

DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LTD.

24TH Annual General Meeting



'Facing the Future with Confidence'

Saturday 22nd June, 2019

CREDIT UNION PRAYER
Prayer of Saint Francis of Assisi

Lord, make me an instrument of thy peace
Where there is hatred let me sow love
Where there is injury, pardon
Where there is doubt, faith
Where there is despair, hope
Where there is darkness, light and
Where there is sadness, joy.

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

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VISION

Our vision is to be the lifetime financial partner for our community empowering our members to achieve success.

MISSION

To educate members of our community about the principles and benefits of co-operatism so as to attract membership from a wide cross section of our community in an effort to harness our collective resources to promote the educational, social and economic development of members and the wider community.

CO-OPERATIVE PRINCIPLES

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Co-operation among Co-operatives
7. Concern for Community

CO-OPERATIVE VALUES

1. Self-help
2. Self-responsibility
3. Democracy
4. Equality
5. Equity
6. Solidarity

CORPORATE INFORMATION

Board of Directors

Daniella Martelly - President
Thomas Flavien - Vice President
Sybilliana Marquis- Secretary
Claudius Charles - Treasurer
Herbert Regis - Asst. Secretary
Hiram Hunte - Director
Joseph Charles - Director

Credit Committee

Dwight St. Ville - Chairperson
Gabriel Fenelon - Secretary
Crepin Jn.Baptiste - Member
Yaniqueca Jean Bart - Member
Ensley Charlery - Member

Supervisory Committee

Hilanda Leon - Chairperson
Emaline Hunte -Secretary
Antonia Aurelien - Member
Emery Modeste - Member

Staff

Thora Dundas - General Manager
Elaine Desir- Senior Loans Officer
Madrianna Fontenelle-Admin. Clerk
Barry Marquis - Loans Officer
Jercel Gedeon - Teller/ Clerk
Jonathan Francis – Teller/Clerk

Auditor

Llewellyn Gill & Co.

Solicitors

George Charlemagne Chambers

Affiliation

St. Lucia Co-operative League Ltd.

Bankers

Bank of Saint Lucia
Bank of Nova Scotia
1st National Bank

Education Committee

Hiram Hunte - Chairperson
Enda Polius Edward – Dep. Chairperson
Vercilli J. Gustave -Secretary
Shirley Bisette - Asst. Secretary
Antonius Thomas - Member

Delinquency Committee

Thomas Flavien - Chairperson
Elaine Desir - Secretary
Dwight St. Ville - Member
Hiram Hunte - Member
Agnita Thomas - Member

Social & Public Relations Committee

Ramel Polius - Chairperson
Rosaly Collymore- Secretary
Jasmin M. –Bisette - Member
Daniella Martelly – Liaison to Board

STANDING ORDERS

1. (a) A member shall stand and state his name when addressing the Chair.
(b) Speeches to be clear and relevant to the subject before the meeting.
2. A member shall only address the meeting when called upon by the Chairperson to do so, after which he/she shall immediately take his/her seat.
3. No member shall address the meeting except through the Chairperson.
4. A member may not speak twice on the subject except:
 - (a) The Mover of a motion who has the right to reply
 - (b) He/she rises to object or to explain (with permission of the Chair)
5. The Mover of a Procedural Motion – (adjournment, lay on table, postponement) shall have no right of reply.
6. No speeches shall be made after the “Question” has been put, carried or negated.
7. A member rising on a “Point of Order” shall state the point clearly and concisely. (A “Point of Order” must have relevance to the “Standing Orders”).
8. (a) A member should not “Call” another member “To Order”, but may draw attention to the Chair to a “Breach of Order”.
(b) In no event can a member call the Chair “to order”.
9. Only one amendment shall be before the meeting at one and the same time.
10. When a motion is withdrawn, any amendment to it fails.
11. The Chairperson shall have, in addition to his/her ordinary vote, a “Casting Vote” in case of an equality of votes.
12. If there is an equality of votes on a motion or an amendment, and if the Chairperson does not exercise his/her casting vote, the motion or amendment is lost.
13. The Chairperson shall make provision for the protection of members from vilification (personal abuse).
14. No member shall impute improper motives against another member.

NOTICE & AGENDA

Notice is hereby given of the 24th Annual General Meeting of the Dennergy Community Credit Co-operative Society Limited to be held on Saturday 22nd June, 2019 at the Clendon Mason Memorial Secondary School commencing at 4:00 pm.

Agenda

1. Ascertaining a Quorum
2. National Anthem
3. Call to Order and Prayers
4. Welcome Remarks
5. Apologies for Absence
6. Minutes of the 22th Annual General Meeting
 - Reading of Minutes
 - Errors and Omissions
 - Confirmation of Minutes
 - Matters Arising
7. Reports
 - Financial Services Regulatory Authority (FSRA)
 - Board of Directors
 - Treasurer
 - Audit and Financial Statements
 - Credit Committee
 - Supervisory Committee
8. Appointment of Auditor
9. Election of Officers
10. Any Other Business
11. Adjournment



Sybilliana Marquis
Secretary

**MINUTES OF THE 23ND ANNUAL GENERAL MEETING
HELD AT THE CLENDON MASON MEMORIAL SECONDARY SCHOOL,
DENNERY
SATURDAY 26th May, 2018.**

Present at the Meeting:

Ms. Daniella Martelly	-	President
Mr. William St.Juste	-	Vice President
Mr. Claudius Charles	-	Treasurer
Mr. Herbert Regis	-	Secretary
Ms. Sybilliana Marquis	-	Assistant Secretary
Mr. Giles Arthur	-	Director
Mr. Hiram Hunte	-	Director
Ms. Thora Dundas	-	Manager
Ms. Hannah McDonald-	-	Financial Services Regulatory Authority
Mrs. Shelevon Jean	-	Financial Services Regulatory Authority
Mr. Kendal Gill	-	Representing Auditor
Ms. Vercilli J. Gustave	-	Recording Secretary

Ascertainment of Quorum

An attendance register of all present was taken. The register attendant confirmed that the meeting was duly constituted with membership attendance at 63.

Call to Order and Prayers

The 23rd Annual General Meeting was called to order at 3:37 p.m. by the Vice President of the Board of Directors, Mr. William St. Juste. The Prayer of St. Francis of Assissi was recited.

Welcome Address

The welcome address was delivered by Mr. William St. Juste who was the master of ceremonies for the event. To commemorate the 25th anniversary since the registration of the Society, St. Juste gave a brief history of the development of the Society. He described how the founding members first started with meetings every Saturday night at the Dennery Infant School, the transition to the Dennery Community Centre and the cutting of the ribbon upon registration by Ms. Patricia

James in 1993. A list of the founding members and outstanding contributors was also presented.

Apologies for Absence

No apologies for absence were received.

Standing Orders

The Standing Orders to be followed were read by Mr. William St. Juste.

Reading of Minutes of the 22st Annual General Meeting

The minutes of the 22nd Annual General meeting were read by Mr. Herbert Regis, Secretary to the Board of Directors. The motion to adopt the minutes was put forward by Ms. Shirley Bissette and seconded by Mr. Baxter Bushell.

Matters Arising

- Ms. Shirley Bissette asked for an update on the receiver/management situation with the Fishermen's Cooperative. The master of ceremonies, Mr. St. Juste, responded that this matter along with updates on the lawsuits brought against the Society and the website would be addressed in the report from the Board of Directors.
- Mr. St. Juste also informed members that Mr. Dwight St.Ville had been selected to serve on the credit committee. He replaced Mrs. Agnita Thomas who could no longer continue to serve in that capacity since she was employed by the Fisherman's Cooperative.
- Mr. St. Juste indicated that a ballot system would be used for the voting process which would take place later in the meeting.
- Mr. Timothy Regis questioned why members had not been given t-shirts prior to the meeting as had been done in previous years. He was informed that t-shirts had been available.
- Ms. Shirley Bissette asked for clarification on the 35% write off. Mr. St. Juste explained that this was in keeping with the court order. Persons with liens against CLICO's assets had been awarded 65% of their claim. Three of the five policies with CLICO would be paid back to the Society as revenues.
- Mr. Timothy Regis asked for an explanation on the number of loans disbursed and the level of delinquency. Mr. St. Juste explained to him that

these matters would be dealt with in the Credit Committee Report. He went on to ask Mr. Regis to observe the standing order which states that questions must be relevant.

Address by FSRA

Ms. Hannah McDonald from the Financial Services Regulatory Authority (FSRA) expressed her gratitude to the Society for inviting the FSRA to address members. She also conveyed greetings from Mr. Calixte Leon, the Executive Director of the FRSA, who wished for a successful AGM and a prosperous financial year.

Ms. McDonald described the increase in assets as a step in the right direction and commended management for the steady growth experienced by the Society. She cited the offer of scholarships to wards of members as a way for the Credit Union to honour its members and encouraged more activities to empower members. She also called on the supervisory committee to ensure that adequate oversight on the activities of the Credit Union is maintained. The management was commended for the timely submission of reports to the office of the FSRA. While she acknowledged that the capital adequacy requirements were met, she indicated that there was room for improvement in the loans to total assets ratio as well as delinquency. In concluding, Ms. McDonald indicated that there was no astounding cause for regulatory concern. Further she described credit unions as the gateway for communities to foster general improvement and encouraged management to work towards optimal levels. She also encouraged members to renegotiate terms of their loans in times of difficulty.

