ST. VINCENT BUILDING AND LOAN ASSOCIATION

ANNUAL REPORT

2017

76TH ANNUAL GENERAL MEETING
27TH JUNE 2018

OUR MISSION

To profitably provide a wide range of accessible and meaningful financial services to our members using an array of highly skilled staff and technological solutions.

OUR VISION

To be a leading financial services provider with a local, regional and international customer base, a responsive operational framework with an exceptional level of efficiency

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76TH

ANNUAL GENERAL MEETING

Wednesday, June 27th, 2018

Methodist Church Hall, Kingstown

"May the favour of the Lord our God be upon us, and prosper for us the work of our hands – O prosper the work of our hands!"

Psalms 90 v. 17 (NRSV)

ST. VINCENT BUILDING & LOAN ASSOCIATION

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 76th Annual General Meeting of the St. Vincent Building and Loan Association will be held at the Methodist Church Hall, Kingstown, on Wednesday 27th June, 2018 at 4:15 pm.

A G E N D A

1. Call to Order/prayers
2. Welcome – President
3. Amendments and Adoption of the Minutes of the 75th Annual General Meeting, 26th June, 2017
4. Matters Arising from the 75th AGM minutes
5. Report of the Board of Directors
6. To receive and consider the Auditors Report and Audited Financial Statements for the year ended 31st December 2017
7. Election of New Directors to the Board
8. Election of Auditors
9. Any Other Business
10. Adjournment

BY ORDER OF THE BOARD OF DIRECTORS

…………………………………

Bernadine C. Nanton
Corporate Secretary to the Board of Directors

Please bring along a picture identification.

CORPORATE INFORMATION

St. Vincent Building and Loan Association

108 Halifax Street

P.O. Box 252

Kingstown

St. Vincent and the Grenadines

Tel: (784) 457-1796

Fax: (784) 457-1565

Email: svgbla@vincysurf.com

Website: www.svbla.com

President

Kenneth A. Young

Vice-President

Fidel Neverson

Chief Executive Officer

Elroy R. John

Auditors

KPMG

Bankers

Bank of St. Vincent and the Grenadines Limited

Other Institutions with which the Association has Financial Interest

Eastern Caribbean Home Mortgage Bank (St. Kitts)

Guardian Life of the Caribbean Limited (Trinidad & Tobago)

First Citizens Investment Services Limited

British American Insurance Company Limited

CLICO (St. Vincent)

CLICO (Barbados)

VOTING PROCEDURES

Every member of the Association in good standing holding full membership at least six months prior to the meeting shall be entitled to vote. Proxies are not allowed. Each member must vote in person.

No member shall vote on any question concerning his personal conduct. The voting on any question shall in the first instance be by a show of hands, but if the majority of members present at the meeting demand a ballot, it shall be taken at once.

Full Membership

A person shall be deemed to be a full member upon the purchasing of a minimum of 100 shares at a value as may be determined by the Association from time to time. Full membership allows full access to the products and services offered by the Association, subject to the satisfaction of the specific requirements established for those products and services. Full members shall have the right to nominate candidates for the Board of Directors (the Board), be nominated as a candidate for the Board and vote at Annual General Meetings and Special Meetings in keeping with the provisions of the *Rules* of the Association.

Quorum

At all Annual General Meetings of the Association, fifty (50) full members present in person exclusive of the Directors and staff, shall form a quorum. Where there is not a quorum within forty-five (45) minutes of the scheduled start time of the meeting, the meeting will be cancelled. Another meeting must be convened within fourteen (14) calendar days however a quorum of thirty (30) full members would be required for this meeting to take place.

Extracted from the Rules of the St. Vincent Building and Loan Association (Revised July 01, 2015)

CORPORATE GOVERNANCE

External Regulators

The St. Vincent Building and Loan Association is a building society which is legislated under the Building Societies Act Cap 450 of the laws of St. Vincent and the Grenadines, Revised Edition 2009 and its various amendments and is regulated by the Financial Services Authority.

The Board of Directors

The Association's Board is made up of independent Directors with the qualifications, expertise, experience and skills to help ensure that the Association operates with ethical, legal and regulatory guidelines. The Board also ensures that high standards of corporate governance are maintained through its guidance and oversight of the Association's management. This involves ensuring that proper records, policies and procedures are established, maintained, documented and audited.

The Board, in conjunction with its various committees, approves the strategic plans of the Association and oversees its risk management framework to ensure that risks are identified, assessed and appropriately managed through the implementation of effective internal controls. In accordance with the *Rules* of the Association, a Director is eligible to serve on the Board for a term of three (3) years. Upon retirement, a Director may be re-elected to the Board. However, a Director shall only serve a maximum of two (2) consecutive terms (six years) and may be re-elected only after having retired for a minimum of three (3) years.

At present, there are four Committees of the Board, as follows:

1. Audit and Compliance Committee
2. Credit Committee
3. Human Resources Committee
4. Membership Committee

These Committees all report to the Board of the Association.

BOARD OF DIRECTORS

President

Kenneth Young

Vice-President

Fidel Neverson

Director

Dougal James

Director

Lucille Browne

Director

Kenyatta Alleyne

Director

Shonette Lowman

Director

Ianthi Burke

Corp. Secretary

Bernadine Nanton

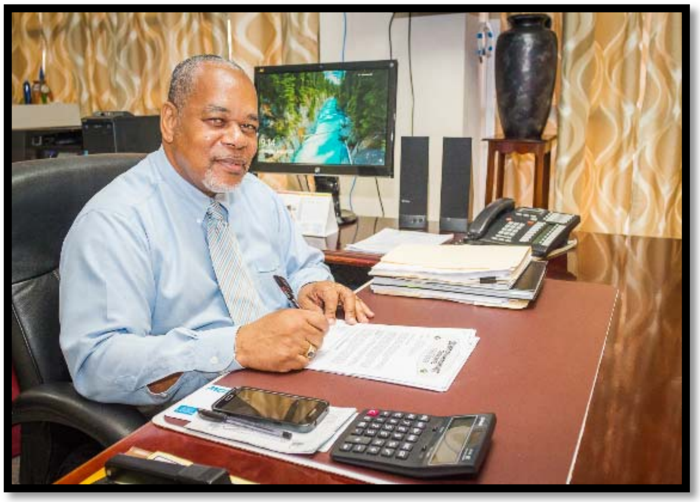
CEO

Elroy R. John

STAFF OF THE ST. VINCENT BUILDING AND LOAN ASSOCIATION

Management Team of the Association

STAFF OF THE ST. VINCENT BUILDING AND LOAN ASSOCIATION



Chief Executive Officer
Elroy R. John

Accounts and Information Technology Departments

STAFF OF THE ST. VINCENT BUILDING AND LOAN ASSOCIATION

Customer Service and Administrative Departments

Insurance, Internal Audit, Legal and Loans Departments

TRIBUTE TO DENISHA CUFFY

"You were just like a candle; full of light and comradeship. Now you have returned to the source of life in faith and gratitude watching over us."

The Board and staff of the Association are deeply saddened by the death of our friend and co-worker, Ms. Denisha Cuffy. She succumbed to her illness on October 28th, 2017 shortly after being diagnosed with Leukemia. The SVBLA family wishes to express our sincere condolences and sympathy to the Cuffy family.

Our dear co-worker, and friend, Denisha worked for the Association for over five (5) years. She is remembered as an individual who was well loved and one who displayed a positive attitude to her work. She was admired for her dedicated and selfless service. Ms. Cuffy exuded a warm and courageous heart and was always willing and ready to undertake any task that was requested of her. She was a kindhearted and jovial person, even to the very end.

The Association has lost a hard worker, a friend, a sister, a very good supporter and team player.
Her presence is greatly missed.

Never shall your memory fade,
Loving thoughts shall ever wander,
To the spot where you are laid,
Though absent, you are ever near,
Still missed and loved, always dear.

You were like an angel sent from above, placed in our lives for a very special reason. You've taught us how to be strong even in hardest of times. Your memories will always remain while you sleep in peace. 'Who comforted us in all our tribulation, that we may be able to comfort them which are in any trouble, by the comfort wherewith we ourselves are comforted of God.' 2 Corinthians 1:4

MAY HER SOUL REST IN PEACE

Tribute written by her closest co-worker: Kristy Stephens

PRESIDENT'S ADDRESS

Industry Review and Outlook

I am pleased to welcome our members to the St. Vincent Building and Loan Association's 76th Annual General Meeting. In 2017, the Association celebrated its 75th year of existence, which was a milestone that was made possible by our founder, Mr. Ormond C. Forde M.B.E. in 1941. As the Association progresses past the three-quarter century mark, we must look ahead to the future which presents both challenges and opportunities.

Effective January 01, 2018, the Association implemented its new Emortelle accounting system. It has been a long and challenging road, but we are now able to utilize a more advanced accounting system and in the coming months, would be able to offer new and improved services to our customers. Currently, the parallel run of our legacy and new accounting system is ongoing and will be completed on June 30, 2018. We thank our members for their patience and understanding during the conversion period and look forward to serving you more efficiently in the future.

Operations Overview

The fiscal year 2017 was another successful year for the Association, where we realized profits of $2.3 million and grew our cash resources by an additional $3.3 million. The accumulated surplus of the Association now stands at $2.7 million which is a decrease from the prior year surplus of $5.5 million. The decrease was due mainly to the correction of an error in the recognition of interest expense in the financial statements. While customers were paid and received the correct interest on their fixed deposit accounts, an error in our legacy accounting system, which the Association has now moved away from, caused it to be incorrectly recorded, dating back to 2013. With our switch to the Emortelle system, this issue will not reoccur.

As at December 31, 2017 our total equity was $32.8 million, and we are compliant with the Financial Services Authority's regulations with a capital adequacy ratio of 16.9% (2016: 14.7%). The Association would not have been able to surpass the regulatory requirements without the commitment of our membership base. Adequate capitalization is a cornerstone of the Association's recovery and serves as a lynchpin for our continued ability to offer competitive products and services to our members.

In 2017, the Association remained focused on improving asset quality by reviewing and refining our underwriting and administration procedures that pertain to the granting of loans. The non-performing loan (NPL) portfolio now stands at $59.8 million at the end of 2017 (2016: $65.2 million), a decrease of 8% from 2015. The management and staff of the Association expended considerable effort in 2017 to reduce the portfolio, which was achieved through a combination of collateral sales, restructuring, placing customers on payment plans and increased contact with customers when their loans are in danger of going delinquent. The NPL portfolio remains a key area of focus for the Association and we will continue our efforts in 2018 to further reduce the portfolio.

Operating expenses increased in 2017 due to the addition of new staff members in our Loans and Internal Audit departments. The Association also engaged a full-time IT Consultant to assist with the Emortelle conversion process and to ensure its success. Training costs also saw increases as the Association recognized the need to ensure that its staff members in the Legal, Accounts, Insurance and Customer Service departments all received adequate training during the year. Significant expenditure was also realized on repairs and maintenance at the Association's office due to extensive termite damage. This resulted in an improved working condition for staff members in the kitchen and washrooms on the lower floor.

During the upcoming year, the Association will be implementing the new International Financial Reporting Standard (IFRS) on Financial Instruments, which entails significant changes in our loan provisioning process. Significant outlay will be required to train our staff members on the new standard, complete a Gap Analysis as well as to procure a new impairment model. This requirement is not, however, unique to the Association and all business organizations that report under IFRS are required to adopt the new standard.

Acknowledgements

On a more sombre note, Ms. Denisha Cuffy, a dear and valued member of staff saw her sunset on October 28, 2017. Her passing came as a shock to all of us at the Association and for those of us impacted by her all too brief time in our lives, she will never be forgotten. On behalf of the Board, management and staff of the Association, we wish to extend our deepest condolences to her family and loved ones.

I wish to thank my fellow Board members for their support and stewardship over the last year. The Board wishes to extend its gratitude to resigning member Fidel Neverson, who has been an integral part of the Board during his tenure. We wish him all the best in his future endeavours. We believe that service to our members and customers is integral to the continued success of the Association and have borne the substantial commitment of our time and resources notwithstanding our personal and professional commitments. We are grateful for the opportunity to serve our members and this venerable institution. As the Association looks forward to the next twelve months, I am confident that the Board will remain resolute in keeping the Association on the path to increased financial stability and growth.

On behalf of the entire Board, I wish to commend the management and staff of the Association for their hard work and dedication over the last twelve months. We urge you to continue in this vein, and to improve on your performance and the delivery of services to our members.

We also express our sincere thanks and gratitude to you, our members who have made it possible for the Association to achieve positive returns, through your steadfast commitment to the Association. The Board will continue to strive to provide you with innovative products and services and employ best practice in managing the Association with a view to offering increased returns to our members.

