

NATIONAL CO-OPERATIVE CREDIT UNION LTD.



ONLINE
Services



IMPROVING THE DELIVERY OF SERVICE THROUGH TECHNOLOGY

ANNUAL REPORT
2018

Credit Union Prayer

Prayer of St. Francis of Assisi

*Lord make me an instrument of your peace,
Where there is hatred let me sow love
Where there is injury, Pardon
Where there is doubt, Faith
Where there is despair, Hope
Where there is darkness, Light
And where there is sadness, Joy*

*Oh Divine Master
Grant that I may not so much seek
To be consoled as to console
To be understood as to understand
To be loved as to love
For it is in giving that we receive
It is in pardoning that we are pardoned
And it is in dying
That we are born to eternal life*

Table of Contents

2	Mission Statement
3	Standing Orders
4	Notice and Agenda
5	Board of Directors
6	Board of Directors' Report
16	Financial Highlights
18	Management
19	Treasurer's Report
	Financial Statements
26	Auditor's Report
29	Statement of Financial Position
30	Statement of Income and Appropriation
31	Statement of Changes in Equity
32	Cash Flow Statement
33	Notes to Financial Statements
80	Credit Committee
81	Credit Committee's Report
91	Supervisory and Compliance Committee's Report
96	Nominations Committee's Report



Mission Statement

"To be the Leading Financial Institution Providing Services that Enhance the Quality of Life of ALL, Consistent with Co-operative Principles."

Our Co-operative Identity

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.

Our Co-operative Principles

- ✓ Voluntary and Open Membership
- ✓ Democratic Member Control
- ✓ Member Economic Participation
- ✓ Autonomy and Independence
- ✓ Education, Training and Information
- ✓ Cooperation Among Cooperatives
- ✓ Concern for the Community

Our Co-operative Values

- ✓ Self-help
- ✓ Self-responsibility
- ✓ Democracy
- ✓ Equality
- ✓ Equity
- ✓ Solidarity

Our Values

- ✓ Integrity
- ✓ Professionalism
- ✓ Loyalty
- ✓ Innovation
- ✓ Human Resource Development
- ✓ Confidentiality

STANDING ORDERS

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

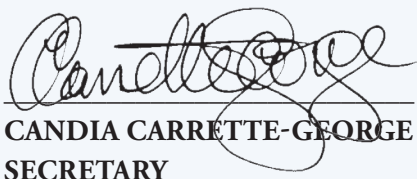


NOTICE

Notice is hereby given that the 9th Annual General Meeting of the National Co-Operative Credit Union [NCCU] Limited will be held on Wednesday, August 28, 2019 at 5:00 p.m. at the Dominica Public Service Union Hall, Valley Road, Roseau, Commonwealth of Dominica, to consider the following:

AGENDA

- 1. Credit Union Prayer**
- 2. Welcome Remarks**
- 3. Ascertainment of Quorum**
- 4. Apologies for Absence**
- 5. Adoption of Agenda**
- 6. Reading and Confirmation of Minutes of the 8th Annual General Meeting**
- 7. Matters Arising from the Minutes**
- 8. Reports:**
 - a. Board of Directors
 - b. Treasurer and Auditor
 - c. Supervisory and Compliance Committee
 - d. Credit Committee
- 9. Elections – Nominations Committee Report**
- 10. Unfinished Business**
- 11. New Business:**
 - a. Appropriation of Surplus
 - b. Appointment of Auditor
- 12. Any Other Business:**
 - a. Remarks and Suggestions
 - b. Lucky Bird Prizes
- 13. Adjournment**


CANDIA CARRETTE-GEORGE
SECRETARY

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

BOARD OF DIRECTORS



Josephine Dublin
President



Sonia Williams
Vice-President



Candia Carrette-George
Secretary



Gerald Fregiste
Treasurer



Aaron Dalrymple
Member



Clement Marcellin Jr.
Member



Kyra Paul-L'Homme
Member



Patrickson Albert
Member



Glenworth Ducreay
Member



Damien Dublin
Member



Dexter Ducreay
Member



Cecil Shillingford
Member



Charmaine Brumant
Member



BOARD OF DIRECTORS REPORT

OVERVIEW

The National Co-operative Credit Union has for yet another year exemplified the true spirit of the Credit Union movement and with the utmost resilience, continues the provision of service to all members.

