FND Enterprise Cooperative Credit Union Ltd.

ANNUAL REPORT 2018

"FOCUSING ON OUR MEMBERS"

Contents

NOTICE OF 10TH ANNUAL GENERAL MEETING

Dear Member,

Notice is hereby given that the tenth (10th) Annual General Meeting of the members of the FND Enterprise Cooperative Credit Union (FNDECCU) will be held at the **Royal St. Kitts Hotel Conference Room, Frigate Bay, St. Kitts**. This meeting will be held on **Tuesday, July 16, 2019 starting at 5:00 pm.**

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Trevor Phipps
Secretary
July 5, 2018.

AGENDA

THEME:

"Focusing on our Members."

REGISTRATION - (5:00 p.m. to 5.30 p.m.)

OPENING SESSION - (5:30 p.m. to 6:00 p.m.)

1. Call to Order
2. National Anthem
3. Invocation
4. President's Remarks.
5. Introduction of Featured Speaker
6. Feature Address
7. Adjournment

BUSINESS SESSION

8. Call to order.
9. Ascertainment of a Quorum and Apologies for Absence
10. Confirmation of Minutes of the 9th Annual General Meeting and Special meeting
11. Matters Arising from the Minutes.
12. Reports and Adoptions:
    (a) Board of Directors' Report
    (b) Auditors' Report and Audited Financial Statements
    (c) Treasurer's Report
    (d) Credit Committee's Report
    (e) Supervisory Committee's Report
13. Declaration of Dividends
14. Setting of Maximum Liability
15. Appointment of Auditors
16. Election of Officers
17. Any Other Business
18. Vote of Thanks
19. Adjournment

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; and

Where there is sadness, joy.

O Divine Master, grant that I may not

So much seek to be consoled as to console;

To be understood as to understand;

To be loved as to love;

For it is in giving, that we receive;

For its is in pardoning that we are pardoned;

And it is in dying that we are born to eternal life.

AMEN

STANDING ORDERS

1. A member to stand when addressing the Chairperson.
2. Speeches are to be clear and relevant to the subject before the meeting.
3. A member shall only address the meeting when called upon by the Chairperson to do so, after which he shall immediately take his seat.
4. No member shall address the meeting except through the Chairperson.
5. A member may not speak twice on the same subject except:
    a. The mover of a motion, who has a right to reply
    b. He rises to object or explain (with the permission of the Chair)
    c. The mover of a procedural motion (adjournment, lay on the table, motion to postpone)

    has no right to reply.
6. No speeches are to be made after the "Question" period has been put and carried or negated.
7. A member rising on a "Point of Order" must state the point clearly and concisely. (A "Point of Order" must have relevance to the "Standing Order").
8. A member should not "Call" another member "To Order" but may draw attention of the Chair to a "Breach of Order".
9. In no event shall a member call the Chair to order.
10. A "Question" should not be put to the vote if a member desires to speak on it or to move an amendment to it – except that a procedural motion, the "Previous Question", "Proceed to Next Business," or the Closure: "That the Question be Now Put" may be moved at any time.
11. Only one amendment should be before the meeting at one or the same time.
12. When a motion is withdrawn any amendment to it fails.
13. The Chairperson has the right to a "Casting Vote".
14. If there is equality of voting on an amendment and if the Chairperson does not exercise his casting vote the amendment is lost.
15. Provision is to be made for protection of the Chairperson from vilification (personal abuse).
16. No member shall impute improper motives against another member.

MINUTES OF A SPECIAL GENERAL MEETING OF THE FND ENTERPRISE COOPERATIVE CREDIT UNION

April 23th, 2019, at the Royal St. Kitts Hotel.

A special general meeting of the FND Enterprise Cooperative Credit Union (FNDECCU) was held at the Royal St. Kitts Hotel on April 23rd, 2019 to discuss and approve the market repositioning and a name change for the FNDECCU

Call to Order

The meeting was called to order at 5:13 pm and an opening prayer was said by Rudell Williams
The Credit Union prayer was recited by all present.
President H. McEachrane delivered brief remarks highlighting the member owner model of the credit union movement as well as the growth in membership experienced by the FND Enterprise Cooperative Credit union.
President McEachrane then introduced The Chief Executive Officer (CEO) Terrence Crossman to give the feature presentation

Presentation

The CEO gave an overview of FNDECCU's history and development from its pioneering work in financing micro and small businesses in St. Kitts-Nevis as the Foundation for National Development and the eventual conversion to a Credit Union serving both St. Kitts and Nevis.

CEO Crossman then provided the members present with reasons for rebranding including

1. change in strategy, given the evolution of the FND's focus from micro and small business to a full-fledged financial institution offering full suite of financial service products.
2. Differentiating oneself from the competition – given the similarities of the logos being used by the older credit unions, the FNDECCU needed to be able have its brand easily recognized.
3. Rebranding also allow organisations to revive, refocus and rejuvenate their efforts.

The CEO also indicated that a part of this exercise is the adoption of RICH Core values. These were described as Respect, Integrity, Commitment and Honesty. These core values will underpin all activities of the Credit Union and all interactions with our members.

The CEO also introduced the tagline "Your needs are our priorities" as capturing the Credit Unions' focus in developing products and responding to member's needs.

Several examples of rebranding exercises that were done internationally were also mentioned.

The CEO also pointed out that this meeting was mandated by the Credit Union bylaws to allow members an opportunity to provide feedback and ultimately vote on the name change.

The CEO then formally introduced the proposed new name as First Federal Cooperative Credit Union along with the logo. He indicated that the new name pays homage to FNDECCU's legacy as the first credit union to operate on both St. Kitts and Nevis while also allowing us to differentiate ourselves with the logo.

The Floor was then opened to questions/comments.

Questions from the Floor

Mr. Curtis Martin indicated that change is a force to be feared or an opportunity to be gained. He supported the rebranding efforts and implored the credit union to ensure that its not just a name change but also context and content of the products and deliverables.

Ms. Prudence France questioned the availability of electronic banking services and wire transfers. The CEO advised that the Credit union currently allows loan applications to be completed online and there is a self-service station in the lobby that can be used by members to perform some transactions on their own. The CEO also indicated that wire transfers are currently not available to any credit union in the Federation, however this was an issue that the Credit Union league is addressing.

Miss T. Ono inquired whether it was possible for other online transactions such as paying of school fees. The CEO indicated that this is available.

Mr. Michael Martin supported the name change and indicated that businesses must be able to respond to shifts in the market. He also asked when the name change would come into effect. The CEO advised that the first step is to obtain formal approval for the name change from the membership hence the purpose of this meeting. Once the name change is approved by the membership the Financial Services Regulatory Commission would need to be formally approached regarding the name change. Once the FSRC approves the credit union would then seek to register the new name.

Mr. Trevor Cornelius rose in support of the name change and logo change.

Miss T. Ono indicate that the colours in the logo seemed rich and asked that the meaning of the colours and the words in the name be made part of some communication to the members.

At this point CEO introduced the directors present, members of the supervisory committee and the credit committee.

Formal Reading of the Resolution

The Formal resolution was then read by Secretary Trevor Phipps. A motion to accept the proposed name and logo as the new name and logo was moved by Trevor Cornelius and seconded by Michael Martin. The motion was carried without any abstentions.

Vote of Thanks

Director Glenn Quinlan thanked all members for attending and participating in the meeting

Any Other Business

Director Dawn Williams indicated that the annual audit was currently in progress and that the Annual General meeting is being slated for June 2019.

With no additional items for discussion the meeting was formally closed at 6:24 pm

Respectfully submitted,

Trevor A. Phipps - Secretary

Howard McEachrane – President

Opening Session

The 9th Annual General Meeting was called to order at 5:30 pm by the Chairperson, Director Dawne Williams. The national anthem was sung by staff members Mrs. Sonja Fyfield-Hazel and Mrs. Cerene Esdaille-Henry and the invocation was delivered by Bishop Cyprian Williams. This was followed by the recital of the Credit Union prayer by all persons present.

President Malvie James welcomed all persons present and reminded the gathering that the Credit Unions are member focused and offer the lowest fees among financial institutions. President James also indicated that the loan portfolio grew by 14% and that there were some 392 new members.

The Guest Speaker Mr. Melvin Edwards was introduced by Mrs. Cerene Esdaille-Henry. Mr. Melvin Edwards has had extensive experience working with the Credit Union movement locally, regionally and internationally.

Mr. Edwards opened his presentation by asking all present to observe one minute's silence for deceased members of the FNDECCU. Mention was made of Mr. Valdemar Warner and Mr. Auckland Hector who both served the FNDECCU at various levels.

Mr. Edwards gave an overview of the FNDECCU's development which he described as intelligent ownership by enlightened members. He noted that the FNDECCU inherited a platform from the micro enterprise business, the Foundation for National Development and has transitioned after 25 years to a full credit union offering savings and other financial instruments.
The FNDECCU has quadrupled the asset base it inherited which supports the principle of wealth creation for the many not for the few.

Mr. Edwards further noted that there were three main pillars that defined the shift from a micro enterprise business to a full credit union. These pillars were described as Democracy, Wealth Creation and Social Conscience.

Mr. Edwards described the importance of every depositor or each member having 1 vote irrespective of the number of shares, the opportunity to attract young people as well as opportunity for any member to stand for nomination to the various committees as critical to ensuring the democratic nature of the credit union movement. He further noted that volunteers should ensure that they acquire the relevant knowledge, skills and commitment as they are accountable to the wider membership.

Mr. Edwards then indicated that the focus on wealth creation for all by the FNDECCU has led to an increase in access to financial services. He noted that the Credit Union levy fees and charges differently to other financial institutions since profit is not their only motive. Mr Edwards further commented that for continued growth in the capital base to occur the credit union must focus on encouraging members to invest, improve the quality of loans issued and manage the collection and delinquency process.

Mr. Edwards challenged the Board to hold the Annual General Meeting earlier. He noted that late AGM's are a cost to the members. Holding AGM's on time helps to build greater confidence and trust in the Credit Union.

Mr. Edwards also indicated that the Credit Union should engage more in training volunteers before they are elected and more financial education for its members.

Mr. Edwards concluded by saying that the FNDECCU and other Credit Unions have withstood the worst and have grown and urged members to continue doing business with their credit union and reminded all present that Accountability, Transparency and Confidence cannot be partial.

Director Dawne Williams thanked Mr. Edwards for his presentation which captured FNDECCU's journey.

Special recognition was also made to Mr. Peter Jenkins, former President and Mr. James Webbe former General Manager were recognized for their contribution to the FNDECCU.

CEO Terrence Crossman introduced a video presentation which highlighted some testimonials from some of FNDECCU's customers.

The opening session was formerly closed at 6:50 pm

Business Session

The President Malvie James called the business session of the 9th Annual General meeting to order at 6:57 pm.

Mr. Kjellin Rawlins-Elliott from the Financial Services Regulatory Commission confirmed that the quorum was met and that the 9th annual General Meeting was officially convened.

Directors present Glen Quinlan, Jamir Claxton, Geoffrey Hanley, Chanelle Pinney-Myers, Trevor Phipps, Malvie James and Dawne Williams.

Confirmation of Minutes of the 8th Annual General Meeting

On Page 8, the second paragraph "provision for Dad Debt" was amended to read "Provision for Bad Debt"
On page 6 "Clive was amended to read Clyde and "Sidney" was amended to read "Sydney"

The minutes were accepted as amended on a motion moved by Mr. Clyde Christopher and seconded by Mr. Alex Straun.

Matters Arising

There were no matters arising from the minutes.

Reports and Adoptions

Board of Directors Report

Director Trevor Phipps presented highlights of the Directors' report found on pages 13 through 18 of the annual report. It was noted that 2017 focused on Capacity Building, Training, Regulatory and Compliance Issues and improving the overall financial performance of the Credit Union.

Several staff members and volunteers were exposed to CaribDe training which sought to improve understanding of the credit union philosophy, principles and values. Additionally, volunteers also attend the Caribbean Confederation of Credit Union Conference held in Cuba.

Regulatory and Compliance issues resulted in the Credit Union focusing on AML and CTF training. FNDECCU staff also attended training on IFRS 9 and its implications. It was also noted that a strategic planning session was held and will be used as input for a new three-year strategic plan.

Highlights of the financial performance included

i. An increased Surplus of 1,086,235 in 2017 versus a surplus of 539,582 in 2016
ii. Reduction in provision for losses of 597,478 in 2017 vs 1,047,599 in 2016
iii. Reduction in write-offs of 926, 696 in 2017 versus 1,284,521 in 2016
iv. Increased shareholders of 3136 in 2017 versus 2744 in 2016
v. Increased share value of 3,493,960 in 2017 versus 1,576,020 in 2016 and
vi. Increased deposits of 18,953,09 in 2017 versus 16,058,709 in 2016

The Directors indicated that the improved performance can only be sustained if the FNDECCU stays true to the Credit Union principles and improves the level of delinquencies. Hence the focus on staff training and awareness on what it means to be a credit union and the closer management of the loan underwriting and collection process.

It was also noted that by embracing technology the FNDECCU intends to introduce online services such as loan and membership applications, member services and disbursements and improve overall efficiency in the organization. Director Phipps concluded by extending thanks to the Regulators, sister credit unions other financial institutions and the members for their support in 2017.

Auditor's Report and Auditor's Financial Statement
The Auditors' statement was read by Ms. Theresa Manning from Pannell Kerr Foster.

Treasurer's Report

The Treasurer's report found on pages 19 – 20 of the Annual report was read.

Credit Committee Report
The Credit Committees Report found on pages 21 through 26 was read by Mr. Cremoy Agard Chairman of the Credit Committee.

Supervisory Committee

The Supervisory Committee's report found on pages 27 through 28 was presented by Mrs. Evadney Morris Liburd Secretary to the Supervisory Committee.

The reports were then accepted as presented on a motion moved by Marilyn Liburd and seconded by Ms. Camilia Williams.

The Floor was then opened to questions from the general membership.

Mr. Clement Richardson sought clarification on the amount that can be deposited that required declaration of source of funds. It was pointed out that EC$10,000 was the threshold.

Declaration of Dividends

A 7.5% dividend was proposed by the Board of Directors and accepted on a motion moved by Mr. Michael Martin and seconded by Ms. Gloria Fraser.

Setting of Maximum Liability

The Board of Directors recommended a maximum liability of EC$5,000,000 for the ensuing year. This was accepted on a motion moved by Ms. Jovonelle Franks and seconded by Mr. Nigel Browne.

Appointment of Auditors

The Board of Directors recommended that Panell Kerr Foster be re-appointed as auditors for the ensuing year. This was accepted on a motion moved by Mr. Peter Jenkins and seconded by Mr. Michael Martin.

Election of Officers

The Nomination Committee's report was presented by Mrs. Dawne Heyliger

Election of Officers was conducted by Ms. Kjellin Rawlins-Elliott of the Financial Services Regulatory Commission.

Board of Directors

Mr. Howard McEachrane, Mr. Clyde Richardson and Mr. Jamir Claxton were nominated by the Nominations Committee to fill the vacant posts on the Board of Directors.
Nominations ceased on a motion to cease nominations and accept the nominees presented moved by Mr. Peter Jenkins and seconded by Mrs. Shermel Woods
The persons nominated were declared as duly elected to the Board by Mrs. Rawlins-Elliott

Credit Committee

Mr. Cyprian Williams and Mr. Derrick Connor were nominated by the Nominations committee to fill the vacant positions on the Credit Committee.

Nominations ceased on a motion to cease nominations and accept the nominees presented moved by Ms. Camilia Williams and seconded by Mr. Sean Lawrence

The persons nominated were declared as duly elected to the Credit Committee by Mrs. Rawlins-Elliott

Supervisory Committee

Ms. Eslyn Swanston and Mr. Lincoln Connor were nominated by the Nominations committee to fill the vacant positions on the Supervisory Committee

Nominations ceased on a motion to cease nominations and accept the nominees presented moved by Mr. James Pemberton and seconded by Ms. Jovonelle Franks

The persons nominated were declared as duly elected to the Supervisory Committee by Mrs. Rawlins-Elliott

Any Other Business

Mr. Nigel Browne commended the FNDECCU on the physical changes being made at the company's office. He further commented that the number of tellers available can be improved. He indicated that at times there is only one teller which causes members to leave before completing their business.