Kenneth A. Young
President

MINUTES OF THE 75TH ANNUAL GENERAL MEETING OF THE ST. VINCENT BUIDING AND LOAN ASSOCIATION HELD AT THE METHODIST CHURCH HALL, KINGSTOWN ON THE 26TH JUNE, 2017 AT 4:15 PM

PRESENT:

Kenneth A. Young	-	President
Mr. Fidel Neverson	-	Vice-President
Ms. Lucille Browne	-	Director
Mr. Dougal James	-	Director
Mr. Kenyatta Alleyne	-	Director
Ms. Shonette Lowman	-	Director
Mr. Elroy John	-	CEO

Seventy-three (73) members and thirty-four (34) members of staff were in attendance.

1. CALL TO ORDER

The President, Kenneth A. Young called the meeting to order at 4.59 pm, when a quorum was attained.

PRAYER

Mr. Marcus De Freitas said the opening prayer.

2. WELCOME BY PRESIDENT

The President welcomed all to the 75th Annual General Meeting and expressed his pleasure in seeing the members present.

He stated that the past seventy-five (75) years have not been without its challenges, particularly within the last five (5) years. However, these challenges were overcome by the dedication of the staff and commitment of its members. As the Association celebrated this milestone he looked forward to the next seventy-five (75) years and thanked the members for their invaluable commitment to the Association.

He outlined that a profit of $2.8m was achieved in 2016 compared to a profit of $2.7m realised at the end of 2015. Notably, the 2015 profit was primarily due to the negotiated interest levy compromise on fixed deposits of approximately $2.5m which was recognised in the statement of comprehensive income in 2015. This was a one-off item which was not expected to recur. If the interest levy was taken from the equation, the profit in 2016 would have been approximately$200k lower than 2015.

Mr. Young opined that despite the many challenges faced, particularly, with the Commercial Banks, the Association performed commendably. The accumulated surplus stood at $5.5m with a total equity of $35.6m. This indicated that the Association was in compliance with the Financial Service Authority's (FSA) regulation in regards to maintaining the capital adequacy ratio of 17.5%.
The President announced that given the accumulated surplus, the Board of Directors (BOD) had approved a dividend of 7 ½ cents per share. This was a starting point by the Association considering the events that prevented the Association from declaring dividends in previous years.

He spoke of the work being done to reduce the non-performing loans portfolio which stood at $65.2m, a two percent (2%) decrease from 2015. He highlighted that this remained a critical issue and will be the focus for the year ahead.

Other areas of continued focus included; cost containment, improvement in customer services, staff training and development. Equally important is the upgrading of the IT System which the Association was working arduously to bring to a successful conclusion. He anticipated that this will be completed by the end of 2017.

The President thanked the other members of the BOD, management and staff for their hard work and dedication over the past year. He also thanked the members for their continued commitment and confidence in the Association.

ADOPTION OF AGENDA

On a motion moved by Mr. Marcus De Freitas and seconded by Joel Poyer the Agenda was adopted.

3. AMENDMENTS AND ADOPTION OF THE MINUTES OF THE 74TH ANNUAL GENERAL MEETING

Amendments

Page 15 under subheading **Interest Levy the last sentence** was amended to read ***"If the Government had not agreed to the waiver, the Association would have had to pay it out but now it had money that it can use".***

Page 15 the heading ***Decline in assets and increase in liability*** was changed to ***"The Increase in assets and decline in liabilities".***

Page 17 under the subheading ***Tenure of the Nominations Committee*** Line 2 replace ***"formerly"*** with ***"formally".***

On a motion moved by Ms. Patricia Williams, seconded by Harold Lewis the minutes were accepted as amended.

4. MATTERS ARISING FROM THE 74TH AGM MINUTES

i. **Customer Services –** Members enquired as to whether the BOD had investigated the matter of permanent shares being held in the names of children. Director Fidel Neverson explained that there were no accounts in the names of the children. The monies taken from the accounts held on trust for children were placed in permanent shares accounts for the adults whose names were on the accounts.

   Mrs. Evelyn Stewart-John enquired as to the reasons why she never received any notification/proof of the number of accounts that were converted to permanent shares. Other members also indicated that they too had not received their certificates. The President advised that persons who had not received their shares certificate to visit the Association and lodge their request with the requisite information so that they can each receive their certificates.

ii. **Forensic Investigation -** Member Joel Poyer enquired about the status of the Forensic investigation. The President informed the meeting that a report was received from the FSA and he read its contents. The letter addressed the outstanding legal opinion, report and proposed action by external Counsel which at the date of the meeting was not completed. It further stated that although verbal submissions were made by Counsel, the FSA continued to await the Counsel's written submission to conclude the investigation.

Furthermore, the FSA considered the delay to be highly unsatisfactory as it serves to severely hinder progress in the matter. The FSA weighed its options in expediting the matter and gave the undertaking to have it addressed no later than April 2018. The President noted that the BOD of the Association could not address the matter as it is in the hands of the FSA. He however acknowledged that this was unsatisfactory and outlined that the exercise was a very costly one as the Association had to absorb eighty percent (80%) of the cost. He averred that the BOD will not sit idly by upon receipt of the legal assessment and do nothing. He assured the membership that the BOD will take whatever action is necessary to correct the wrongs done to the Association.

Member Patricia Williams indicated that the report of the FSA was expected and that she anticipated that nothing would be done even if a report was received, due to the inordinate delay by external Counsel. She also stated that by the time action is taken the perpetrators would have had ample time to dispose of the assets or evidence. The President recounted the numerous meetings which he attended and members were dissatisfied with the performance of former Boards because of the suspect manner in which business was conducted at the Association. He also recalled many occasions when the membership took the previous Boards to task on certain matters. He gave the undertaking that the current BOD will do all in its power to ensure that the persons responsible are dealt with accordingly once the final findings of the FSA were received.

iii. **Human Resources –** Member Cools Vanloo sought clarification on the number of staff members who left the employ of the Association, the departments where they were assigned and their replacements. The CEO stated that Financial Controller Marlyn Richards resigned in January 2017 and was replaced by Nuala Frank; Insurance Manager, Gilbert Porter left in May of 2017 and was replaced internally. An Insurance officer also resigned and was also replaced internally by another member of staff. The Internal Auditor was transferred to the Accounting department after M. Richards' departure and this post was filled by Rachel Williams. Monique Richards also joined the staff as the CEO's assistant.

iv. **Attendance at AGMs –** Members expressed disappointment with the poor attendance at the AGMs and questioned whether efforts were made to ensure that it was well publicised. In his reply, the President recounted the numerous AGMs he attended where attendance was very low and confirmed that announcements were made on the radio, television, print media and via email.

Concerns were raised about the public's confidence which could have been a factor that affected the poor attendance.

v. **The IT System** – Member Cools Vanloo commented on the IT System asserting that the matter had been protracted for a number of years. He reminded the meeting of the hundreds of thousands of dollars spent on computerization and questioned when its full implementation would be effected. The President assured the membership that the staff was working assiduously to ensure that the IT System is fully functional by the next AGM. He also assured the membership that the BOD remains committed to ensuring that the matter comes to a finality.

vi. **Rental Income** – An enquiry was made regarding the status of the rental income and whether all outstanding rental income was collected. The President indicated that there were no problems with the current tenants. He alluded to a recent Court Order which was obtained against a former tenant who was ordered to quit the occupation of the tenanted premises and pay all outstanding rental payments to the Association. He further stated that Mr. Samuel Commissiong is now renting the space which was vacated by the previous tenant.

5. REPORT OF THE BOARD OF DIRECTORS

- **Resignation of Director Gary Matthias**

The President told the membership that Director Gary Matthias tendered his resignation shortly before the AGM to serve as a Director on the board of another financial institution. Consequently, sufficient time was not given to comply with nomination formalities. He invited the membership to move nominations for a replacement for Director Matthias. The matter was discussed at length and although some members were opposed to this, it was finally agreed that the floor will be open for nominations.

Mr. Jimmy Black of the FSA outlined the criteria regarding nominations and election of a Director. Following this, Mr. Harold Lewis nominated Ms. Ianthi Burke seconded by Mr. Felix Lewis. There were no other nominations and Ms. Burke was elected to the BOD unopposed. Member Renato Gumbs moved for nominations to be closed seconded by Member Aubrey Burgin. The President congratulated Ms. Burke and welcomed her to the BOD of the Association.

- **Marketing Strategy**

Member Reuben John enquired about plans that were in place to deal with competition in the mortgage market. The CEO responded that discussions were being held at the BOD level to deal with the competition i.e. lowering of the interest rates for consumer and mortgage loans but prudence and due diligence must be exercised when doing so.

He further stated that the issue of reaching compromises with customers who have non-performing loans was also being examined. Additionally, there are instances where Banks, for example, the Bank of Nova Scotia is poaching the good loans from the Association, particularly in the case of construction loans. He cited that that it appears that the banks preferred not to undertake the risks associated with a loan at the construction phase but wait until the properties are completed to approach the customers to offer them a better interest rate.

Nevertheless, the Association was looking at the possibility of incorporating a "lock in" clause in new mortgages and restructures whereby customers are tied to the Association for a period of time before they are able to transfer their loans to another financial institution. Added to this is the disadvantaged position the Association is in when it forecloses on properties or exercises its power of sale. In this regard, the Association is always subject to paying a 5% stamp duty if a sale is secured. Conversely, persons are more willing to deal with Credit Unions because the overall cost for transactions such as these will be lower as they are not required to pay stamp duties. He indicated that the BOD intends to raise this with the appropriate authorities with the hope that a favourable resolution will be made.

The CEO further expounded that there will always be a liquidity mismatch because the Association was borrowing short and lending long. As such, caution must be taken when deciding to lower interest rates so as to avoid a repeat of what transpired in 2013. Member Reuben John also asked whether an Anti-Money Laundering Policy was in place and whether or not it was assessed independently. The CEO indicated that this was being worked on.

On a motion moved by Mr. Cools Vanloo seconded by Mr. Richard Cumberbatch the BOD Report was adopted.

6. AUDITORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 2016

The Auditors' Report and Financial Statements were presented to the members by Mr. Richard Peterkin, Engagement Partner of the accounting firm of Grant Thornton. Ms. Sharon Raoul, Engagement Manager was also present.

He reported that the Association's Auditors' Reports were presented fairly in accordance with International Financial Reporting Standards. An unqualified opinion was issued.

Mr. Peterkin stated that there were no reporting standards which would have affected how the financial reports are presented. However, there are new standards which will be implemented. This includes IFRS 9 which relates to the manner in which fair value of assets are recognized. This is expected to become effective soon.

There are few changes/variances to prior years in relation to cash and cash equivalents, investments, etc. Some of these were implemented to deal with liquidity and the demands of the fixed depositors.

There was also an increase in liability because the Association signed an instrument with the Bank of St. Vincent and the Grenadines to assist with liquidity. The CEO also said that in September 2017, the third and final tranche of payments were due to the holders of Fixed Deposits stemming from the recapitalization. This was approximately $75m (1st September and 1st October, 2016). The Association made the decision to sell some of its loans to support liquidity in the event it became necessary. This was not a novel situation as the Association had sold loans to the ECHMB in the past. Additionally, financial institutions adopt similar strategies.

Member Mr. Reuben John noted that there was a marked increase in this regard despite the reduction in members' deposits. He suggested that the BOD look at its cost of capital and compare that to the returns on loans taking into consideration the quality of loans. He highlighted that the Credit Unions lend more than $30m per year in loans and suggested that the Association collaborates with the Credit Unions to work out a strategic alliance in order to obtain additional capital.

Mr. John also opined that the employee pension was not performing well and suggested that the Association outsource the staff pension to another institution that is more equipped to deal with such. The CEO indicated that the pension is managed by Guardian General and the Association was in the process of conducting an actuarial review with the assistance of an Actuary, Mrs. Judith Veira.

In response to Mr. John's query on raising new capital, the CEO spoke of the minimum number of shares required for a person to be able to access our loans products. He noted that this needed to be revised because where a member wishes to access consumer loan products he is required to purchase 100 shares which was equivalent to $1,000. He asked the membership to consider this and assist the BOD with suggestions that may help in attracting new business.

Members also questioned the increase in the audit fees. The CEO responded that the forensic audit was the major contributor to this increase.

Member Cools Vanloo enquired of the increase in the impairment provision. The CEO explained that there was a reclassification and the actual impairment had improved. However, there was a two percent (2%) reduction in the non-performing loans portfolio, albeit, not as much as was hoped.

