 Duties

The Committee mandate as laid out in CSA 2012 can be summarized as follows:

- To ensure that management practices and procedures safeguard the members assets and;
- The financial statements accurately and fairly represent the financial position of the Credit Union.

These duties are achieved by the Committee engaging in, but not limited to the following activities:

- a. Keeping a record of all meetings and activities undertaken in carrying out the Committee's duties;
- b. Attendance at Board meetings
- c. Branch site visits
- d. Review of Loans and Delinquent accounts
- e. Review of Bank reconciliations
- f. Oversight and meet with the other Committees
- g. Reviewing the various policies and agreements in force at KCCU
- h. Meetings with Operational Management inclusive of all Department heads
- i. Meeting with the Compliance Officer and reviewing her mandate
- j. Review of Staff files
- k. Review of 2017 Audit Management Report
- l. Review of Financial Services Authority correspondences on file
- m. Proposals, recommendations and follow-ups to the Board of Directors on our review and findings

16.4 Composition of the Committee and Attendance at Meetings

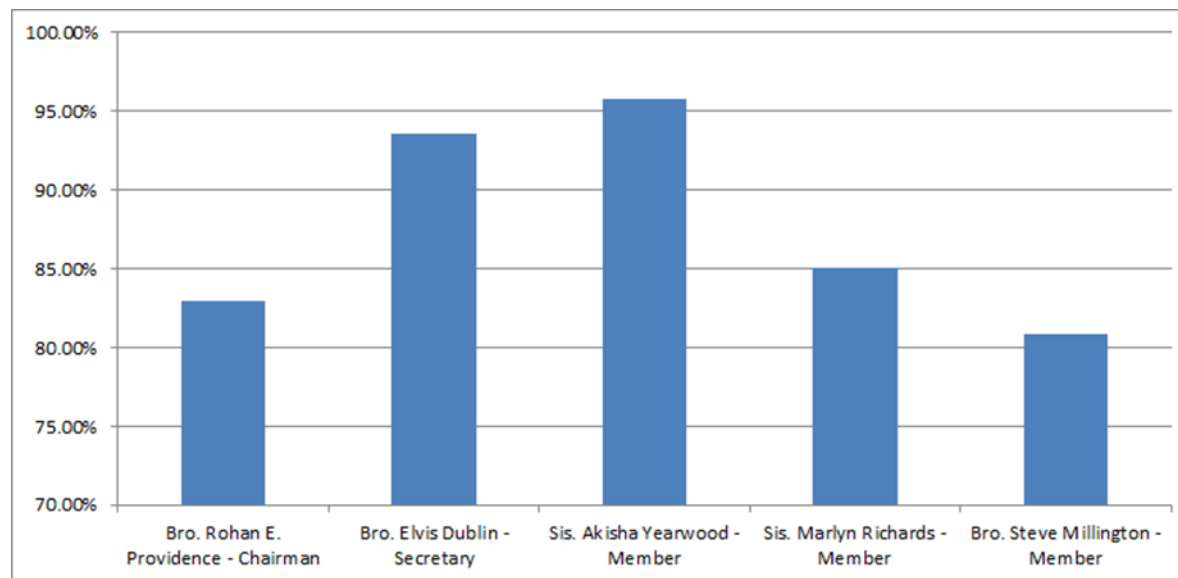
At the 56th AGM, three (3) members of the Committee retired and three (3) members were elected to serve the SCC namely, Sister Akisha Yearwood, Brother Steve Millington and Brother Rohan E. Providence. The Committee held its first meeting on July 11, 2018 and elected its Chairman and Secretary, Bro Rohan Providence and Brother Steve Millington respectively. Brother Millington subsequently resigned the post citing work related responsibilities; however he continues to serve the Committee as a duly elected member. The role of Secretary was accepted by Brother Elvis Dublin.