The Board of Directors, Management and Staff are indeed very proud with the remarkable progress made during the year in review immediately following the devastating effects of the weather systems of 2017.

MEMBERSHIP

The Board is extremely pleased to report growth in membership during the year in review to 47,689 as compared to 46,295 in the previous year of 2017, an increase of 1,394.



Table 1 - MEMBER SHARE CAPITAL RATE OF GROWTH 2014 - 2018

	2018	2017	2016	2015	2014
Value of Shares	\$5,538,350	\$5,140,550	\$4,520,450	\$4,070,800	\$3,703,050
No. of Members	47,689	46,295	43,442	40,324	38,983
Rate of Growth in Shares	7.74%	13.72%	11.05%	9.93%	16.48%
Rate of Growth in Membership	3.01%	5.5%	7.73%	3.44%	3.75%

The Member Share Capital showed positive signs of growth albeit at a slower rate than the previous year.

FINANCIAL PERFORMANCE

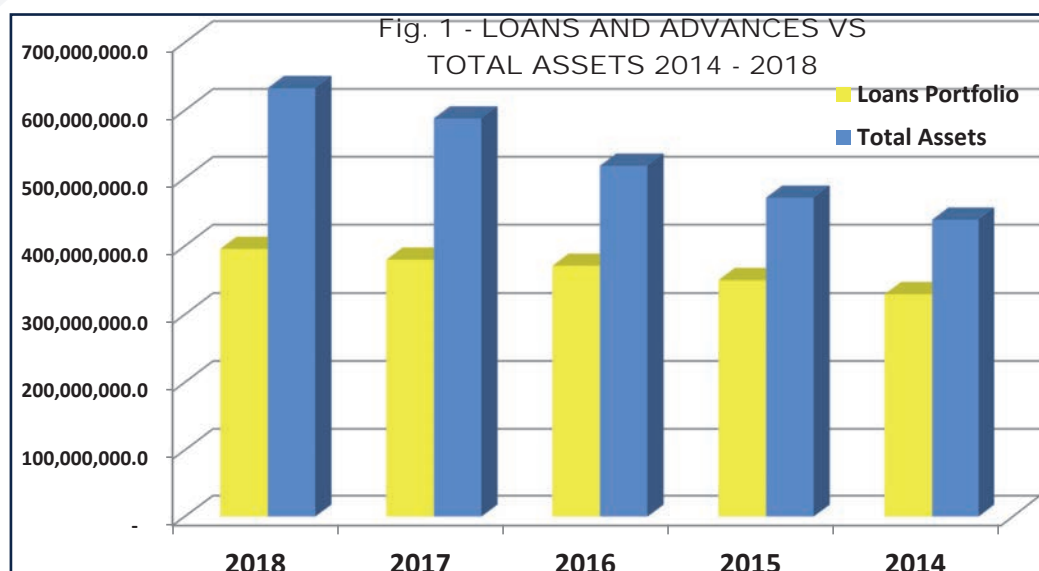
At the end of December 2018, the Credit Union's Total Assets amounted to \$625,770,982, an increase of \$37,701,857 or 6.41%. Investment Securities increased by \$25,786,383 or 29.60%.

LOANS AND ADVANCES

Net loans and advances to members were \$365,783,097 as compared to \$360,489,571, at the end of the previous year, an increase of \$5,293,526 or 1.47%. Mortgage Loans once again accounted for the most significant increase in the portfolio.

Table 2 - LOANS AND ADVANCES VS. TOTAL ASSETS (2014 - 2018)

YEARS	LOANS PORTFOLIO \$	TOTAL ASSETS \$
2018	395,637,358	625,770,982
2017	379,763,559	588,069,125
2016	370,901,814	518,315,849
2015	349,829,748	471,206,380
2014	329,847,792	438,800,102



Total Gross Revenues decreased by \$1,233,519 or 3.85% to \$30,835,607 during the year in review from \$32,069,126 in 2017.

LIQUIDITY MANAGEMENT

The Society's strong cash flow position continued in 2018 with a significant increase in the availability of cash for operations. For the year in review, the Savings/Deposits grew by \$36,348,246 or 10.81%.