Notwithstanding, he was happy to report that during the year a new loan policy and a strategy was developed to deal with the non-performing loans portfolio. This is multifaceted as the Association was looking at stemming the hemorrhaging and following up loans so that they do not migrate to the non-performing loans, arranging compromises and trying to bring loans back in to the performing loans portfolio. The CEO was confident that there would be a marked improvement in the next financial report. Mr. Vanloo also enquired whether the Association was successful with negotiating the moving of the good loans. The CEO responded that there has been little success in this regard primarily because the major financial institutions have more financial resources and are able to offer better interest rates than the Association. This is coupled with the fact that the Association does not have the requisite non-interest income to compete with the large international banks. He assured the membership that the Association will continue to convince mortgagors to remain with the Association.

Members were of the opinion that the lending process at commercial Banks were stringent and this ought not to be the same with the Association. The CEO reminded the membership that if proper underwriting procedures were in place in the past the Association would not have been in the position it is today. He noted that certain compliance requirements must be fulfilled before a member could be granted any loans and no exception would be made.

7. ELECTION OF AUDITORS FOR THE YEAR ENDING DECEMBER 31, 2017

Mr. Jimmy Black of the FSA advised that the BOD received several applications for the post of Auditor and only one was recommended. The same was approved by the FSA. The membership queried why all the applicants were not presented to the membership so that it can be voted on. Mr. Black directed the members' attention to rule 6.1 which dictates the procedure that should be followed when an auditor is selected. The President explained that in 2016 permission was granted by the FSA to extend the term for Grant Thornton because it had already exceeded its maximum term of three (3) years as stipulated by the rule.

Proposals were received from Grant Thornton, KPMG, De Freitas and Associates and BDO. Grant Thornton was immediately eliminated because of the expiration of the three (3) years. One auditing firm's proposal was extremely low which in the opinion of the BOD was questionable. The membership enquired whether any of the auditing firms or partners from one of the auditing firms were under investigation stemming from the FSA's intervention in 2013. The President affirmed that a proposal was received from that auditing firm, however, the partner at the time was no longer with the firm. A proposal was received from another auditing firm and was rejected on the basis that one of its partners was with the auditing firm that is currently under investigation by the FSA. Following a lengthy discussion, the matter was put to a vote; KPMG 17 for and 2 were against. In the final analysis the firm of KPMG was chosen as Auditors for the financial year January-December, 2017.

8. ANY OTHER BUSINESS

i. **CLICO/BAICO ISSUE**

The President advised that in a recent conversation with Mr. Brian Glasgow, the Receiver for British American Insurance Company (BAICO), he was advised that in late September/October

2017 the Association should receive at least 25% of its investment in the entity. He reminded the membership that a total of $7m was invested in BAICO. The membership was pleased with this.

ii. **MEMBERSHIP COMMITTEE**

The President sought the approval of the membership for the Board to co-opt members on the committees of the Board to provide the necessary expertise to help advance the Association. This was well received by the Membership.

iii. **MINIMUM SHARES**

The issue of the minimum number of shares was raised by the President. He noted that unless a member had 100 shares or more they could not enjoy the benefits that a full member enjoys particularly in relation to his/her ability to apply for a loan. He highlighted that in past years this was easily accessible by members from all strata of society because the number of shares required was minimal i.e. 5 shares paid up to 6 months; a total of $30.00. However, the present criterion is a minimum 100 shares equivalent to $1,000.00. He opined that this may be a deterrent to the Association attracting new business. To this end, a group of members will be called upon in the future to draft criteria that are more appealing to persons who wish to become full members of the Association.

Members also enquired whether a procedure was in place for the Association to "buy back" Permanent Shares from its members. The President advised that currently the Association is not in a position to repurchase shares.

iv. **DIVIDENDS**

The President informed the meeting that as a result of the Association's profitability in 2016 the BOD was proposing a dividend of 7 1/2 cents per share for each set of permanent shares. He projected that it will be in September/October, 2017. The proposal was unanimously approved by the Membership.

There was no further business and the meeting ended at 8:47 pm on a motion moved by Mr. Cools Vanloo and seconded by Mr. Renato Gumbs.

Read and signed as a true record this ……… Day of…………………………

…………………………..
Chairman

…………………………
Corporate Secretary

Prepared by:

____

Bernadine C. Nanton
Corporate Secretary

BOARD OF DIRECTORS REPORT

1.0 Introduction

1.1 Fellow members, the Board of Directors (the Board), is pleased to present the report on the operations and performance of the St. Vincent Building & Loan Association for the financial year ended December 31, 2017.

The Board remains committed to continuous engagement with members as part of its framework for continuous improvement of the services and operations of the Association. We continue to show a strong liquidity position, which is coupled with a reduction in our non-performing loan(NPL) portfolio and improved profitability. Despite the economic challenges, we believe that they were met admirably by the management and staff of the Association, which is reflected in our annual returns.

St. Vincent and the Grenadines achieved a growth rate of 2.32% in 2017, falling below its target rate of 5%. While it exceeded the 2016 rate of 0.82%, the local economy still presented challenges in 2017, which the Association was able to overcome. Nonetheless, we were able to perform credibly well and report a successful year to our members.

2.0 Directors

2.1 During the financial year, one additional Director was elected to the Board in accordance with the Rules of the Association. At the close of the financial year the complement of Directors was as follows:

Mr. Kenneth A. Young	-	President
Mr. Fidel Neverson	-	Vice-President
Ms. Lucille Browne	-	Director
Mr. Dougal James	-	Director
Mr. Kenyatta Alleyne	-	Director
Ms. Shonette Lowman	-	Director
Ms. Ianthi Burke	-	Director

3.0 Meetings and Attendance

3.1 The Board meets at least once a month for regular board meetings and from time to time will also schedule special board meetings. During the financial period there was a total of nineteen (19) such meetings, comprised of ten (10) regular board meetings and nine (09) special meetings. Attendance of Directors was as follows:

Director	Regular Meetings (Total 10)	Special Meetings (Total 09)	Total Meetings Attended (Total 19)
Kenneth A. Young	10	09	19
Fidel Neverson	08	07	15
Gary Matthias	05	04	09
Lucille Browne	09	07	16
Dougal James	08	06	14
Kenyatta Alleyne	09	07	16
Shonette Lowman	10	09	19
Ianthi Burke	03	04	07

Note: Director Ianthi Burke joined the Board in July 2017.

3.2 **Directors' Interest**

Director	Minimum Permanent Shares	Does Director have Loan(s)?	Are Accounts up to date?
Kenneth A. Young	YES	NO	N/A
Fidel Neverson	YES	NO	N/A
Lucille Browne	YES	NO	N/A
Dougal James	YES	NO	N/A
Kenyatta Alleyne	YES	NO	N/A
Shonette Lowman	YES	NO	N/A
Ianthi Burke	YES	YES	YES

3.3 **Statement on Directors' Activities with the Association**

There are no contracts that existed during or at the end of the financial year where the directors either solely or jointly held any material interest that related directly or indirectly to the Association. Furthermore, there was no significant transaction conducted by any director during the financial period.

4.0 Performance Related to Critical Areas

4.1 For the financial year 2017, the Board identified eight (8) critical areas for which it continued to focus on in order to re-establish the Association as a premier financial institution in St. Vincent & the Grenadines.

4.2 **Critical Area 1 – Credit Process:** The primary focus of the Board continues to be the Association's lending process as well as management of the NPL portfolio. We, like the other indigenous financial institutions in St. Vincent and the Grenadines, continue to face pressure from Multinational banks in interest rates on residential mortgages. The Loans Department continues to liaise with customers and seek opportunities in the commercial and consumer loan categories.

The Association set a target of $7 million in new loans for 2017 and the Loans Department was able to realise $6.1 million new loans during the year. Of this, 20% were consumer loans, with the remainder being mortgage loans. Overall, this represented a $0.4 million or 6% decrease from 2016 in total loans granted. The level of consumer loans granted improved, with consumer loans increasing by $0.4 million or 52% and mortgage loans decreasing by $0.9 million or 15% which reflects the competitive environment in this loan category. Multinational Banks continued their policies during 2017 where they use their high level of liquidity to engage in very aggressive marketing campaigns that result in their mortgage and loan products being more attractive to members seeking financing. They are able to offer mortgage and other loan terms and conditions that cannot be easily matched by non-banking financial institutions such as the Association.

The Association will continue to exercise due care and attention in managing its loan portfolio and seek new lending opportunities. Targeted growth areas remain in the areas of consumer and commercial loans. This strategy entails improved advertising of our product offerings and engagement with members to make them aware of the available opportunities. Our continued realignment of the loans portfolio will in the long term address the liquidity constraints caused by the Association's past over-dependence on long term lending. In 2017, the Association carried out the mandate of its Restructuring Policy with a view to rehabilitating non-performing loans back to the good loan portfolio. During the year, $2 million, which represents 65 mortgage loans were restructured.

For the financial year 2018, the emphasis will be on increasing our consumer and commercial loans lending and allow for prudent increases of our mortgage loan portfolio. This will be facilitated by granting new personal mortgages in accordance with our Credit Policy Manual that was approved in 2016. The Association will also seek to restructure loans in accordance with its documented Policy, continue to contact customers on delinquency and seek sale of security, where possible.

4.3 **Critical Area 2 – Asset Quality Management:** This continues to be a key area of focus for the Board. Through tighter controls over this area, we were able to reduce the portfolio by a further $4.8 million during the year. During 2018, there will be a continued focus on working with members in rehabilitating delinquent and non-performing mortgage loans. The Association's Loan Restructuring Policy serves as a guide to engage customers who are making regular payments to their accounts that are less than the monthly instalments on the loan. In 2017, the Association was able to restructure $2 million of such loans on terms and conditions that are beneficial to both the customer and the Association. There will be a continued effort in 2018 to ensure further reduction of the NPL portfolio.

4.4 **Critical Area 3 – Customer Service:** We recognise that providing excellent service to our members is a key component of the Association's objectives. During 2018, a new team member joined the Association in the position of Customer Service Manager. Under her stewardship, there has been a renewed focus on customer satisfaction and engagement.

4.5 **Critical Area 4 – Implementation and use of Information Technology**: Effective January 01, 2018 the Association transitioned to the Emortelle system. During the first half of the year, a parallel run is being conducted with the legacy Vision system to ensure that all parameters are operating effectively. The parallel run is expected to conclude on June 30, 2018 at which point, the transition process will be completed.

4.6 **Critical Area 5 – Corporate Social Responsibility:** The Association continues to focus on giving back to our members and the wider Vincentian community by providing scholarships to the children of our members, from the secondary right through to the community college level. We can proudly boast of having twenty-one (21) active scholarship recipients as at the end of 2017.

Three (3) scholarships were awarded in 2017 as follows:

No.	YEAR	NAME OF AWARDEE	SCHOOL ATTENDING
1	2017	Genevieve McMaster	Girls' High School
2	2017	Nicholai Williams	St. Vincent Grammar School
3	2017	Mya John	Girls' High School

As at the end of 2017, the full list of current scholarship recipients is as follows:

No.	YEAR	NAME OF AWARDEE	SCHOOL ATTENDING
1	2011	Akil Augustus	SVG Community College
2	2011	Lyndsay Dowers	SVG Community College
3	2011	Natasha Hypolite	SVG Community College
4	2011	Sujith Nedd	SVG Community College
5	2012	Afique Ambrose	SVG Community College
6	2012	Amarlia Benn	SVG Community College
7	2012	Shari Marks	SVG Community College
8	2012	Justin Sylvester	SVG Community College
9	2014	Adiah Holder	St. Vincent Grammar School
10	2014	F. Nathaniel Williams	St. Vincent Grammar School
11	2014	Lorna Audain	St. Joseph's Convent Marriaqua
12	2015	Taylor Olliver	Girls' High School
13	2015	Jerona Mapp	Girls' High School
14	2015	Natalia Charles	Central Leeward Secondary School
15	2015	Rene Jackson	Girls' High School
16	2016	Kahliln Bacchus	St. Vincent Grammar School
17	2016	Alyssa Trotman	Girls' High School
18	2016	Karen Bellingy	Thomas Saunders Secondary School
19	2017	Genevieve McMaster	Girls' High School
20	2017	Nicholai Williams	St. Vincent Grammar School
21	2017	Mya John	Girls' High School

In addition, the Association is continuing with its tradition of providing Summer and Christmas jobs for some of our scholarship holders, so that they can obtain firsthand experience in the work environment. This continues to be well received by the scholarship holders and their parents/guardians. We also continue to play an active role in local cricket and football. In partnership with Guardian General Insurance, we have continued our sponsorship of the Guardian Saints Cricket team and the Hope International Football Club.

During the year, we have made donations to a number of educational and social causes such as the Dominican Association of SVG, Starlift Steel Orchestra, the Salvation Army, SVG Masters Cricket Committee, the Thompson Home and the St. Vincent Grammar School, among others.