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The Current Committee is as follows:

Elvis Dublin	Secretary
Steve Millington	Member
Rohan Providence	Chairperson
Marlyn Richards	Member
Akisha Yearwood	Member

The Committee held forty-seven (47) meetings inclusive of eight (8) working sessions and two (2) site visits to all Branches of KCCU's operations during the period July 2018 to May 31st 2019. The attendance was as follows:



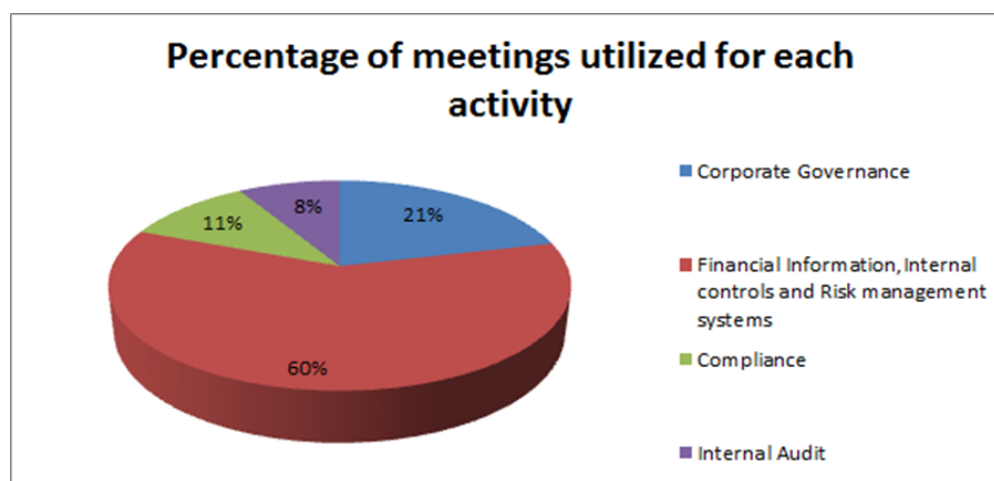
The Committees percentage (%) attendance and composition is as follows;

Member	No. of Meetings Attended
Elvis Dublin	44/47
Steve Millington	38/47
Rohan Providence	39/47
Marlyn Richards	40/47
Akisha Yearwood	45/47

16.6. ACTIVITIES DURING 2018/2019

This section of the report provides a summary of the Supervisory and Compliance Committee activities during the period of July 2018 – May 2019. The activities are grouped in relation to the Committee's duties.

The chart below shows the amount of time that was dedicated to the highlighted areas of responsibility by the Committee during the period.



16.7 Financial information

The Committee focused particularly on the review of some of the main Accounting processes and the Audit Review of the prior period 2017. The Board of Directors' monthly board reports were also reviewed.

The Committee held several meetings with the Chief Accountant. Discussions were centered on the financial reporting function, vulnerable areas such as the Bank reconciliations, Fixed Asset Register, and Accounting for credit risks as stipulated by IFRS 9, Internal Controls in the area of Finance; and training or exposure to Anti-Money Laundering policies and procedures. The Committee concerns were raised based on our review work. Recommendations were offered to mitigate the highlighted vulnerabilities in these areas.

16.7 Internal Controls

Internal control is an essential part of good Corporate Governance. There are control systems in place that seek to detect and deter instances of risks to the organization. The SCC assessed these controls utilizing several tests of the control procedures in place such as; comparisons, authorizations, reconciliations, computer controls, arithmetical and physical review.

During the Committee's reviews there were areas highlighted for tightening and strengthening of the internal controls such as: segregation of duties, department processes manual, authorizations and policy strengthening and development. The Committee has noted some improvements based on recommendations that were put forward, but have identified some areas where more improvement can be made. These were in detailed reports to the Board of Directors.

16.8 Compliance

The SCC and Compliance Officer met regularly during the period under review. At these meetings, discussions were centered on the Compliance Officer's work plan which was approved by the Board of Directors for the period. Several recommendations were made by the SCC regarding the contents and structure of the Compliance report. The officer took the recommendations onboard and incorporated them into her reports and work scope. The Compliance Officer successfully completed the first phase of Anti Money Laundering Certification training and worked on developing an AML Policy document for KCCU. The policy was reviewed and recommended changes were issued by the Committee. The completed policy document is to be submitted to the Board of Directors for approval.

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The Committee has identified the need for further training of all Management Committees of KCCU in discharge of their responsibilities to the organization. The Committee is of the view that more effort must be made to secure the requisite training.