Table 3 - CHANGES IN LIABILITIES - Dec. 2018 and Dec. 2017

INDICATORS	Dec. 31, 2018	Dec. 31, 2017	Increase/(Decrease)	
	\$	\$	\$	%
Savings/Ordinary Deposits	372,661,495	336,313,249	36,348,246	10.81
Fixed Deposits	141,107,984	138,026,016	3,081,968	2.23
Member Retirement Account	39,254,630	37,495,004	1,759,626	4.69
Other Liabilities	11,342,011	9,065,145	2,276,866	(25.12)
TOTAL	\$564,366,120	\$520,899,414		

Table 4 - LIABILITIES MIX - Dec. 2018 and Dec. 2017

CATEGORY	DEC. 2018		DEC. 2017	
	\$	%	\$	%
Savings/Ordinary Deposits	372,661,495	66.03	336,313,249	64.56
Fixed Deposits	141,107,984	25.00	138,026,016	26.50
Member Retirement Account	39,254,630	6.96	37,495,004	7.20
Other Liabilities	11,342,011	2.01	9,065,145	1.74
TOTAL	\$564,366,126		\$520,899,414	

MEMBERS' EQUITY

As at December 31, 2018, the Society's equity had decreased to \$61,404,862 from \$67,169,711 at the end of the previous year, a decrease of \$5,764,849 or 8.58%. The decrease was primarily due to the adjustment to the retained earnings as a result of the adoption of IFRS9 on January 1, 2018.

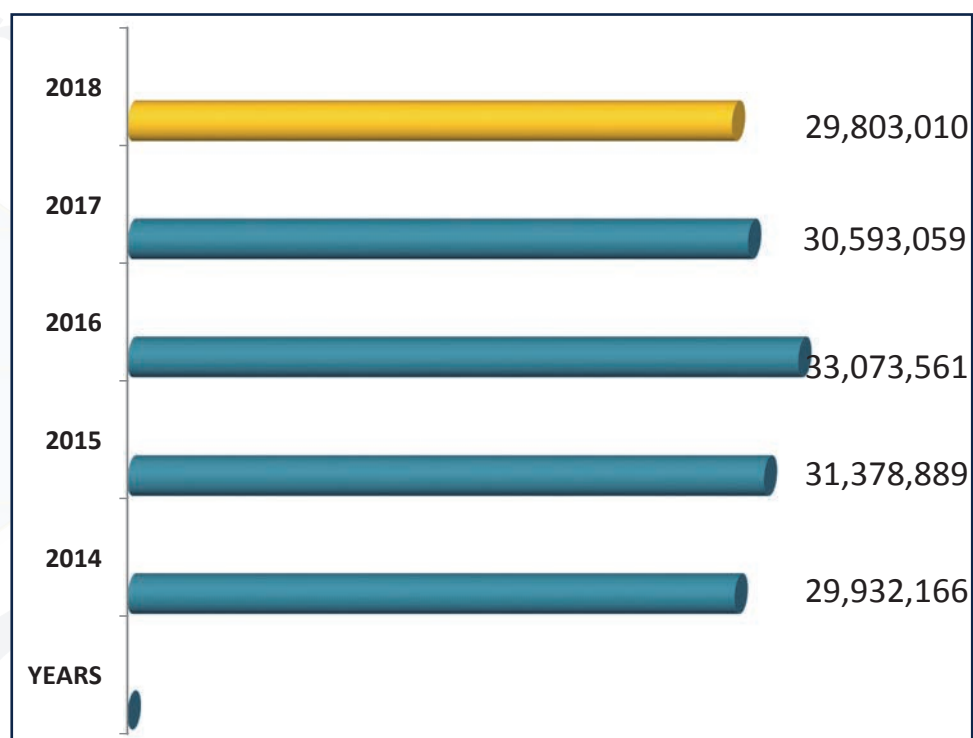
STATEMENT OF INCOME AND APPROPRIATION

For the year in review, the Society earned income on loans of \$26,709,744 compared to \$27,572,388 in the previous year, a decrease of (\$862,644) or (3.13%). Interest and Investment Income totalled \$29,803,010 for the year in review, a reduction of (\$790,049) or (2.58%) when compared with the previous year.

Table 5 - INCOME TRENDS 2014 - 2018

YEARS	GROSS INTEREST INCOME \$	RATE OF GROWTH %
2018	29,803,010	(2.58%)
2017	30,593,059	(7.50%)
2016	33,073,561	5.40%
2015	31,378,889	4.83%
2014	29,932,166	5.51%

Fig. 2: Income Trends 2014-2018 (represented in XCD)



OPERATING EXPENSES

Total Operating Expenses increased from \$12,859,873 in 2017, to \$13,595,445 in 2018. The increase in expenses was as a result of insurance related expenses.