4.7 **Critical Area 6 – Human Resources:** The Board recognizes the need to have qualified and well-trained personnel, and continues to focus on the continued development of the staff of the Association. The following training activities were undertaken during the year:

Training/Workshop/Seminar/Course	Participants	Date	Facilitator
Syposium on Financial and Economic Challenges Facing the Caribbean and the Way Forward	Nuala Frank Allyson Bascombe	January 13, 2017	First Citizens Investment Services and National Insurance Services
Anti-Money Laundering Training	Bernadine Nanton	March 22, 2017	Financial Services Authority
Global Market Outlook & Budget Review	Nuala Frank Rachel Williams	March 23, 2017	First Citizens Investment Services Limited
Insurance Training	Sebastian Forde Lynette Dick Delisa Bess Dalesia Sayers	March 24 - 25, 2017	Guardian General Insurance Ltd.
Health and Safety Seminar	Monique Richards Dexter Small	April 28, 2017	Jaric St. Vincent Limited
IFRS Update	Nuala Frank Allyson Bascombe Rachel Williams	May 03, 2017	SVG Co-operative League Ltd.
Legal and Business Aspects of Insurance **Motor Insurance Claims** **Property Insurance Underwriting and Claims**	Sebastian Forde	May 08 – 12, 2017 May 15 – 19, 2017	The Insurance Institute of SVG
Cyber Security Training	Rachel Williams Kale Williams	May 16 – 17, 2017	Rohan E. Providence and Associates
Women's Conference	Nuala Frank Luella Jackson Renata Sutherland Cassie-Ann Laidlow	June 10,2017	First Citizens Investment Services Limited
Institute of Chartered Accountants of the Caribbean Conference	Nuala Frank	June 22 – 24, 2017	Institute of Chartered Accountants of the Caribbean
IFRS 9 Seminar	Nuala Frank Luella Jackson Rachel Williams	June 28, 2017	KPMG
Property Insurance Contract Coverage	Sebastian Forde	September 18 – 22, 2017 September 25 – 29, 2017	The Insurance Institute of SVG
Customer Service and Communication Skills	Cheriese Charles Rickisha Wynne	October 19, 2017	Chamber of Industry and Commerce and the Rotary Club
Anti-Money Laundering Training	All Staff	November 02, 2017	Financial Intelligence Unit
Fighting Fraud in the Public and Private Sectors	Nuala Frank Rachel Williams	November 16, 2017	SMAT Partners

4.8 **Critical Area 7 – Products and Services:** The Association recognises that in order to remain competitive, it must offer attractive products and services to our members. To this end, we continue to improve on and add to our existing products and services, while maintaining our competitive rates on mortgages, consumer loans, savings and fixed deposit products. We are simultaneously seeking new ways to expand our customer base, and provide an overall satisfying customer experience to our members.

4.9 **Critical Area 8- Compliance:** The Board is cognizant of the importance of compliance and regulatory oversight, which is a challenging and ever-evolving area of focus. The Association continues to work along with and benefit from the guidance and expertise of the Financial Services Authority (FSA) and the Financial Intelligence Unit (FIU) to ensure that all reporting requirements and obligations are performed in a timely, accurate and efficient manner.

5.0 Conclusion

In conclusion, the Board extends its sincere appreciation to our members and stakeholders for their continued commitment to the Association. Without your involvement, the Association would not be able to prosper and grow. The Board would also like to acknowledge the staff and management of the Association, who work diligently to provide the best possible service to our members on a daily basis. As the Association enters the next 75 years, we ask for the continued support of the members, stakeholders, staff, management and our regulators as we are all integral partners in the continued success of the Association.

……………………………………………

Kenneth A. Young
President

PERFORMANCE HIGHLIGHTS

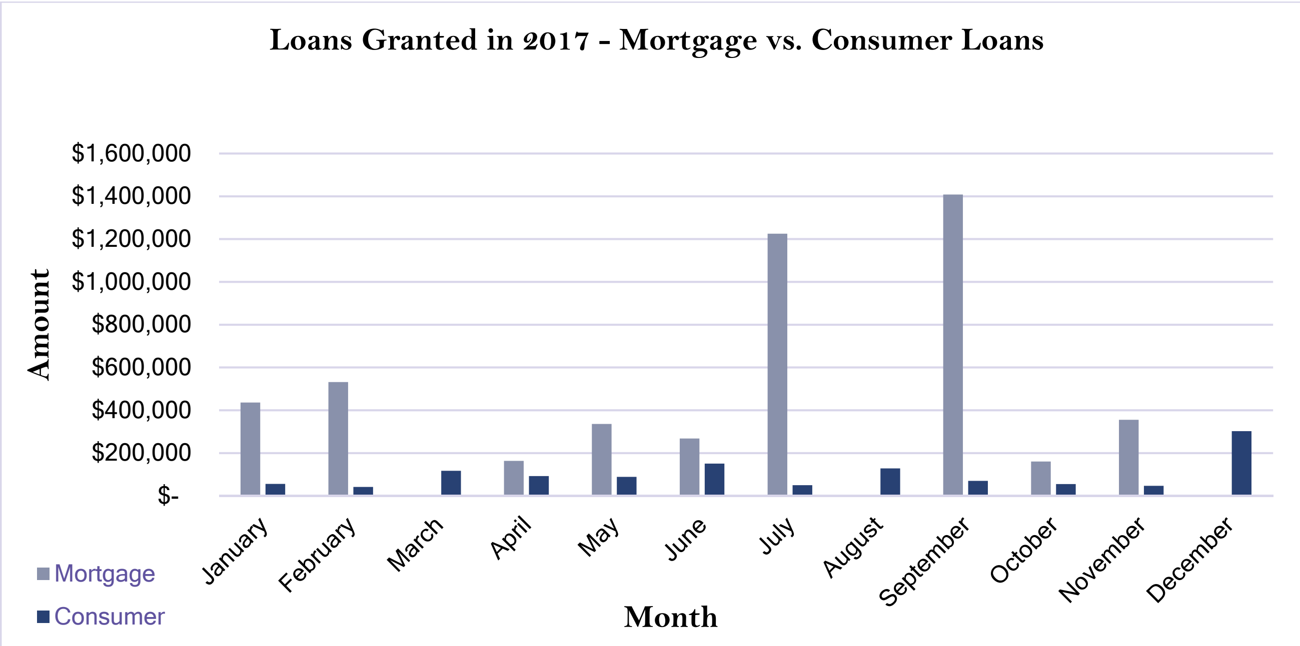
NEW ACCOUNTS REPORT				
Product Category	***2017***		***2016***	
	Number	***Jan - Dec***	***Number***	***Jan - Dec***
Fixed Deposits+	9960	46,079,833	9531	43,180,332
Regular Saving	191	3,295,145	117	2,431,061
Super Saver	77	19,789	109	65,590
Permanent Shares*	104	291,370	95	180,470
Subtotal	**10332**	**49,686,137**	**9852**	**45,857,453**

+ Includes items rolled during the year and new fixed deposits

*Includes what was transferred between customer accounts and newly issued shares

LOANS REPORT							
Date	**Total Loans Granted**		**Mortgage**	**Consumer**	**Value Mortgage**	**Value Consumer**	**Budgeted**
	Number	Value	Number	Number			
Jan-17	7	$ 492,288	2	5	$436,200	$56,088	$500,000
Feb-17	7	573,925	3	4	532,225	41,700	500,000
Mar-17	4	117,000	-	4	-	117,000	500,000
Apr-17	8	256,019	2	6	163,500	92,519	500,000
May-17	8	424,563	1	7	336,043	88,520	500,000
Jun-17	9	418,797	1	8	268,000	150,797	500,000
Jul-17	14	1,275,000	6	8	1,224,987	50,013	1,000,000
Aug-17	9	128,310	-	9	-	128,310	500,000
Sep-17	11	1,478,747	7	4	1,408,532	70,215	500,000
Oct-17	10	215,595	3	7	160,200	55,395	500,000
Nov-17	10	402,700	3	7	355,700	47,000	500,000
Dec-17	23	302,150	-	23	-	302,150	1,000,000
TOTAL	**120**	**$6,085,094**	**28**	**92**	**$4,885,387**	**$1,199,707**	**$7,000,000**
Total Restructured							
	12	**2,040,385**					
Total new and restructured			**132**	**$8,125,479**			

PERFORMANCE HIGHLIGHTS



GENERAL INSURANCE REPORT				
Categories of Insurance Product	*New Business 2017*		*New Business 2016*	
	Number	***Sum Insured***	***Number***	***Sum Insured***
Fire	3	$2,350,000	3	$2,065,000
Homemakers	109	33,574,460	43	14,380,875
Motor	101	2,006,870	98	2,425,392
Marine	16	3,890,800	15	4,164,188
Product & Public Liability	2	2,577,115	-	-
Miscellaneous Accident	1	325,000	-	-
Contract Works	5	1,998,815	-	-
Subtotal	**237**	**$46,723,060**	**159**	**$23,035,455**
Group Life	14	$3,323,400	10	$289,000
TOTAL	**251**	**$50,046,460**	**169**	**$23,324,455**

ST. VINCENT BUILDING AND LOAN ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017
(With comparative figures for 2016)

ST. VINCENT BUILDING AND LOAN ASSOCIATION

REGISTERED OFFICE
108 Halifax Street
Kingstown
St. Vincent and the Grenadines

DIRECTORS
Mr. Kenneth A. Young – President
Mr. Fidel Neverson – Vice President
Mr. Kenyatta Alleyne
Ms. Shonette Lowman
Mr. Dougal James
Ms. Lucille Browne
Ms. lanthi Burke

SECRETARY
Ms. Bernadine C. Nanton

BANKERS
Bank of St. Vincent and the Grenadines Ltd

AUDITORS
KPMG
Chartered Accountants

ST. VINCENT BUILDING AND LOAN ASSOCIATION

Table of Contents	**Pages**

KPMG

KPMG
First Floor
National Insurance Services Headquarters
Upper Bay Street
P.O. Box 587, Kingstown

St. Vincent and the Grenadines
Telephone: (784) 451-1300
Fax: (784) 451-2329
Email: kpmg@kpmg.vc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

St. Vincent Building and Loan Association
Kingstown

Opinion

We have audited the financial statements of St. Vincent Building and Loan Association ("the Association"), which comprise the statement of financial position as at December 31, 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Emphasis of Matter - comparative information

We draw attention to Note 5 to the financial statements which indicates that the comparative information presented as at and for the year ended December 31, 2016 has been restated. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONT'D)

St. Vincent Building and Loan Association
Kingstown

Other Matter relating to comparative information

The financial statements of St. Vincent Building and Loan Association as at and for the years ended December 31, 2016 and December 31, 2015 (from which the statement of financial position as at January 1, 2016 has been derived), excluding the adjustments described in Note 5 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on June 14, 2017.

As part of our audit of the financial statements as at and for the year ended December 31, 2017, we audited the adjustments described in Note 5 that were applied to restate the comparative information presented as at and for the year ended December 31, 2016 and the statement of financial position as at January 1, 2016. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended December 31, 2016 or December 31, 2015 (not presented herein) or to the statement of financial position as at January 1, 2016, other than with respect to the adjustments described in Note 5 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 5 are appropriate and have been properly applied.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONT'D)

St. Vincent Building and Loan Association
Kingstown

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.

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

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

KPMG

KPMG
Kingstown, St. Vincent and the Grenadines
June 13, 2018

ST. VINCENT BUILDING AND LOAN ASSOCIATION
Statement of Financial Position
As at December 31, 2017
With comparative figures as at December 31, 2016
(Expressed in Eastern Caribbean Dollars)

	Notes	December 31, 2017 $	December 31, 2016 Restated $	January 01, 2016 Restated $
Assets				
Cash and cash equivalents	10	29,598,499	26,318,061	18,469,093
Other receivables and prepayments	11	1,095,752	1,276,566	1,168,338
Term deposits		-	-	10,737,725
Loans and advances to members	12	121,243,933	135,177,191	153,721,298
Investment securities	13	3,086,044	1,642,710	6,861,027
Property and equipment	14	7,540,085	7,640,597	7,727,291
Total assets		162,564,313	172,055,125	198,684,772
Liabilities				
Accounts payable and accrued liabilities	15	1,160,015	2,679,905	1,910,353
Other liabilities	16	12,180,590	16,952,504	10,567,658
Interest levy payable	17	479,783	717,331	148,158
Deposits due to members	18	115,969,017	121,086,516	156,240,545
Total liabilities		129,789,405	141,436,256	168,866,714
Equity				
Permanent shares	19	24,733,513	24,701,796	24,670,044
Revaluation reserve	20	5,392,646	5,440,031	5,411,130
Accumulated surplus/(deficit)		2,679,404	556,075	(240,372)
Fair value reserve		(30,655)	(79,033)	(22,744)
Total equity		32,774,908	30,618,869	29,818,058
Total liabilities and equity		162,564,313	172,055,125	198,684,772

The notes on pages 8 to 50 are an integral part of these financial statements.