16.9 Corporate Governance

Corporate Governance within the financial services sector is ever evolving given the need for rigorous and constant threat combating or mitigating systems within the industry. The overall responsibility for good Corporate Governance systems resides with the Board of Directors. The Committee sought to meet with the Board of Directors quarterly during the period under review,

with one successful meeting being convened. These meetings are necessary to further detail the SCC findings and recommendations.

The Committee made several recommendations to the Board of Directors with regards to improving and facilitating good Governance within the organization. These include but are not limited to the following.

Staff Review:-

- The Committee highlighted the need for senior staff to exhaust the excessive vacation leave eligibility. This issue rolls forward from period to period without any significant action taken.
- Issues were also noted with scheduling of vacation leave for Branch Officers, particularly those in the Grenadines.
- Concerns were also raised regarding the regularization of remuneration for staff at all branches. This concern was addressed by the Human Resources Committee established by the Board of Directors.
- Other areas such as the need for revision and update of the Senior Management Employment Agreement and the Collective Bargaining Agreement for non-management staff were highlighted.

Committees established by the Board:

The SCC applauds the BOD for establishing the following Committees:

- a) Human Resource
- b) Investment & Building
- c) Asset Liability Management

Attempts were made to have meeting with these Committees but was not convened due to the lack of a quorum by the other Committee members.

However, the Committee believes that with the combined efforts of all the Committees and the Board of Directors working in tandem, KCCU will be efficiently managed with good internal controls for further strengthening of the strategic, operational and risk management policies.

16.10 Self-Evaluation

The SCC conducted two self-evaluation sessions during the period under review. During these evaluations, the Committee assessed its performance in the discharge of its duties as set forth in the regulations and bye-laws and in accordance with the work plan for the period. Significant progress has been made with respect to the duties and operations of the SCC for the period under review.

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All activities undertaken and recommendations made by the SCC on reviews were reported to the Board of Directors as documented in our Committee minutes and monthly reports.

16.11 Conclusion

During the period under review, the SCC was relentless in its effort to be in contact with the BOD, Operational Managers and all other Committees of KCCU.

The Committee was able to evaluate, assess, and verify the quality and transparency of the financial information and effectiveness of the management systems and control procedures in place at the institution.

The Committee is satisfied with its undertakings to ensure compliance and the effectiveness and efficiency of the internal controls systems, as well as the reliability and quality of the financial information.

The SCC would like to thank the Board of Directors, the Operational Management and staff, the Management Committees and the Members of KCCU for the opportunity to serve during this tenure and wishes the entire KCCU family every possible success and continued growth.



Rohan E. Providence
Chairman



Elvis Dublin
Secretary

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17. EDUCATION COMMITTEE REPORT FOR THE 57TH ANNUAL GENERAL MEETING OF THE KINGSTOWN CO-OPERATIVE CREDIT UNION LIMITED

17.1 INTRODUCTION

We are pleased to present you with the Education Committee report for the 57th Annual General Meeting in the year 2019 which provides key information on work completed.

17.2 MEMBERSHIP

The Kingstown Co-operative Credit Union Board of Directors appointed the following members to serve on the Education Committee following the 56th Annual General Meeting:

Sis. Joselle White	-Chairperson
Sis. Wendie Edwards- Wilson	-Secretary
Sis. Arlette Maloney	-Member
Sis. Iyanna Trimmingham	-Member
Sis. Kathy-Ann Tommy-Samuel	-Member

17.3 MEETING ATTENDANCE

The Committee is required to meet at least three times per month and submit a monthly written report to the Board of Directors. A total of 32 meetings were held for the year and the attendance was as follows:

Names	Attendance
Sis. Joselle White	32
Sis. Arlette Maloney	29
Sis. Iyanna Trimmingham	29
Sis. Wendie Edwards-Wilson	28
Sis. Kathy-Ann Tommy-Samuel	25

17.4 THE ROLE OF EDUCATION COMMITTEE

The purpose of the Education Committee is to provide awareness to members and non-members by keeping them updated with current information. We are also responsible for organizing, executing and facilitating education activities in collaboration with management and staff of Kingstown Co-operative Credit Union.