Mr. St. Juste thanked the team from the FSRA and explained that the Society was already looking into expanding the loan portfolio. He also spoke briefly about the livelihood protection policy for fishermen and farmers.

Mr. Timothy Regis commended the members of the board and applauded the report from the FSRA.

Reports

Board of Directors Report

The Board of Directors' report was presented by the President of the Board Ms. Daniella Martelly. Members were informed of the significant growth experienced by the Credit Union driven by loans growth during the financial year as well as the efforts made during the period to ensure that members had the appropriate share cover (i.e. twenty membership shares). The President reported to members that after reviewing the financial statements for 2016, it was discovered that the Society had indeed experienced a small net surplus as opposed to the overall loss reported previously. Additionally, the surplus for 2017 was significantly increased owing to a reduction in the provision for impairment of receivables. The President informed the gathering of the upcoming upgrade to the accounting system that would help the Society better prepare for impairment.

During her address the President summarized the activities of the Education committee. These included the spelling Bee competition, the general knowledge quiz and the Christmas Bringing Smiles project.

The status of the buildings was also discussed. Members were informed that one of the buildings sat on two parcels of land and that after writing to the government of St Lucia a favourable conclusion seemed imminent.

The Dennery Fishermen's Cooperative was also reported to have made a complete financial turnaround. Shares of that cooperation had been purchased by the Society, which made the Credit Union a member. The Society was also now a part of the management committee.

In concluding Ms. Martelly expressed gratitude to members of all committees for their hard work and the general membership for their continued support.

Ms. Shirley Bissette asked for clarification on equity shares. The President informed that currently the Society offers equity shares also referred to as non-withdrawable or membership shares and that the minimum any member can hold is \$100 worth. Ms. Bissette also asked for an update on the CLICO situation and

was informed that payments had been received for three of the policies and the Society was awaiting two more.

Mr. Timothy Regis asked for more information on interest on deposits. He was informed that currently the Society pays 3% semiannually on withdrawable shares. He also asked for an update on the court matters. He was informed that the courts had ruled in favour of the Society in both matters.

Ms. Shirley Bissette commented on the success of the general knowledge quiz that had been hosted by the Social Committee in conjunction with the Education Committee. Mr. St. Juste indicated that the activity was well received by the Board and expressed the desire of the Board to make it an annual event.

Mr. Antoninus Thomas commented on the significance of the Bringing Smiles activity and suggested that it should be made bigger to benefit more persons.

Mr. Gregor Stanislas suggested that a committee be set up to document the history of the community. Mr. St. Juste informed that such matters rested with the education committee.

Mr. Thomas Flavien enquired about the term for members of the education committee. He was informed that the term is one year but could be renewed indefinitely since that committee was under the authority of the board. Mr. Flavien also asked what the board had in place for dealing with members who deposit and withdraw only and do not make use of the loans facility. Mr. St Juste responded that while the board recognizes that the Credit Union serves both depositors and borrowers they would investigate this matter.

Mr. Antoninus Thomas suggested that a session on financial counseling should be facilitated by the board for delinquent members. Mr. St. Juste agreed that would be a good initiative.

The report was adopted on a motion moved by Mr. Timothy Regis and seconded by Mr. Baxter Bushell.

Treasurer's and Auditor's Reports

The Treasurer's report was read by Mr. Claudius Charles. Mr. Charles highlighted the 11.9% increase in assets fueled by the increase in cash equivalents. He also referred to the decrease in accounts receivables owing to the monies received from CLICO in respect of the liens held against it. He reported to members that during the period under review the Society was able to meet the requirement for membership shares to total assets. Mr. Charles concluded by making a special appeal to delinquent members to come in and work with the Society to resolve their issues.

The representative from the auditing firm of G. Llewellyn Gill & Co. read the auditor's report. After reading the auditor's opinion he highlighted the increase in assets driven by loans and the consequent increase in interest on loans. He also referred to the significant increase in income due to the reduction in impairment.

The report was adopted on a motion moved by Mr. Baxter Bushell and seconded by Mr. Gregor Stanislas.

Credit Committee Report

The report was presented by Mr. Crepin Jn Baptiste, who began by briefly reviewing the role of the credit committee. He discussed the breakdown in the loans for the financial year. Construction and vehicle repair loans showed significant increases along with education and land purchase while a decrease was noted for fishing loans. As Mr. Jn Baptiste described, a matter of concern for the committee was the delinquency rate which had increased during the financial year.

Referring to page 33 of the report, Mr. Thomas Flavien asked whether the amount attributed to vehicle repair should instead read vehicle/vehicle repair. Mr. Jn Baptiste responded in the affirmative.

Mr. Flavien also asked for an update on the delinquency committee. Mr. St. Juste informed him that there was a functioning committee in place. However, he implored all members to play their part in minimizing delinquency.

Mr. Antoninus Thomas asked whether any investigation had been done to find out the causes for the delinquencies. Mr. St. Juste indicated that such information had not been documented but reiterated that the Society welcomes members to come in to discuss the terms of their loans if they encounter financial difficulty.

Ms. Shirley Bisette asked for information on how the delinquency committee carries out their responsibilities. Mr. St Juste informed her that they write letters to delinquent members, go out to address them and they make recommendations to the board. She suggested that new strategies would have to be formulated.

The report was adopted on a motion moved by Mr. Antoninus Thomas and seconded by Mrs. Enda Polius-Edward.

Supervisory Committee Report

This report was presented by Ms. Hilanda Leon who highlighted the activities of the committee during the year under review. She noted the decrease in membership experienced and outlined strategies that would be taken to reverse this trend. She reminded members of the availability of the suggestion box at the office, which members could use to express their concerns and or recommendations to the Society. The report was adopted on a motion moved by Mr. Foster Mathurin and seconded by Mr. Timothy Regis.

Appointment of Auditor

Members voted for the retention of the auditor. 73 voted in favour of retaining while there were no votes against.

Mr. Thomas Flavien question the Chairman about whether the auditor had already served his three-year term. He was informed that the auditor had only served two years of the term.

Resolution

The Secretary to the Board, Mr. Hubert Regis, read the resolution to amend the Bye-laws pertaining to membership of the Credit Union. The President explained further what the resolution was about and stated that a two thirds majority would be required. The results were as follows:

FOR: 69
AGAINST: 1
ABSTENTION: 0

Consequently, the resolution was passed.

Election of Officers

The members of the Education committee assisted with the election process. Ballot papers were used.

Board of Directors

There were two positions open:

Mr. William St. Juste (not entitled for reelection)

Ms. Giles Arthur (not entitled to reelection)

The nominees along with number of votes cast were as follows:

Mr. Thomas Flavien 93

Mr. Joseph Charles 97

Mr. Kimani Daniel 12

Mr. Thomas Flavien and Mr. Joseph Charles were elected to serve on the board.

Credit Committee

There were two outgoing members:

Ms. Rosaly Collymore (not entitled for reelection)

Mr. Dwight St. Ville (entitled for reelection))

The nominees along with votes cast were as follows:

Dwight St. Ville 85

Yaniqueca Jean-Bart 60

Marylin Prince 53

Mr. Dwight St. Ville and Ms. Yaniqueca Jean-Bart were elected to serve.

Supervisory Committee

There were two outgoing members:

Mrs. Deborah Charlery (not entitled for re-election)

Mr. Jean Jerriffe (not seeking reelection)

The nominees along with votes cast were as follows:

Mrs. Emaline Hunte 96

Ms. Antonia Aurelien 95

Both nominees were elected to serve.

Mr. William St Juste informed members that in subsequent AGMs members would be required to submit their names for nomination in advance so due diligence could be done.

Any Other Business

Mr. William St. Juste addressed members about the Livelihood Protection Policy from EC Global Insurance Co. He explained that a purchase of a \$100 policy gives \$1000 worth of coverage. Members get benefits once a satellite is triggered by a severe weather event.

Ms. Shirley Biscette asked for further clarification in terms of maturity, coverage and benefits to the Society. Mr. St. Juste explained that the policies are of one-year duration, there is a one-time payment, wind and rain damage are covered and the Society derives no financial benefit from this venture. Further, the holder is entitled to coverage seven days after policy comes into effect and members are informed by SMS whenever a satellite has been triggered. A member can buy up to \$1000 worth per zone and the policy does not have a no claims bonus. Mr. St. Juste reported that membership is currently low and encouraged members to take advantage of this policy.

Mr. Timothy Regis and Mr. Gregor Stanislas both paid tribute to the management and staff of the Society for the work being done.

Adjournment

The meeting was adjourned at 7:38 p.m. on a motion moved by Ms. Shirley Biscette and seconded by Mrs. Jacqueline Charlemagne.



Sybilliana Marquis - Secretary



PRESIDENT'S MESSAGE

Fellow co-operators, on behalf of the Board of Directors I address you on the occasion of our 24th Annual General Meeting which I hope will be a productive and enjoyable one.

The year 2018 saw significant growth in total assets moving from a position of \$21.7 million in 2017 to \$25.8 million in 2018. Over the last five years our Credit Union registered growth in total assets at an average of \$2.3 million annually. This undoubtedly is a sign of the continued confidence that you the members, have in the management of the Society.