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON ITS BEHALF BY:

Director

Director

ST. VINCENT BUILDING AND LOAN ASSOCIATION
Statement of Profit or Loss and Other Comprehensive Income
For the year ended December 31, 2017
With comparative figures for the year ended December 31, 2016
(Expressed in Eastern Caribbean Dollars)

	Notes	2017 $	2016 Restated $
Interest income	21	8,574,889	9,560,909
Interest expense	21	(5,129,334)	(5,710,573)
Net interest income		3,445,555	3,850,336
Fees and commissions income, net	22	412,220	320,491
Net trading (loss)/gain	23	(1,178)	1,451
Other operating income	24	795,244	199,834
Revenue		4,651,841	4,372,112
Impairment recovery/(loss) on financial assets, net	25	1,267,523	(476,915)
Operating expenses	26	(3,655,579)	(3,139,639)
Finance charges		(3,142)	(11,482)
Profit for the year		2,260,643	744,076
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property and equipment		-	81,272
Items that are or may be reclassified subsequently to profit or loss			
Net change in fair value reserve		48,378	(56,289)
Total other comprehensive income for the year		48,378	24,983
Total comprehensive income for the year		2,309,021	769,059

The notes on pages 8 to 50 are an integral part of these financial statements.

ST. VINCENT BUILDING AND LOAN ASSOCIATION
Statement of Changes in Equity
For the year ended December 31, 2017
With comparative figures for the year ended December 31, 2016
(Expressed in Eastern Caribbean Dollars)

	Notes	Permanent shares $	Revaluation reserve $	Fair value reserve $	Accumulated surplus $	Total $
Restated balance as of January 1, 2017		24,701,796	5,440,031	(79,033)	556,075	30,618,869
Profit for the year		-	-	-	2,260,643	2,260,643
Items that are or may be reclassified subsequently to profit or loss:						
Unrealized holding gain in fair value	13	-	-	48,378	-	48,378
Items that will not be reclassified subsequently to profit or loss:						
Amortization of revaluation surplus	20	-	(47,385)	-	47,385	-
Total comprehensive income		-	(47,385)	48,378	2,308,028	2,309,021
Transactions with owners recorded directly in equity						
Issuance of permanent shares		31,717	-	-	-	31,717
Dividends paid		-	-	-	(184,699)	(184,699)
Balance as of December 31, 2017		24,733,513	5,392,646	(30,655)	2,679,404	32,774,908
Balance as of January 1, 2016 as previously reported		24,670,044	5,411,130	(22,744)	2,707,821	32,766,251
Impact of correction of error	5	-	-	-	(2,948,193)	(2,948,193)
Restated balance as of January 1, 2016		24,670,044	5,411,130	(22,744)	(240,372)	29,818,058
Profit for the year (restated)		-	-	-	744,076	744,076
Other comprehensive income:						
Items that are or may be reclassified subsequently to profit or loss:						
Unrealized holding loss in fair value	13	-	-	(56,289)	-	(56,289)
Items that will not be reclassified subsequently to profit or loss:						
Revaluation of property and equipment	20	-	81,272	-	-	81,272
Amortization of revaluation surplus	20	-	(52,371)	-	52,371	-
Total comprehensive income, restated		-	28,901	(56,289)	796,447	769,059
Transactions with owners recorded directly in equity						
Issuance of permanent shares		31,752	-	-	-	31,752
Balance as of December 31, 2016 restated		24,701,796	5,440,031	(79,033)	556,075	30,618,869

The notes on pages 8 to 50 are an integral part of these financial statements.

ST. VINCENT BUILDING AND LOAN ASSOCIATION
Statement of Cash Flows
For the year ended December 31, 2017
With comparative figures for the year ended December 31, 2016
(Expressed in Eastern Caribbean Dollars)

	Notes	2017 $	2016 Restated $
Cash flows from operating activities			
Profit for the year		2,260,643	744,076
Adjustments for:			
Depreciation expense	14	217,370	225,818
Impairment (recovery)/loss on financial assets, net	25	(1,267,523)	476,915
Interest income	21	(8,574,889)	(9,560,909)
Loss on disposal of property and equipment		482	-
Dividend income		(12,284)	(9,603)
Interest expense	21	5,129,334	5,710,573
Cash flows before changes in operating assets and liabilities		(2,246,867)	(2,413,130)
Change in other receivables and prepayments		180,814	(108,228)
Change in loans and advances to members		15,171,827	18,067,192
Change in accounts payable and accrued liabilities		(1,519,890)	769,552
Change in deposits due to members		(6,169,592)	(30,522,132)
Change in other liabilities		(5,897,651)	5,526,961
Cash used in operations		(481,359)	(8,679,785)
Interest received		8,511,481	9,568,176
Dividends received		12,284	9,603
Interest paid		(3,189,052)	(8,915,412)
Net cash generated from/(used in) operating activities		4,853,354	(8,017,418)
Cash flows from investing activities			
Purchase of property and equipment	14	(117,340)	(57,852)
Change in investing securities, net		(1,302,594)	5,154,761
Change in term deposits		-	10,737,725
Net cash (used in)/generated from investing activities		(1,419,934)	15,834,634
Cash flows from financing activities			
Issuance of permanent shares		31,717	31,752
Dividends paid		(184,699)	-
Net cash (used in)/generated from financing activities		(152,982)	31,752
Net increase in cash and cash equivalents		3,280,438	7,848,968
Cash and cash equivalents, beginning of year	10	26,318,061	18,469,093
Cash and cash equivalents, end of year	10	29,598,499	26,318,061

The notes on pages 8 to 50 are an integral part of these financial statements.

1. Reporting entity

St. Vincent Building and Loan Association (the Association) is a permanent Building Society, incorporated on July 4, 1941 under the Building Societies Act, No. 9 of 1941. The Association is primarily involved in receiving deposits from members and assisting them in acquiring property by providing mortgage loans and loans secured by deposits. On July 1, 2015 the Association adopted its New Rules to govern its operations.

2. Basis of accounting

These financial statements have been prepared in accordance with IFRS. They were authorized for issue by the Association's Board on May 28, 2018.

3. Functional and presentation currency

These financial statements are presented in Eastern Caribbean dollars, which is the Association's functional currency.

4. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Association's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The Association makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and advances to customers

The Association reviews its loan portfolio to assess impairment at least annually. In determining whether an impairment loss should be recorded in the statement of profit or loss and other comprehensive income, the Association makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been national or local economic conditions that correlate with defaults on assets in the Association. Management uses estimates based on their best estimate of historical loss for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling 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. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision would be estimated at ($1,138,981)/$650,404 (2016: ($908,765)/$ 1,165,802) (lower)/higher respectively.

4. Use of judgements and estimates (cont'd)

Impairment of available-for-sale equity investments

The Association determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Association evaluates, among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows. At the year end the Association had a net fair value reserve loss of $30,655 (2016: $79,033).

5. Restatement of prior year financial statements

During 2017, the Association discovered that interest paid to fixed deposit customers had been erroneously recorded in its financial statements since 2013. As a consequence, interest expense and its related liabilities have been understated. The error has been corrected by restating each of the affected financial statement line items for prior periods. The following table summarises the impact on the Association's financial statements.

Statement of financial position

	Impact of correction of error		
	As previously reported $	Adjustments $	As restated $
January 1, 2016			
Total assets	198,684,772	-	198,684,772
Deposits due to members	153,292,352	2,948,193	156,240,545
Others	12,626,169	-	12,626,169
Total liabilities	165,918,521	2,948,193	168,866,714
Accumulated surplus	2,707,821	(2,948,193)	(240,372)
Others	30,058,430	-	30,058,430
Total equity	32,766,251	(2,948,193)	29,818,058
December 31, 2016			
Total assets	172,055,125	-	172,055,125
Deposits due to members	116,148,908	4,937,608	121,086,516
Others	20,349,740	-	20,349,740
Total liabilities	136,498,648	4,937,608	141,436,256
Accumulated surplus	5,493,683	(4,937,608)	556,075
Others	30,062,794	-	30,062,794
Total equity	35,556,477	(4,937,608)	30,618,869

6. Financial risk management

The Association'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 business. The Association's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Association's financial performance.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Association's risk management framework.

The Association's risk management policies are established to identify and analyze the risks faced by the Association, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Association, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

a) Credit risk

The Association takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Association by failing to discharge an obligation. Credit risk is the most important risk for the Association's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Association's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

Management of credit risk
The Board of Directors on approval of the Association's credit risk policy, delegates the responsibilities for the management of credit risk to a Credit Committee. This Committee is responsible for oversight of the Association's credit risk, including:

6. Financial risk management (cont'd)

a) Credit risk (cont'd)

Management of credit risk (cont'd)

— Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

— Establishing the authorization structure for the approval and renewal of credit facilities.

— Reviewing and assessing credit risk. The Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to members by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

Some specific control and mitigation measures are outlined below.

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

— Mortgages over residential properties; and
— Loans secured by members' deposits.

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

Impairment and provisioning policies
Loan portfolio reviews are undertaken at the end of the period for all loans greater than 3 months old which form the basis for the Association's impairment assessment and provisioning policies. The provisioning criteria are based on the age of the arrears, the borrower's capacity to service the debt under the existing terms and the status of the collateral.

Allowances for loan loss
The Association establishes an allowance for loan losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loan loss allowance established for groups of homogeneous assets.

Write-off policy
The Association writes off a loan (and any allowance for loan losses) when it determines that the loans are uncollectible and where the collateral has been repossessed and the proceeds from collateral will not be sufficient to pay back the entire exposure on disposal.

The Association holds collateral against mortgage loans in the form of registered mortgages over property and fixed deposits. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

6. Financial risk management (cont'd)

a) Credit risk (cont'd)

Write-off policy (cont'd)

Deposit loans are secured by the members' fixed deposits, super savers and regular savings.

The Association's policy requires the review of individual financial assets that are 3 months and later. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the statement of financial position date on a case-by-case basis. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

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

Credit risk exposures relating to on-balance sheet assets are as follows:

	Maximum exposure	
	2017	**2016**
	$	**$**
Cash and cash equivalents	29,385,237	26,051,310
Other receivables	1,091,406	1,253,892
Loans and advances to members	121,243,933	135,177,191
Investment securities	3,086,044	1,642,710
	154,806,620	164,125,103
Credit risk exposures relating to off-balance sheet items:		
Loan commitments	2,267,252	880,519
	157,073,872	165,005,622

The above table represents a worst case scenario of credit risk exposure to the Association at December 31, 2017 and December 31, 2016, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above, 77% (2016: 82%) of the total maximum exposure is derived from loans and advances to members; 2% (2016: 1%) represents investment securities.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Association resulting from its loan and advances to members portfolio based on the following:

6. Financial risk management (cont'd)

a) Credit risk (cont'd)

Loans and advances

Loans and advances to members are summarized as follows.

	2017 $	2016 $
Neither past due nor impaired	78,771,812	88,834,579
Past due but not impaired	31,360,169	33,669,970
Impaired	28,449,701	30,928,519
Gross	138,581,682	153,433,068
Less allowance for impairment losses on loans and advances to members	(17,337,749)	(18,255,877)
Net	121,243,933	135,177,191

The total impairment provision for loans and advances to customers is $17,337,749 (2016: $18,255,877) of which $10,165,172 (2016: $9,181,050) represents the individually impaired loans and the remaining amount of $7,172,577 (2016: $9,074,827) represents the portfolio provision. Further information on the allowance for impairment losses on loans and advances to members is provided in Note 12.

Loans and advances to members neither past due nor impaired
The credit quality of the portfolio of loans and advances to members that were neither past due nor impaired can be summarized in the table below.

	Mortgage Loans $	Special Deposit Loans $	Total $
At December 31, 2017	77,547,417	1,224,395	78,771,812
At December 31, 2016	87,454,926	1,379,653	88,834,579

Loans and advances to members past due but not impaired
Loans and advances past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances that were past due but not impaired were as follows:

	2017 $	2016 $
Past due up to 1 month	13,674,192	13,466,687
Past due 2 months	867,130	1,856,763
Past due 3 months	1,341,809	2,440,262
Over 4 months	15,477,038	15,906,258
	31,360,169	33,669,970

6. Financial risk management (cont'd)

a) Credit risk (cont'd)

Loans and advances to members individually impaired
The table below shows the individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held.

	2017 $	2016 $
Individually impaired loans	28,449,701	30,928,519
Fair value of collateral	44,065,366	39,319,722

Debt securities
The table below presents an analysis of debt securities, by rating agency designation at December 31, based on Moody's rating.