Mr. Nigel Weekes suggested that the FNDECCU should consider a program where borrowers that repay on time can receive something back as an incentive or reward.

Mr Clement Richardson welcomed and commended that the filling out of slips has been discontinued. However, he noted that members have to speak loudly so that the teller can hear. He indicated that when this happens other person may hear what business is being conducted.

Ms. Carolyn Adams commended the FNDECCU on the way the Annual General meeting was conducted.

Mr. Carl Manners from Nevis asked if members give authourisations to the FNDECCU to deduct loan payments from their savings monthly. Director Williams in response indicated that this is the practise, however there are times when salaries are not deposited to the accounts.

Mr. Peter Jenkins indicated that members feel appreciated and respected when they are given an opportunity to question and engage the Board, volunteers and staff. The FNDECCU therefore needs to always keep in mind how we treat the people we serve.

Presentations were made to

- Mr. Carl Osborne for his service to the Supervisory Committee
- Mr. James Webbe, retiring General Manager for his leadership and many years of service to the FNDECCU

Vote of Thanks

Mrs. Dawne Heyliger in giving the vote of thanks acknowledged Ms. Sonja Fyfield Hazel, Mr. Melvin Edwards, Pastor Cyprian Williams, the Auditors Pannell Kerr Foster, the Board, Volunteers and staff of the FNDECCU. Special Acknowledgment and thanks were extended to the Members for attending the meeting and making the annual General Meeting a success.

Adjournment

The 9th Annual General was adjourned at 8:22 pm

Trevor A. Phipps
Board Secretary

BOARD OF DIRECTORS' REPORT

For the year ended December 31, 2018.

Fellow Co-operators, your Board of Directors is pleased to present its report on the operations and performance of the FND Enterprise Co-operative Credit Union Ltd (FNDECCU) for the financial year ended December 31, 2018.

OVERVIEW

The financial year, 2018, was indeed another satisfactory one for the FND Enterprise Cooperative Credit Union. The advent of the IFRS-9 has added to the many challenges. The Credit Unions are now faced with FATCA and AML/CTF Regulations. The IFRS-9 standard attempts to replace 'incurred losses" with "expected losses" when considering loan impairment. This has had a serious effect on the bottom line of many financial Institutions as bad debt provision has to be made for most loans when granted rather than at the point of delinquency. The result is increased reserves for delinquent loans. The positive impact of this approach will assist in safeguarding member's deposits and overall capital strength.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

At the 9th Annual General Meeting of the FND Enterprise Co-operative Credit Union Limited held on 11th September, 2018. Mr. Howard McEachrane and Mr. Clyde Richardsom were elected to serve their first three-year terms replacing Mr. Terrence Crossman and Ms. Maretta Manners, who both resigned their positions. The Officers of the new Board were elected in accordance with section 16 of the By - Laws of the Credit Union. At present, we have two vacancies, as Chanelle Myers and Dr. Geoffrey Hanley both resigned their positions in 2019. The following directors, Mrs. Malvie James and Mr. Trevor Phipps, having completed their two terms, will be retiring. The positions of the resigned directors as well as retiring directors will be filled at this year's AGM.

The present directors and positions are listed below:

NAME	POSITION
Howard McEachrane	President
*Malvie James	Vice President
*Trevor Phipps	Secretary
Vacant	Treasurer
Jamir Claxton	Assistant Secretary
Dawn Williams	Assistant Treasurer
Mr. Clyde Richardson	Director
Mr. Glen Quinlan	Director
Vacant	Director

***Retiring**

Meetings

During the period under review, your **Board of Directors** met monthly, in compliance with section 15 of the by-laws to conduct the regular business of the Credit Union; and when it was considered necessary,

the Board met more than once per month to deal with specific issues. Three joint Committee meetings were held during 2018.

ADMINISTRATION AND MANAGEMENT

Staffing:

In order to properly conduct the business of the institution, we hired both full time and temporary staff to assist in providing critical support in Member Services and back office functions**.** Mr. Shanwa Broadbelt was realigned to a new role of Manager-Operations while Mrs. Sonja Fyfield-Hazel assumed the role of Manager- Member Services & Marketing in October.

Staff, Committee and Members' Education and Training

In recognition of the importance of training in developing staff and committee members, the FNDECCU invested in both local and overseas workshops. Some of which are highlighted below:

- **Mrs. Evadney Morris-Liburd** attended the one-week workshop In Trinidad, where she was trained as a Credit Union Development Educator **(CaribDE**). This course is an established and recognized certification for credit union stakeholders within the region and internationally.

- **Mrs. Lyn Bass, Compliance Officer** and **Cerene Esdaille-Henry Lending Officer,** attended a two-day AML/CFT Awareness Seminar and training workshop at the Four Seasons Resort on May 14th and 15th 2018. The workshop was organized by the Nevis Financial Services Regulatory and Supervision Department.

- **Mrs, Lyn Bass and Mrs. Cerene Esdaille-Henry** also attended 2018 AML/CTF Workshop on September 5, 2018. This session was organized by the St. Kitts Financial Services Regulatory Commission and was held at the Park Hyatt.

- **All lending officers and Credit Committee Members** attended a session on "**Sound Lending Practices**" facilitated by Director Dawne Williams. This session was held on Saturday, February 3, 2018

- **Ms. Karista Dunrod** attended a Customer Service seminar held in Nevis on December 5, 2018.

- **Mrs. Lyn Bass, Mr. Shanwa Broadbelt, Mrs. Sonja Fyfield Hazel, Ms. Kizza Richardson, Mrs. Cerene Esdaille-Henry and Mrs. Dawn Heyliger** attended the first session in a series of "**Writing it Right"** courses facilitated by Mrs. Delcia Bradley-King. First session was held on November 30, 2018.

Caribbean Confederation of Credit Unions:

The Board has decided that it must expose volunteers and staff to varied training in order to stay abreast of the issues affecting the Credit Union Movement and find solutions to such. **The main education event is the Annual International Convention of the Caribbean Confederation of Credit Union.** A nine-member delegation from the FND Credit Union was among hundreds of participants who attended the 61st Annual

International Convention and 47th Annual General Meeting, which was held in Port of Spain, Trinidad from 15th to 20th June, 2018 .The training sessions were led by experts in various disciplines.

Topics discussed included:

- IDB Regional De-Risking project which is responsible for strengthening Financial Transparency and rebuilding trust in Corresponding Banks.
- Credit Unions needs to enhance its presence on social media – Twitter, Snap Chat and Instagram, in order to attract the young population.
- CCCU partnered with the Eastern Caribbean Central Bank (ECCB), to promote financial education/literacy.
- A review of By-Laws by an appointed Committee.

MARKETING AND EDUCATION AWARENESS PROGRAMMES:

Marketing and Marketing Research

The Marketing and Educational Awareness Programs carried out last year continued in 2018. The FND Credit Union continued to disseminate information to the local market using cost efficient advertising in a variety of categories including Radio, Online, text messaging, Word of Mouth, and Fliers.

Education and Awareness

All new members were presented with foundation principles of credit union, which include Operating, Governance, Safety and Soundness and consumer protection. The kit also includes advice on tracking and managing one's finances.

PERFORMANCE

The details of the financial performance are outlined in the Audited Financial Statements and the Treasures' report provides a comprehensive review of organizational performance. The Board of Directors is satisfied that despite enhances provisioning, a profit of over $500,000.00 was realized.
The focus on asset quality and capital preservation is ongoing.

INVESTMENT IN INFRASTRUCTURE & TECHNOLOGY

In order to remain competitive or even relevant, the Board of Directors, mandated the Management to undertake an investment in new technology to better serve our members. We are pleased that a new system that provides enhanced features is in operation today and was implemented at minimal cost and disruption to our members.

In addition, the main branch at Bladen has been renovated and now provides a superior member experience. Our Nevis office was relocated to a more spacious location to provide the same level of service to our Nevis members.

FUTURE OUTLOOK

We have introduced Online Banking, allowing members to check balances, transfer funds between accounts and make loan payments from the website. An ATM will be introduced shortly at our Head Office and our debit and credit cards will be launched shortly. We are also introducing self banking, where you can use our computers at our offices both in St. Kitts and Nevis to check balances, transfer funds, and have the ability to become a member and apply for loans.

At a special meeting held in April 23, 2019, we outlined our plan to rebrand the enterprise and we received unanimous approval from you, our members. We thank you for that show of confidence.

CONCLUSION

Your Board wishes to thank the **general membership, volunteers, staff and other stakeholders** for your commitment to, and support of, the FND Credit Union during 2018. The collective efforts of the membership and supporting institutions including the Regulators to the success of the FND Enterprise Cooperative Credit Union were exceptional and the Board looks forward to your continued support in the future.

Presented for and on behalf of the Board of Directors:

.....

Howard McEachrane
President

TREASURER'S REPORT

For the year ended December 31, 2018.

OVERVIEW

The Treasurer's report for the Fiscal year ended on December 31, 2018 highlights the key **Financial Performance Indicators** as detailed in the **Statement of Financial Condition** - (Assets, Liabilities and Shareholders' Equity) and **Income Statement** - (Income, Expenses and Surplus/Deficit).

Assets

For the period ended December 2018, total assets increased by XCD9,918,275 f or 32% from XCD31,474,733 in December 2017 to XCD 41,393,008.

Given the focus on loan quality, the loan portfolio grew moderately by XCD4,250,365 or 18% from XCD23,641,802 in 2017 to XCD27,892,167, having a positive growth effect on total assets.

In the year under review 507 new loans were booked compared to 554 in 2017. However, the dollar value of the new loans granted in 2018 was $12,4107,571 versus $11,379,352 in 2017. There has been a deliberate attempt to improve the quality of the underwriting of the loans. We have already begun to see an improvement in the delinquency performance as a result.

The decrease in cash and cash equivalents of XCD1,774 796 from XCD5,432,884 in 2017 to XCD3,658,088 is due mainly to the movement of cash from regular lower yield savings accounts to higher yielding investments.

Liabilities

Total Liabilities increased by XCD7,575,831. This correlates with the increase in Members' deposits of $7,549,048 or 40%, from XCD18,953,709 to XCD26,502,757 and is a good indication of the confidence placed in FNDECCU

Equity

Total Equity, which is the total sum of Share Capital, Statutory Reserve, Special Reserve, Capital Grants and Retained Earnings, increased by XCD2,408,444 or 20% mainly due to the significant increase in the Special Capital Reserve realized on the completion of the property revaluation.

Income

Total Income increased by XCD222,681 or 8% over 2017. Interest Income increased by XCD285,392 or 9% and this includes the interest earned on loans, investments and savings, Other Income also increased by XCD110,855 or 19%.

Expenses

Total Expenses increased by $835,145 over 2017. The increase was due mainly to the aggressive provisioning for impaired loans, in compliance with IFRS9, advertising and promotional costs mainly driven by two major marketing campaigns and relocation cost of Nevis office to its new Chapel Street location.

Conclusion

Despite the very many changes, especially IFRS 9, and controlling the delinquency challenges, FNDECCU achieved a net income of XCD**504,771** dollars.

We continue in our efforts to responsibly grow the loans portfolio. More deliberate efforts are being made to ensure risk minimization and responsible loan portfolio growth.

The year ahead promises to be positive with the brand repositioning and new marketing initiatives of the Credit Union.

Signed

.....

Director Dawne Williams
Assistant Treasurer

CREDIT COMMITTEE REPORT

for the Year Ended, December 31st, 2018

The Credit Committee presents its annual report to the membership of the FND Enterprise Co-operative Credit Union Ltd (FNDECCU). The report summarizes the activities of the Credit Committee for the previous term and the loans portfolio performance for the year ended December 31, 2018. Although our loan approval authority range was changed from ($50,000 - $250,000) to ($100,000 - $250,000), the Committee had a busy year. Additionally, the policy change that referred all loans with a Total Debt Service Ratio (TDSR) of 50% or higher instead of all loans over 45% did not slow the volume of loans that was referred to the authorizing body. Moreover, the Committee notes that there has been a noticeable increase in loans over its limit.

Among the 7 members, there was much diversity as our group had senior government officials, an insurance manager, a mortgage manager and a businessman. The diversity of the membership allowed, however, for engaging discussions and prudent decisions as a loans report indicated that 3.3 percent of loans approved within the authority of Credit Committee were delinquent.

The members of the Credit Committee are:

- Mr. Cremoy Agard, Chairman
- Ms. Camilia Williams, Secretary
- Mr. Cyprian Williams, Assistant Secretary
- Mr. Denrick Connor, Member
- Ms. Amoy Heyliger, Member
- Mr. Osbert DeSuza, Member
- Mr. Sean Lawrence, Member

CREDIT COMMITTEE REPORT

for the Year Ended, December 31st, 2018

The table below provides information relative to the terms of the members.

NAME	POSITION	TERM	YEARS REMAINING	YEAR RETIRING
Mr. Cremoy Agard	Chairman	2nd	1	2020
Ms. Camilia Williams	Secretary	1st	1	2020
Mr. Cyprian Williams	Assistant Secretary	2nd	2	2021
Mr. Denrick Connor	Member	2nd	2	2021
Ms. Amoy Heyliger	Member	1st	1	2020
Mr. Osbert DeSuza	Member	2nd	0	2019
Mr. Sean Lawrence	Member	2nd	0	2019

MEETINGS & RESPONSIBILITIES:

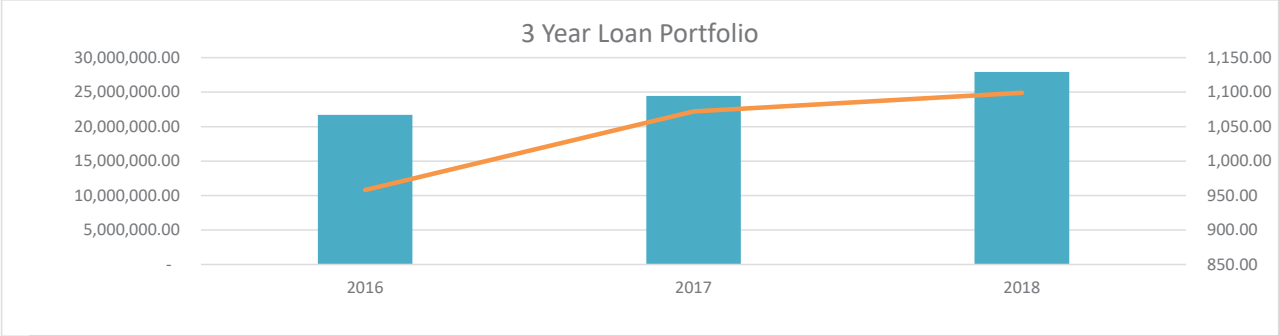
There was a total of 36 meetings with an average attendance of 5.2 members held from last fiscal year up until the time of the Annual General Meeting. As evidenced by the table below, members made an extraordinary effort to attend meetings. The Committee mostly convened during the work week, but meetings were held on Saturdays when required, including two visits to the Branch office in Nevis. The Body was pleased to indicate that we have seen some positive changes in Nevis as some of the proposed adjustments to the AML/CFT compliance program have been implemented. We note, however, there remains considerable work as the credit union strives for full AML/CFT compliance and the Committee will continue to play its part in this regard.

Member	Attendance	Percentage
Cremoy Agard, Chairman	**33/36**	**91.7%**
Camilia Williams, Secretary	**35/36**	**97.2%**
Cyprian Williams, Assistant	**30/36**	**83.3%**
Osbert DeSuza, Member	**34/36**	**94.4%**
Denrick Connor, Member	**27/36**	**75.0%**
Amoy Heyliger, Member	**25/36**	**69.4%**
Sean Lawrence, Member	**16/36**	**44.4%**

The group also had an open door/open minded policy where we would welcome members who had grievances or where more information was required to make an informed decision and/or recommendation to the Board. Committee Members participated in three joint meetings with the Board of Directors and the Supervisory Committee as part of the Credit Union's strategic initiative to advance and develop the organization. One important recommendation of the Committee was that it be mandatory that a special account be set up for motor vehicle insurance when granting loans to purchase vehicles. We also engaged the Supervisory Committee in an effort to improve the performance of both Committees.