I am indeed honoured to be part of a team which steered our sister co-operative, the Dennery Fishermen's Co-operative, along a path of success. It took considerable time and effort to develop and implement adequate systems to ensure that this co-operative continues to be a viable entity. That co-operative was handed over to its members in November 2018.

IFRS 9 became effective in 2018. Although considerable work had commenced on the process for implementation, we were unable to complete in time for the audit. We will complete the process in 2019.

The building project which commenced in 2016, has not yet been brought to fruition because the issue surrounding the acquisition of the second building as reported to you last year, remains unresolved. In light of this, the Board has decided that the option of the rehabilitation/reconstruction of one building is the most feasible. We are therefore hopeful that you will provide the Board with the mandate required to bring this project to reality.

In closing, I wish to express my deepest appreciation to you for your continued confidence in the co-operative movement and in particular our Credit Union. May we continue to work together as we face the future with confidence that we will aspire to greater levels of success.

Yours co-operatively,

A handwritten signature in black ink, appearing to read 'Daniella Martelly'.

Daniella Martelly
President, Board of Directors

BOARD OF DIRECTORS



Daniella Martelly



Thomas Flavien



Claudius Charles



Hiram Hunte



Sybilliana Marquis



Joseph Charles



Herbert Regis

BOARD OF DIRECTORS REPORT

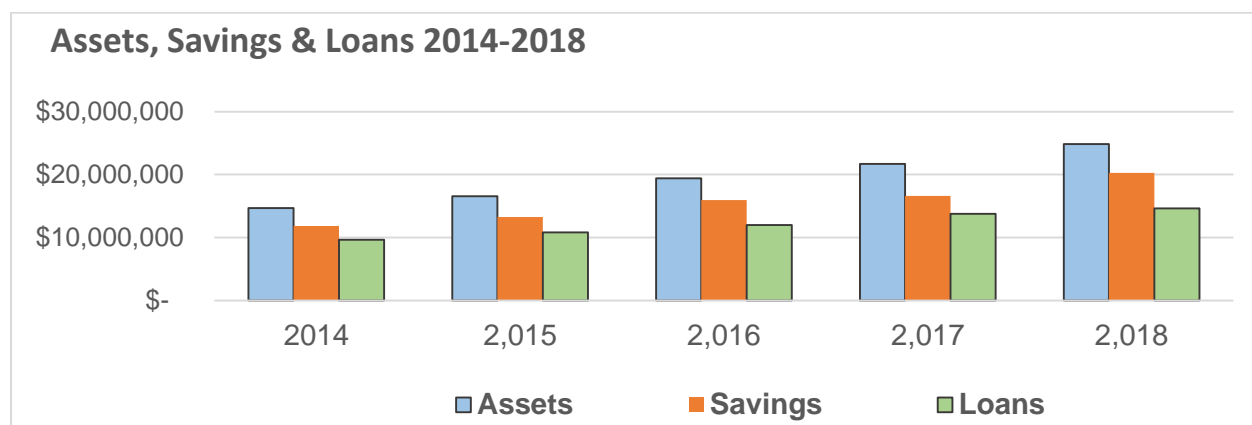
For the year ended December 31, 2018

Overview

It is indeed a pleasure once again, to report a steady growth in the financial position of our Credit Union for the year 2018. Total assets grew by \$3.13 million registering a growth rate of 14.4% over the previous year. This growth resulted primarily from members' savings (deposits and withdrawable shares) which registered an increase of \$2.75 million. Members' savings accounted for 81.7% of total assets at the end of 2018 compared to 80.8% at the end of 2017. Members equity shares stood at 5.3% (minimum required 5%) of total assets compared to 5.2% for 2017. In addition, members' equity registered an increase of \$0.26 million.

Loans (net) to members registered an increase of \$0.85 million or 6.2% and accounted for 59% of total assets at the end of 2018 compared to an increase of \$1.82 million or 15.2% at the end 2017.

The graph below shows the comparison of assets, savings and loans (net) over the five year period 2014 to 2018.



At the end of the period under review, institutional capital (members' equity less share capital) stood at 11.4%, 1.4% above the minimum rate required by law.

Membership

During the period under review, membership grew by 14.5% to register a total of 2,941. Noteworthy is that only persons with the minimum share qualification that is, \$100 or 20 membership shares are considered to be members.

Financial Performance

The Society registered a net surplus of \$180,038, a decrease of \$92,005 or 32.9% below the 2017 figure. This decline resulted from provisions made for impairment of loans and receivables (CLICO). Before adjustments for these provisions, net surplus showed a figure of \$528,509 for 2018 compared to \$453,919 for 2017. In this regard, we recorded an increase in the provision for impairment of loans of \$126,926 as well as an increase in the provision for impairment of receivables of \$47,669. Further explanation is provided in the Treasurer's Report.

Dividends

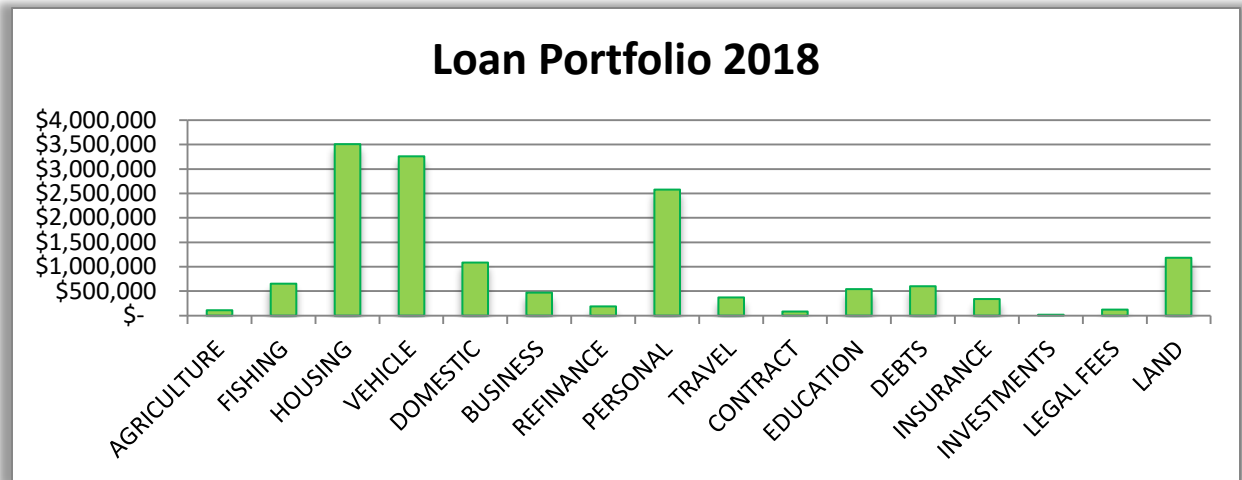
The Board proposes dividends of 5% for the financial year ended December 31, 2018 amounting to \$61,424, to be credited to equity shares.

Loan Portfolio

Total loans grew from \$14.16 million at the end of 2017 to \$15.12 million at the end of 2018 representing an increase of \$0.96 million or 6.8%. In commemoration of our 25th anniversary, the Board increased the loan ceiling from \$200,000 to \$250,000. Additionally, a new loan product "Silver" (\$5,000) which was available for a one month period was launched. Silver promotion loans granted amounted to \$163,522.

Further analysis of the loan portfolio revealed that Housing accounted for the highest percentage of the loan portfolio at 23.2% followed by Vehicle at 21.6% and Personal at 17%. Land accounted for 7.8% while Domestic and Fishing accounted for 7.2% and 4.3% respectively. In addition, Debts accounted for 4% while Education accounted for 3.6%. Business accounted for 3.1% of the loan portfolio at the end of 2018.

The graph below shows the composition of the loan portfolio for the period under review.



During the period under review, the Society upgraded its accounting system (Emortelle) to facilitate the generation of information required for the implementation of IFRS 9. While work has commenced on the process for implementation, considerable effort now has to be focused on the completion of the necessary steps required. We expect to complete the process by the end of the 3rd quarter of 2019.

During 2018, the Board recognized the intensity of work required for the monitoring of loans and as an initial step increased the position of Loans Officer in the organizational structure to two.

Building

It is with regret that the Board must report that during 2018, no progress was made on the resolution of the issues surrounding the land to facilitate the acquisition of the second building. In this regard, the Board considered the option of one building as the most feasible and intends to pursue this option during 2019.

Training

We participated in the following training/seminars during the period in review:

- In May 2018, all staff members, one director (Ms. Daniella Martelly), one Credit Committee member (Mr. Gabriel Fenelon) and two Supervisory Committee members (see report) attended an Anti-Money Laundering (AML) workshop organized by the St. Lucia Co-operative Credit Union League Ltd.

- In June 2018, IFRS 9 webinar training (Emortelle) conducted by MSD was attended by three staff members and one director namely Ms. Madrianna Fontenelle, Ms. Elaine Desir, Ms. Thora Dundas and Ms. Daniella Martelly.,
- In November 2018, Ms. Thora Dundas attended a seminar on the Livelihood Protection Plan in Zambia, Africa.

Education

A report from the Education Committee is included in this annual report.

Social Responsibility

We were one of the two major sponsors of the “Dennerly Waterfall Run” held in May 2018. This activity was organized by the Dennerly Youth and Sports Council,

During the month of December 2018, the Social & Public Relations Committee organized a week of activities entitled “Five days of Christmas” which saw prizes being won by members.