INTEREST EXPENSES

Despite the efforts to minimize the interest expenses on deposits, these expenses increased by \$762,931 or 6.91% as a direct result of significant homeowners insurance settlement deposited by members to their accounts.

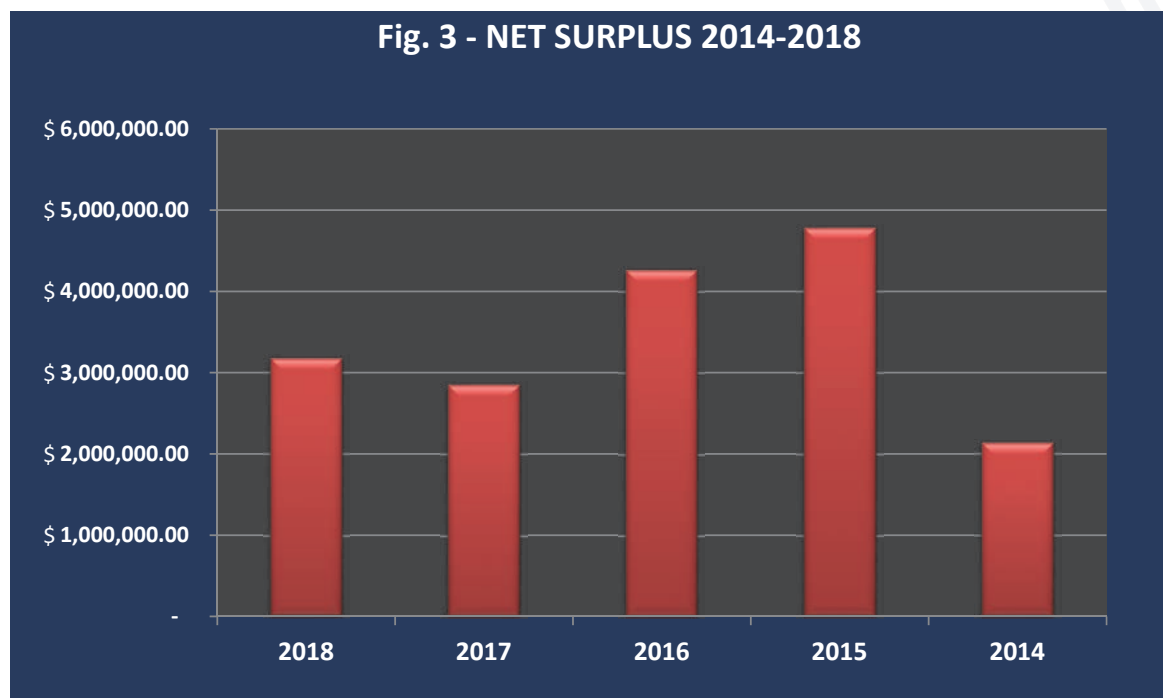
A strategic decision was taken to reduce the rates on fixed deposits to minimize these expenses.

NET SURPLUS

The reported Net Surplus after appropriation of \$3,173,823 is an increase of \$322,835 over the 2017 figure of \$2,850,988.