LOANS PORTFOLIO

As at December 31st, 2018, the total portfolio stood at 1,099 loans valued at $27,892,167 and represented an increase of 27 loans in number and approximately $3.5 million or 14.2% in value. The portfolio growth was largely due to Personal Loans, which accounted for 90.8% of the number of loans disbursed and 77.3% of the value of the loans disbursed. For fiscal year 2018 a total of 558 loans were disbursed valuing $16,064,168.



	2016		2017		2018	
Totals	**958**	**$21,713,782**	**1,072**	**$24,451,705**	**1099**	**$27,892,167**

CREDIT COMMITTEE REPORT

for the Year Ended, December 31st, 2018

BUSINESS LOANS DISBURSED BY PURPOSE

	2018		2017		2016	
PURPOSE			**No.**	**Value**	**No.**	**Value**
AUTO MECHANIC					1	10,500
BUS	5	368,500	6	283,636	5	163,699
CONSTRUCTION			2	154,800	2	129,000
CLEANING SERVICES	2	289,035	1	45,000	1	25,000
ENTERTAINMENT					1	10,000
FARMING			5	99,345	3	31,000
FISHING			1	7,200		
RESTAURANT/CATERING			9	162,818	5	94,544
RETAIL			8	132,227	8	456,000
SECURITY SERVICES			1	60,000		
TAXI/TOURISM SERVICES	5	264,000	1	8,000		
MANUFACTURING			5	151,000	4	53,527
TRUCKING	7	903,829	5	452,220	12	657,223
VEHICLE RENTALS/LEASING			3	69,550	1	15,000
FINANCIAL SERVICES			4	77,886	1	450,000
LEGAL SERVICES					1	118,000
WASTE DISPOSAL			3	340,000		
LANDSCAPING			2	36,000		
INVENTORY	19	1,207,258				
CAPITAL	6	224,660				
OTHER/MISCELLANEOUS	7	399,315				
TOTALS	**51**	**$3,656,597**	**56**	**$2,079,682**	**45**	***$2,188,493***

As shown in the table above, Business Loans granted amounted to 51 loans valuing $3,656,597. The number of Business Loans granted declined by 5 or 8.9%, but surpassed last year's totals in value by EC$1.6 million or 75.8%. The increase in value was primarily attributable to the $1.2 million granted for Inventory.

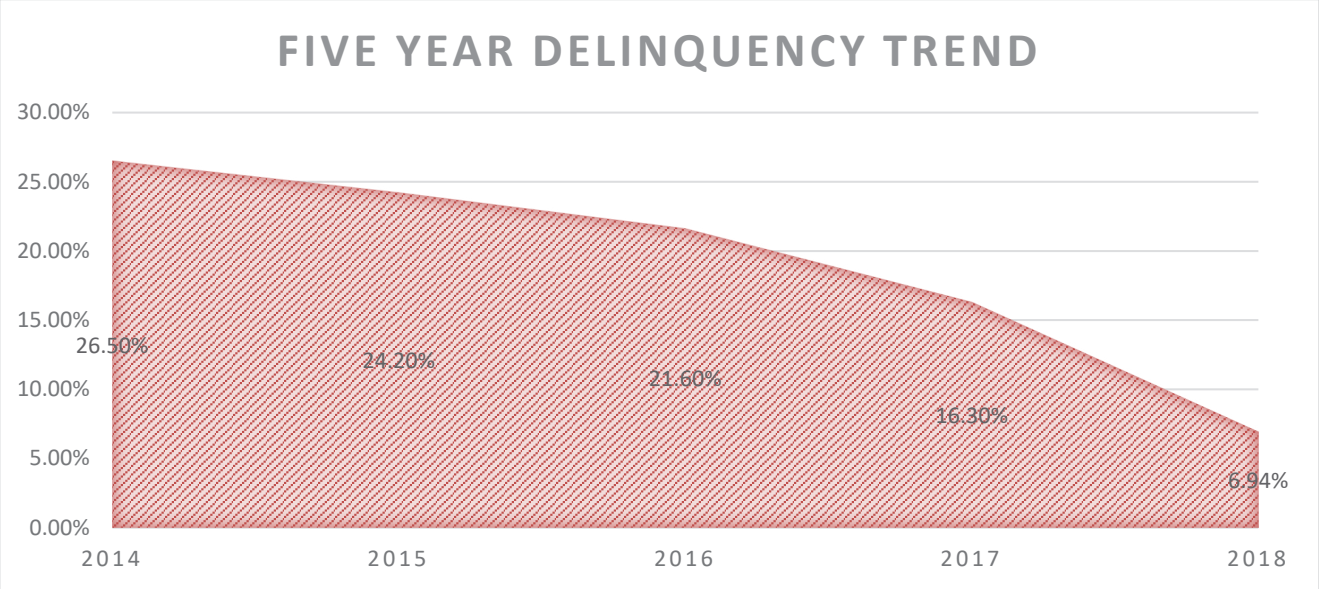
PERSONAL LOANS DISBURSED

	2018		2017		2016	
PURPOSE	No.	Value	No.	Value	No.	Value
DEBT CONSOLIDATION	70	2,307,340	257	5,278,942	161	3,824,190
EDUCATION	10	302,576	12	299,083	14	203,701
FUNERAL EXPENSES			1	20,000	1	14,000
HOUSE & LAND PURCHASE	4	240,500	5	350,050	10	758,800
HOUSEHOLD PURCHASES			13	178,000	16	247,379
HOME RENOVATIONS	29	798,108	29	869,356	42	1,126,938
LEGAL FEES			1	4,000	2	52,000
MEDICAL EXPENSES	13	275,386	13	338,654	23	400,818
SHOPPING	61	1,019,465	68	1,075,833	44	534,572
TRAVEL/ VACATION	55	763,936	58	795,400	101	1,528,665
VEHICLE PURCHASE	120	3,612,937	66	1,843,284	99	2,462,253
VEHICLE REPAIRS & MAINTENANCE			10	76,200	14	175,315
WEDDING EXPENSES			3	61,000	9	203,000
MISCELLANEOUS PERSONAL EXPENSES	145	3,097,323	19	153,395	24	345,967
TOTAL	507	$12,417,571	554	$11,379,352	561	11,877,598

As indicated in the tables above 507 Personal Loans totaling $12,417,571 and 51 Business Loans totaling $3,656,597 were disbursed during fiscal year 2018 making a grand total of 558 valued at $16,064,168.13. The Main office processed 454 loans valuing $13,289,472 while the Branch office provided 104 loans for a value of $2,774,696. A year-over-year comparison indicated that there was a reduction of 52 loans or 9.2% in number, but $2,615,134 or 19.4% greater in value. The contraction in the number of loans was influenced by competition from various lending agencies and the need for increased marketing of the Credit Union. On the other hand, however, the Credit Union was able to capitalize on the buoyant demand for vehicle financing as loans for vehicle purchases increased by 54 loans and $1,769,653 or 96.0%. Notably, credit facilities for Debt Consolidation contracted by 187 loans in loans and $2,971,602 in value relative to 2017.

The Credit Union's major loan promotion initiative in 2018 was the 12 deals of Christmas which took place in the last quarter of the year. There was a total of 135 loans amounting to $2,485,085 that was processed under the initiative. Members who received assistance were also able to benefit by winning very attractive prizes including: mobile devices, a 2-night stay at the Kittitian Hill, a 50-inch smart television and dinner at a popular restaurant among other items.

DELINQUENCY



The Credit Committee and Management have continued to address delinquency and the delinquency rate declined to 6.9% as at December 2018. The delinquency rate of the Credit Union was then only 1.9% above the prescribed benchmark and 9.6% lower than the rate as at December 2017. The delinquency performance was representative of more prudent lending practices and more vigorous collection techniques by staff members. The figure above illustrates the downward trend of the Credit Union's arrears over the past few years.

While we applaud the efforts of staff members and our Committee for their hard work in this area, we must continue to urge our members to honor their obligations to their Credit Union as the success of the organization can only benefit us all as members.

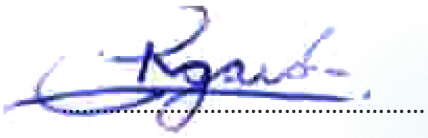
ACKNOWLEDGEMENTS

The Credit Committee feels it is important to acknowledge the support and the adherence of the management and staff of the Credit Union, particularly the lending department. The Committee also wishes to pay homage to the Board of Directors for their leadership and the Supervisory Committee for their steadfast contributions. As we continue to work together, additional positive conclusions could be derived. The leadership of the Committee also wants to say thank you to the two departing members, Mr. Osbert DeSuza and Mr. Sean Lawrence. Their contributions which included their time, knowledge and experiences were of considerable benefit to the Committee and by extension the organization.

CONCLUSION

As our mandate dictates, the Credit Union continues to provide you, our members with the financial support you need as we strive to enhance our lives by building 'financially strong communities'. However, we must remind you that we will only succeed if all our members live up to the mantra of "people helping

people". The Credit Committee would like to thank the Chief Executive Officer, the Management team, the Loans Division and the Branch officers for the reliable support given during the year. We also thank the members who used the FND Credit Union as their first choice for your financial needs as this is the only way to ensure that we all succeed. Finally, we continue to remind you to **SAVE** regularly, **BORROW** prudently and **REPAY** promptly.



Cremoy Agard

Chairman

On behalf of the Credit Committee

SUPERVISORY COMMITTEE'S REPORT

for the Year Ended, December 31st, 2018

In accordance with the FNDECCU By-Law 17, Sections 1-11, the Supervisory Committee monitors all aspects of the Credit Union's activities. It is charged with the responsibility of ensuring that the Credit Union is prudently managed, and members' assets are safeguarded. This responsibility includes, but is not limited to the following:

- Examining the books of the Society;
- Scrutinizing and appraising the policies and operating procedures;
- Confirming cash instruments, property and securities of the Society;
- Confirming the shares, deposits and other balances or holdings of members;
- Monitoring the management of the Society;
- Liaising with internal and external auditors;
- Auditing the functions of the management and staff;
- Auditing the asset-liability management and liquidity of the Credit Union;
- Pay attention to the risk management of the Credit Union;
- Verification of the assets of the society to determine whether they were properly protected;
- Investigate complaints made by any member, which affect the proper management of the Credit Union;
- Annual, random verification of a sample of members' pass books and accounts;
- Ensuring that all advances, loans, deposits, other transactions and other decisions involving Directors, Committee members and employees, are following the Act, Regulations, By-Laws and Policies of the Credit Union.

The Supervisory Committee's status is presented in the table below:

NAME	POSITION	TERM	YEARS REMAINING	YEAR RETIRING
Mrs. Evadney Morris Liburd	Chairperson	1st	1	2020
Ms. Brontie Duncan	Secretary	1st	1	2020
Mrs. Velda Irish-Browne	Member	2nd	0	2019
Mr. Lincoln Connor	Member	1st	2	2021
Mrs. Eslyn Swanston	Member	1st	2	2021

The Supervisory Committee took the approach to efficiently use its limited time during the period to focus on risk areas in the business operations, by working with management staff, including the compliance officer, the other volunteer management, the Registrar of Credit Unions, whilst carrying out investigations, dialogues and consultations to effect its role and mandate. As stated elsewhere, the FNDECCU internal operating environment has been changing; a new financial software upgrade was implemented, staff re-organization has occurred, products overhaul has taken place, physical space refurbishment and major equipment purchases have occurred. Consequence on such major changes, the risk profile was judged to be high.

The following areas were chosen for investigation:

SAFEGUARDING ASSETS – LOAN PROCESS

During the year, the FNDECCU implemented strategies to position itself for continued growth. One implementation was the new software system, intended to streamline the operations of the organization and modernize the loan application and approval processes. Once the software was fully operationalised, the Supervisory Committee embarked on a review of the loan process to determine its adequacy in safeguarding a key asset, while also maintaining compliance with the established loan policy and regulatory requirements.

The Committee was provided with the list of approved loans for the six-month period July to December 2018. A sample was taken from each month resulting in an overall 20% being selected for review, which covered each category of loan offered by the institution. During the exercise, the committee confirmed the existence of each document required and reviewed such documents for their completeness. There were some minor deviations noted which were not material. Files showed clear evidence of the Credit Committee input in the loan underwriting process. It was also evident that there was substantial adherence to the loan policy.

Although the software is intended to usher in the use of computerized loan processing, it is not fully utilised. It requires updating manual procedures and processes, in depth training and a willingness to adapt to the changing landscape. It is recommended that where applicable, volunteer management must uphold their responsibility as change agents in the best interest of the credit union membership.

The Committee is reasonably satisfied that Management and Staff performed the required due diligence and took the necessary measures during the loan application and approval process, to minimize the incidence of delinquency.

COMPLIANCE FUNCTION

An assessment was made of the compliance methodology and the findings showed that

the compliance work performed was insufficient for the changed business environment. Key risks discovered were not addressed in a timely manner. The reporting of checks undertaken was ambiguous, and corrective measures were not always implemented swiftly. Further analysis provided evidence that insufficient staff time was allocated to compliance. The Compliance Manager had other noncompliance duties for part of the period, which was reversed by the end of the period. Going forward, a comprehensive manual of operation must be a key objective.

COMMUNICATION

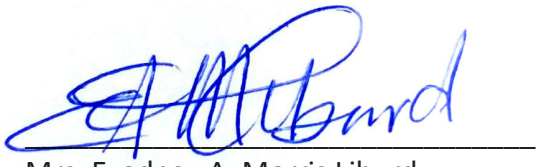
The Committee recognized that governance risks should be a current concern in an environment of rapid change in the credit union business environment. Effective communication is essential in identifying risk early. During the period, ad hoc meetings among the volunteer management and staff management allowed early dissemination of planned changes and adverse events, which altered the equilibrium of operations.

CONCLUSION

During the latter half of the year, the FNDECCU experienced substantive disruption in the accounting function; though the software partly mitigated the impact of staff turnover, impairment of its ability to deliver timely reporting was still experienced. This situation has been a learning experience for the Supervisory Committee. A key lesson learnt has been the need to follow up vigorously with staff on key areas.

The Supervisory Committee presents the report to the Membership and states that to the best of its knowledge, the management and staff adhered to the policies and procedures outlined in the By-laws No. 1 of 2009 and the Policy Manual during the period of review.

The Committee gives the Membership its assurance that it will continue to work diligently to further the progress of the FND Enterprise Cooperative Credit Union, and assist Management and Staff to maintain a satisfactory risk profile.



Mrs. Evadney A. Morris Liburd
Chairperson

NOMINATING COMMITTEE'S REPORT

for the Year Ended, December 31st, 2018

In accordance with the By-Laws of the FND Enterprise Co-operative Credit Union (FNDECCU) Article 12 Section 1(a) the Nominating Committee shall nominate one member for each vacancy. The Nominating Committee, approved by the Board of Directors, deliberated extensively and considered suitable candidates to serve on the Board of Directors, Credit Committee and the Supervisory Committee.

The Nominating Committee comprised of the following persons:

1. Dawne Williams - Chairperson
2. Terrence Crossman - Member
3. Shanwa Broadbelt - Member

In its deliberation the committee ensured that all nominees are in good standing, meet the criteria as detailed in the bylaws and are both willing and able to serve. In keeping with the Co-operatives Act, 2011-*31*, the required due diligence was conducted.

The nominees will be presented to the membership for consideration at the institution's Annual General Meeting. Members who are present, can also nominate any suitable candidate of their choosing from the floor. In this event, nominations from the floor can be elected by a show of hands or by the distribution and collection of ballots, which would then be tallied.

The Nominating Committee is pleased to present for your consideration, the following persons, who were considered as the most eligible candidates to fill the vacant positions at this time. These persons have all indicated they are willing and able to serve the institution by utilizing their talents and experience and sacrificing their time to fulfil the mandate and direction of the Board of Directors, for the further development of the FNDECCU.

The Committee takes this opportunity to thank all of the retiring members who have served with distinction, in some cases a total of six (6) consecutive years.