Dennerly Fishermen’s Co-operative

Although the period of appointment as Receiver/Manager ended on March 31, 2018, the Society continued to hold the fort until November 2018 when the Fishermen’s Co-operative was handed over to its members at a special meeting held for that purpose. Executive directors and management are now involved in the operations of the Fishermen’s Co-operative under a management committee model approved by the members of that co-operative.

During the year under review, the Credit Union purchased 200 shares (\$1,000) in the Dennerly Fishermen’s Co-operative making it a member society of that co-operative. This has helped to further deepen the co-operation started in December 2014 and promotes the co-operative principle “co-operation among co-operatives.

League Matters

Regrettably, at the end of 2018, the Automated Teller Machine (ATM) project was still ongoing and we were unable to determine when the two machines which were purchased during that year would be commissioned.

Meetings Attendance Record for 2018

The table below shows the attendance record for 2018.


NAMES	NO. OF MEETING SCHEDULED		NO. OF MEETING ATTENDED	
	REGULAR	JOINT	REGULAR	JOINT
Daniella Martelly	13	2	13	2
Thomas Flavien	9	1	9	1
Sybilliana Marquis	13	2	9	2
Herbert Regis	13	2	8	2
Hiram Hunte	13	2	13	2
Claudius Charles	13	2	12	2
Joseph Charles	9	1	9	1
William St. Juste	4	1	4	1
Giles Arthur	4	1	3	1

Conclusion

The Board of Directors wishes to extend sincere gratitude to management and staff for their dedication throughout the year 2018. We extend our profound appreciation to the Credit Committee, Supervisory Committee, Education Committee and Social & Public Relations Committee for working with us in the furtherance of the mission of our Credit Union.

To you the members, we extend our heartfelt gratitude and appreciation for your continued confidence in the Society. We look forward to your support as we progressively move our Credit Union to higher levels.

For and on behalf of the Board of Directors



Daniella Martelly
President

EDUCATION COMMITTEE REPORT

For the year ended December 31, 2018

During the year in review, three new scholarships were awarded to students successful at the Common Entrance Examination bringing the total number of students in the programme to twelve. Although one student opted to withdraw from the programme, the committee is pleased to report that the remaining students continue to exceed the requirements for remaining in the programme. A “Spelling Bee” Competition was also held in conjunction with the Dennerly Primary School during the month of May 2018.

In December 2018, another successful “Bringing Smiles” activity where food hampers were distributed to 35 needy persons within the community, was hosted. The initiative continues to be well received by patrons who look forward to receiving the food items as well as the opportunity to interact and engage with members.

Throughout the financial year, the Education Committee met monthly with one joint meeting with the Supervisory committee.

We the members of the Education Committee look forward to the support of all members as we continue to develop programmes that will bring about positive change within the community.

For and on behalf of the Education Committee



Vercilli J. Gustave
Secretary

TREASURER REPORT

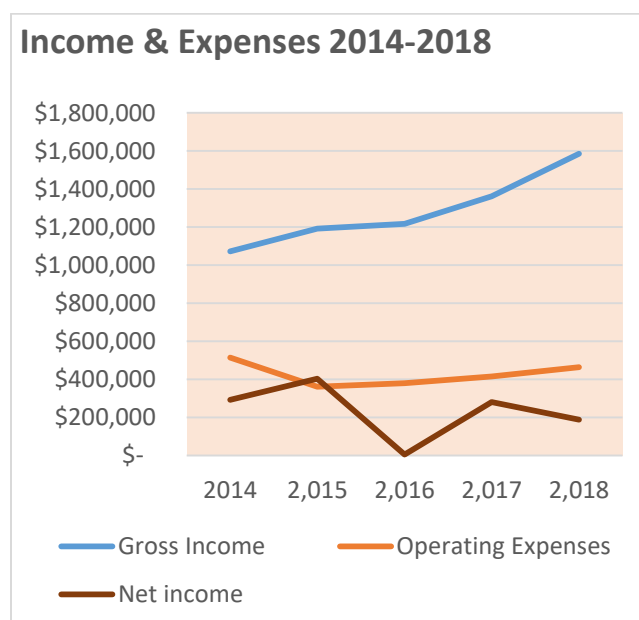
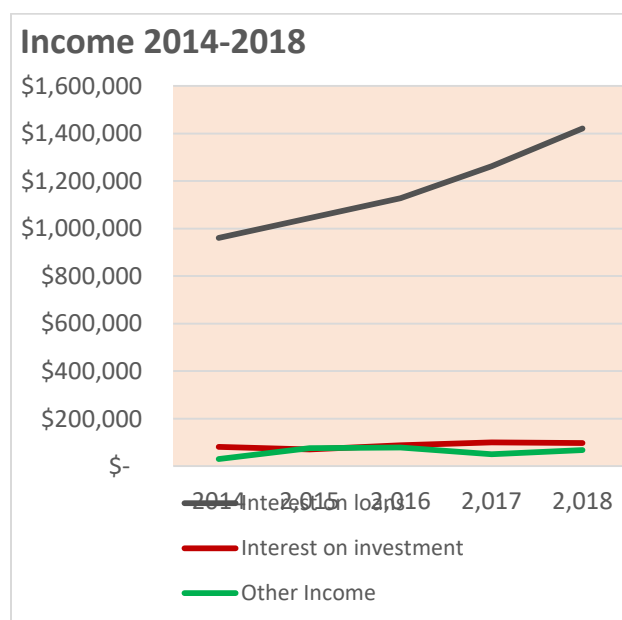
For the year ended December 31, 2018

Good afternoon to you all, it is indeed a great pleasure and honour to be given the opportunity to present to you the Treasurer's Report for the year 2018, on the performance of the Credit Union in what has been another satisfactory year.

The Society experienced an increase in Total Assets of \$3,340,587 or 15% compared to 12% the previous year. This was as a result of an increase in cash and cash equivalents of \$2,170,829 or 31% compared to 22% the previous year. Members' loans increased by 7.2% or \$1,066,994 compared to 15% for 2017.

Liabilities increased during the year 2018 by 16% or \$2,866,641 compared to 10% the previous year. The major contributors to this increase in liabilities were member's withdrawable shares and deposits amounting to a total of \$2,866,641 or 16% compared to 9% for the previous year.

Interest on loans and interest on fixed & savings deposits increased by \$155,925 or 12.6% and 3.5% or 11% respectively, Operating expenses increase by \$50,068 or 12%, the major contributors being provision for impairment of Loans. However we recorded a net surplus of \$188,038.



During the year 2018, management decided to pay interest on shares and deposit semi-annually. Therefore, you received your interest on 1st July and on 1st January. We paid 25% of the interest payment towards your membership shares. Total membership shares stood at \$1,323,934 which is 5.33% of total assets. Management will continue to monitor its growth.

The Society will continues to explore all avenues to ensure improvement in delinquency. In this regard, I am therefore appealing to members who are delinquent to come in and work with the Society.

Conclusion

Being a Board member for the past two years, has inspired me and has taught me to make sound decisions and contribute positively to the future of this institution and the society at large. I have also learnt that a face in society is just one aspect, however, the sound judgments that are made to uplift and help individuals in the society is a crucial aspect for success of this institution. Once again, let me thank you for this wonderful opportunity in serving you for the past two years. May the Lord continue to bless the Society as it continues to improve and succeed in providing the best service to its members.



Claudius Charles
Treasurer

CREDIT COMMITTEE



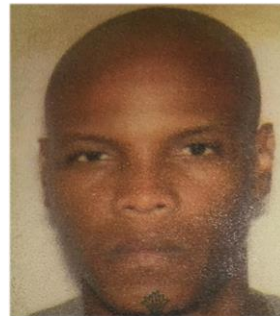
Dwight St. Ville



Crepin Jn Baptiste



Ensley Charlery



Gabriel Fenelon



Yaniqueca Jean Bart

CREDIT COMMITTEE REPORT

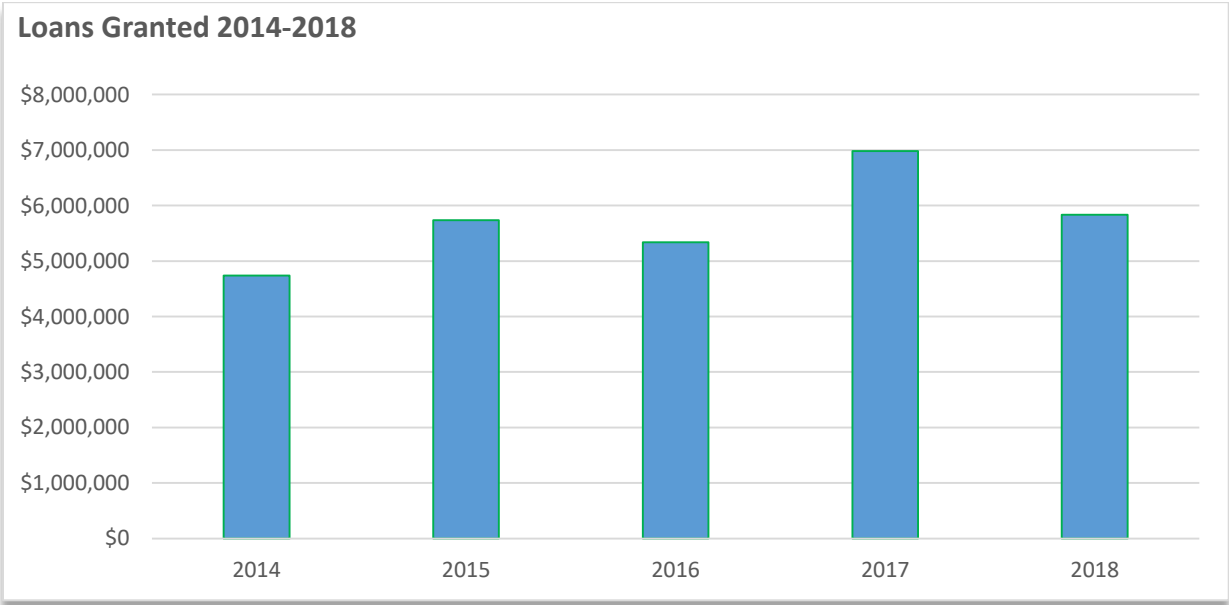
For the year ended December 31, 2018

It is with great pleasure that we present to you the Credit Committee’s Report for the year ended December 31, 2018. The role of the Credit Committee is to ensure that all loan applications are in compliance with the Loan Policy and to evaluate each member’s ability to repay, in order to mitigate delinquency. This entails;