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17.5 YEAR IN REVIEW

The Committee comprised of five individuals who possessed varying skill sets and expertise, which provided valuable perspectives that, aided in the execution of the different activities. Over the past months, the KCCU's Education Committee engaged in a number of activities geared towards creating awareness and edifying our members.

The activities undertaken during the period were : Secondary School Scholarship Award Ceremony, Annual Primary School Quiz, Membership Fun Day, Orientation Sessions, Development Workshop and, Hamper Distribution along with the formulation of the quarterly Newsletter.

17.6 SECONDARY SCHOOL SCHOLARSHIP AWARD CEREMONY

The KCCU's scholarship programme was introduced in 1995, and we have continued to sustain deserving students transitioning from the Primary level to the Secondary level with a scholarship currently valued at \$1500.00.

The scholarship award ceremony was held at the Methodist Church Hall on Thursday August 2, 2018 under the theme "Today's investment, Tomorrow's success". The motivational speaker was Ms. Tamira Browne. There were brief addresses from in house and a representative from the Ministry of Education. Entertainment was provided by the South East Steel Pan Orchestra and Ms. Ciara Mya Jeffers.

Eight-one (81) applications were received. Sixty-eight (68) were eligible to apply and thirteen were ineligible. The applications were appraised and the scholarship awardees were as follows:

Academic Scholarship Recipients:	School Attended	Placement
Kendi Alexander	Kingstown Preparatory	G-19 th O-31 st
Luca Roberts	Kingstown Preparatory School	B-13 th O-31 st
Ciara Jeffers	Kingstown Preparatory	G-30 th O-45 th
<i>Socio-Economic Scholarship Recipients:</i>		
David James	Lodge Village Government	B-92 nd O-239 th
Khaliyah Bentick	Clare Valley Government	G-111 st O-175 th
Roniah Roberts	Lowmans Leeward Anglican	G-127 th O-198 th

The KCCU's scholarship programme also provides annual bursaries to the value of \$600.00 per student during the first term of the school year in order, to assist with the purchase of text books and uniforms.

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The following were the bursary recipients for the academic year 2018-2019:

Bursaries Recipients:	School Attended	Placement
Academic: Chinaza Walcott	Petersville Primary School	G-136 th O-157 th
Socio-Economic: Kacey Craigg-Johnson	C.W Prescod Primary School	G-350 th O – 585 th

The Committee continued to review the school reports at the end of each school term, and it was quite noteworthy that the scholarship holders were maintaining the stipulated grade average of 75%. However, discussions were held with the students along with their parents who would have dwindled a bit below the required 75% grade mark. Recommendations and encouragement were offered to improve on their performances going forward.

17.7 60th MEMBERSHIP FUN DAY

As part of our sixtieth celebration, KCCU Senior Care Day was dubbed as our Membership Fun Day. This fun day was held on the 3rd November 2018 at the Arnos Vale Playing Field and was comprised of packed activities for all of our members. Our members came out with a great zeal and ready to partake in the various activities.

The following events were organized on the day:

- Face painting
- Football
- Cricket
- Sports
- Health Checks- Testing: Pressure and Sugar Levels, Weight and Counseling
- Bouncing castles
- Free give away
- Food, Drinks
- Dance off fitness

17.8 ANNUAL PRIMARY SCHOOL QUIZ

KCCU recognizes the importance of the school quiz competition because we seek to indoctrinate team work and cooperation among our children and by doing so, it inspires our kids to do their very best. The annual primary school quiz began with a preliminary competition among 28 primary schools held on the 17th November, 2018 at the St. Vincent Boys' Grammar School from which the six schools with the highest scores were selected to compete in the finals.

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The finals were held at the Reuben John Development Centre, Saturday 24th November 2018. The competition consisted of four rounds of questions: multiple choice close ended, buzzer and spelling B. Students were quizzed on varying questions from five (5) categories: Credit Union Affairs, General Knowledge, History, Sports and Spelling Bee.