Dawne E Williams
Chairperson

Volunteers	Position	Current Period	Status	Term	Retiring Year	Nominees
BOARD OF DIRECTORS						
Malvie James	Vice President	3rd year	Retiring	2	2019	**Michael Martin**
Trevor Phipps	Secretary	3rd year	Retiring	2	2019	**Sean Lawrence**
Chanelle Pinney-Myers	Treasurer	2nd year	Resigned	1	2020	**Trevor Cornelius**
Geoffrey Hanley	Member	2nd year	Resigned	1	2020	**Faron Lawrence**
CREDIT COMMITTEE						
Sean Lawrence	Member	3rd year	Retiring	2	2019	**Shawn Williams**
Osbert Desuza	Member	3rd year	Retiring	2	2019	**Lornette Queeley**
SUPERVISORY COMMITTEE						
Velda Irish-Browne	Member	3rd year	Retiring	2	2019	**Curtis Martin**

BRIEF BIOGRAPHY OF NEW NOMINEES

Michael Martin is the Managing Director at Caribbean Financial Associates Inc where he has held this position from 2007 to present. Prior to this, he was employed by the National Bank Group as the General Manager of the National Bank Trust Company and the National Caribbean Insurance Company for 12 years during 1996-2007. He has garnered much experience and knowledge over his many years in the Financial Sector and his educational experience includes his attendance at the ICA/Manchester Business School and he is also a Member of the International Compliance Association (MICA).

Mr. Sean Lawrence was employed as Benefits Officer at the Social Security Board where he learned to balance the people's needs with the Policies and Laws governing that institution. Following this stint, he successfully attained his Bachelors in International Trade with a minor in Business Administration. This allowed him to gain employment in the Ministry of Finance for approximately six years as a Debt Management Officer, charged with the primary duty to ensure that the Government's external and internal debts obligations were prudently managed and remained current. He now holds a Master's Degree in International Relations and World Order: he served as the Senior Trade Policy for 5 years and currently serves as the Director of Trade within the Ministry of International Trade, Industry, Commerce

and Consumer Affairs where he mainly facilitates the provision of opportunities for nationals to grow in the many facets of their lives.

Mr. Trevor Cornelius of Fountain Village in Nevis has been an auto mechanic in excess of 44 years. He owns a successful Auto Mechanic shop dubbed "Men at Work," where he specializes in body works and now sells vehicular parts and accessories making his business a 'one stop shop'. His contracted clients include but are not limited to LIME and Oualie Beach Resort. He is an ardent advocate of the credit union movement and has offered himself again to serve for a second stint.

Mr. Faron T Lawrence holds a BSc in Economics and an MBA - Finance from Southern Connecticut State University. He owns and operates 2 businesses – SKN Homes a real estate development business and Lawrence Associates, Ltd. a service provider under the SKN Citizenship by Investment Program. He has held the position of Manager of Corporate Finance at the Eastern Caribbean Home Mortgage Bank Ltd. and General Manager of the National Bank Trust Company Ltd. Mr. Lawrence is the President of the St. Kitts & Nevis Chamber of Industry and Commerce and a director of S L Horsford & Company Ltd.

Mr. Shawn Williams is currently employed as an Advisor at the Eastern Caribbean Central Bank. He has over 15 years of financial sector supervision experience in multiple jurisdictions encompassing both domestic and offshore financial systems. He played an instrumental role in the resolution of the insolvent banks in Antigua and Anguilla. Mr. Williams serves as a Lecturer/Course Co-Ordinator for the University of the West Indies Open Campus in areas of corporate governance and credit analysis and lending. He was the recipient of the Fulbright and University of the West Indies open scholarships and holds a MSc in International Economics, Banking and Finance and BSc in Economics and Management.

Ms. Lornette Queeley is a Nevisian who is recognized for her impressive decision-making skills, attention to detail, and her penchant for discipline and good manners. She insists that these skills were developed when she was allowed to "manage" her father's little shop on weekends and after school, starting at a very young age. Lornette is also a Trained Educator who holds a Bachelor's degree in Social Sciences and a Master's degree in Educational Administration and Supervision. She has served as Principal Education Officer, Permanent Secretary and Director of the Department of Higher & Continuing Education in the Nevis Island Administration

Curtis A. Martin is a former Cable & Wireless/LIME Vice President of Human Resources-Leeward Islands where he worked for 21 years prior to joining the St. Kitts-Nevis-Anguilla National Bank in April of 2010 as Chief Human Resources Officer. He was duly recognized for his sterling contribution to the business community as a young professional with the 2004 National Association of Administrative Professionals (NASAP) Executive of the Year. He has given back his personal time and resources to the community that raised him and wider afield. Mr. Martin's personal contribution to presentations on subject matters such as Customer Service Experience, Team Dynamics and Leadership Development, have touched thousands of lives. Mr. Martin has gained the respect of his colleagues through an appreciation of his solid business sense, problem solving skills, thoroughness, energetic personality, industrious nature, superior aptitude, a strong desire to perform and deliver what is expected of him and above. Currently, Mr. Martin holds the post of General Manager at Carib Supply St. Kitts-Nevis.

FND ENTERPRISE COOPERATIVE CREDIT UNION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

FND ENTERPRISE COOPERATIVE CREDIT UNION LIMITED

FINANCIAL STATEMENTS

FOR THE YEARD ENDED 31 DECEMBER 2018

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AUDITORS' REPORT

TO THE MEMBERS OF FND ENTERPRISE COOPERATIVE CREDIT UNION LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FND Enterprise Cooperative Credit Union Limited for the year ended 31st December 2018 which comprise the Statement of Financial Position as at 31st December 2018, Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory Notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of FND Enterprise Cooperative Credit Union Limited as at 31st December 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other information

The directors are responsible for other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statement does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do 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 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. If we

identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the entity'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 entity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud of 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 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

Maitland Maitland & Associates

Basseterre, St Kitts

July 1, 2019

FND ENTERPRISE COOPERATIVE CREDIT UNION LIMITED

Statement of Financial Position
Year ended December 31, 2018

(All figures are expressed in Eastern Caribbean Dollars)

	2018	2017
	$	$
Assets		
Cash and cash equivalents (Note 8)	**3,658,088**	**5,432,884**
Loans (Note 9)	**27,892,167**	**23,641,802**
Investment securities (Note 10)	**6,611,470**	**1,450,727**
Other assets (Note 11)	**211,425**	**181,082**
Property, plant and equipment (Note 12)	**2,604,365**	**768,231**
Intangible assets (Note 13)	**415,493**	**7**
Total assets	**41,393,008**	31,474,733
Liabilities		
Members' deposits (Note 14)	**26,502,757**	**18,953,709**
Other liabilities (Note 15)	**353,854**	**393,071**
Total liabilities	**26,856,611**	**19,346,780**
Shareholders' Equity		
Share capital (Note 16)	**4,252,940**	**3,493,960**
Statutory reserve and development funds (Note 17)	**3,220,712**	**3,220,712**
Other reserves (Note 18)	**2,354,801**	**1,225,025**
Capital-based grant (Note 19)	**119,531**	**131,805**
Retained earnings (Page 6)	**4,588,413**	**4,056,451**
Total shareholders' equity	**14,536,397**	**12,127,953**
Total liabilities and shareholders' equity	**41,393,008**	31,474,733

The Notes on pages 8 to 63 are an integral part of these financial statements.

Approved for issue by the Board of Directors on 25th June 2019.

Howard Mc Eachrane – President

Dawne Williams – Assistant Treasurer

FND ENTERPRISE COOPERATIVE CREDIT UNION LIMITED

Statement of Comprehensive Income
Year Ended December 31, 2018

(All figures are expressed in Eastern Caribbean Dollars)

	2018 $	2017 $
Revenue		
Interest income (Note 20)	**3,695,424**	**3,409,664**
Interest expense (Note 21)	**(537,064)**	**(429,130)**
Net interest income	**3,158,360**	**2,980,534**
Other income (Note 22)	**685,772**	**574,917**
Operating income	**3,844,132**	3,555,451
Operating Expenses		
Staff costs (Note 23)	**1,353,494**	**1,089,575**
General and administrative expenses (Note 24)	**959,820**	**774,566**
Depreciation and amortization (Note 25)	**133,051**	**89,840**
Finance costs	**26,497**	**12,435**
Marketing and promotion expenses (Note 26)	**120,851**	**61,225**
Loan impairment provision (Note 9)	**745,648**	**476,575**
Total Operating Expenses	**3,339,361**	2,504,216
Operating income for the year	504,771	1,051,235
Other comprehensive income:		
Net Gain on available for sale investments (Note 18)	-	35,000
Total comprehensive income for the year	504,771	1,086,235

The Notes on pages 8 to 63 are an integral part of these financial statements.

FND ENTERPRISE COOPERATIVE CREDIT UNION LIMITED

Statement of Changes in Equity
Year Ended December 31, 2018

(All figures are expressed in Eastern Caribbean Dollars)

	Share Capital $	Statutory Reserve & Development Funds $	Other Reserves $	Capital Based Grant $	Retained Earnings $	Total $
Balance as at December 31, 2016	2,583,835	3,220,712	1,185,988	144,079	3,183,077	10,317,691
Issuance of shares (Note 16)	910,125	-	-	-	-	910,125
Transfer from Retained Earnings		4,037			(4,037)	
Transfer from Statutory Reserve (Note 17)		(4,037)	4,037			
Amortization of capital grant (Note 19)				(12,274)		(12,274)
Gain on available for sale investments (Note 18)			35,000			35,000
Dividends paid					(173,824)	(173,824)
Net income for the year (Page 5)					1,051,235	1,051,235
Balance as at December 31, 2017	3,493,960	3,220,712	1,225,025	131,805	4,056,451	12,127,953
Transfer from Provision for Loan Losses (Note 3, Page 30)					257,957	257,957
Issuance of shares (Note 16)	758,980					758,980
Transfer from Retained Earnings		4,498			(4,498)	
Transfer from Statutory Reserve (Note 17)		(4,498)	4,498			-
Amortization of capital grant (Note 19)				(12,274)		(12,274)
Unrealised gain on property revaluation (Note 18)			1,125,278			1,125,278
Dividends paid					(226,268)	(226,268)
Net income for the year (Page 5)					504,771	504,771
Balance as at December 31, 2018	4,252,940	3,220,712	2,354,801	119,531	4,588,413	14,536,397

The Notes on pages 8 to 63 are an integral part of these financial statements.

FND ENTERPRISE COOPERATIVE CREDIT UNION LIMITED

Statement of Cash Flows
Year Ended December 31, 2018

(All figures are expressed in Eastern Caribbean Currency)

	2018 $	2017 $
Cash flows from operating activities		
Net income for the year	504,771	1,051,235
Items not requiring the flow of cash:		
Depreciation - property, plant and equipment	116,451	101,917
Provision for loan impairment	745,648	476,575
Bad debts written off	(465,932)	(926,696)
Amortization of intangibles	28,874	197
Amortization of capital-based grants	(12,274)	(12,274)
Loss on disposal of property, plant and equipment	5,390	-
Cash flows from operating activities before changes in operating assets and liabilities	922,928	690,954
Changes in operating assets and liabilities:		
Increase in loans	(4,272,124)	(2,393,547)
Increase in other assets	(30,343)	(20,370)
Increase members' deposits	7,549,048	2,895,000
Decrease in other liabilities	(39,217)	(120,222)
Net cash flows used in operating activities	4,130,292	1,051,815
Cash flows used in investing activities		
Purchase of property, plant and equipment	(832,697)	(52,331)
Purchase of computer software	(444,360)	-
Increase in interest receivable on investment securities	(15,220)	-
Purchase of investment securities	(5,100,000)	(50,000)
Capitalization of investment income	(45,523)	(43,743)
Net cash flows used in investing activities	(6,437,800)	(146,074)
Cash flows from financing activities		
Proceeds from issuance of shares	758,980	910,125
Dividends paid	(226,268)	(173,824)
Net cash flows used in financing activities	532,712	736,301
Increase in cash and cash equivalents	(1,774,796)	1,642,042
Cash and cash equivalents at start of year	5,432,884	3,790,842
Cash and cash equivalents at end of year (Note 8)	3,658,088	5,432,884

The Notes on pages 8 to 63 are an integral part of these financial statements.

(All figures are expressed in Eastern Caribbean Currency)

1 Incorporation and principal activities

Incorporation

FND Enterprises Co-operative Credit Union Limited was registered under Section 241 of the Co-operative Societies Act of 1995 of St Christopher and Nevis on 20 July 2009. Its birth was consequent upon the passage of a resolution on 24 June 2010 by the then Foundation for National Development, that resolved to transfer its assets and liabilities to a credit union to be named FND Enterprise Co-operative Credit Union Limited. The Credit Union began operations effective August 1, 2009. The financial year end of the Credit Union was established as 31 December. Consequently, the first Financial Statements were for five months ended 31 December 2009.

In 2011, the Co-operative Societies Act, No. 31 of 2011 came into effect, replacing the Co-operative Societies Act, 1995. The Credit Union was automatically re-registered on October 17, 2011 under the new Act.

The registered office of the Credit Union is situated at Bladen Commercial Development, Basseterre, St Kitts. It conducts business at Bladen Commercial Development, Basseterre, St Kitts and Chapel Street, Charlestown, Nevis.

Principal activities

The Credit Union's principal activities are to safeguard, uphold and represent the best interests of all of its members, especially in financial matters, and to undertake all other acts and devices as are incidental or conducive to or consequential upon the attainment of its objectives.

2 Significant accounting policies

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

2.1 Basis of presentation

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and under the historical cost convention except for the measurement of land and building at fair value, and investment securities (quoted) at fair value through other comprehensive income.

These financial statements were authorized for issue by the Board on June 25, 2019.

FND Enterprise Co-operative Credit Union Limited has adopted IFRS 9 issued in July 2014 with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39, Financial Instruments: Recognition and Measurement.

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.1 Basis of presentation ... continued

a) Statement of compliance ...continued

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities and impairment for financial assets. Details of these new requirements as well as their impact to FND Enterprise Co-operative Credit Union Limited are described in Note 3.

FND Enterprise Co-operative Credit Union Limited has also adopted IFRS 15 with a date of initial application of January 1, 2018. Apart from providing more extensive disclosures on FND Enterprise Co-operative Credit Union Limited's revenue transactions, the application of IFRS 15 has not had a significant impact on FND Enterprise Co-operative Credit Union Limited's financial statements.

b) Going Concern

These financial statements have been prepared on the going concern basis, which assumes that the Credit Union will continue in operation for the foreseeable future. They do not purport to give effect to adjustments, if any, that may be necessary should the Credit Union be unable to realise its assets and discharge its liabilities in other than the ordinary course of business.

c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

d) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other credit unions, and other short-term highly liquid investments with original maturities of three months or less.

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.1 Basis of presentation ... continued

e) Use of estimates and judgements

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates thereby impacting the financial statements. Management believes that the underlying assumptions are appropriate and that the Credit Union financial statements therefore present the financial position and results fairly.

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

Information about key sources of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are described in Note 4.

f) Changes in accounting policies

IFRS 9, Financial Instruments

As permitted under IFRS 9, the Credit Union has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition were recognized as an adjustment to opening retained earnings and accumulated other comprehensive income (AOCI) on January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9. For full transition details, refer to Note 3.

Classification and measurement of financial assets and financial liabilities

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

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss (ECL) model. The new impairment model also applies to certain loan commitments and financial guarantee

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

***2.1* Basis of presentation** ... continued

f) Changes in accounting policies ... continued

contracts but not to equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

IFRS 15, Revenue from contracts with customers

IFRS 15 provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. It replaces IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations.

Under IFRS 15, the Credit Union will recognize revenue when it transfers goods or services to a customer in the amount of consideration it expects to receive from the customer. The new standard provides a single, principles-based five step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. The revenue arising from financial instruments is not within the scope of IFRS 15.

The Credit Union has adopted this standard retrospectively using the cumulative effects method, and therefore the comparative information has not been restated. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 15. The application of IFRS 15 had no impact on the timing or amount of the Credit Union revenue recognition and consequently no transition adjustment was recognized on January 1, 2018.

The Credit Union has applied IFRS 15 without using the practical expedients for modified contracts in IFRS 15:C5(c), or for transaction price disclosure in IFRS 15:C5(d) or without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), where the Credit Union need not restate contracts that begin and end within the same annual reporting period or are completed contracts at the beginning of earliest period presented, i.e. 1 January 2018. The Credit Union accounting policies on the revenue recognition under IFRS 15 are provided in Note 2.15.

g) New standards and interpretations not yet adopted

At December 31, 2018 a number of standards and interpretations, and amendments thereto have been issued by the International Accounting Standards Board (IASB), which are not effective for these financial statements. Those which could have an impact on the Credit Union's financial statements are discussed below.