- 1. Interviewing members.
- 2. Ensuring that all collateral is sufficient and up to date.
- 3. Ensuring that the debt service ratio is within the stipulated guidelines.
- 4. Assessing member’s ability to repay.

The year in review saw a decrease in loans granted from \$6,988,622 loans in 2017 to \$5,835,640 loans in 2018, a difference of \$1,152,982.

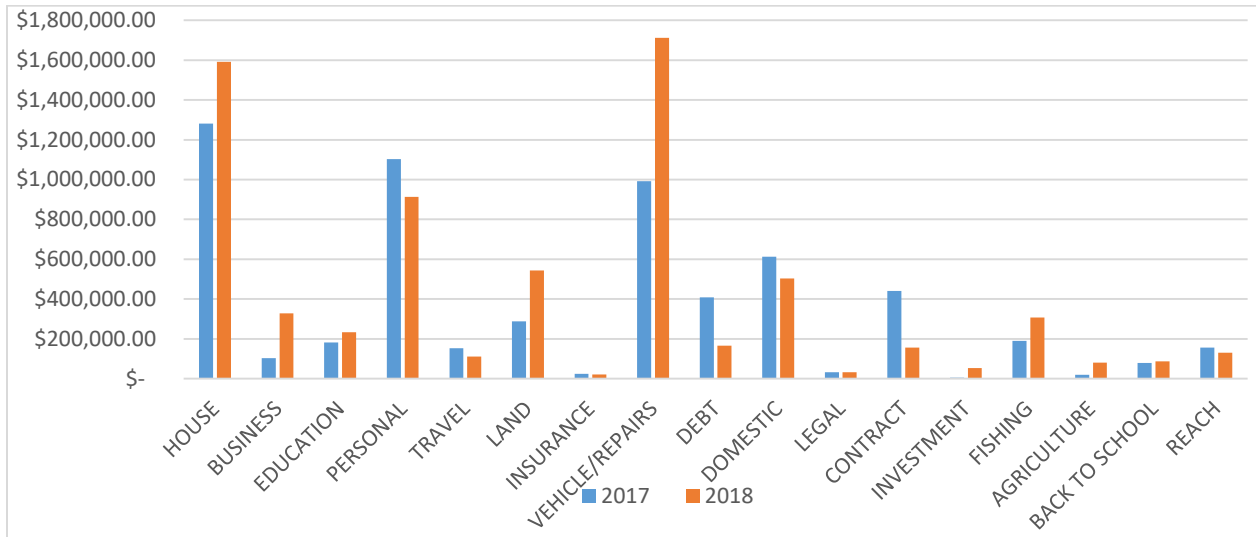
The graph below shows total loans granted over the last five (5) years



SUMMARY OF LOANS GRANTED FOR THE YEAR 2018

LOAN CATEGORY	NUMBER OF LOANS	AMOUNT GRANTED
HOUSE	150	\$ 1,281,385
BUSINESS	12	\$ 103,500
EDUCATION	97	\$ 181,620
PERSONAL	542	\$ 1,103,253
TRAVEL	46	\$ 152,905
LAND	3	\$ 288,273
INSURANCE	12	\$ 24,295
VEHICLE/REPAIRS	68	\$ 991,806
DEBT	47	\$ 408,152
DOMESTIC	124	\$ 612,451
LEGAL	18	\$ 33,000
CONTRACT	54	\$ 441,400
INVESTMENT	1	\$ 5,000
FISHING	9	\$ 189,500
AGRICULTURE	5	\$ 19,100
TOTAL	1188	\$ 5,835,640

This graph shows loans granted by category for 2018 compared to 2017



Reach and Back-to-School promotion loans granted for 2018 amounted to \$78,750 and \$156,306 respectively. We saw a decline in the Reach promotion loans granted for 2018 to the tune of \$25,286. However, we recorded a slight increase in the Back to School loans in the amount of \$7,650.

A comparison of other loan categories for 2017 with the year 2018 revealed the following:

- An increase of \$310,074 was recorded for House Renovations/Repairs.
- Education loans increased by \$51,094.
- Loans for the purchase of land increased by \$255,058.
- Vehicles/Vehicle Repair loans increased by \$720,875.
- Fishing loans increased by \$117,207.

Delinquency continues to be one of our major areas of concern and has since significantly decreased from 7.01% in 2017 to 5.27% in 2018. While this is a great achievement this rate of delinquency surpasses the 5% rate stipulated by the Pearls Rating System and as such we need to work harder to achieve the target.

The Credit Committee with the assistance of the Loans Officer continues to exercise great caution in processing loan applications. The Committee maintains a good relationship with Management and Staff of the Society and takes great pride in serving you the members. Also we work diligently to ensure your needs are met.

The attendance record for the Credit Committee for the year 2018 is shown in the table below.

MEETINGS ATTENDANCE RECORD FOR 2017

NAME	NO. OF MEETINGS SCHEDULED		NO. OF MEETINGS ATTENDED	
	REGULAR	JOINT	REGULAR	JOINT
Rosalyn Collymore	11	1	10	0
Yanicqueca Jn Bart	14	1	11	0
Crispian Jn Baptiste	25	2	20	2
Ensley Charlery	25	2	19	2
Gabriel Fenelon	25	2	22	2
Dwight St. Ville	25	2	23	2

In closing, we the members of the Credit Committee, would like to thank you for believing in us, and encourage you to continue utilizing the services that the society offers. We look forward to serving you in the new financial year.

We want to end with this quote by Robert Kiyosaki **“It’s not how much money you make, but how much money you keep, how hard it works for you, and how many generations you keep it for”**.

For and on behalf of the Credit Committee.



Dwight St.Ville
Chairperson

SUPERVISORY COMMITTEE



Emery J Modeste



Hilanda Leon



Emaline Hunte



Antonia Aurelien

SUPERVISORY COMMITTEE REPORT

For the year ended December 31, 2018

Introduction

At the 23rd Annual General Meeting (AGM) of the Denney Community Credit Co-operative Society (DECOS) the Supervisory Committee (SC) welcomed its newest members Mrs Emaline Hunte and Ms Antonia Aurelien who have been elected to a three-year term on the SC. They replaced Mr Jean Jeriffe and Mrs. Deborah Charlery whose term as SC Officers came to an end.

The first meeting of the SC after the AGM was held on the 1st week in June. The SC structure comprised of the following:

- Ms. Hilanda Leon (Chairperson)
- Mr. Emery Modeste (Secretary)
- Mrs Emaline Hunte (member)
- Ms Antonia Aurelien (member)

Supervisory Committee Attendance Records for 2018				
Name	Meetings Scheduled		Meetings Attended	
	REGULAR	JOINT	REGULAR	JOINT
Deborah Charlery	8	1	7	1
Jean Jeriffe	8	1	7	1
Emery Modeste	18	2	16	2
Hilanda Leon	18	2	18	2
Antonia Aurelien	10	1	10	0
Emaline Hunte	10	1	9	1

Members of the Supervisory Committee met at least every fortnight to review and examine the operations of DECOS. The SC worked collectively with the various Committees, Board manager and staff to ensure the smooth running of the co-operative.

Training/Seminars

During the term the SC Officers participated in the following Training

Ms Hilanda Leon and Mr Emery Modeste attended the Anti- money Laundering Seminar on 14th May and 17th May respectively.

Committee Focus

During the year under review the committee focus were

- Membership
- Internal Controls
- Credit Committee
- Delinquency
- Education Committee
- Staff and Manager
- Board of Directors

Membership

We believe that more can be done to sensitize persons and encourage new members, such as membership drives, advertisement and use of social media. The Education Committee (EC) has expressed the interest to begin such with the aid of training.

We therefore look forward to great things from the EC during the upcoming year.

Internal Controls

The committee undertook various system checks, review of teller cash summary sheets, withdrawal forms and deposit receipts, bank book verification and the loan application process. The SC also conducted cash count during the second quarter, the SC observed the final cash count of the two tellers and the verification of the cash by their supervisor.

Meetings

The SC committee met with various committees to discuss the concerns, drawbacks, strengths and way forward for the committees.