Table 6 - NET SURPLUS 2014 - 2018

YEARS	NET SURPLUS \$
2018	3,173,823
2017	2,850,988
2016	4,263,517
2015	4,778,147
2014	2,131,067

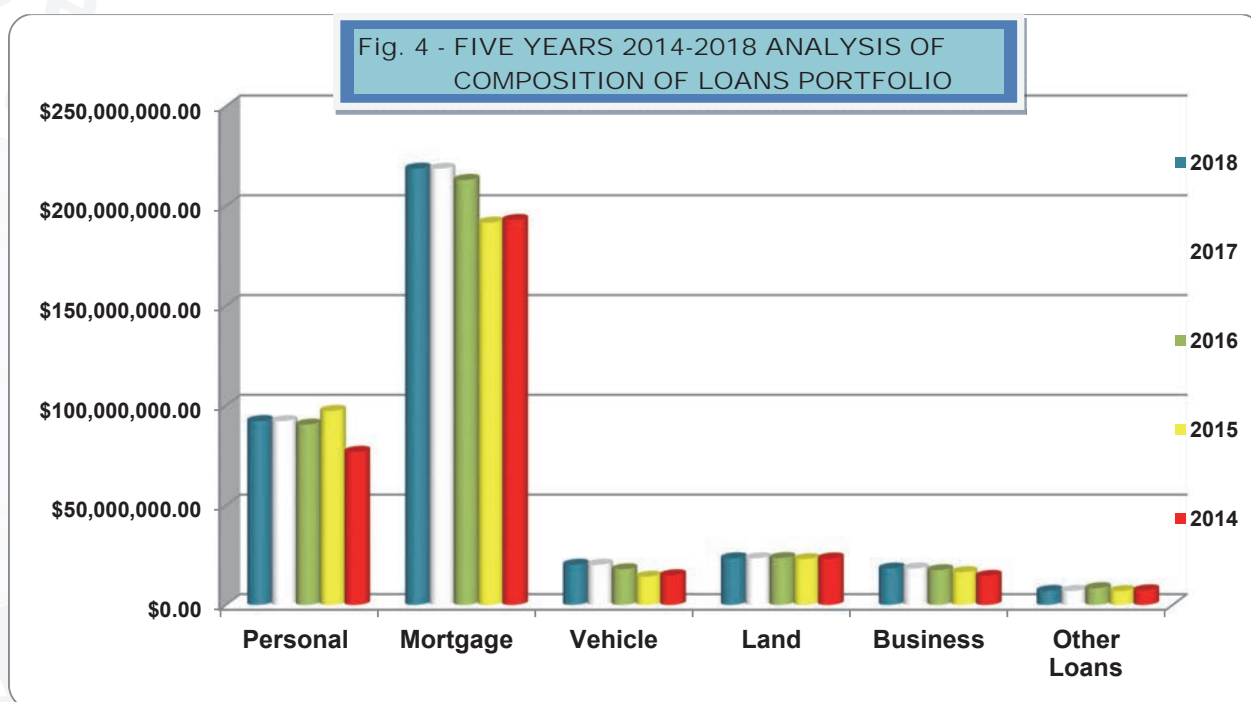


LOANS PORTFOLIO

The Board is extremely pleased to report that despite the challenges in the operating environment, the Loans Portfolio showed positive signs of growth. The composition of the Loans Portfolio at the end of December 2018 is shown in Table 7 and Fig. 4 below.

Table 7 - Composition of the Loans Portfolio

LOAN CATEGORY	2018 \$	2017 \$	2016 \$	2015 \$	2014 \$
Personal	97,553,233	92,253,453	90,511,297	97,367,285	76,852,688
Mortgage	229,256,327	218,703,792	213,111,931	191,707,710	192,976,387
Vehicle	19,443,483	20,153,475	17,891,385	14,145,363	14,876,126
Land	24,354,697	23,414,793	23,546,008	22,972,669	23,321,453
Business	17,783,873	18,268,446	17,444,451	16,440,108	14,543,092
Other Loans	7,245,745	6,969,600	8,396,742	6,898,613	7,278,046



COMPLIANCE AND RISK MANAGEMENT

In accordance with the Anti-Money Laundering and Combating Financial Crimes legislations, the Society pulled together several senior management personnel as the Risk Committee in preparation for the country risk assessment.

The Society has gone further to obtain a more up to date platform for screening persons before accepting them to the membership.

PHYSICAL PLANT

The refurbishing of the Society's offices damaged during the passage of the hurricane continued during the year under review and operations resumed in all the offices except La Plaine, Delice and Grand Fond.

Major repairs to the Paix Bouche and Vieille Case offices were also undertaken with a donation of \$186,000 received from the Caribbean Confederation of Credit Unions through the Dominica Co-operative Societies League Ltd.

New air conditioning units for the main office building were purchased and installed and a total replacement of the protective sealant on the roof was undertaken to stop the penetration of water.

CORPORATE SOCIAL RESPONSIBILITY

Our Credit Union's desire to provide members with additional cash to rebuild their lives and homes, continued with the waiver on interest on members loans who were affected by the passage of Hurricane Maria. Members also benefited from extended periods of deferment where necessary mainly as a result of unemployment.

In keeping with the Society's mission to improve the quality of life, several groups, associations and individuals were assisted with donations to meet medical expenses and execute community activities. Several other benevolent causes were supported totalling \$77,241.