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.1 Basis of presentation ... continued

g) New standards and interpretations not yet adopted...continued

The IASB has published a new standard, IFRS 16, Leases (IFRS 16). The new standard brings most lessees on-balance sheet for leases under a single model, eliminating the distinction between operating and finance leases. Lessor accounting has remained largely unchanged. IFRS 16 supersedes IAS 17. Leases (IAS 17) and related Interpretations is effective for periods beginning on or after January 1, 2019. The Credit Union is currently evaluating the impact of the new standard on its financial statements.

The IFRS 16 will not have any impact on the operations of the financial statements of the Credit Union

2.2 Financial instruments

All financial assets and financial liabilities are recognized in the balance sheet and measured in accordance with their assigned classification. Financial assets and financial liabilities are recognized when the Credit Union becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a) Financial assets

Policy applicable from January 1, 2018

Debt instruments are classified as amortized cost, FVTOCI or FVTPL on the basis of the Credit Union business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment

The Credit Union makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The business model assessment involves determining whether financial assets are managed in order to generate cash flows from collection of contractual cash flows, from the sale of financial assets, or both. For the assessment of business

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.2 Financial instruments ... continued

***a)* Financial Assets** ... continued

Business model assessment... continued

models, the Credit Union takes into consideration the factors such as performance of assets in the portfolio, risks that affect the performance of assets, management compensation for those managing the assets and the frequency, reason for sales, and volume of sales in prior periods and expectations about future sales activity.

Cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding.

'Principal' is defined as the fair value of the financial asset on initial recognition. Principal may change over the life of the instrument due to repayments. 'Interest' is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In performing this assessment, the Credit Union takes into consideration contractual features that could change the amount or timing of contractual cash flows, such that the cash flows are no longer consistent with a basic lending arrangement. If the Credit Union identifies any contractual features that could modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Debt instruments measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as 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 assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value and

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.2 Financial instruments ... continued

***a)* Financial Assets** ... continued

Debt Instruments measured at FVTOCI

A debt instrument is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVTOCI are recorded in OCI. Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to interest income in the profit or loss using the effective interest rate method. Upon derecognition, realized gains and losses are reclassified from OCI to profit or loss.

Debt instruments designated at FVTPL

The Credit Union may, at initial recognition, irrevocably designate a financial asset as at FVTPL when one of the following criteria is met:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- A group of financial assets is managed with its performance being evaluated on a fair value basis; or
- The financial asset contains one or more embedded derivatives which significantly modifies the cash flows otherwise required by the contract.

For financial assets designated at FVTPL, changes in fair value are recognized in the statement of profit or loss.

Equity Instruments measured at FVTPL

Equity instruments are measured at FVTPL unless an election is made to designate them at FVTOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value are recognized in the statement of profit or loss.

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.2 Financial instruments ... continued

***a)* Financial Assets** ... continued

Policy applicable before January 1, 2018

Prior to the adoption of IFRS 9, the Credit Union classified its financial assets as FVTPL, available-for-sale and loans and receivables. The classification depended on the nature and purpose of the financial assets and was determined at the time of the initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held-for-trading or is designated as FVTPL.

A financial asset is classified as held-for-trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and have a recent actual pattern of short-term profit-taking. Fair value is determined in the manner described in Note 5.
- It is a derivative that is not designated as effective as a hedging instrument.

Financial assets at FVTPL were stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and was included in the statement of profit or loss and was reported as gains on financial instruments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables or financial assets at FVTPL. Available-for-sale financial assets are initially recognized at fair value and measured subsequently at fair value with gains and losses being recognized in OCI in the statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. Fair value is determined in the manner described in Note 5.

Purchase premiums or discounts on available-for-sale securities are amortized over the life of the security using the effective interest method and are recognized in securities interest income. Interest income accruing on available-for-sale investment is recorded in securities interest income Dividends on available-for-sale equity instruments are recognized in the Statement of

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.2 Financial instruments ... continued

***a)* Financial Assets** ... continued

Available-for-sale financial assets ... continued

profit or loss in investment interest income when the Credit Union's right to receive payment is established. Gains and losses realized on disposal of available-for-sale investment are included in gains on financial instruments.

Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost using the effective interest method less any impairment, with interest recognized on an effective yield basis.

***b)* Financial Liabilities**

Policy applicable from January 1, 2018

The Credit Union classifies its financial liabilities as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

The Credit Union may, at initial recognition, irrevocably designate a financial liability as at FVTPL when one of the following criteria is met:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- A group of financial liabilities is managed with its performance being evaluated on a fair value basis; or
- The financial liability contains one or more embedded derivatives which significantly modifies the cash flows that otherwise would be required by the contract.

For liabilities at FVTPL, all changes in fair value are recognized in the statement of profit or loss, except for changes in fair value arising from changes in the Credit Union own credit risk which are recognized in OCI. Changes in fair value of liabilities due to changes in the Credit Union own credit risk, recognized in OCI, are not subsequently reclassified to profit or loss upon derecognition/extinguishment of the liabilities. Instead, these changes are reclassified from OCI to retained earnings upon derecognition/extinguishment of the liabilities.

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.2 Financial instruments ... continued

***b)* Financial Liabilities** ... continued

Policy applicable before January 1, 2018

Prior to the adoption of IFRS 9, financial liabilities were classified as either financial liabilities at FVTPL or other financial liabilities measured at amortized cost. Management determined the classification of its financial liabilities at initial recognition.

Financial liabilities at FVTPL

Financial liabilities were classified at FVTPL when the financial liability is either held-for-trading or it is designated as FVTPL. Financial liabilities at FVTPL were stated at fair value, with any gains and losses arising from re-measurement recognized in profit or loss. Fair value was determined in the manner described in Note 5.

Other financial liabilities

Other financial liabilities were subsequently measured at amortized cost using the effective interest method.

***c)* Reclassification of financial assets**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Credit Union changes its business model for managing financial assets. There were no changes to any of the Credit Union business models for the year ended December 31, 2018.

***d)* Impairment of Financial Assets**

Policy applicable from January 1, 2018

The Credit Union establishes an allowance for credit losses for the following categories of financial assets that are not measured at FVTPL:

- Financial assets at amortized cost;
- Financial assets at FVTOCI;
- Undrawn lending commitments;

Policy applicable from January 1, 2018

No impairment is recognized on equity investments in the scope of IFRS 9. The impairment of financial assets is presented in the balance sheet as a deduction in the gross carrying amount of investment securities and loans.

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.2 Financial instruments ... continued

d) Impairment of financial assets ... continued

Expected credit loss (ECL) impairment model

The Credit Union uses an expected credit loss methodology to measure impairment of its financial instruments. Expected credit losses reflect the present value of all cash shortfalls related to default events which may occur over a specified period of time. Consequently, the Credit Union's allowance for credit losses is an output of a model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The impairment amount reflects an unbiased, probability-weighted outcome which are based on reasonable and supportable forecasts.

The impairment model measures the ECL using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – where there has not been a significant increase in credit risk since initial recognition of a financial asset, an amount equal to 12-month ECL is recorded. For those instruments with a remaining maturity of less than twelve months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – when a financial asset experiences a significant increase in credit risk subsequent to the origination, but is not considered to be in default, an amount equal to lifetime ECL is recorded.
- Stage 3 – when a financial asset is considered to be in default, an amount equal to lifetime ECL continues to be recorded or the financial asset is written off.

Financial assets may migrate forward or backward through the three stages as their credit risk deteriorates or improves. When measuring ECL, the Credit Union considers the maximum contractual period over which it is exposed to credit risk (expected life). All contractual terms are considered when determining the expected life, including prepayment and extension or rollover options.

Measurement of ECL

The measurement of ECL is a function of the probability of default (PD), loss given default (LGD) and the exposure at default (EAD). The PD is an estimate of the likelihood that a financial asset will not be repaid and will go into default

LGD is an estimate of the amount that may not be recovered in the event of default. The assessment of the PD and LGD is based on historical data and current market conditions

(All figures are expressed in Eastern Caribbean Currency)

2.2 Financial instruments ... continued

d) Impairment of financial assets ... continued

Measurement of ECL...continued

adjusted by reasonable and supportable information about future economic conditions. EAD is an estimate of the outstanding amount of credit exposure at the time a default may occur.

The ECL parameters are generally derived from internally developed statistical models utilizing the Credit Union's own historical loss data by major asset class with the exception of PD and LGD for commercial mortgages/loans and securities. Due to the limited number of historical losses within these portfolios, the Credit Union has mapped its internal risk ratings to external ratings and utilized both public and proprietary third-party data to determine the appropriate parameters by rating.

Significant increase in credit risk

At each reporting date, the Credit Union assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information with the impact of forward-looking macroeconomic factors.

The Credit Union's assessment of significant increase in credit risk is performed monthly based on the following three factors. If any of these factors indicate that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2:

- The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if the credit rating has dropped below investment grade, based on approved ratings.
- The Credit Union considers that a significant increase in credit risk occurs no later than when an asset is more than 90 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.
- Additional qualitative reviews are performed to assess the staging results and make adjustments, as necessary, to better reflect the positions whose credit risk has increased significantly.

  The common assessments for significant increase in credit risk on retail and non-retail portfolios include macroeconomic outlook, management judgment, and delinquency and monitoring. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of situations include changes in

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.2 Financial instruments ... continued

d) Impairment of financial assets ... continued

Significant increase in credit risk ... continued

adjudication criteria for a particular group of borrowers, changes in portfolio composition, and natural disasters impacting certain portfolios. With regards to delinquency and monitoring, there is 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. The Credit Union currently does not rebut this presumption.

For retail and small commercial exposures, the Credit Union considers past delinquency history for individual loans as the primary indicator of significant increase in credit risk. Additionally, the Credit Union assesses a significant increase in credit risk at the portfolio level using historical correlations between macroeconomic factors and past delinquency rates within the portfolio.

For its other commercial exposures, the Credit Union uses its internal risk rating scale. All exposures have a risk rating assigned that reflects the PD of the borrower which are reviewed and updated at least annually. Significant increase in credit risk is evaluated based on the risk rating migration of the exposures with consideration of forward-looking macroeconomic factors.

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognized. For the purpose of this assessment, credit risk is based on an instrument's PD, not the losses the Credit Union expects to incur. The assessment is generally performed at the instrument level.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default, and the borrower has the ability to fulfill their obligations both in near term and in the longer term, including periods of adverse changes in the economic or business environment. The Credit Union considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

If a debt security had low credit risk at the date of initial application of IFRS 9, then the Credit Union has assumed that credit risk on the asset had not been increased significantly since its initial recognition to the date of initial application of IFRS 9.

Definition of default

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.2 Financial instruments ... continued

d) Impairment of financial assets ... continued

Definition of default ... continued

- The external rating agencies have assigned a default rating to the investment;
- The debt issuer or obligor has not met a legally scheduled payment or has indicated that it will miss such a payment in near future;
- The borrower has sought or been placed in bankruptcy resulting in the delay or avoidance of repayment of the amount owing;
- The borrower has experienced significant financial difficulty; or
- There is a measurable decrease in the estimated future cash flows from the loan or the underlying assets that back that loan.

In addition to the above observable indicators, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due. The Credit Union does not currently rebut this presumption except for certain insured loans where, due to the strength of the underlying credit enhancement, it is reasonably certain that collection efforts will result in a full recovery of the defaulted loan.

Forward looking information

The measurement of ECL and the assessment of significant increase in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

Macroeconomic factors

In its ECL model, the Credit Union relies on a range of forward-looking information as economic inputs, such as: GDP growth, unemployment rates, interest rates and new housing starts. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data Where available, the Credit Union will utilize geographic specific macroeconomic factors. Due to the limited loss history, the Credit Union has relied upon industry norms and best practices to identify key drivers of credit risk and credit losses for each portfolio of financial instruments and has estimated relationship between macro-economic variables, credit risk and credit losses.

Presentation of allowance for ECL in the statement of financial position

For financial assets measured at amortized cost, loss allowances for ECL are presented in the balance sheet as a deduction from the gross carrying amount of the assets.

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.2 Financial instruments ... continued

d) Impairment of financial assets ... continued

Presentation of allowance for ECL in the statement of financial position ... continued

The allowance for credit losses for financial assets measured at FVTOCI does not reduce the carrying amount of the asset in the balance sheet, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI.

Modified financial assets

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the financial asset should be derecognized. Where the modification does not result in derecognition, the date of origination continues to be used to determine significant increase in credit risk. Where modification results in derecognition, the original asset is derecognized and the new asset is recognized at its fair value. The difference between the carrying value of the derecognized asset and the fair value of the new asset is recognized as a gain or loss in the income statement.

Write-off

The Credit Union writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where the financial assets are secured, write-off is generally after receipt of any proceeds from the realization of the security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may occur earlier. In subsequent periods, any recoveries of amounts previously written off are credited to the statement of profit or loss.

Policy applicable before January 1, 2018

Prior to adoption of IFRS 9, the Credit Union assessed financial assets, other than those at FVTPL, for indicators of impairment at the end of each reporting period. Financial assets were considered to be impaired when there was objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset had been affected.

For available-for-sale equity securities, a significant or prolonged decline in the fair value of the security below its cost was considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.2 Financial instruments ... continued

d) Impairment of financial assets ... continued

Policy applicable before January 1, 2018 ... continued

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The Credit Union first assessed whether objective evidence of impairment existed individually for loans that were individually significant, and individually or collectively for loans that were not individually significant. If the Credit Union determined that no objective evidence of impairment existed for an individually assessed loan, whether significant or not, it included the loan in a group of loans with similar credit risk characteristics and collectively assessed them for impairment. Loans that were individually assessed for impairment and for which an impairment loss was or continued to be recognized through the use of a specific allowance were not included in a collective assessment of impairment.

Collective allowances were established to recognize incurred loss events for which there was objective evidence of loss but whose effects are not yet evident. Loans were assessed for impairment collectively, in groups of loans with similar credit risk characteristics (i.e. loan type, past-due status, and other relevant factors).

Impairment losses on financial assets carried at amortized cost were measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset was reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable was considered uncollectible, it was written off against the allowance account. Changes in the carrying amount of the allowance were recognized in profit or loss. When an available- for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in OCI are reclassified to profit or loss in the period.

When a loan was restructured, and the present value of the future principal and interest payments discounted at the loan's original effective interest rate was less than the carrying value of the loan, the restructured loan was considered credit impaired.

When a loan is uncollectible, it was written off to provision for credit losses and the related specific allowance was reversed. This determination is made after considering information such

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.2 Financial instruments ... continued

d) Impairment of financial assets ... continued

Policy applicable before January 1, 2018 ... continued

as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

e) Derecognition of financial assets or liabilities

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have expired or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. The Credit Union tests control to ensure that continuing involvement on the basis of any retained powers of control do not prevent derecognition. Where substantially all of the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Credit Union derecognizes the transferred asset only if it has lost control over that asset. Control over the assets is represented by the practical ability to sell the transferred asset without the need to impose additional restrictions. If the Credit Union retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement. When financial assets are derecognized in full, a gain or loss is recognized in profit or loss for an amount equal to the difference between the carrying amount of the asset and the value of the consideration received.

The Credit Union derecognizes financial liabilities when, and only when, the Credit Union's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.3. Provisions

Provisions are recognised when the Credit Union has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate. The increase in the provision due to passage of time is recognised as an expense.

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.4. Property, plant and equipment

Property, plant and equipment are stated at historical cost or revaluated amount less accumulated depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method to allocate their costs or their revalued amounts to their residual values over their estimated useful lives at the following annual rates:

Buildings	2.5%
Motor vehicles	20%
Furniture and fixtures	15% - 20%
Computers and equipment	20% - 33 1/3%
Plant and equipment	10%
Office equipment	20% - 33 1/3%

Property, plant and equipment are periodically reviewed for impairment. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on the disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.5. Intangible assets

Intangible assets are measured at cost less accumulated amortization and any impairment losses. Computer software not integral to the operating of the computer system is classified as intangible and amortised on the basis of their expected life, which is normally five years.

2.6. Dividend income

Dividends are recognized in the income statement when the entity's right to receive payment is established.