Delinquency Committee (DC)

New strategies have been discussed and suggested to the board in dealing with delinquency at the Credit Union. The SC believes that these strategies, if implemented can change the delinquency rate for the better as it will encourage members to take the necessary steps needed to honour their commitments.

Education Committee (EC)

To ensure proficient training, sensitization and performance of other duties the education committee firmly believes in 'training the trainers'. Therefore the members of the EC believe they need more training to assist them in performing their duties. They have identified many activities that can be done annually as part of community outreach as well as exposing the Credit Union to receiving new members. Activities will hopefully target the students of our schools in Dennery, young persons of Dennery as well as our new members, present members and future members.

Manager and Staff

Management and Staff play a vital role in the efficiency and productivity of every organization. The SC therefore felt it necessary to meet with them to identify their needs, concerns, strengths and the way forward. The SC believes that there should be more activities that facilitate staff appreciation. Staff retreats, interpersonal skills training should be provided to help keep our staff motivated and energized.

Board of Directors

SC used the board minutes to monitor the activities of the Board. Our concerns, queries, updates and suggestions were forwarded during our quarterly report.

Way Forward

The SC will continue to carry out its services to the best of its abilities in the upcoming year. We express our heartfelt gratitude to Mr. Emery Modeste whose three year term has come to an end and has opted not to seek re-election.

In an effort to play our part we as members can use our Facebook, Twitter, Instagram and other social media platforms to help promote our credit union and the website: <https://www.dennerycreditunion.com>. We wish to remind members of our suggestion box, which is placed in the receiving area of the credit union. It helps keep us up to date with any queries concerns, observations and recommendations. You may also choose to voice your issues and queries to any of our members and we will do our best to investigate and assist in the matters you bring up. With the cooperation of all the Society's stakeholders, the goals and objectives of the society will be fulfilled.

For and behalf of the Supervisory Committee



Hilanda Leon
Chairperson

DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY

LIMITED FINANCIAL STATEMENTS

DECEMBER 31, 2018

DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED

DECEMBER 31, 2018

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DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED

INDEPENDENT AUDITORS' REPORT

To the Members of:

DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED**. ("the Society"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies.

Basis for Qualified Opinion

IFRS 9, financial instruments became effective on January 1, 2018, That standard introduced an expected loss impairment model to replace the incurred loss model under IAS 39 for making provision for credit losses. The society has not complied with this provision of the standard as it utilised the incurred loss model in making its provision for 2018. The society therefore was not in compliance with International Financial Reporting Standards (IFRS)

In our opinion, except for the effects of the matter referred to in the basis for Qualified Opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Society in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

**DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED INDEPENDENT
AUDITOR'S REPORT**

Report on the Audit of the Financial
Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- o Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- o 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 Society's internal control.
- o Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- o 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 Society'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 Society to cease to continue as a going concern.
- o Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED INDEPENDENT
AUDITOR'S REPORT**

Report on the Audit of the Financial
Statements (Continued)

Other Legal Matters

This report is made solely to the Society's members as a body. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinion we have formed.

Castries, St Lucia
May 15, 2019



Chartered Accountants

DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and balances with banks (Note 7)	\$ 6,978,001	\$ 4,807,172
Financial assets (Note 8)	2,275,601	1,973,147
Accounts receivable (Note 9)	193,891	411,185
Investments (Note 10)	457,090	456,480
Loans to members (Note 11)	14,646,866	13,795,142
Deferred Building Cost	7,200	7,200
Capital assets (Note 12)	<u>286,340</u>	<u>269,309</u>
TOTAL ASSETS	<u>\$ 24,844,989</u>	<u>\$ 21,719,635</u>
LIABILITIES		
Accounts payable and accruals (Note 14)	\$ 408,309	\$ 288,211
Members withdrawable shares and deposits	<u>20,289,594</u>	<u>17,543,053</u>
Total Liabilities	<u>20,697,903</u>	<u>17,831,264</u>
MEMBERS' EQUITY		
Share Capital (Note 15)	1,323,934	1,133,010
Member Funds (Note 18)	530,577	491,927
Reserves (Note 19)	852,946	805,382
Retained earnings	<u>1,439,629</u>	<u>1,458,052</u>
Total Members' Equity	<u>4,147,086</u>	<u>3,888,371</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 24,844,989</u>	<u>\$ 21,719,635</u>

APPROVED BY THE BOARD:



_____ President



_____ Secretary

The accompanying notes form an integral part of these statements.

DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED

STATEMENT OF CHANGES IN MEMBERS' EQUITY

YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
SHARE CAPITAL		
Share capital at beginning of year	\$ 1,133,010	\$ 702,305
Net shares purchased	<u>190,924</u>	<u>430,705</u>
Share capital at end of year	<u><u>1,323,934</u></u>	<u><u>1,133,010</u></u>
RESERVES		
Statutory reserve		
At beginning of year	805,382	734,822
Add : 25% of net surplus for the year	47,009	70,011
Entrance Fees	<u>555</u>	<u>549</u>
At end of year	<u><u>852,946</u></u>	<u><u>805,382</u></u>
MEMBER FUNDS		
Development fund		
At beginning of year	68,515	51,591
Add : 10% of net surplus for the year	18,804	28,004
Training expenses for the year	<u>(8,360)</u>	<u>(11,080)</u>
At end of year	<u><u>78,959</u></u>	<u><u>68,515</u></u>
Building fund		
At beginning of year	423,412	381,406
Add: 15% of net surplus for the year	<u>28,206</u>	<u>42,006</u>
At end of year	<u><u>451,618</u></u>	<u><u>423,412</u></u>
TOTAL MEMBER FUNDS	<u><u>530,577</u></u>	<u><u>491,927</u></u>
UNDIVIDED EARNINGS		
At beginning of year	1,458,052	1,318,030
Total Comprehensive Income for the year	<u>188,038</u>	<u>280,043</u>
	1,646,090	1,598,073
Statutory reserve	(47,009)	(70,011)
Development fund	(18,804)	(28,004)
Building fund	(28,206)	(42,006)
Dividends and Patronage	<u>(112,442)</u>	<u>-</u>
At end of year	<u><u>1,439,629</u></u>	<u><u>1,458,052</u></u>
MEMBERS' EQUITY, END OF YEAR	<u><u>\$ 4,147,086</u></u>	<u><u>\$ 3,888,371</u></u>

The accompanying notes form an integral part of these statements.

DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
INCOME		
Interest on members' loans	\$ 1,421,297	\$ 1,261,818
Interest on fixed and savings deposits	<u>96,889</u>	<u>100,443</u>
	<u>1,518,186</u>	<u>1,362,261</u>
Interest Expense		
Interest and bank charges	3,579	3,669
Members fixed deposit interest	4,419	4,290
Member deposits	<u>451,058</u>	<u>422,060</u>
	<u>459,056</u>	<u>430,019</u>
Net Interest Income	1,059,130	932,242
Provision for Impairment of loans	(114,200)	12,726
Provision for Impairment of Investments	(390)	(5,370)
Provision for Impairment of Receivables	(234,271)	(186,602)
CUNA Insurance	(125,262)	(108,634)
Other Income (Note 16)	<u>67,242</u>	<u>49,824</u>
Net Interest and Other Income	<u>652,249</u>	<u>694,186</u>
OPERATING EXPENSES		
Advertising and promotions	12,077	13,185
Depreciation	20,211	19,134
Insurance	10,955	11,921
Office supplies and stationery	21,971	21,120
Other expenses (Note 17)	151,618	139,514
Rent	12,000	12,000
Salaries, benefits and allowances	184,507	149,430
Security services	28,800	31,050
Utilities	<u>22,072</u>	<u>16,789</u>
	<u>464,211</u>	<u>414,143</u>
TOTAL COMPREHENSIVE INCOME for the year	\$ <u>188,038</u>	\$ <u>280,043</u>

The accompanying notes form an integral part of these statements.

DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Cash flows from Operating Activities		
Surplus (Deficit) for the year	\$ 188,038	\$ 280,043
Add (deduct): charges to income not involving cash		
Depreciation	20,211	19,134
Provision for Impairment of Loans	114,200	(12,726)
Loss on disposal of assets	698	-
Provision for impairment of Investments	390	5,370
Provision for impairment of Receivables	<u>234,271</u>	<u>186,602</u>
	557,808	478,423
Net change in non-cash working capital balances related to operations		
(Increase) in accounts receivable	(16,978)	382,548
(Increase) in short-term investments	(302,454)	(12,576)
(Increase) in loans to members	(965,925)	(1,806,588)
Increase in members fixed and other deposits	2,746,541	1,567,190
Increase in accounts payable and accruals	120,100	46,780
(Increase) in investments	<u>(1,000)</u>	<u>(200,000)</u>
Net cash flow provided by (used in) operating activities	<u>2,138,092</u>	<u>455,777</u>
Cash flows from Investing Activities		
Purchase of fixed assets	<u>(37,940)</u>	<u>(4,055)</u>
Net cash flow provided by (used in) investing activities	<u>(37,940)</u>	<u>(4,055)</u>
Cash flows from Financing Activities		
Dividends paid	(112,442)	-
Payments from development fund	(8,360)	(11,080)
Increase in members' shares	190,924	430,705
Entrance fees	<u>555</u>	<u>549</u>
Net cash flow provided by (used in) financing activities	<u>70,677</u>	<u>420,174</u>
INCREASE/(DECREASE) IN CASH	2,170,829	871,896
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,807,172</u>	<u>3,935,276</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u>6,978,001</u>	\$ <u>4,807,172</u>

The accompanying notes form an integral part of these statements.

DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. LEGAL STATUS

The Dennery Community Credit Co-operative Society Limited was duly registered as a society on February 17th 1993 pursuant to the Co-operative Society Act, Chapter 82 of the Laws of Saint Lucia (1957) Revision, and is continued pursuant to Section 241 of the Co-operative Societies Act, No. 28 of 1999. The Society was formed to promote thrift and co-operative principles among its members by providing the means to facilitate savings.

The registered office and principal place of business of the Society is High Street, Dennery, St. Lucia.

2. BASIS OF PRESENTATION

The financial statements have been prepared under the historical basis except for financial assets and liabilities designated at fair value through profit or loss, all of which have been measured at fair value. The financial statements are presented in Eastern Caribbean dollars (ECD\$)

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. The Society is also required to comply with Sections 119 (3) (a) and (b) re its liquidity reserve and other reserves. The Society has complied with the respective provisions.

4. PRESENTATION OF FINANCIAL STATEMENTS

The Society presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 26 (b).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL ASSETS IFRS 9

IFRS 9 became effective for all accounting periods from January 1, 2018. This Standard addresses financial asset classification as well as a new method of accounting for Impairment Losses. The new classifications are highlighted below.

Financial Assets - initial recognition and subsequent measurement

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to members and balances due to members, are initially recognised on the date that the Society becomes a party to the contractual provisions of the instrument. Loans and advances to members are recognised when funds are transferred to the members' account. The Society recognises due to members balances when funds reach the Society.

Initial measurement of financial assets

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention when acquiring them. All financial assets are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Financial assets measured and classified at amortised cost

The Society classifies financial assets or financial liabilities at amortised cost if it is held within its business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Financial assets measured at fair value through other comprehensive income

A debt instrument shall be measured at fair value through other comprehensive income if it is held in a business model whose objective is both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. The society did not hold any such assets at December 31, 2018.

Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at FVPL upon initial recognition when one of the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- o The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, or
- o The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in net gain or loss on financial assets and liabilities designated at FVPL.

Loans and advances to Members

Loans and advances to Members include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, loans and advances to members are subsequently measured at amortised cost less allowance for impairment.

Impairment of financial assets

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

Evidence of impairment may include: indications that the member is experiencing significant financial difficulty; or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Under IFRS 9 which became effective on January 1, 2018, new impairment requirements require the use of an expected credit loss model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The society did not apply the new method in its determination of impairments provisions for 2018.

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IFRS 15 Revenue from Contracts with Customers

This standard became effective on January 1, 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price.

Recognition of Revenue

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. As regards the society, interest on members' loans is recognized as income only to the extent that payments are received and or accrued for not more than ninety (90) days. Income on fixed and other deposits are recognized on the accrual basis. Commissions and non-productive loan income is recognized when received.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand and short term deposits with original maturities of less than one year. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value. For the purpose of the cash flow statement, cash and cash equivalents comprise balances of cash on hand and current accounts.

Property, Plant & Equipment

Land and Building comprise the main office. All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisitions of the items.

Subsequent costs are recognized as a separate asset when it is probable that future economic benefits will flow to the organization and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred. Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives as follows:

Building	- 3%
Furniture and equipment	- 10% - 33.33%
Leasehold Improvements	20%

Impairment of Loans

Loans originate by the Society, by providing money directly to the borrower with fixed or determinable payments that are not quoted in an active market. Third party expenses, such as legal fees incurred in securing the loans are treated as part of the cost of the transaction. All loans and advances are recognized when cash is advanced to borrowers.

An allowance for impairment is established if there is objective evidence that the Credit Union will not be able to collect all amounts due according to the original contractual terms of loans.

Objective evidence that loans are impaired includes observable data, historical patterns and information on loans pending legal consultation.

DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows discounted at the loans original interest rate. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognized in the Income Statement. The provision for impairment is considered to be adequate. When a loan is written off it is charged off against the impairment account. Subsequent recoveries are credited to the impairment account.

Provisions

Provisions are recognised when the Society has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Income Tax

The Society is not liable to Income taxes in accordance with Section 25 (1) (q) of the Income Tax Act Cap. 15.02 of Revised Laws of St. Lucia.

Dividends

Dividends are recognized in equity in the period in which they are paid.

Shares

The market value of shares is at the nominal value of \$ 5.00 per share in accordance with the By Laws of the Society.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Society's financial statements are disclosed below. The Society intends to adopt these standards, if applicable, when they become effective.

IFRS 16- Leases - This standard is applicable to annual reporting periods beginning on or after January 1, 2019. The standard replaces IAS 17 'Leases' and for lessees will eliminate the classification of operating leases and financial lessees.

Comparative figures

Where changes have been made in the presentation of the current years' figures, comparative amounts have been restated.

Approval of Financial Statements

The financial statements were approved for issue by the Board of Directors on May 15, 2019.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Society's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Society's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Society's control and are reflected in the assumptions if and when they occur.

DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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Going concern

The Society's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Society's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

7. CASH AND BALANCES WITH BANKS

	<u>2018</u>	<u>2017</u>
BOSL - Operating Account	\$ 3,775,307	\$ 1,777,484
Ist National Bank - Savings Account	2,426,061	2,252,930
Bank of Nova Scotia - Savings Reserve	<u>776,633</u>	<u>776,758</u>
	<u>\$ 6,978,001</u>	<u>\$ 4,807,172</u>

8. FINANCIAL ASSETS

	<u>2018</u>	<u>2017</u>
Certificate of deposits	\$ 1,462,247	\$ 1,431,619
Deposits with League	80,121	78,550
Treasury Bills	<u>733,233</u>	<u>462,978</u>
	<u>\$ 2,275,601</u>	<u>\$ 1,973,147</u>

The Certificate of deposits and Savings at the Bank of Nova Scotia are held in principal to meet the requirements for the liquidity reserve required to be maintained under Section 119(3) of the Co-operatives Act, Cap 12.06, Revised Laws of St. Lucia. Interest rates paid are in the range of 1.5% to 6.8%.

9. ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
CLICO International Life Insurance Ltd	\$ 500,000	\$ 710,678
Loan interest receivable	40,049	40,938
Prepaid expenses	8,664	4,869
Other	<u>95,178</u>	<u>81,107</u>
	<u>643,891</u>	<u>837,592</u>
Less provisions for advances	<u>(450,000)</u>	<u>(426,407)</u>
	<u>\$ 193,891</u>	<u>\$ 411,185</u>

The Society received full and final payments in respect of the Liens held against CLICO as part of agreement with the Judicial Manager. The outstanding balance of \$ 50,000 has been agreed to. Additional provision made in 2018 of \$ 234,271 to leave balance agreed of \$ 50,000.

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DECEMBER 31, 2018

10 INVESTMENTS

	<u>2018</u>	<u>2017</u>
Financial assets measured at fair value through profit and loss		
Eastern Caribbean Financial Holdings Ltd		
2018 - 12,000 shares (2017 - 12,000 shares)	\$ 56,040	\$ 56,430
1st National Bank Shares, 20,000 shares	200,000	200,000
	-	-
St Lucia Co-operative League - Shares	200,050	200,050
Dennery Fishermen's Co-operative Society	1,000	-
	<u>\$ 457,090</u>	<u>\$ 456,480</u>

11 LOANS TO MEMBERS

	<u>2018</u>	<u>2017</u>
Personal Loans	\$ 9,264,820	\$ 9,065,296
Others	4,153,521	3,389,607
Mortgage Loans	<u>1,706,491</u>	<u>1,706,491</u>
	15,124,832	14,161,394
Provision for Impairment of Loans	<u>(477,966)</u>	<u>(366,252)</u>
	<u>\$ 14,646,866</u>	<u>\$ 13,795,142</u>
Provision for Impairment of Loans		
Balance at beginning of year	\$ 366,252	\$ 414,669
Charges for the year	109,229	(12,726)
Write Offs/Recoveries	<u>2,485</u>	<u>(35,691)</u>
	<u>\$ 477,966</u>	<u>\$ 366,252</u>

In accordance with Schedule of the Co-operative Societies Regulations the Value of delinquent loans and their exposure are as follows:

Duration and Period of Overdue Loans	Percentage of Outstanding Loan Balance That is deemed Loss Exposure	
3 months but less than 6 months	25%	\$ 38,356
9 months but less than 1 year	75%	\$ 60,440
1 year or more	100%	<u>\$ 487,033</u>
		<u>\$ 585,829</u>

DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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12. PROPERTY, PLANT & EQUIPMENT