COMMUNITY INVOLVEMENT/SCHOLARSHIPS

Fifteen (15) students who were successful at the Grade Six (6) National Assessment were awarded scholarships to attend secondary schools during the year in review.

The allowances granted to first formers to purchase uniforms were increased to \$500.00. Total scholarships related expenses was \$60,786.

TRAINING & DEVELOPMENT

Consistent with the Society's plan to be the leading financial institution, a number of training programmes and information sharing sessions were planned and executed for the benefit of staff and volunteers to improve the delivery of service to the members:

- ❖ Exceptional Member Services
- ❖ Human Resource Management
- ❖ Conducting Site Visits for Buildings Under Construction
- ❖ De-Risking
- ❖ Conducting Performance Appraisals
- ❖ Property Insurance
- ❖ Corporate Governance
- ❖ Volunteers Induction

WORLD COUNCIL OF CREDIT UNIONS CONFERENCE

The Society was represented by Mr. Gerald Fregiste - Treasurer, Mr. Dexter Ducreay - Director and Mr. Aylmer Irish - Chief Executive Officer at the World Council of Credit Unions Conference held in Singapore in July 2018. The Conference was attended by over 1,400 Credit Union leaders from across the globe.

Among the many presentations to which attendees were exposed included:

- Crypto Currency and Credit Unions - Disruption or Collaboration.
- Transforming a Credit Union - The Challenges of Leadership.
- Evaluating Women in Credit Unions: 10 Steps for Board Members, CEO's and Emerging Leaders.

- Current and Future Cyber Threats to the Credit Unions.

CCCU ANNUAL CONVENTION AND AGM

The 61st CCCU Conference and 47th AGM was held in Trinidad and Tobago, the twin island republic in June 2018 under the theme “Credit Unions: The Power to Change the Future.”

The Convention proved to be very educational and presentations very relevant; among the topics explored were:

- International Financial Reporting Standards 9 (IFRS9) - Implementation and Impact.
- Governance and Leadership.
- Credit Unions: Vehicles for Visionary and Transformation
- Unleashing World Class Customer Experience through Service Consistency.

NEW VOTING TALLY SYSTEM

The introduction of a new automated ballot counting system has drastically reduced the amount of time to obtain results of the members elected to serve on the various Committees.

This new system was first tested at the 8th Annual General Meeting held on June 28, 2018.

THE BOARD OF DIRECTORS

The following members were elected to serve as Directors at the 8th Annual General Meeting held at the Goodwill Parish Hall on Sunday, June 28, 2018.

- | | |
|-------------------------|-------------------------|
| • Ms. Sonia Williams | • Ms. Charmaine Brumant |
| • Dr. Kyra Paul-L'Homme | • Mr. Glen Ducreay |
| • Mr. Patrickson Albert | |



2018 NCCU Scholarship Recipients

Table 8 - MEETINGS ATTENDANCE RECORD January 1, 2018 – December 31, 2018

DIRECTORS	MONTHLY B.O.D. MEETINGS			SPECIAL B.O.D. MEETINGS			JOINT COMMITTEE MEETINGS		
	Total Called	Attended	Excused	Total Called	Attended	Excused	Total Called	Attended	Excused
Josephine Dublin - President	11	11	00	00			03	03	00
Sonia Williams - Vice President	06	05	01	00			03	03	00
Candia Carrette-George - Secretary	11	10	01	00			03	02	01
Gerald Fregiste -Treasurer	11	10	01	00			03	03	00
Clement Marcellin Jr.*	11	11	00	00			03	03	00
Dr. Kyra Paul-L'Homme	11	05	06	00			03	01	02
Patrickson Albert	11	09	02	00			03	03	00
Dexter Ducreay	11	09	02	00			03	01	02
Dr. Damien Dublin	11	11	11	00			03	01	02
Mr. Aaron Dalrymple	11	11	11	00			03	02	01
Cecil Shillingford	11	06	05	00			03	00	03
Charmaine Brumant	11	07	04	00			03	02	01
Glenworth Ducreay	06	03	03	00			01	00	01

FUTURE OUTLOOK

As we approach the Society's tenth year of operations in 2020, we are thankful for the many achievements; the increase in Branches from five (5) to seven (7) since November 1, 2010 and increases in both membership and assets. The formal launching of the NCCU on-line service will become a reality, so too will be the automated loan application process.