2.7. Dividends on shares

Dividends on members' shares are recognized in equity in the period in which they were approved by members. Dividends for the year which are approved after the balance sheet date are disclosed as a subsequent note.

2.8. Other Liabilities

Other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.9. Capital-based Grants

Capital-based grants are treated as deferred credits, a portion of which is transferred annually to the Statement of Comprehensive Income over the expected useful life of the asset.

2.10. Income Tax

Section 242 (2) of the Co-operative Societies Act, 31 of 2011 exempts credit unions and other registered societies from the payment of income tax, corporation tax and any other tax on the income.

2.11. Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year, and to give effect to prior period adjustments.

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.12 Financial guarantees

Certain loan assets are secured by limited financial guarantees issued by third parties unrelated to the underlying borrower. When the financial guarantee forms an integral part of the loan asset, the contract is not recognized separately and instead the value of the guarantee is reflected in the recoverable amount of the asset for the purpose of assessing impairment. When the financial guarantee does not form an integral part of the loan asset, it is recognized separately as a reimbursement asset equal to the lesser of: (1) the difference between the impaired carrying value of the loan and what the carrying value would be if impairment had not occurred; and (2) the maximum amount of the financial guarantee. Recoveries from financial guarantees are recorded within provisions for credit losses in the statement of profit or loss to offset the associated impairment loss.

The Credit Union has not issued any financial guarantee contracts.

2.13 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is currently a legally enforceable right to offset the recognized amount and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.14. Interest Income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within interest income and interest expense in the statement of profit or loss using the effective interest method, except for short-term receivables and payables when the effect of discounting is immaterial. The effective interest method is a method of calculating the amortized cost of a financial asset or 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 and 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 calculating the effective interest rate, the Credit Union estimates future cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and basis points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.15. Revenue recognition

Policy applicable from January 1, 2018

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Credit Union recognizes revenue when it transfers control of a product or service to a customer. Determining the timing of the transfer of control, at a point in time or over time, requires judgment.

The Credit Union earns revenue outside of interest income on financial assets. Revenues arising from these streams are recognized based on contracts with customers. The consideration received does not include any significant financing components that are not included in the transaction price.

The following is a description of the principal activities for the Credit Union from which revenue is generated including the nature of its performance obligations, the timing of when they are satisfied and the significant payment terms:

- Interest on Credit facilities
- Fees and other charges for services rendered

Policy applicable before January 1, 2018

Prior to the adoption of IFRS 15, the Credit Union applied the following policy:

- Interest – Interest was recognised using the effective interest method which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or when appropriate, a shorter period, to the carrying amount of the financial asset.
- Fees and other charges - Revenue from fees, fines and other charges was recognized when it is probable that the economic benefits associated with the transaction will flow to the Credit Union and the amount of revenue and the stage of completion of the transaction can be reliably measured.

2.16 Impairment of non-financial assets

Non-financial assets such as property, plant and equipment, investment property and intangible assets are reviewed to determine whether an impairment loss has occurred on the assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If an impairment loss is presumed to exist, a recoverable amount is estimated for the asset to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is assessed as the estimated future cash

(All figures are expressed in Eastern Caribbean Currency)

2. Significant accounting policies ... continued

2.16 Impairment of non-financial assets ... continued

flows discounted to present value using a discount rate reflecting current market assessments of the time value of money and risks specific to the asset where future cash flows have not been adjusted. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

If the estimated recoverable amount is less than the carrying amount, the carrying amount is reduced to the estimated recoverable amount. The difference between the recoverable and carrying amount is the impairment loss and the loss is recognized in profit or loss immediately.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date and when there is an indication that reversal of the impairment may have occurred. Upon reversal of an impairment loss the carrying amount is increased to the revised recoverable amount and the revised recoverable amount does not exceed the carrying amount had the impairment loss not been recognized in prior years. The reversal is recognized in profit or loss immediately. No non-financial assets were impaired in 2018 or 2017.

2.17 Employee benefits

Pension benefits

A defined contribution plan is a post-employment benefit plan under which the Credit Union pays fixed contributions into a separate entity. The Credit Union has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognized as employee benefit expense when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

3. Transition impact of IFRS 9 adoption

The Credit Union adopted IFRS 9 effective January 1, 2018. Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and AOCI, as appropriate, as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

The Credit Union accounting policies on the classification and measurement of financial instruments under IFRS 9 are set out in Note 2.2, Financial Instruments. The application of these policies resulted in significant changes for the Credit Union

(All figures are expressed in Eastern Caribbean Currency)

3. Transition impact of IFRS 9 adoption ... continued

The key changes to the Credit Union's accounting policies resulting from the adoption of IFRS 9 are as follows:

Classification – IFRS 9 eliminates the definition-based approach to classification of financial assets under IAS 39 and the associated classification groups of: loans and receivables, available-for-sale and held-to-maturity. Under IFRS 9, all assets are now classified as: amortised cost, FVTOCI or FVTPL based on an assessment of: a) the business model within which the assets are held; and b) the cash flow characteristics of the financial assets.

Impairment – IFRS 9 replaces the incurred loss model under IAS 39, which measured impairment based on evidence of past loss events, with a new ECL model that takes into account both past loss events and potential future losses which may occur over the life of a financial instrument. IFRS 9 also introduces a new concept of "staging" whereby the loss allowance is equal to the 12-month or the life time expected loss based on the relative change in credit quality of the financial instrument since inception. As a result, credit losses are recognized sooner than under the previous IAS 39 standard, resulting in an increase to the allowance for credit losses at transition.

Reconciliation of allowance for credit losses from IAS 39 to IFRS 9

The following table reconciles the closing allowance for losses on financial assets in accordance with IAS 39 as at 31 December 2017 to the opening allowance for credit losses as at January 1, 2018 based on IFRS 9. The remeasurement adjustment is shown in the table that follows:

Loan type	Allowance under IAS 39	Remeasurement adjustment	Allowance under IFRS 9
Provision for loan losses	$597,478	($257,957)	$339,521

Reconciliation of Statement of Financial Position from IAS 39 to IFRS 9

The following table shows the impact from the transition to IFRS 9 on the Statement of Financial Position as at the January 1, 2018 transition date indicating separately the carrying values reclassified as a result of changes in the classification ("reclassified), and the changes in the carrying values from applying the remeasurement requirements of IRS 9, including impairment, (remeasured"):

(All figures are expressed in Eastern Caribbean Currency)

3. Transition impact of IFRS 9 adoption… continued

Reconciliation of Statement of Financial Position from IAS 39 to IFRS 9…continued

Financial Assets

Financial assets	IAS 39 classification	IFRS 9 classification	IAS 39 carrying amount at 31 December 2017 - $	Reclassi – fication	Remeasure-ment	IFRS 9 carrying amount January 1, 2018 - $
Cash and cash equivalents	Loans and receivables	Amortised cost	5,432,884	-	-	5,432,884
Loans	Loans and receivables	Amortised cost	23,641,802	-	257,957	23,899,759
Investment securities – quoted	Available-for-sale	FVTOCI	85,000	-	-	85,000
Investment securities-unquoted	Available-for-sale	FVTOCI	50,100	-	-	50,100
Deposits	Amortised costs	Amortised costs	1,315,627	-	-	1,315,627
Other assets	Loans and receivables	Amortised costs	181,082	-	-	181,082

Financial Liabilities

Members' deposits	**Other financial liability**	**Amortised costs**	**18,953,709**	**-**	**-**	**18,953,709**
Other liabilities	**Other financial liability**	**Amortised costs**	**181,082**	**-**	**-**	**181,082**

(All figures are expressed in Eastern Caribbean Currency)

4. Critical accounting estimates and judgments

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, profits and losses during the reporting period. Accordingly, actual results may differ from those estimates. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgments are evaluated on an on-going basis, and are based on historical experience and other factors, including expectations with regards to future events. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments that management have made in the process of applying the Credit Union's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Business model assessment

Classification and measurement of financial assets under IFRS 9 depends on the results of the solely payments of principal and interest test, and the business model test. The Credit Union determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment requires judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated.

Allowance for credit losses:

For the current year ended December 31, 2018

The ECL model requires the recognition of credit losses based on twelve months of expected losses for performing financial assets and recognition of lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination. The determination of a significant increase in credit risk takes into account many different factors and varies by product and risk segment. The main factors considered in making this determination are relative changes in probability of default since origination, and certain other criteria such as days past due. The assessment of significant increase in credit risk requires experienced credit judgement.

In determining whether there has been a significant increase in credit risk and in calculating the amount of expected credit losses, the Credit Union must rely on estimates and exercise judgement regarding matters for which the ultimate outcome is unknown.

(All figures are expressed in Eastern Caribbean Currency)

4. Critical accounting estimates and judgments ... continued

Critical judgements in applying accounting policies ... continued

Allowance for credit losses ... continued

These judgements include changes in circumstances that may cause future assessments of credit risk to be materially different from current assessments, which could require an increase or decrease in the expected credit loss allowance.

For the year ended December 31, 2017

The Credit Union reviewed loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of profit or loss, the Credit Union made judgments as to whether there is any observable data indicating an impairment

trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified within that portfolio. This evidence may have included observable data indicating that there had been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the portfolios. Management used estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when forecasting its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counterparty's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the work out strategy and estimate of cash flows considered recoverable are independently approved by the credit risk management function.

The collectively assessed impairment allowances covers credit losses inherent in portfolios of loans with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans, but the individual impaired loans cannot yet be identified. In assessing the need for collective allowances for impairment, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances for impairment.

(All figures are expressed in Eastern Caribbean Currency)

4. Critical accounting estimates and judgments ... continued

Critical judgements in applying accounting policies... continued

Transfer of control of goods or services

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement. In making the judgment, management considered the detailed criteria for recognition of revenue set out in IFRS 15.

Key sources of estimation uncertainty

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Some of the Credit Union's financial assets and financial liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or liability, the Credit Union uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Credit Union utilizes valuation techniques, such as discounted cash flow models, or observable data, to calculate the fair value of assets and liabilities. Where valuation techniques such as models are used to determine fair values, they are validated and periodically reviewed.

To the extent practical, models use only observable data; however, areas such as credit risk (both own-credit risk and counterparty credit risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Calculation of expected credit losses

The calculation of expected credit losses includes the explicit incorporation of forecasts of future economic conditions. The Credit Union has adopted a model incorporating specific macroeconomic variables that are relevant to each specific portfolio. The Credit Union exercises judgement to incorporate economic forecasts which are probability-weighted in the determination of the final expected credit loss. The allowance is sensitive to changes in both economic forecast and the probability-weight assigned to each forecast.

(All figures are expressed in Eastern Caribbean Currency)

5. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using a valuation technique.

Consequently, differences can arise between carrying values and fair value estimates. The carrying values of the Credit Union's financial assets and financial liabilities as disclosed in the statement of financial position approximate to their fair values except for equity investment securities, which are unquoted.

(i) Cash and cash equivalents

Cash and cash equivalents include cash and short-term deposits held with banks and other financial institutions.

(ii) Loans

Loans are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amounts of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine their value. The interest rates on the loans reflect the market interest rates, hence the carrying values are considered to approximate the fair value.

(iii) Investment securities

Investment securities include only assets classified at amortized cost and FVTOCI. The fair value of unquoted equity investments cannot be reliably estimated and hence these investments are carried at cost once they are not impaired.

(iv) Members' deposits and other borrowings

The estimated fair value of deposits, which included interest-bearing deposits, is the amount repayable on demand. The carrying values approximate the fair value because of their short-term nature.

The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flow using interest rates for new debts with similar remaining maturity. The interest rates on these financial liabilities reflect the market interest rates, hence the carrying values are considered to approximate the fair value.

(All figures are expressed in Eastern Caribbean Currency)

5. Fair value of financial assets and liabilities ... continued

The carrying amounts and approximate fair values of the financial assets and liabilities are represented below:

2018

	Carrying Amount $	Fair Value $
Financial assets:		
Cash and cash equivalent	3,658,088	3,658,088
Loans	27,892,167	27,892,167
Investments	6,611,470	6,611,470
Total	38,161,725	38,161,725
Financial liabilities:		
Members' deposits	26,502,757	26,502,757
Other liabilities	353,854	353,854
Total	26,856,611	26,856,611

2017

	Carrying Amount $	Fair Value $
Financial assets:		
Cash and cash equivalent	5,432,884	5,432,884
Loans	23,641,802	23,641,802
Investments	1,450,727	1,450,727
Total	30,525,413	30,525,413
Financial liabilities:		
Members' deposits	18,953,709	18,953,709
Other liabilities	393,071	393,071
Total	19,346,780	19,346,780

(All figures are expressed in Eastern Caribbean Currency)

5. Fair value of financial assets and liabilities ... continued

Fair value hierarchy for assets at 31 December 2018 are represented below:

	Date of valuation	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
Investment Securities: FVOC1					
Equity shares	31 December 2018	235,100	185,000	-	50,100
Non-Financial asset:					
Land and building	31 December 2018	2,075,000		2,075,000	

Fair value hierarchy for assets at 31 December 2017 are represented below:

	Date of valuation	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
Investment Securities: FVOC1					
Equity shares	31 December 2017	135,100	85,000	-	50,100
Non-Financial asset:					
Land and building	31 December 2017	602,909		602,909	

6. Financial risk management

The Credit Union's activities expose it to a variety of financial risks, and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in the business. Therefore, the Credit Union's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

Overall risk management policies are set by the Board of Directors and carried out by senior management. The identification, evaluation and hedging of financial risks, where considered appropriate, are performed by senior management under guidance from the Board of Directors.

6.1 Credit Risk

The Credit Union takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss to the Credit Union by failing to discharge an obligation. Credit risk is the most important risk for the Credit Union's business. Management, therefore, carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to

(All figures are expressed in Eastern Caribbean Currency)

6. Financial risk management ... continued

6.1 Credit Risk ... continued

loans and advances, and investment activities that bring debt securities and other instruments into the Credit Union's asset portfolio. There is also credit risk in off Statement of Financial Position financial instruments, such as loan commitments.

6.1.1 Credit risk management

a) Loans

The Credit Union assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of the counterparty. Overdue loans are categorized into the classes below reflecting the range of default probabilities for each class.

Duration of period of overdue loans

0 to 30 days	31 to 90 days
91 to 180 days	181 to 270 days
271 to 365 days	greater than 365 days

b) Investments

Term deposits are placed with reputable banks and other financial institutions of acceptable credit quality based on financial position, past experience and other factors.

c) Debt securities and other bills

The Credit Union's portfolio consists of one Government of St Kitts-Nevis 91-day treasury bill, which is unrated. The Credit Union periodically assesses the risk of default on this obligation by monitoring the performance of the Government, through published government data, information received directly from government departments, and information published by international agencies.

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6.1.2 Risk limit control and mitigation policies

The Credit Union manages limits and controls concentration of credit risk to members.

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 or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to regular review by the Supervisory Committee, Credit Committee and the Board of Directors.

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

(All figures are expressed in Eastern Caribbean Currency)

6. Financial risk management ... continued

6.1 Credit Risk ... continued

6.1.2 Risk limit control and mitigation policies ... continued

The following specific control and mitigation measures are also utilized:

a) Collateral

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

- Mortgages over properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Members' savings deposits.

Longer-term lending and individual credit facilities are generally secured.

b) Credit-related commitments

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. With respect to credit risk on commitments to extend credit, the Credit Union is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

6.1.3 Impairment and provision policies

Impairment provisions are recognised for financial reporting purposes on an ECL basis. The model applied recognizes three stages: Stage 1 – 12-month expected loss for unimpaired loans, Stage 2 – life time expected loss for past due but unimpaired loans, and Stage 3 – life time expected loss for loans in default. A defining characteristic is significant impairment in the credit risk of an asset.

- The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if the credit rating has dropped below investment grade, based on approved ratings.
- The Credit Union considers that a significant increase in credit risk occurs no later than when an asset is more than 90 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

(All figures are expressed in Eastern Caribbean Currency)

6. Financial risk management ... continued

6.1.3 Impairment and provision policies ... continued

- Additional qualitative reviews are performed to assess the staging results and make adjustments, as necessary, to better reflect the positions whose credit risk has increased significantly.