	<u>2016</u>			<u>2017</u>
	<u>B/forward</u>	<u>Additions</u>	<u>Disposals</u>	<u>C/forward</u>
Cost				
Land	\$ 48,496	\$ -	\$ -	\$ 48,496
Buildings	214,867	-	-	214,867
Furniture & Equipment	124,073	4,055	-	128,128
Leasehold improvements	<u>18,277</u>	<u>-</u>	<u>-</u>	<u>18,277</u>
	<u>405,713</u>	<u>4,055</u>	<u>-</u>	<u>409,768</u>
Depreciation				
Buildings	9,132	6,446	-	15,578
Furniture & Equipment	93,916	12,688	-	106,604
Leasehold improvements	<u>18,277</u>	<u>-</u>	<u>-</u>	<u>18,277</u>
	<u>121,325</u>	<u>19,134</u>	<u>-</u>	<u>140,459</u>
Net book value	\$ <u>284,388</u>			\$ <u>269,309</u>
	<u>2017</u>			<u>2018</u>
	<u>B/forward</u>	<u>Additions</u>	<u>Disposals</u>	<u>C/forward</u>
Cost				
Land	\$ 48,496	\$ -	\$ -	\$ 48,496
Buildings	214,867	-	-	214,867
Furniture & Equipment	128,128	37,940	16,254	149,814
Leasehold improvements	<u>18,277</u>	<u>-</u>	<u>-</u>	<u>18,277</u>
	<u>409,768</u>	<u>37,940</u>	<u>16,254</u>	<u>431,454</u>
Depreciation				
Buildings	15,578	6,446	-	22,024
Furniture & Equipment	106,604	13,765	15,556	104,813
Leasehold improvements	<u>18,277</u>	<u>-</u>	<u>-</u>	<u>18,277</u>
	<u>140,459</u>	<u>20,211</u>	<u>15,556</u>	<u>145,114</u>
Net book value	\$ <u>269,309</u>			\$ <u>286,340</u>

13. MEMBERS' WITHDRAWABLE SHARES AND DEPOSITS

	<u>2018</u>	<u>2017</u>
Opening balance of regular shares	\$ 12,428,806	\$ 11,516,310
Additions	<u>4,178,040</u>	<u>3,792,155</u>
	16,606,846	15,308,465
Withdrawals	<u>(2,519,669)</u>	<u>(2,879,659)</u>
Closing balance	14,087,177	12,428,806
Member deposits	<u>6,202,417</u>	<u>5,114,247</u>
	\$ <u>20,289,594</u>	\$ <u>17,543,053</u>

Interest paid on withdrawable shares for 2018 - 2-3%

DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

14 ACCOUNTS PAYABLE AND ACCRUALS

	<u>2018</u>	<u>2017</u>
Member deposits and withdrawable shares interest	\$ 179,734	\$ 86,655
Dennery Fishermen's Co-operative	151,709	147,290
Accruals and sundry payables	<u>76,866</u>	<u>54,265</u>
	<u>\$ 408,309</u>	<u>288,210</u>

15. SHARE CAPITAL

This represents the paid up shares of members at a par value of \$ 5 per share. Members are encouraged to maintain a minimum of 20 shares with a value of \$ 100.

16. OTHER INCOME

	<u>2018</u>	<u>2017</u>
Dividends received	\$ 4,179	\$ -
Commissions	17,397	15,058
Loan fees and service fees	7,839	8,891
Foreign exchange	23,827	16,875
Management fee	<u>14,000</u>	<u>9,000</u>
	<u>\$ 67,242</u>	<u>\$ 49,824</u>

*

17. OTHER EXPENSES

	<u>2018</u>	<u>2017</u>
Annual general meeting	\$ 20,239	\$ 17,260
Audit fees	19,000	15,000
Board and Committee expenses	9,153	8,525
Credit Union day activities	5,658	400
Donations	13,049	12,690
Honourarium	24,505	17,155
League dues	22,000	17,150
Legal and professional fees	6,000	17,025
Disaster relief	-	11,000
Loss on disposal of property plant & equipment	698	-
Repairs and maintenance	19,466	10,696
Scholarships	<u>11,850</u>	<u>12,613</u>
	<u>\$ 151,618</u>	<u>\$ 139,514</u>

DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

18. SENIOR MANAGEMENT COMPENSATION

	<u>2018</u>	<u>2017</u>
Senior management compensation	\$ <u>83,425</u>	\$ <u>76,200</u>

19. MEMBERS FUNDS

These comprised of Funds for the benefit of members established by the Credit Union. These funds are supported from allocations from the Net Surplus for the year as follows:

Development fund	- 10%
Building fund	15%

20 RESERVES

Under Section 119(2) of the Co-operative Societies Act Cap. 12.06, Laws of St. Lucia, the credit union is required to appropriate at least 20% of the net surplus for each year to the statutory reserve fund. As per the By-laws of the credit union this appropriation has been set at 25%.

21. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party by making financial and operational decisions. In this regard the balances of the Directors, Officers and Management at December 31, 2018 were as follows:

	<u>2018</u>	<u>2017</u>
Loans	\$ 340,392	\$ 409,829
Shares and Deposits	\$ 292,473	\$ 358,124

22. COMMITMENTS

The Dennery Community Credit Co-operative Society Limited has a commitment for its current accommodation of a monthly payment of \$ 1,000; (\$ 12,000.00 annually).

23. CONTINGENT LIABILITIES

- (a) There were no legal obligations at the year end.
- (b) There were no capital commitments outstanding
- (c) At the year end, loans approved by the credit union but not yet fully disbursed totalled+ \$ 67,230 (2017- \$ 59,062)

24. LEGAL CLAIMS

There were no Legal Claims against the Society at December 31, 2018.

DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

25. EVENTS AFTER REPORTING DATE

There have been no events after the reporting date that require disclosure in these financial statements.

26. FINANCIAL RISK MANAGEMENT

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Society is exposed to a variety of Credit, Liquidity and Market Risk as well as other Operational and Business Risks. The society seeks to minimize the effect that these risk will pose to the Business. The society's overall risk management policies and processes focus on identifying, analysing and monitoring all potential risks such as interest rate risk and credit risk that are faced by the Society... All treasury transactions are reported to and approved by the Directors.

(a) Credit risk

Credit risk is the risk that the Society will incur a loss because its members or counterparties fail to discharge their contractual obligations. The Society manages and controls credit risk by setting limits on the amount of risk it is willing to accept for its members and by monitoring exposures in relation to such limits.

The Society has established a credit quality review process to provide early identification of possible changes in the credit worthiness of its members, including regular collateral revisions..

The credit quality review process aims to allow the Society to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Impairment provisions are provided for losses that have been incurred at the Balance Sheet date. The society is guided by its loan policy and the regulations in the Co-operative Societies Act, taking into consideration changes in the economy or any particular segment that may represent a concentration in the society's portfolio.

The Maximum Exposure to Credit Risk is as follows:

	December 31, 2018	December 31, 2017
Cash Balances with Banks	\$ 6,978,001	\$ 4,807,172
Investments, Loans and receivables	2,732,691	2,429,627
Trade and other Receivables	193,891	411,185
Loans to members	<u>14,646,866</u>	<u>13,795,142</u>
	<u>\$ 24,551,449</u>	<u>\$ 21,443,126</u>

(b) Liquidity risk

Liquidity risk is defined as the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk arises because of the possibility that the Society might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Society on acceptable terms. The Society has developed internal control processes and contingency plans for managing liquidity risk.

DENNERY COMMUNITY CREDIT CO-OPERATIVE SOCIETY LIMITED

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The following table presents an aging of current assets and liabilities of the Society for 2018

DECEMBER 31, 2018

	Up to 1 year	Beyond 1 year	Total
Current Assets			
Cash	\$ 6,978,001	\$ -	\$ 6,978,001
Held to Maturity Investments	2,070,797	204,804	2,275,601
Accounts receivable	193,854	-	193,854
Loans to members	<u>3,661,716</u>	<u>10,985,150</u>	<u>14,646,866</u>
	<u>12,904,368</u>	<u>11,189,954</u>	<u>24,094,322</u>
Current Liabilities			
Accounts Payable and Accruals	408,311	-	408,311
Members deposits	6,202,417	-	6,202,417
Members withdrawable shares	<u>4,226,153</u>	<u>9,861,024</u>	<u>14,087,177</u>
	<u>10,836,881</u>	<u>9,861,024</u>	<u>20,697,905</u>
Net Position	<u>\$ 2,067,487</u>	<u>\$ 1,328,930</u>	<u>\$ 3,396,417</u>

DECEMBER 31, 2017

	Up to 1 year	Beyond 1 year	Total
Current Assets			
Cash	\$ 4,507,172	\$ -	\$ 4,507,172
Held to Maturity Investments	1,795,369	177,778	1,973,147
Accounts receivable	126,914	284,271	411,185
Loans to members	<u>3,478,291</u>	<u>10,316,851</u>	<u>13,795,142</u>
	<u>9,907,746</u>	<u>10,778,900</u>	<u>20,686,646</u>
Current Liabilities			
Accounts Payable and Accruals	288,211	-	288,211
Members deposits	5,114,247	-	5,114,247
Members withdrawable shares	<u>3,728,642</u>	<u>8,700,164</u>	<u>12,428,806</u>
	<u>9,131,100</u>	<u>8,700,164</u>	<u>17,831,264</u>
Net Position	<u>\$ 776,646</u>	<u>\$ 2,078,736</u>	<u>\$ 2,855,382</u>

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Society classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately. Market risk arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

The interest rates on term contracts are fixed to the term of maturity. Rates on members deposits held are reviewed on an annual basis The rate for 2018 ranged from 2%. to 6.8%.

The society is exposed to equity risks (fair value). Shareholdings in the Eastern Caribbean Financial Holding Company are traded on the open market through the Eastern Caribbean Securities Exchange. Investments are monitored by management and changes in value taken through the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

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(d) Operational and Business Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Society cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.