We shall see a new and modernized office in the La Salette community which will assist in reducing the lines at the Roseau Branch.

ACKNOWLEDGEMENT

The year under review successes would not have been possible without the dedication and unwavering support of Directors, Committee members, our dedicated staff and our most valuable members whose participation in the business of the Society is much appreciated.

In this light, the Board of Directors expresses its heartfelt appreciation to Management and Staff for their continued support.

Special thanks are extended to the Supervisory and Compliance Committee and Credit Committee for their dedication to service.

Our thanks are extended to the many organizations and stakeholders who have partnered and facilitated the work of the Society including the World Council of Credit Unions, Caribbean Confederation of Credit Unions, Dominica Co-operative Societies League, sister Credit Unions and the Regulators - the Financial Services Unit.

The growth of the Society is as a result of the sustained relationship with our members.

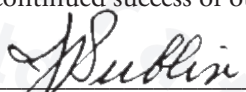
To you the members, we express our profound gratitude for utilizing the services and products of your Credit Union.

We will continue to improve the delivery channels to meet your needs whenever you want to conduct transactions, be it online, face-to-face, utilizing ATM or point-of-sale.

On behalf of our tremendous and hard working Staff members, we certainly appreciate the opportunity to serve you.

To the retiring Volunteers, your service and interest in the growth and expansion of the Credit Union is deserving of highest commendation and we thank you for your service.

Let us together continue to advance our Credit Union by utilizing all the services as this is the only known way to ensure the continued success of our Credit Union.


JOSEPHINE DUBLIN (MRS.)
PRESIDENT

For and on Behalf of the Board of Directors



Theresa Royer receiving Long Service Award at 8th AGM.

FINANCIAL HIGHLIGHTS

For the Year Ended December 31, 2014 to December 31, 2018

STATEMENT OF FINANCIAL POSITION	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
ASSETS					
Cash and Bank Balances	98,154	96,658	37,879	19,854	12,549
Investment Securities	112,913	87,127			
Investment Held to Maturity & Available for Sale		67,419	65,091	58,460	58,489
Originated Loans (Net)	365,783	360,490	351,991	334,052	315,032
Property, Plant and Equipment	37,947	36,733	35,913	33,597	28,879
Other Assets/Shares	10,974	7,061	8,467	6,909	6,129
Statutory Reserves			19,191	18,335	17,723
	<u>625,771</u>	<u>\$588,069</u>	<u>\$518,532</u>	<u>\$471,206</u>	<u>\$438,801</u>
LIABILITIES					
Savings/Ordinary Deposits	372,661	336,313	269,016	234,683	217,180
Term Deposits	141,108	138,026	139,880	135,785	132,400
Member Retirement Account	39,255	37,495	34,675	32,651	29,532
Other	11,342	9,065	11,533	9,607	7,358
	<u>564,366</u>	<u>520,899</u>	<u>455,104</u>	<u>412,726</u>	<u>386,470</u>
EQUITY					
Share Capital	5,538	5,141	4,520	4,071	3,703
Statutory Reserve	19,536	18,707	33,300	16,523	15,292
Other Reserves	15,662	15,873		15,091	15,082
Retained Surplus	20,669	27,449	25,607	22,795	18,252
	<u>61,405</u>	<u>67,170</u>	<u>63,427</u>	<u>58,480</u>	<u>52,329</u>

FINANCIAL HIGHLIGHTS *(cont.)*

For the Year Ended December 31, 2014 to December 31, 2018

STATEMENT OF INCOME AND APPROPRIATIONS	2018	2017	2016	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000
Interest Income	29,803	30,593	33,074	31,378	29,932
Interest Expense	(11,820)	(11,056)	(11,421)	(12,162)	(12,773)
Net Interest Income & Investment Income	17,983	19,537	21,653	19,216	17,160
Other Income	1,033	1,476	1,210	1,198	998
Operating Income	19,016	21,013	22,863	20,414	18,158
Other Operating Costs	13,595	12,860	12,542	11,404	11,157
Net Operating Income	5,421	8,153	10,321	9,010	7,001
Other Expenses	1,428	4,559	4,940	2,962	4,304
Surplus before Other Comprehensive Income	3,993	3,594	5,380	6,048	2,697