6.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

	2018	2017
	$	$
Credit risk exposures relating to on-Statement of Financial Position assets:		
Cash and cash equivalent (Note 8)	3,139,079	5,262,667
Investment securities (Note 10)	6,611,470	1,450,727
Loans (Note 9)	27,892,167	23,641,802
Other assets (Note 11)	211,425	181,082
Total	37,854,141	30,536,278

The above table represents a worst-case scenario of credit risk exposure to the Credit Union at December 31, 2018 and 2017, without taking account of any collateral held or other credit enhancements attached. For the on-statement of financial position assets, the exposures set out above are based on the net carrying amounts as reported in the statement of financial position. Based on the above figures, 73.7% (2017: 77.4%) of the total maximum exposure is derived from loans, while 17.6% (2017: 4.8%) and 8.3% (2017: 17.2%) represented investments securities and cash resources respectively.

(All figures are expressed in Eastern Caribbean Currency)

6. Financial risk management ... continued

6.1.5 Gross loans and allowance for loan losses

	Gross loans	ECL	Net loans
	$	$	$
Stage 1	26,196,504	(78,479)	26,118,025
Stage 2	958,355	(116,796)	841,559
Stage 3	1,356,545	(423,962)	932,583
Balance at 31 December 2018	28,511,404	(619,237)	27,892,167

	Gross loans	ECL	Net loans
	$	$	$
Stage 1	23,176,785	(105,847)	23,070,938
Stage 2	451,717	(79,037)	372,680
Stage 3	610,778	(154,636)	456,142
Balance at 1 January 2018	24,239,280	(339,520)	23,899,760

Expected credit loss ("ECL") impairment model

The Credit Union uses an ECL methodology to measure impairment of its financial instruments. ECLs reflect the discounted value of all cash shortfalls related to default events which may occur over a specified period of time. The Credit Union's allowance for credit losses are outputs of models with a number of underlying assumptions regarding relevant variable inputs and their interdependencies. The allowances reflect an unbiased, probability-weighted outcome based on reasonable and supportable forecasts.

The Credit Union's ECL impairment model measures loss allowances using a three-stage approach based on the change in credit risk since origination:

12-month ECL (Stage 1) – Where there has not been a significant increase in credit risk since initial recognition of a financial instrument, an amount equal to 12 months ECL is recorded. The ECL is computed using a probability of default occurring over the next 12 months.

Lifetime ECL not credit-impaired (Stage 2) – When a financial instrument experiences a significant increase in credit risk subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of ECL based on the probability of default over the remaining estimated life of the financial instrument.

(All figures are expressed in Eastern Caribbean Currency)

6. Financial risk management ... continued

Expected credit loss ("ECL") impairment model ... continue

Lifetime ECL credit-impaired (Stage 3) – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime ECLs. Financial assets may migrate forward or backward through the three stages as their credit risk deteriorates or improves. When measuring ECLs, the Credit Union considers the maximum contractual period over which it is exposed to credit risk (expected life). All contractual terms are considered when determining the expected life, including prepayment and extension options.

Model parameters

The following variables represent the key inputs in the Credit Union's ECLs:

- Probability of Default ("PD") – an estimate of the likelihood of default over a given time horizon.
- Loss Given Default ("LGD") – 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.
- Exposure at Default ("EAD") – an estimate of the exposure 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, and expected drawdowns on committed facilities.

These parameters are generally derived from the Credit Union's own historical loss data by major asset class.

Significant increase in credit risk

At each reporting date, the Credit Union assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. 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 is available without undue cost or effort.

The Credit Union allocates its loans to a relevant credit risk grade depending on their credit quality. The quantitative information is primary indicator of significant increase in credit risk and is based on the change in lifetime PD. Significant increase in credit risk is evaluated based on the risk rating migration of the exposures with consideration of forward-looking macroeconomic factors.

(All figures are expressed in Eastern Caribbean Currency)

6. Financial risk management ... continued

Expected credit loss ("ECL") impairment model ... continued

There is a rebuttable presumption that the credit risk of the financial instrument has increased significantly since initial recognition when contractual payments are more than 90 days overdue. The Credit Union currently does not rebut this presumption.

Forward-looking information

The measurement of ECLs for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

In its model, the Credit Union relies on forward-looking macroeconomic factors, such as gross domestic product (GDP) and unemployment rate.

The Credit Union utilizes probability-weighted estimate of forward-looking macroeconomic factors. The Credit Union considers both internal and external sources of information in order to achieve an unbiased measure of the scenarios used.

The Credit Union presents its provision for credit losses in the financial statements as follows:

- For financial assets measured at amortized cost, as a deduction from the gross carrying amount;
- For debt instruments measured at FVOCI, no allowance is recognized in the statement of financial position because the carrying value of these assets is their fair value.

Definition of default

The Credit Union considers a financial instrument to be in default (Stage 3) as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- Significant financial difficulty of the borrower;
- High probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- Measurable decrease in the estimated future cash flows from the loan or value of the underlying collateral.

In addition to these observable indicators, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due. The Credit Union does not currently rebut this presumption.

(All figures are expressed in Eastern Caribbean Currency)

6. Financial risk management ... continued

Expected credit loss ("ECL") impairment model ... continued

Modified financial asset

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the financial asset should be derecognized. Where the modification does not result in derecognition, the date of origination continues to be used to determine significant increase in credit risk. Where modification results in derecognition, the original asset is derecognized and the new asset is recognized at its fair value. The difference between the carrying value of the derecognized asset and the fair value of the new asset is recognized as a gain or loss in the statement of comprehensive income.

Financial Instruments: Classification and Subsequent Measurement

The Credit Union writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realization of security.

In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may occur earlier. In subsequent periods, any recoveries of amounts previously written off are credited to the profit or loss account.

6.1.6. Treasury bill

The following treasury bill held by the Credit Union was unrated:

	2018	2017
	$	$
Government of St Kitts-Nevis treasury bill	198,125	198,125

6.1.7 Concentration of risks of financial assets with credit risk exposure

a) Geographical Sectors

The following table analyses the Credit Union's main credit exposure at their carrying amounts, as categorized by geographical region as at December 31, 2018. For this table, the Credit Union has allocated exposures to regions based on country of domicile of the counterparties.

(All figures are expressed in Eastern Caribbean Currency)

6. Financial risk management ... continued

6.1.7 Concentration of risks of financial assets with credit risk exposure ... continued

	St Kitts-Nevis $	Other Caribbean $	Total $
Credit risk exposures relating to on-Statement of Financial Position assets:			
Cash resources (Note 8)	3,139,079	-	3,139,079
Investment securities (Note 10)	6,611,470	-	6,611,470
Loans (Note 9)	27,892,167	-	27,892,167
Other assets	211,425	-	211,425
As at December 31, 2018	**37,854,141**	**-**	**37,854,141**
As at December 31, 2017	**30,536,278**	**-**	**30,536,278**

a) Economic risk concentrations within the customer loan portfolio were as follows:

	2018 $	%	2017 $	%
Private households	20,489,224	72.3	17,361,536	72.2
Agriculture	107,509	0.4	115,454	0.5
Fisheries	66,787	0.2	143,788	0.6
Manufacturing	178,529	0.6	279,460	1.2
Construction & land development	266,987	0.9	162,228	0.7
Distributive & retail trade	535,837	1.9	522,822	2.2
Hospitality	-	-	397,261	1.7
Transportation & storage	1,017,917	3.6	2,280,816	9.5
Financial & insurance services	2,002,302	7.1	523,090	2.2
Real estate	-	-	48,209	0.2
Professional technical services	44,750	0.2	526,840	2.2
Administrative & support	976,308	3.4	203,459	0.8
Public administration & Social Security	218,204	0.8	-	-
Education	921,590	3.3	867,689	3.6
Health & social work	156,814	0.6	-	-
Community, social & personal	278,866	1.0	-	-
Employees, directors & committee members	1,090,587	3.8	627,758	2.6
Gross Loans (Note 9)	**28,352,211**	**100.0**	**24,060,410**	**100.0**

(All figures are expressed in Eastern Caribbean Currency)

6. Financial risk management ... continued

6.2 Market risk

The Credit Union takes on exposure to market risks, which is the risk that the fair value of cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

6.2.1 Price risk

The Credit Union's investment portfolio includes quoted equity investment securities, but its exposure to price risk is minimal since the total of these securities is insignificant in relation to its statement of financial position.

6.2.2 Foreign exchange risk

The Credit Union takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Credit Union does not believe any significant foreign exchange risk exists at year end as all of its assets and liabilities are denominated in either Eastern Caribbean Dollars or United States Dollars. United States Dollars are translated into Eastern Caribbean Dollars at a fixed rate of EC$2.70 for US$1.00.

6.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event unexpected movements arise. Interest earning bank balances, loans, treasury bill and members' deposits are all subject to interest rate changes.

The following table summarises the Credit Union's exposure to interest rate risks. It includes the Credit Union's financial instruments at carrying amounts categorised by maturity dates.

(All figures are expressed in Eastern Caribbean Currency)

6. Financial risk management ... continued

6.2.3 Interest rate risk ... continued

	Exposed up to 1 year $	Exposed within 1 to 5 years $	Exposed over 5 years $	Not exposed to interest rate risk $	Total $
As at December 31, 2018					
Assets					
Cash and cash equivalent	2,357,942	-	-	1,300,146	3,658,088
Loans	8,532,167	16,878,446	2,322,361	159,193	27,892,167
Investment securities:					
Deposits with non- banks	6,361,150	-	-	15,220	6,376,370
Equities	235,100	-	-	-	235,100
Total financial assets	17,486,359	16,878,446	2,322,361	1,474,559	**38,161,725**
Liabilities					
Deposit liabilities	17,638,803	4,531,491	-	4,332,448	26,502,757
Other liabilities	-	-	-	353,854	353,854
Total financial liabilities	17,638,803	4,531,491	-	4,686,302	26,856,611
Total interest repricing gap	**(152,444)**	**12,346,955**	**2,322,361**	**(3,211,758)**	**11,305,114**
As at December 31, 2017					
Total financial assets	13,804,835	14,741,419	333,552	1,645,607	30,525,413
Total financial liabilities	14,770,019	944,339	-	3,632,422	19,346,780
Total interest repricing gap	**(965,184)**	**13,797,080**	**333,552**	**(1,986,815)**	**11,178,633**

The Credit Union is not unduly exposed to fair value interest rate risk because of limited volatility in the securities markets in which the Credit Union's investments are held.

6.3 Liquidity risk

Liquidity risk is the risk that the Credit Union is unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

(All figures are expressed in Eastern Caribbean Currency)

6. Financial risk management ... continued

6.3 Liquidity risk ... continued

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

Monitoring and reporting take the form of cash flow measurement, and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for these projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Non-derivative cash flows

The table below presents the cash flows payable by the Credit Union under non-derivative financial liabilities by remaining contractual maturities at the Statement of Financial Position date. The amounts disclosed in the table are the contractual and undiscounted cash flows, whereas the Credit Union manages the inherent liquidity risk based on expected undiscounted cash flows.

	1 year $	1 to 5 years $	Over 5 years $	Total $
As at December 31, 2018				
Deposit liabilities	21,971,266	4,531,491	-	26,502,757
Other liabilities	353,854	-	-	353,854
Total financial liabilities	**22,325,120**	**4,531,491**	**-**	**26,856,611**
As at December 31, 2017				
Deposit liabilities	18,009,370	944,339	-	18,953,709
Other liabilities	393,071	-	-	393,071
Total financial liabilities	**18,402,441**	**944,339**	**-**	**19,346,780**

Funding approach

Sources of liquidity are regularly reviewed by management and the Board of Directors in order to maintain a wide diversification by currency, geography, provider, product and term.

(All figures are expressed in Eastern Caribbean Currency)

6. Financial risk management ... continued

6.3 Liquidity risk ... continued

Funding approach

Assets available to meet the liabilities and to cover outstanding loan commitments include cash and loans due to the Credit Union by its members. The Credit Union would also be able to meet unexpected net cash outflows by selling investment securities and accessing additional funding sources.

7. Capital management

The Credit Union manages and monitors capital from several perspectives including operational capital requirements and regulatory capital requirements. Capital is managed in accordance with guidelines established by the Co-operative Societies Act, 31 of 2011, the Co-operative Societies Regulations 1997, International Prudential Standards for Credit Unions (PEARLS), and relevant International Financial Reporting Standards. The Board of Directors approves capital management policies which are executed by management and implementation monitored by the Supervisory Committee.

The objectives when managing capital are to safeguard the Credit Union's ability to continue as a going concern in order to provide returns and benefits for members and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital and funds of the Credit Unions consist of qualifying shares, savings deposits, term deposits, loans, donated capital and institutional capital transferred from The Foundation For National Development (St Kitts-Nevis) Limited.

Liquid reserves are managed such that its total is at all times greater than 15% of members unencumbered deposits and short-term liabilities.

The total share capital purchased by members is unlimited but may not exceed the equivalent of 10% of total assets of the Credit Union, and no single member or connected party or entity is allowed to own more than 20% of the total shares of the FND Enterprise Co-operative Credit Union Limited.

The amount loaned to a member is subject to the lower of the below limits:

- 10% of share capital, retained earnings and liquid reserves
- 10% of members' ordinary deposits and reserves.

Throughout 2018, the Credit Union has been in compliance prescribed regulatory capital requirements, Board approved capital requirements, and internally imposed operational capital limits.

(All figures are expressed in Eastern Caribbean Currency)

8. Cash and cash equivalents

	2018 $	2017 $
Cash at other credit unions	1,341,610	2,458,145
Cash at banks	1,797,469	2,804,522
Cash at banks and non-bank institutions	3,139,079	5,262,667
Cash on hand	519,009	170,217
Total	**3,658,088**	**5,432,884**

The Credit Union held deposits at various financial and non-financial institutions. The interest rates on these deposits ranged from 0% to 2.5% (2017: 0% to 2.5%).

Amounts totaling $2,224,314 (2017: $2,224,314) held in savings accounts at Bank of Nevis Limited and Nevis Co-operative Credit Union Limited have been earmarked to support Statutory Reserve Fund in the amount of $3,218,092 (2017: $3,218,092), see Notes 10 and 17.

9. Loans

	2018 $	2017 $
Loans	28,352,211	24,060,410
Interest receivable	159,193	178,870
	28,511,404	24,239,280
Provision for loan losses	(619,237)	(597,478)
Total	**27,892,167**	**23,641,802**
Current	**8,691,360**	**8,184,475**
Non-current	**19,200,807**	**15,457,327**
Total	**27,892,167**	**23,641,802**

	2018 $	2017 $
Provision for loan losses		
The movements in allowance for loan impairment were as follows:		
Balance at start	597,478	1,047,599
Transfer to Retained Earnings (Note 3, Page 30)	(257,957)	-
Loans written off	(465,932)	(926,696)
Provision for the year **(Page 5)**	745,648	476,575
Balance at end (Page 41, Note 6.1.5)	**619,237**	**597,478**

(All figures are expressed in Eastern Caribbean Currency)

9. Loans ... continued

The Credit Unions control its credit risk by placing limits on each customer according to the customer's ability to repay regularly. The Credit Union also holds collateral against the assets of the customer in addition to personal guarantees.

Interest rates charged on loans range between 10% and 15% per annum.

FND Enterprise Co-operative Credit Union loan agreements with St Kitts and Nevis Sugar Industry Diversification Foundation (SIDF).

- Small Entrepreneur and Enterprises Development (SEED)
- Local Entrepreneur Assistance Program (LEAP).

The FND entered into two (2) agreements with SIDF, namely: SEED and LEAP on 26 February 2014 and 1 May 2014 respectively. The purpose of both programs is to facilitate the funding of new and existing business enterprises.

The FND charges annual administration fees of 5% per annum plus Valued Added Tax (VAT) on the aggregate outstanding loan balances calculated on the reducing balance basis for loans advanced and administered and support services provided under the SEED program. The FND charges an administration fee of 3% of the interest c on loans disbursed or 50% of the interest collected plus VAT under the LEAP.

The amount of $46,582 represented income from services provided under those agreements in year 2018 (2017: $35,129), and is included under "Other Income". The amount was paid in full subsequent to the year end.