	Loans and receivables $	Available-for-sale $	Total $
At December 31, 2017			
Moody's B3	-	298,850	298,850
Not rated	1,752,720	-	1,752,720
Total	1,752,720	298,850	2,051,570
At December 31, 2016			
Moody's B3	-	459,909	459,909
Not rated	992,859	-	992,859
Total	992,859	459,909	1,452,768

Repossessed collateral
At the end of December 31, 2017 and 2016 the Association had no repossessed collateral.

6. Financial risk management (cont'd)

a) Credit risk (cont'd)

Geographical and economic concentrations of assets

	Financial Institutions $	Government $	Personal $	Other Industries $	Total $
At December 31, 2017					
Cash and cash equivalents	29,598,499	-	-	-	29,598,499
Other receivables	-	-	-	1,306,069	1,306,069
Loans and advances to members	-	-	138,581,682	-	138,581,682
Investment securities:					
Available-for- sale	7,844,473	298,850	-	-	8,143,323
Loans and receivables	1,752,720	-	-	-	1,752,720
	39,195,692	298,850	138,581,682	1,306,069	179,382,293
Credit risk - off balance sheet items					
Loan commitments	-	-	2,267,252	-	2,267,252
At December 31, 2016					
Cash and cash equivalents	26,318,061	-	-	-	26,318,061
Other receivables	-	-		1,468,555	1,468,555
Loans and advances to members	-	-	153,433,068	-	153,433,068
Investment securities:					
Available-for- sale	8,159,850	-	-	-	8,159,850
Loans and receivables	992,859	-	-	-	992,859
	35,470,770	-	153,433,068	1,468,555	190,372,393
Credit risk - off balance sheet items					
Loan commitments	-	-	880,519	-	880,519

b) Market risk

The Association takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate 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. The Association has a non- trading portfolio which arises from the interest rate management of the Association's assets and liabilities.

6. Financial risk management (cont'd)

c) Currency risk

The Association takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Association's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in Eastern Caribbean dollars. The exchange rate of the Eastern Caribbean dollar (ECD) to the United States dollar (USD) has been formally pegged at EC$2.70 to US$1.00 since 1974. The following table summarizes the Association's exposure to foreign currency exchange rate risk at December 31:

Concentrations of financial assets and financial liabilities	**ECD $**	**USD $**	**TTD $**	**Total $**
At December 31, 2017				
Financial assets				
Cash and cash equivalents	29,598,499	-	-	29,598,499
Other receivables	1,091,406	-	-	1,091,406
Loans and advances to members	121,243,933	-	-	121,243,933
Investment securities: Available-for-sale	1,062,386	57,527	213,411	1,333,324
Investment securities: Loans and receivables	1,638,084	114,636	-	1,752,720
Total financial assets	154,634,308	172,163	213,411	155,019,882
Financial Liabilities				
Accounts payable and accrued liabilities	1,160,015	-	-	1,160,015
Other liabilities	12,180,590	-	-	12,180,590
Deposits due to members	115,969,017	-	-	115,969,017
	129,309,622	-	-	129,309,622
Net on balance sheet financial position	25,324,686	172,163	213,411	25,710,260
Credit commitments	2,267,252	-	-	2,267,252

6. Financial risk management (cont'd)

c) Currency risk (cont'd)

Concentrations of financial assets and financial liabilities	ECD $	USD $	TTD $	Total $
At December 31, 2016				
Financial assets				
Cash and cash equivalents	26,318,061	-	-	26,318,061
Other receivables	1,253,892	-	-	1,253,892
Loans and advances to members	135,177,191	-	-	135,177,191
Investment securities: Available-for-sale	329,173	165,317	155,361	649,851
Investment securities: Loans and receivables	781,515	211,344	-	992,859
Total financial assets	163,859,832	376,661	155,361	164,391,854
Financial Liabilities (restated)				
Accounts payable and accrued liabilities	2,679,905	-	-	2,679,905
Other liabilities	16,952,504	-	-	16,952,504
Deposits due to members	121,086,516	-	-	121,086,516
	140,718,925	-	-	140,718,925
Net on balance sheet financial position	23,140,907	376,661	155,361	23,672,929
Credit commitments	880,519	-	-	880,519

d) 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 Association takes on exposure to the effects of fluctuations in the prevailing levels 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 or create losses in the event that unexpected movements arise.

The table below summarizes the Association's exposure to interest rate risks. Included in the table are the Association's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

6. Financial risk management (cont'd)

d) Interest rate risk (cont'd)

	Up to 1 month $	1-3 Months $	3-12 Months $	2-5 Years $	Over 5 Years $	Non-interest bearing $	Total $
Concentration of financial assets and financial liabilities							
At December 31, 2017							
Financial assets							
Cash and cash equivalents	20,229,043	-	-	-	-	9,369,456	29,598,499
Other receivables	14,760	-	-	-	-	1,076,646	1,091,406
Loans and advances to members	6,071,446	426,180	734,477	18,560,052	95,451,778	-	121,243,933
Investment securities: Available-for-sale	-	52,399	95,135	237,798	-	947,992	1,333,324
Investment securities: Loans and receivables	-	-	1,752,720	-	-	-	1,752,720
Total financial assets	26,315,249	478,579	2,582,332	18,797,850	95,451,778	11,394,094	155,019,882
At December 31, 2017							
Financial liabilities							
Accounts payable and accrued liabilities	-	-	-	-	-	1,160,015	1,160,015
Other liabilities	-	-	-	995,363	10,966,183	219,044	12,180,590
Deposits due to members	10,117,979	13,798,053	44,699,147	46,275,684	-	1,078,154	115,969,017
Total financial liabilities	10,117,979	13,798,053	44,699,147	47,271,047	10,966,183	2,457,213	129,309,622
Net interest re-pricing gap	16,197,270	(13,319,474)	(42,116,815)	(28,473,197)	84,485,595	8,936,881	25,710,260

6. Financial risk management (cont'd)

d) Interest rate risk (cont'd)

	Up to 1 month $	1-3 Months $	3-12 Months $	2-5 Years $	Over 5 Years $	Non-interest bearing $	Total $
Concentration of financial assets and financial liabilities							
At December 31, 2016							
Financial assets							
Cash and cash equivalents	19,147,834	-	-	-	-	7,170,227	26,318,061
Other receivables	134,964	-	-	-	-	1,118,928	1,253,892
Loans and advances to members	5,820,012	407,611	666,663	24,390,181	103,892,724	-	135,177,191
Investment securities: Available-for-sale	-	-	9,515	159,500	290,894	189,942	649,851
Investment securities: Loans and receivables	-	-	992,859	-	-	-	992,859
Total financial assets	25,102,810	407,611	1,669,037	24,549,681	104,183,618	8,479,097	164,391,854
At December 31, 2016							
Financial liabilities (restated)							
Accounts payable and accrued liabilities	-	-	-	-	-	2,679,905	2,679,905
Other liabilities	-	-	-	1,179,014	15,551,379	222,111	16,952,504
Deposits due to members	6,346,128	7,580,634	44,217,659	61,787,780	-	1,154,315	121,086,516
Total financial liabilities	6,346,128	7,580,634	44,217,659	62,966,794	15,551,379	4,056,331	140,718,925
Net interest re-pricing gap	18,756,682	(7,173,023)	(42,548,622)	(38,417,113)	88,632,239	4,422,766	23,672,929

6. Financial risk management (cont'd)

e) Liquidity risk

Liquidity risk is the risk that the Association 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 fulfil commitments to lend.

Liquidity risk management
The Association's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Association's reputation.

Non derivative cash flows
The table below presents the cash flows payable by the Association 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 undiscounted cash flows, whereas the Association manages the inherent liquidity risk based on expected undiscounted cash inflows.

	Up to 1 month $	1-3 Months $	3-12 Months $	2-5 Years $	Over 5 Years $	Total $
At December 31, 2017						
Financial liabilities						
Accounts payable and accrued liabilities	1,160,015	-	-	-	-	1,160,015
Deposits due to members	11,175,690	13,624,931	46,394,986	47,584,249	-	118,779,856
Other liabilities	366,548	442,512	1,180,033	737,521	18,369,954	21,096,568
Total financial liabilities	12,702,253	14,067,443	47,575,019	48,321,770	18,369,954	141,036,439
Assets held for managing liquidity risk	35,669,945	478,579	2,582,332	18,797,850	95,451,778	152,980,484
At December 31, 2016						
Financial liabilities (restated)						
Accounts payable and accrued liabilities	2,679,905	-	-	-	-	2,679,905
Deposits due to members	7,500,376	7,574,592	38,429,956	74,679,931	-	128,184,855
Other liabilities	664,973	390,376	1,750,262	8,245,674	14,490,933	25,542,218
Total financial liabilities	10,845,254	7,964,968	40,180,218	82,925,605	14,490,933	156,406,978
Assets held for managing liquidity risk	33,130,932	407,611	676,178	24,140,682	103,212,964	161,568,367

6. Financial risk management (cont'd)

e) Liquidity risk (cont'd)

Off-balance sheet items

Loan commitments
The dates of the contractual amounts of the Association's off-balance sheet financial instruments that commit it to extend credit to members are summarized in the table below.

	2017	**2016**
	$	**$**
Loan commitments	2,267,252	880,519

f) Capital management

The St. Vincent Building and Loan Association is subject to the Financial Services Regulation as directed by the Financial Services Authority. The Association's objectives when managing capital are:

- To comply with the capital requirements of the Financial Services Regulations;
- To safeguard the Association's ability to continue as a going concern so that it can continue to provide returns for members and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Subsequent to the finalization and implementation of the recapitalization plan on August 29, 2014 the Board of Directors had projected the following additional capital from its current membership totaling $5,539,685 with respect to the shortfall on certain member accounts which was expected to be met in accordance with the minimum membership requirements. This additional amount comprises the following:

a) Existing Permanent Shares
Additional amount of $3,978,965 from accounts with balances less than $1,000.

b) Active Redeemable Shares
Additional amount of $560,721 from accounts with balances less than $1,000.

c) Delinquent Redeemable Shares
Additional amount of $1,000,000 from accounts with balances less than $1,000.

d) Regulatory capital requirements
The Financial Services Authority requires non-banking financial institutions to hold the minimum level of the regulatory capital of 8% to 10% of total assets.

The Association's regulatory capital includes permanent shares, accumulated surplus and general reserves.

6. Financial risk management (cont'd)

f) Capital management (cont'd)

Regulatory capital requirements (cont'd)

The table below summarizes the composition of regulatory capital of the Association for the year ended December 31.

	2017 $	2016 Restated $
Total capital		
Permanent shares	24,733,513	24,701,796
Accumulated surplus	2,679,404	556,075
Total capital	27,412,917	25,257,871
Total assets	162,564,313	172,055,125
Minimum capital requirement (8%)	13,005,145	13,764,410

7. Fair values of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The following methods and assumptions were used to estimate the fair value of financial instruments.

The fair values of cash resources, other assets and liabilities, cheques and other items in transit and due to other banks are assumed to approximate their carrying values due to their short term nature. The fair value of off-balance sheet commitments is also assumed to approximate the carrying amounts due to their short term nature.

Loans and advances to members
Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flow expected to be received. Expected cash flows are discounted at current market rate to determine fair value.

Investment securities
Investment securities include only interest bearing assets classified for sale are measured at fair value.

Loans and receivables
The estimated fair value of loans and receivables approximates the fair value due to their short-term nature.

Deposits due to members
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. Deposits payable on a fixed date are at rates, which reflect market conditions. Expected cash flows are discounted at current market rate to determine fair values.

7. Fair values of financial assets and liabilities (cont'd)

The table below summarizes the carrying amounts and fair values of those financial assets and financial liabilities not presented on the Association's statement of financial position at their fair value.

	Carrying value		Fair value	
	2017 $	2016 Restated $	2017 $	2016 Restated $
Financial assets				
Investment securities: Loans and receivables	1,752,720	992,859	1,752,720	992,859
Other receivables	1,091,406	1,253,892	1,091,406	1,253,892
Loans and advances to members	121,243,933	135,177,191	90,481,792	97,720,893
Financial liabilities				
Accounts payables and accrued liabilities	1,160,015	2,679,905	1,160,015	2,679,905
Deposits due to members	115,969,017	121,086,516	118,779,856	128,184,855
Other liabilities	12,180,590	16,952,504	9,860,234	12,400,653

Fair value hierarchy
IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Association's market assumptions. These two types of inputs have created the following fair value hierarchy:

— Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on actively traded exchanges.

— Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg.

— Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Association considers relevant and observable market prices in its valuations where possible.