The final results were:

- 1st place – Stubbs Government School- Andrew John and Kate-Lynn Bobb
- 2nd place – C.W Prescod Primary School- Rayanne Pierre and Alando Bobb
- 3rd place – Lauders Government School – Javid Clarke and Dvonte' Dabreo
- 4th place – Kingstown Preparatory School- *Tay Cain and Seate Marshall*
- 5th place – Belair Government School- Joshua Prescott and Akeem Gaymes
- 6th place – Clare Valley Government School- Phena Bowens and Amanda Henry

17.9 ORIENTATION SESSIONS

As part of our new members program, orientation sessions forms part of the directive for the Education Committee. The first session was held on the 4th October, 2018 and second session -21st February 2019 at the Reuben Development Center. About 40 persons participated in each of these sessions. Orientation sessions seek to impart financial education; the promotion of saving; the wise use of credit; educating on the rights and responsibilities to the members; and assisting in the management of their financial affairs.

17.10 NEWS LETTER

The KCCU News Letters are designed to educate and empower our members. Some of the features in the last new letter included past-scholarship holders Dillon Nedd, Chanté Melville and Jessica Prescott; the Car Raffle Draw; products and services; Health corner; and year in review just to name a few. The news-letter were printed for the Christmas Holidays and in the month of May.

17.11 DEVELOPMENT WORKSHOP

This Development Workshop was held on March 30th, 2019 at the KCCU conference room at Marriaqua. The aim was to ensure that members received information that could assist in them making the best financial decisions within their various career paths. The target audience was between the ages 18 and 40 years. The main facilitator was Mr. Peter Edward and also featuring Mrs. Amanda Vanloo-Blutcher and Mrs. Lichia Goddard. The topic covered was: Turning your skill into a financial gain. Thirty-five persons were in attendance. The feedback is always positive as members indicated that they would welcome more sessions as such.

17.13 DISTRUBUTION OF CHRISTMAS HAMPER

Christmas Hampers were given to twenty- seven (27) needy families inclusive of the Grenadines Islands at a value of Two Hundred and Fifty Dollars (\$250.00) per hamper. This was activity was an incredible project because the families were not expecting such, and they were rather pleased by our kind gesture. We are looking forward to making this an annually activity and hopefully it will form part of our mandate.

17.14 SPONSORSHIP AND DONATIONS

"People helping People", has been a core value at the Kingstown Cooperative Credit Union and we are very delighted to be in a position where we play an active role in the community. Each year we sponsor and donate to groups, institutions, programs and individuals. This year was no different and we contributed to a total value of \$95,383.94. We are happy to be part of an organization that can make a difference in the lives of our members and the entire community of St. Vincent and the Grenadines.

Recipients of sponsorship and donation included but not limited to:

- St. Vincent Grammar School & Girls' High School Road Relay
- KCCU Dance Festival (biannual event)
- Thomas Saunders Secondary School Penn Relays' Team
- P-tani Carnival Committee
- Be-Fit Movement
- Rotary International

17.15 CONCLUSION

The Education Committee takes this opportunity to thank our members for their support. We also thank the Board of Directors, Chief Executive Officer, other Managment Committees, and the Staff for their continued support and guidance during our year. Special thanks to Sis. Clariesa Pierre and Sis. Judith Seaman for their unwavering assistance. We look forward to another year of member based initiatives that would improve our member's experience.



Joselle Joslyn- White
Chairperson



Wendie Edwards-Wilson
Secretary

2018 in Review



School Quiz Winners



School Quiz Finalists



Development Session



Summer Camp participants



Exercise Session at fun day



Football competition



Kids enjoying bouncing castle



March pass

Donations



Union Island



Donation of water tank in Canouan



Marriagua valley

Staff Awards



Employee of the year



Long service award



Long service award



Long service award



Employee of the year



Long service award

Car Raffle



Ticket sales



Ticket sales



Ticket purchase



Draw day



Delivery of vehicle



Turning over of vehicle

57th Annual General Meeting..... "Ever Progressing"

■ Notes

57th Annual General Meeting..... "Ever Progressing"

■ Notes

57h Annual General Meeting..... "Ever Progressing"

■ Notes

**The Hurricane
season is here!**



**Are YOU
ready?**

Don't get caught off guard
**Get \$20,000
or more** for all
your needs today!

Interest rate 9%

Prepare and KCCU Protect today!
Call 457-2409 for more info.

Terms and conditions apply.

**KCCU
Protect**