(All figures are expressed in Eastern Caribbean Currency)

10. Investment securities

	2018 $	2017 $
Financial assets at fair value through other comprehensive income (FVOCI)		
Bank of Nevis Limited 20,000 ordinary shares at market value, $4.25 each	85,000	85,000
S L Horsford & Company Limited 50,000 ordinary shares at market value, $2.00 each	100,000	-
Total quoted securities	185,000	85,000
Nevis Co-operative Credit Union Limited 10,000 permanent shares at cost, $5.00 each	50,000	50,000
St Kitts Co-operative Credit Union Limited 20 permanent shares at cost, $5.00 each	100	100
Total un-quoted securities	50,100	50,100
Total financial assets at fair value through other comprehensive income (FVTOCI)	235,100	135,100
Financial assets at amortised costs		
S L Horsford & Company Limited Demand loan maturing 31 March 2019, 4% p.a	1,163,025	1,117,502
Government of St Kitts -Nevis Treasury Bill maturing 5 February 2019, 3.75% p.a	198,125	198,125
St Kitts Co-operative Credit Union Limited Term deposit maturing 4 November 2019, 3% p.a	1,000,000	-
TDC Financial Services Company Limited Term deposit maturing 28 November 2019, 3% p.a	2,000,000	-
Nevis Co-operative Credit Union Limited Term deposit maturing 30 November 2019, 3.25% p.a	2,000,000	-
	6,361,150	1,315,627
Interest receivable	15,220	-
Total financial assets at amortised costs	6,376,370	1,315,627
Total investment securities	6,611,470	1,450,727
Current	6,611,470	1,450,727

(All figures are expressed in Eastern Caribbean Currency)

10. Investment securities ... continued

The demand loan receivable with S L Horsford & Company limited is earmarked to support the Statutory Reserve Fund in the amount of $3,218,092 (Notes 8 and 17).

	Amortised Costs $	FVOCI - quoted $	FVOCI- unquoted $	Total $
Cost/Valuation at start – 1 January 2017	**1,271,884**	**-**	**50,100**	**1,321,984**
Addition	-	85,000	-	85,000
Capitalization of income	43,743	-	-	43,743
Total investment securities at December 31, 2017	**1,315,627**	**85,000**	**50,100**	**1,450,727**
Cost/Valuation at start – 1 January 2018	**1,315,627**	**85,000**	**50,100**	**1,450,727**
Additions	5,000,000	100,000	-	5,100,000
Capitalization of income	45,523	-	-	45,523
Interest receivable	15,220	-	-	15,220
Total investment securities at December 31, 2018	**6,376,370**	**185,000**	**50,100**	**6,611,470**

11. Other assets

	2018 $	2017 $
Prepayments	60,097	29,417
Other receivables	151,328	151,665
Total	211,425	181,082
Current	211,425	181,082

(All figures are expressed in Eastern Caribbean Currency)

12. Property, plant and equipment

	Land and building $	Plant and equipment $	Furniture and office equipment $	Computer equipment $	Motor Vehicles $	Total $
At December 31, 2016						
Cost/valuation	955,382	84,050	469,172	202,607	100,000	1,811,211
Accumulated depreciation	(331,838)	(50,430)	(352,495)	(178,631)	(80,000)	(993,394)
Carrying amount at end	**623,544**	**33,620**	**116,677**	**23,976**	**20,000**	**817,817**
Year Ended December 31, 2017						
Carrying amount at start	**623,544**	**33,620**	**116,677**	**23,976**	**20,000**	**817,817**
Additions	-	-	45,934	6,397	-	52,331
Depreciation expense	(20,635)	(8,405)	(39,733)	(13,145)	(19,999)	(101,917)
Carrying amount at end	**602,909**	**25,215**	**122,878**	**17,228**	**1**	**768,231**
At December 31, 2017						
Cost/valuation	955,382	84,050	515,106	209,004	100,000	1,863,542
Accumulated depreciation	(352,473)	(58,835)	(392,228)	(191,776)	(99,999)	(1,095,311)
Carrying amount at end	**602,909**	**25,215**	**122,878**	**17,228**	**1**	**768,231**
Year Ended December 31, 2018						
Carrying amount at start	**602,909**	**25,215**	**122,878**	**17,228**	**1**	**768,231**
Additions	367,447	-	127,132	224,628	113,490	832,697
Transfer–accumulated depreciation	(373,107)					(373,107)
Disposal	-	-	(15,400)			(15,400)
Revaluation increase	1,125,278					1,125,278
Depreciation expense	(20,634)	(8,404)	(59,193)	(20,654)	(7,566)	(116,451)
Depreciation disposal			10,010			10,010
Transfer-accumulated depreciation	373,107					373,107
Carrying amount at end	**2,075,000**	**16,811**	**185,427**	**221,202**	**105,925**	**2,604,365**
At December 31, 2018						
Cost/valuation	2,075,000	84,050	626,838	433,632	213,490	3,433,010
Accumulated depreciation	-	(67,239)	(441,411)	(212,430)	(107,565)	(828,645)
Carrying amount at end	**2,075,000**	**16,811**	**185,427**	**221,202**	**105,925**	**2,604,365**

(All figures are expressed in Eastern Caribbean Currency)

13. Intangible assets

	2018	2017
	$	$
Cost at start	126,319	126,319
Additions	444,360	-
Cost at end	570,679	126,319
Accumulated amortization at start	126,312	126,115
Amortization charge	28,874	197
Accumulated amortization at end	155,186	126,312
Carrying amount at end	**415,493**	**7**

Intangible assets relate to computer software programs that were amortized on a straight-line basis at a rate of 20% per annum. Impairment loss becomes effective if there is a change in the usefulness of the programs before the assets are fully amortized. Amortization charges are included in the line item depreciation and amortization in the Statement of Comprehensive Income on Page 5.

14. Members' deposits

	2018	2017
	$	$
Term deposits	7,653,844	5,376,708
Savings deposits	14,516,450	10,337,650
	22,170,294	15,714,358
Chequing accounts	4,178,369	3,068,027
Interest payable	154,094	171,324
Total	**26,502,757**	**18,953,709**
Current	21,971,266	18,009,370
Non-current	4,531,491	944,339
Total	**26,502,757**	**18,953,709**

(All figures are expressed in Eastern Caribbean Currency)

13. Intangible assets

	2018	2017
	$	$
Cost at start	126,319	126,319
Additions	444,360	-
Cost at end	570,679	126,319
Accumulated amortization at start	126,312	126,115
Amortization charge	28,874	197
Accumulated amortization at end	155,186	126,312
Carrying amount at end	**415,493**	**7**

Intangible assets relate to computer software programs that were amortized on a straight-line basis at a rate of 20% per annum. Impairment loss becomes effective if there is a change in the usefulness of the programs before the assets are fully amortized. Amortization charges are included in the line item depreciation and amortization in the Statement of Comprehensive Income on Page 5.

14. Members' deposits

	2018	2017
	$	$
Term deposits	7,653,844	5,376,708
Savings deposits	14,516,450	10,337,650
	22,170,294	15,714,358
Chequing accounts	4,178,369	3,068,027
Interest payable	154,094	171,324
Total	**26,502,757**	**18,953,709**
Current	21,971,266	18,009,370
Non-current	4,531,491	944,339
Total	**26,502,757**	**18,953,709**

(All figures are expressed in Eastern Caribbean Currency)

14. Members' deposits ... continued

The effective interest rates on the deposits liabilities were as follows:

	2018	2017
Savings deposits	2.5%	2.5%
Term deposits	3% to 4%	3% to 4%

15. Other liabilities

	2018 $	2017 $
Audit fees	49,500	49,500
Statutory contributions	14,112	12,408
Bills of sale	10,604	14,121
Other payable	279,638	317,042
Total	**353,854**	**393,071**
Current	**353,854**	**393,071**

16. Share capital

	2018 $	2017 $
Authorised share capital:		
Unlimited shares of $1 each		
Issued share capital:		
4,252,940 (2017: 3,493,960) shares of $1.00 each	**4,252,940**	**3,493,960**

During the year, the Credit Union issued 758,980 (2017: 910,125) new non-withdrawable shares with a nominal value of $758,980 (2017: $910,125). The Credit Union instituted a policy of not redeeming shares, but merely facilitating the sale and purchase of shares among members.

Section 96 of the Co-operative Societies Act, No. 31 of 2011 of the Laws of St Christopher and Nevis and Section 7(1) of the By-Laws of the Credit Union provide for the sale of an unlimited number of non-withdrawable, redeemable shares at a par value of $1.00 each to its members.

At the Annual General meeting of the FND Co-operative Credit Union held on 19 October 2017, the membership approved a resolution to amend Section 5(2) of the By-Laws of the Credit Union to

(All figures are expressed in Eastern Caribbean Currency)

16 Share capital ... continued

change the par value of shares held in the Credit Union from five dollars ($5) to one dollar ($1). This amendment was duly registered by the Registrar of Credit Unions.

Section 7(6) of the By-Laws of the Credit Union provides that the total share capital purchased by the members is unlimited, but may not exceed the equivalent of 10% of the total assets of the Credit Union.

17. Statutory reserve and development funds

Statutory reserve fund

	2018 $	2017 $
Balance at start of year	3,218,092	3,218,092
Transfer from Retained Earnings – entrance fees	4,498	4,037
Transfer to Special Capital Reserve	(4,498)	(4,037)
Balance at end of year	**3,218,092**	**3,218,092**

Development fund

	2018 $	2017 $
Fund balance	2,620	2,620
Combined Funds	**3,220,712**	**3,220,712**

(i) Statutory reserve

Section 125 of the Co-operatives Societies Act, No. 31 of 2011 and Section 21 (1) of the By-Laws of the Credit Union Limited require it to make an allocation of all entrance fees, transfer and other fees and fines and not less than twenty-five of the Net Surplus in each year to a Statutory Reserve Fund.

Section 125 (5) of the Co-operatives Societies Act, No. 31 of 2011 state that where at the end of any financial year the amount standing to Statutory Reserves and other Institutional Reserves before any transfer under that section is more than ten percent of total assets, the Co-operative society may not make any transfer to statutory reserves. As at 31 December 2018, the Credit Union's Statutory Reserves and other Institutional Reserves exceeded ten percent of total assets.

Amounts held in savings account with the Bank of Nevis Limited and Nevis Co-operative Credit Union Limited totaling $2,224,314 and Demand Deposit held with S L Horsford & Company in

(All figures are expressed in Eastern Caribbean Currency)

17. Statutory reserve and development funds ... continued

(i) Statutory reserve ... continued

the amount of $1,073,759 have been earmarked in support of the Statutory Reserve (See Notes 8 and 10).

(ii) Development fund

Pursuant to Section 126 of the Co-operative Societies Act, No 31 of 2011, the Credit Union shall establish and maintain a Development Fund. The proceeds of the fund shall be invested or caused to be invested in activities including member education and improvement in good governance.

18. Other reserves

	Revaluation Reserve: Property $	Special Capital Reserve $	Revaluation Reserve: Investments $	Total $
Balance at December 31, 2016	**-**	**1,185,988**	**-**	1,185,988
Transfer from Statutory Reserve Fund		4,037		4,037
Unrealised gain on Available for Sales Investments			35,000	35,000
Balance at December 31, 2017	**-**	**1,190,025**	**35,000**	**1,225,025**
Transfer from Statutory Reserve Fund		4,498		4,498
Unrealised gain on revaluation of property	1,125,278			1,125,278
Balance at December 31, 2018	**1,125,278**	**1,194,523**	**35,000**	**2,354,801**

(i) Revaluation Reserve – Property

The revaluation reserve represented a gain arising from the revaluation of the main premises of the Credit Union. The latest revaluation was completed on 10 January 2019 (effective as at 31 December 2018) when the main property at Bladen Commercial Development, Basseterre, St Kitts was revalued at $2,075,000 by an independent valuer, Trevor Fraites & Associates, with a resulting net gain of $1,125,278.

(All figures are expressed in Eastern Caribbean Currency)

18. Other reserves ... continued

(ii) Revaluation reserve: investments

The Credit Union has opted to recognize its quoted equity securities at fair value through Other Comprehensive Income. Unrealised gains or losses are represented in Revaluation Reserves: Investments under Other Reserves. The unrealized gain for the year was $0 (2017: $35,000).

19. Capital-based grant

	2018 $	2017 $
Balance at start of year	131,805	144,079
Amortization of grant	(12,274)	(12,274)
Balance at end of year	**119,531**	**131,805**

The above balance represented the deferred credit portion of grants received from international donor agencies to finance certain items of property, plant and equipment.

The amortization amounts are offset against the total depreciation expense for property, plant and equipment.

20. Interest income

	2018 $	2017 $
Loans	3,507,675	3,269,535
Investments securities	76,643	43,742
Savings accounts	111,106	96,387
Total	**3,695,424**	**3,409,664**

21. Interest expense

	2018 $	2017 $
Savings deposits	299,768	232,575
Time deposits	237,296	196,555
Total	**537,064**	**429,130**

(All figures are expressed in Eastern Caribbean Currency)

22. Other income

	2018 $	2017 $
Fees	363,333	324,636
Bad debt recoveries	224,219	140,608
Miscellaneous income	98,220	109,673
Total	**685,772**	**574,917**

23. Staff costs

	2018 $	2017 $
Salaries, wages and incentives	1,092,411	830,778
Statutory contributions	89,839	76,012
Other staff benefits	100,250	62,987
Group insurance	26,096	23,480
Pension costs	44,898	96,318
Total	**1,353,494**	**1,089,575**

The Credit Union contributed 100% of the premium costs under an insurance policy to provide medical insurance cover for its staff.

(All figures are expressed in Eastern Caribbean Currency)

24. General and administrative expenses

	2018	2017
	$	$
Office consumables	3,424	2,506
Equipment maintenance	71,455	47,537
Office maintenance	14,891	38,764
Periodical and subscriptions	8,059	7,500
Entertainment and appreciation	61,608	71,681
Security services	17,324	21,744
Travelling expenses	1,725	2,673
Insurance	10,345	10,645
Affiliation dues	30,000	21,656
Annual General Meeting	26,092	51,556
Member relations	-	6,352
Training, meetings and conventions	139,131	143,516
Professional fees	36,542	6,473
Audit fees and expenses	49,500	47,092
Legal fees	865	-
Miscellaneous	44,976	2,232
Telecommunication expenses	92,841	56,270
Postage	5,499	13,741
Vehicle expenses	8,798	9,138
Office rent	63,690	50,820
Electricity and water	52,759	51,162
Conference facility expense	-	3,033
Storage	14,497	-
Loss on disposal of fixed assets	5,390	-
Stationery and office supplies	85,558	64,090
MIS support	114,851	44,385
Total	**959,820**	**774,566**

25. Depreciation and amortization

	2018	**2017**
	$	**$**
Depreciation	116,451	101,917
Amortization – software costs	28,874	197
Amortization credit	(12,274)	(12,274)
Total	133,051	89,840

(All figures are expressed in Eastern Caribbean Currency)

26. Marketing and promotion expenses

	2018 $	2017 $
Advertising and promotion	92,172	55,584
Donations and sponsorships	28,679	5,641
Total	**120,851**	**61,225**

27. Taxation

Under the provisions of the Income Tax Act of St Christopher and Nevis, Chapter 20.22, Section 5(1)(b), all Friendly Societies are exempted from income tax. The Credit Union is classified as a Friendly Society.

28. Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. A number of transactions were entered into with related parties in the normal course of business. These include loans and advances, deposits and other transactions. These transactions were carried out on commercial terms and at market rates. Related parties are key members of management, directors and committee members.

	2018 $	2017 $
Deposits and other balances due to Related Parties	964,461	611,077
Loans and other advances due from Related Parties	1,017,520	541,177
Key management compensation	530,927	547,743

29. Commitments

Capital commitment

There were no capital commitments at December 31, 2018 (2017: Nil).

(All figures are expressed in Eastern Caribbean Currency)

30. Dividends

At the 9th Annual General Meeting of the Credit Union, held 11th September 2018, the Board of Directors recommended, and the members approved a dividend of 7.5% in respect of year ended 31 December 2017 (Year 2016: 38 cents per $5.00 share).

31. Subsequent events

In preparing these financial statements, the Credit Union evaluated events and transactions for potential recognition or disclosure through to June 25, 2019, the date when the financial statements were approved for release. There were no subsequent events or transactions that required recognition or disclosure.

32. Contingent liability

There was no contingent liability as at 31 December 2018 (2017: Nil).

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