7. Fair values of financial assets and liabilities (cont'd)

Financial assets and liabilities measured at fair value

	Level 2 $	Level 3 $	Total $
As of December 31, 2017			
Available-for-sale investments	213,411	1,119,913	1,333,324
As of December 31, 2016			
Available-for-sale investments	155,361	494,490	649,851

The Association's management performs valuations of financial items for financial reporting purposes, including Level 2 and 3 fair values.

The Association's available-for-sale investments classified as level 2 have been fair valued using observable prices on an inactive market. Available-for-sale investments classified as level 3 are based on valuation techniques are selected based on the characteristics of each instrument, using discounted cash flows. Valuation processes and fair value changes are undertaken at least every year, in line with the Association's reporting dates.

The reconciliation of the movement on the level 3 items are indicated below.

	2017 $	2016 $
At beginning of year	494,490	1,054,937
Additions and Disposals (sales and redemptions)	635,096	(518,124)
Losses from changes in fair value	(9,673)	(42,323)
At end of year	1,119,913	494,490

Fair value measurement of non-financial assets
The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at December 31:

	Level 3 $
December 31, 2017	
Property and equipment: Land and buildings	7,153,533
Total non-financial assets	7,153,533
December 31, 2016	
Property and equipment: Land and buildings	7,220,629
Total non-financial assets	7,220,629

Fair value of the Association's main property assets was revalued on August 31, 2016 by an independent, professionally-qualified property valuator. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors and Audit Committee at each reporting date.

The valuation approach used prices and other relevant information generated by market transactions involving identical or comparable assets. Under the market approach, the value is determined based on comparable transactions. Management believes the property's fair value will approximate the current market value.

8. Summary of significant accounting policies

a. Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition including: cash on hand, deposits with other banks and other short-term and highly liquid investments.

b. Financial assets

The Association allocates financial assets to the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

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 if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets held for trading consist of debt and equity instruments. They are recognized in the statement of financial position and included in 'Investment Securities'.

Financial instruments included in this category are recognized initially at fair value; transaction costs are taken directly to the statement of comprehensive income. Gains and losses arising from changes in fair value are included directly in the statement of comprehensive income. Interest income and expense and dividend income and expenses on financial assets held for trading are included in 'Net interest income'. The instruments are derecognized when the rights to receive cash flows have expired or the Association has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognizing.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

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

b. Financial assets (cont'd)

(ii) Loans and receivables (cont'd)

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as loans and advances to members and term deposits. Interest on loans and advances to members and term deposits are included in the statement of profit or loss and other comprehensive income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and receivables and recognised in the statement of profit or loss and other comprehensive income.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Association's management has the positive intention and ability to hold to maturity, other than: (a) those that the Association upon initial recognition designates as at fair value through profit or loss; (b) those that the Association designates as available for sale; and (c) those that meet the definition of loans and receivables. These are initially recognised at fair value including direct and incremental transaction costs (b) and measured subsequently at amortised cost, using the effective interest method. Interest on held-to-maturity investments is included in the statement of profit or loss and other comprehensive income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the statement of profit or loss and other comprehensive income.

If the Association were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

(iv) Available-for-sale-financial assets

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, 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, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the statement of other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the statement of other comprehensive income is recognised in the statement of profit or loss and other comprehensive income. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the statement of profit or loss and other comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of income when the Association's right to receive payment is established.

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

b. Financial assets (cont'd)

(iv) Available-for-sale-financial assets (cont'd)
Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on trade date – the date on which the Association commits to purchase or sell the asset.

c. Impairment of financial assets

Assets carried at amortised cost
The Association assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of asset is impaired includes observable data that comes to the attention of the Association about the following loss events:

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) the disappearance of an active market for that financial asset because of financial difficulties;

(vi) downgrading below investment grade level; or

(vii) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

— adverse changes in the payment status of borrowers in the group; or
— national or local economic conditions that correlate with defaults on the assets in the group.

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

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

c. Impairment of financial assets (cont'd)

Assets carried at amortised cost (cont'd)
If there is objective evidence that an impairment loss on loans and receivables or held to maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. If a loan or held to maturity investment has variable interest rates, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Association may measure impairment on the basis of an instrument's fair value using the observable market price. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may or may not result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Association's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets within credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses to the Association and their magnitude).

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for the loan impairment in the statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of profit or loss and other comprehensive income.

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

c. Impairment of financial assets (cont'd)

Assets carried at fair value

The Association assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss is removed from equity and recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in the statement of profit and loss and other comprehensive income on equity instruments are not reversed through the statement of profit or loss, if any.

Renegotiated loans

Loans whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due on basis of the renegotiated terms and conditions and disclosed only if renegotiated.

d. Impairment of other non-financial assets

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

e. Offsetting financial instruments

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

f. Property and equipment

Land and buildings are stated at revalued amounts. Revalued amounts are fair values based on appraisals prepared by external professional valuators once every two years or more frequently if market factors indicate a material change in fair value. Any revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in the statement of profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land and buildings are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in the statement of profit or loss.

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

f. Property and equipment (cont'd)

Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings. As no finite useful life for land can be determined, related carrying amounts are not depreciated. Other items of property and equipment are measured at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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 Association and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Land is not depreciated as no finite useful life can be determined.

Depreciation is calculated using the straight-line method on computer software and reducing balance on the other assets to allocate their cost over their estimated useful lives, as follows:

Freehold building	2%
Furniture, fixtures and equipment	20%
Computer software	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

g. Income tax

The Association is exempt from the payment of income tax under Section 25 of the Income Tax Act of St. Vincent and the Grenadines.

h. Financial liabilities

The Association's financial liabilities include deposits due to members, accounts payable and accrued liabilities and other liabilities.

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when extinguished.

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

i. Provisions

Provisions for restructuring costs and legal claims are recognised when: the Association 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.

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 obligations may be small.

Provisions are measures at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

j. Equity, reserves and dividends

Permanent shares represent a membership ownership of or members' equity in the Association. This amount cannot be withdrawn while the person remains a member but could be transferred from one member to another through the Association.

Other components of equity include the following:

- Revaluation reserve – comprises gains and losses from the revaluation of land and buildings.
- Reserves for available-for-sale financial assets – comprises gains and losses relating to these types of financial instruments.
- Retained earnings includes all current and prior period retained profits.

Dividend distribution
Dividends on permanent shares are recognised in equity in the period in which they are approved by the Association's Board of Directors.

k. Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Association estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

k. Interest income and expense (cont'd)

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 recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

l. Fee and commission income

Fees and commission income, including fines and penalties charged for late payments, servicing fees and commissions. Fees and commissions are generally recognised on an accruals basis when the service has been provided.

m. Dividend income

Dividend income from available for sale equities is recognised when the right to receive payment is established.

n. Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

o. Employee benefits

Defined contribution plan
Pursuant to the bye-laws made under article 44 of the Rules of the Association, the Association's employees benefit from a defined contribution pension plan. The Association contributes 12.5% of the total annual pensionable emoluments with each employee contributing 2.5% to the plan.

The Plan is generally funded through payments to trustee-administered funds, determined by the provisions of the plan. A defined contribution plan is a pension plan under which the Association pays fixed contributions into a separate entity. The Association has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Obligations for contributions to the defined contribution plan are expensed as the related services is provided and recognized in as employee benefit in profit or loss.

p. Financial instruments

Financial instruments carried on the statement of financial position include cash and cash equivalents balances, term deposits, investment securities, loans and advances to members, deposits due to members. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

9. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Association has not early adopted these new or amended standards in preparing these financial statements.

The new standards listed below are those that could potentially have an impact on the Association's performance, financial position or disclosures in the period of initial application. The potential impact of each standard is discussed below.

Effective January 1, 2018

IFRS 9 Financial Instruments

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted; the Association is therefore required to adopt IFRS 9 from January 1, 2018. The standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

i) ***IFRS 9 Implementation Strategy***

The Association's IFRS 9 implementation process is governed by a Committee whose members include representatives from risk, finance, operations and IT functions. The Committee meets on a regular basis to challenge key assumptions, approve decisions and monitor the progress of the implementation work across the Association, including evaluation of whether the project has sufficient resources.

The Association is in the process of completing a detailed impact assessment including most of the accounting analysis and will then commence work on the design and build of models, systems, processes and controls.

ii) ***Classification – Financial assets***

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

9. Standards issued but not yet effective (cont'd)

ii) *Classification – Financial assets (cont'd)*

— the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI 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 asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Association may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Association may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is classified into one of these categories on initial recognition. However, for financial assets held at initial application, the business model assessment is based on facts and circumstances at that date. Also, IFRS 9 permits new elective designations at FVTPL or FVOCI to be made on the date of initial application and permits or requires revocation of previous FVTPL elections at the date of initial application depending on the facts and circumstances at that date.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

9. Standards issued but not yet effective (cont'd)

ii) *Classification – Financial assets (cont'd)*

Preliminary impact assessment

Based on its preliminary high-level assessment of possible changes to the classification and measurement of financial assets held, the Association's current expectation is that:

— loans and advances to customers that are classified as loans and receivables and measured at amortised cost under IAS 39 would in general also be measured at amortised cost under IFRS 9;

— held-to-maturity investment securities measured at amortised cost under IAS 39 would in general also be measured at amortised cost under IFRS 9;

— debt securities that are classified as available for sale under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances;

— equity securities classified as available for sale under IAS 39 that are held for long-term strategic purposes would generally be designated as measured at FVOCI.

The Association's assessment is however on-going and will include a detailed review of the contractual terms of all financial assets. At that stage, the final impact will be determined.

iii) *Impairment of financial assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to the following financial instruments that are not measured at FVTPL:

— financial assets that are debt instruments;
— lease receivables;
— financial guarantee contracts issued; and
— loan commitments issued

No impairment loss will be recognised on equity investments.

9. Standards issued but not yet effective (cont'd)

iii) *Impairment of financial assets (cont'd)*

Under IFRS 9, loss allowances will be measured on either of the following bases:

— 12-month ECLs: these are ECLs that result from possible default events on a financial instrument within the 12 months after the reporting date; and

— lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.

The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgements in implementing the impairment model of IFRS 9. When assessing this, the Association will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis, based on the Association's historical experience and expert credit assessment and including forward-looking information.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

— financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Association expects to receive);

— financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

— undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Association if the commitment is drawn down and the cash flows that the Association expects to receive; and

— financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Association expects to recover.

Financial assets that are credit-impaired are defined by IFRS 9 in a similar way to financial assets that are impaired under IAS 39.

9. Standards issued but not yet effective (cont'd)

iii) *Impairment of financial assets (cont'd)*

Preliminary impact assessment

The most significant impact on the Association's financial statements from the implementation of IFRS 9 is expected to result from the new impairment requirements. The Association is not yet able to provide quantitative information about the expected impact, since the Association is in the process of building and testing models, assembling data and calibrating the impairment stage transfer criteria. However, the Association expects loss allowances under IFRS 9 to be larger and more volatile than under IAS 39.

iv) *Classification –financial liabilities*

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

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes will generally be presented as follows:

— the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

— the remaining amount of change in the fair value is presented in profit or loss.

The Association has not designated any financial liabilities as at FVTPL and it has no current intention to do so. The Association's preliminary assessment did not indicate any material impact regarding the classification of financial liabilities under IFRS 9.

v) *Disclosures*

IFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs. The Association's assessment included an analysis to identify data gaps against current processes and the Association is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

vi) *Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

— The Association will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at January 1, 2018.

9. Standards issued but not yet effective (cont'd)

vi) *Transition (cont'd)*

— The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

- The determination of the business model within which a financial asset is held.

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

- The designation of certain investments in equity instruments not held for trading as at FVOCI.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted; the Association is therefore required to adopt IFRS 15 from January 1, 2018.

The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 11, *Construction Contracts*, IAS 18, Revenue and IFRIC 13, *Customer Loyalty Programmes.*

The Association will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

Management has assessed that the main impact of this standard is in respect of fees and commission income. The Association earns fees and commission income on provision of services to members. Based on preliminary review, IFRS 15 is not expected to have a material impact on the timing and recognition of fees and commission income. However, the Association has not yet completed its detailed assessment and the financial impact has not yet been determined.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

9. Standards issued but not yet effective (cont'd)

Effective January 1, 2019

IFRS 16 Leases

IFRS 16*, Leases,* which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest and the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with a value of US$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

The Association is assessing the impact that this standard will have on its 2019 financial statements.

10. Cash and cash equivalents

	2017 **$**	**2016** **$**
Cash on hand	213,262	266,751
Current accounts	9,156,192	6,903,474
Fixed deposits, net	2	2
Savings account	20,229,043	19,147,834
	29,598,499	26,318,061

Fixed deposits represent amounts with original maturities less than 3 months. Fixed deposits impaired at the statement of financial position date are as follows:

	2017 **$**	**2016** **$**
Fixed deposits,	3,158,300	3,158,300
Less: provision for impairment losses	(3,158,298)	(3,158,298)
	2	2

11. Other receivables and prepayments

	2017 $	2016 $
Home mortgage premiums receivable	761,036	720,608
Rent receivable	145,149	134,964
Insurance claims receivable	35,926	149,311
Commissions receivable	55,705	64,756
Jamaica National E Money statutory deposit	100,000	100,000
Other receivables	208,253	298,916
	1,306,069	1,468,555
Provision for impairment losses	(214,663)	(214,663)
	1,091,406	1,253,892
Prepayments	4,346	22,674
	1,095,752	1,276,566

All amounts are short-term. The carrying values of other receivables are considered to be a reasonable approximation of fair value.

The movement of the provision for impairment on other receivables is as follows:

	2017 $	2016 $
Beginning of year	214,663	-
Provisions made during the year	-	214,663
End of year	214,663	214,663

12. Loans and advances to members

	2017 $	2016 $
Mortgage loans	137,357,287	152,053,415
Less: allowance for impairment on loans and advances to members	(17,337,749)	(18,255,877)
	120,019,538	133,797,538
Loans secured by deposits	1,224,395	1,379,653
	121,243,933	135,177,191

	2017 $	2016 $
Current	28,202,215	30,429,686
Non-current	110,379,467	123,003,382
	138,581,682	153,433,068

The weighted average interest rate on loans and advances to members as of December 31, 2017 is 8.43% (2016: 8.57%).

The movement on the impairment provision on loans and advances to members is as follows:

	2017 $	2016 $
Beginning of year	18,255,877	18,646,648
Provisions made during the year	(680,401)	223,991
Provisions written off during the year	(237,727)	(614,762)
End of year	17,337,749	18,255,877

13. Investment securities

	2017 $	2016 $
Available-for-sale investments		
Debt securities	7,385,332	7,459,909
Equity securities	757,991	699,941
	8,143,323	8,159,850
Less: provision for impairment on available-for-sale investments	(6,809,999)	(7,509,999)
	1,333,324	649,851

	2017 $	2016 $
Debt securities:		
Listed	298,850	459,909
Unlisted	7,086,482	7,000,000
	7,385,332	7,459,909
Less: provision for impairment	(6,300,000)	(7,000,000)
	1,085,332	459,909
Equity securities:		
Listed	247,991	189,941
Unlisted	510,000	510,000
	757,991	699,941
Less: provision for impairment losses	(509,999)	(509,999)
	247,992	189,942
Total available-for-sale	1,333,324	649,851
Loans and receivables		
Unlisted debt securities	1,752,720	992,859
Total investment securities	3,086,044	1,642,710

	2017 $	2016 $
Current	1,900,254	992,859
Non- current	7,995,789	8,159,850
	9,896,043	9,152,709

13. Investment securities (cont'd)

All debt securities have fixed interest rates. Debt securities bear interest at the rate of 7.5% to 8.5% per annum and are due to mature between 2018 and 2022.

Loans and receivables mature in 2018. The weighted average effective interest rate on loans and receivables as of December 31, 2017 is 1.5% (2016: 1.5%).

The movement in investment securities during the year is as follows:

	Available-for-sale $	Loans and receivables $	Total $
December 31, 2017			
Beginning of year	649,851	992,859	1,642,710
Additions	-	3,666,132	3,666,132
Disposals (sales and redemptions)	(151,385)	(2,906,271)	(3,057,656)
Gain from changes in fair value and foreign exchange, net	48,378	-	48,378
Reversal of impairment losses	786,480	-	786,480
End of year	1,333,324	1,752,720	3,086,044
December 31, 2016			
Beginning of year	1,224,264	5,636,763	6,861,027
Disposals (sales and redemptions)	(518,124)	(4,643,904)	(5,162,028)
Loss from changes in fair value and foreign exchange, net	(56,289)	-	(56,289)
End of year	649,851	992,859	1,642,710

14. Property and equipment

	Freehold land $	Freehold building $	Furniture, fixtures & equipment $	Computer software $	Total $
Cost					
Balance at January 1, 2016	3,060,200	4,333,000	1,284,631	514,392	9,192,223
Additions	-	-	57,852	-	57,852
Revaluations	278,200	(196,928)	-	-	81,272
Balance at December 31, 2016	3,338,400	4,136,072	1,342,483	514,392	9,331,347
Balance at January 1, 2017	3,338,400	4,136,072	1,342,483	514,392	9,331,347
Additions	-	10,716	54,608	52,016	117,340
Disposals	-	-	(8,695)	-	(8,695)
Balance at December 31, 2017	3,338,400	4,146,788	1,388,396	566,408	9,439,992
Accumulated depreciation					
Balance at January 1, 2016	-	171,587	998,786	294,559	1,464,932
Depreciation for the year	-	82,256	61,441	82,121	225,818
Balance at December 31, 2016	-	253,843	1,060,227	376,680	1,690,750
Balance at January 1, 2017	-	253,843	1,060,227	376,680	1,690,750
Depreciation for the year	-	77,812	62,180	77,378	217,370
Disposals	-	-	(8,213)	-	(8,213)
Balance at December 31, 2017	-	331,655	1,114,194	454,058	1,899,907
Carrying amounts					
Balance at January 1, 2016	3,060,200	4,161,413	285,845	219,833	7,727,291
Balance at December 31, 2016	3,338,400	3,882,229	282,256	137,712	7,640,597
Balance at December 31, 2017	3,338,400	3,815,133	274,202	112,350	7,540,085

The Association's freehold land and buildings were revalued on August 31, 2016 by a qualified valuator at an open market value of $7,247,400. The Directors have agreed to carry the property at the appraised value. The revaluation surplus arising has been credited to the revaluation reserve in the statement of financial position.

15. Accounts payable and accrued liabilities

	2017 $	2016 $
Group life insurance payable	435,116	486,956
Other payables	302,316	1,737,545
Accrued liabilities	422,583	455,404
	1,160,015	2,679,905

All amounts are short-term. The carrying values of trade payables and accrued liabilities are considered to be a reasonable approximation of fair value.

16. Other liabilities

	2017 $	2016 $
Due to Eastern Caribbean Home Mortgage Bank	3,821,459	7,128,470
Due to Bank of St. Vincent and the Grenadines	6,638,792	8,046,568
Other	1,720,339	1,777,466
	12,180,590	16,952,504

	2017 $	2016 $
Current	1,966,221	2,557,200
Non-current	10,214,369	14,395,304
	12,180,590	16,952,504

The Association has the option of buying or selling loans to Eastern Caribbean Home Mortgage Bank (ECHMB) and the Bank of St. Vincent and the Grenadines (BOSVG) as part of its liquidity management strategy. Under the terms of the agreement, the Association remains obligated to indemnify ECHMB and BOSVG with respect to any default, loss or title deficiency occurring during the life of the loans secured by the purchased mortgages. The balance due at the year end is repayable under the same terms and conditions as the underlying loans sold.

17. Interest levy payable

	2017 $	2016 $
Interest levy on special deposits	479,783	717,331

Under the provisions of the Interest Levy Act 314, the Association is required to pay an interest levy of half of one percent (0.5%) effective January 1, 2009 on special deposits, based on its average monthly balances adjusted for amounts lent for home construction.

18. Deposits due to members

	2017 $	2016 Restated $
Savings	9,410,664	5,948,307
Other deposits	960,077	1,052,815
Fixed deposits	97,152,209	107,042,894
Super Savers accounts	8,327,990	6,941,000
Death benefit fund	118,077	101,500
	115,969,017	121,086,516

	2017 $	2016 Restated $
Current	69,575,256	59,197,236
Non-current	46,393,761	61,889,280
	115,969,017	121,086,516

19. Permanent shares

	2017 $	2016 $
Authorized:		
Unlimited permanent shares of no value		
Issued and fully paid:		
2,473,351 (2016: 2,470,179)	24,733,513	24,701,796

20. Revaluation reserve

The movement on the revaluation reserve is as follows:

	2017 $	2016 $
Beginning of year	5,440,031	5,411,130
Revaluation of property	-	81,272
Amortization of revaluation surplus during the year	(47,385)	(52,371)
End of year	5,392,646	5,440,031

The revaluation surplus is not available for distribution to the members of the Association.

21. Net interest income

	2017 $	2016 Restated $
Interest income		
Loans and advances to members	7,965,626	9,011,675
Deposits and investments	536,578	460,818
Special deposits loans	72,685	88,416
	8,574,889	9,560,909
Interest expense		
Levy on special deposits, net	(466,777)	(569,173)
Interest – ECHMB	(502,505)	(639,259)
Interest – BOSVG	(623,232)	(218,626)
Savings accounts	(182,892)	(79,533)
Supersaver accounts	(235,839)	(189,307)
Fixed deposits	(3,118,089)	(4,014,675)
	(5,129,334)	(5,710,573)
Net interest income	3,445,555	3,850,336

22. Fees and commissions income, net

	2017 $	2016 $
Fines income	71,618	25,569
Commissions earned on insurance	186,717	171,038
Commissions earned on ECHMB and BOSVG loans	121,251	83,466
Commission earned on E money transfers	811	12,572
Commission earned on utility services	26,003	6,347
Other fees income	5,820	21,499
	412,220	320,491

23. Net trading (loss)/gain

	2017 $	2016 $
(Loss)/gain on foreign exchange transactions	(1,178)	1,451

24. Other operating income

	2017 $	2016 $
Rental income	105,966	113,384
Dividend income	12,284	9,603
Legal fees income	60,882	10,219
Other income	616,112	66,628
	795,244	199,834

25. Impairment (recovery)/loss on financial assets, net

	2017 $	2016 $
Provision for impairment on loans and advances to members	(680,401)	223,991
Write-off of loans and advances to members	112,878	37,647
Other receivables bad debt expense	-	215,277
Other receivables bad debts recovered	(700,000)	-
	(1,267,523)	476,915

26. Operating expenses

	2017 $	2016 $
Advertising and promotion	25,546	30,183
Annual general and special meeting expenses	19,660	18,477
Audit fees	108,390	120,490
Bank and other licenses	1,500	13,000
Cleaning services	67,161	67,680
Computer expenses	118,702	76,044
Depreciation expense (note 14)	217,370	225,818
Directors fees	60,250	79,950
Donations and subscriptions	19,023	11,571
Electricity	129,909	125,729
Employee benefit expenses (note 27)	2,136,806	1,796,098
Insurance	27,678	21,148
Legal and professional fees	95,702	17,018
Loss on disposal of property and equipment	482	-
Office expenses	41,335	36,937
Other expenses	59,512	42,994
Postage, printing and stationery	60,101	74,593
Rates and taxes	21,242	25,014
Rental expenses	11,104	11,040
Repairs and maintenance	167,133	100,122
Scholarships	25,000	28,700
Security	129,858	121,224
Staff expenses and uniforms	18,555	38,043
Telephone	73,058	51,135
Training expenses	20,502	6,631
	3,655,579	3,139,639

27. Employee benefit expenses

	2017 $	2016 $
Salaries and wages	1,802,762	1,492,188
Travelling, telephone and housing allowance	79,150	68,829
National insurance contributions	81,678	69,627
Gratuity and other staff benefits	173,216	165,454
	2,136,806	1,796,098

28. Related party transactions and balances

(a) Definition of related party

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

(a) A person or a close member of that person's family is related to the Association if that person:

(i) has control or joint control over the Association;

(ii) has significant influence over the Association; or

(iii) is a member of the key management personnel of the Associaiton or of a parent of the reporting entity.

(b) An entity is related to the Association if any of the following conditions applies:

(i) The entity and the Association are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Association or an entity related to the Association.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part provides key management personnel services to the Association or to the parent of the Association.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

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

(a) Transactions with related parties were carried out on commercial terms and conditions.

Loans and advances to directors

	2017 $	2016 $
Loans outstanding at beginning of year	14,274	167,106
Transfers out of directors' loans	-	(167,106)
Net repayments for the year	(4,238)	-
Loans outstanding at end of year	10,036	-
Interest income earned	993	-

Special deposit loans to related parties

	2017 $	2016 $
Principal balance	47,547	56,144
Interest income	3,888	4,430
Interest expense	6,312	1,965

(b) Key management compensation

The compensation paid or payable to key management for employee services is shown below:

	2017 $	2016 $
Salaries and other short-term benefits	280,200	237,074
Gratuity expense	35,500	42,500
	315,700	279,574
Directors remuneration	60,250	79,950

29. Loan commitments

Loans approved but not yet drawn down at December 31, 2017 amounted to $2,267,252 (2016: $880,519).

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