FINANCIAL STATISTICS IN PERCENTAGE	2018	2017	2016	2015	2014
	%	%	%	%	%
Asset Growth	6.41	13.46	10.40	7.39	7.93
Loans and Advances Growth (Net)	1.47	2.41	5.37	6.04	7.29
Savings and Deposit Growth	10.81	25.02	14.63	8.06	8.81
Fixed Deposits Growth	2.23	1.33	3.02	2.49	5.78
Member Retirement Account Growth	4.69	8.13	6.20	9.55	6.41

MANAGEMENT



Aylmer A. Irish
Chief Executive Officer



Curth Charles
Chief Financial Officer



Coleen Bernabe
Branch Manager - St. Paul



Maria Etienne-Pascal
Branch Manager - Roseau



Valda Sweeny
Branch Manager - La Salette



Juliana Cuffy
Administrative Officer - St. David's



Jacqueline Roberts
Administrative Officer - Castle Bruce



Joan Thomas
Officer In Charge - Vieille Case

TREASURER'S REPORT

For the Year Ended December 31, 2018

OVERVIEW

It is with great honour I present to you, the Treasurer's Report for the year 2018, on the financial performances of our institution. The financial environment has been faced with challenges, mainly due to the passage of Hurricane Maria, the migration and unemployment of members and the adoption of the new International Financial Reporting Standard 9. However, we remain resolute in providing prudent management of the Society's resources as we deliver services that enhance the quality of life of our members.

RESULTS OF OPERATION

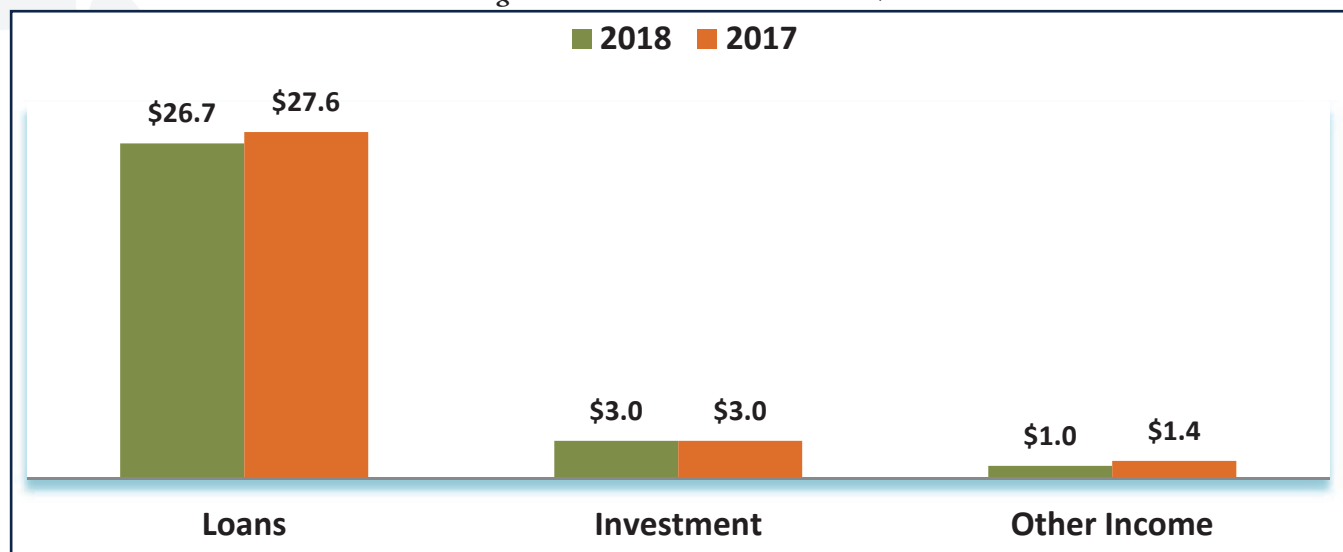
Gross Income

Total revenue for the year 2018 amounted to \$30.8 million, moving from \$32.0 million. This constitutes a net value decrease of \$1.2 Million (3.8%) as compared to year 2017. The year-over-year decrease in gross income was mainly the result of lower interest collected from loans due to non payment by members and or zero interest deferment offered to members in order to recover from the disaster.

Table 1: Gross Income - 2018 & 2017

Gross Income	Actual YTD 2018	Actual YTD 2017	Change	
			\$	%
Interest Income:	\$29,803,010	\$30,593,059	(\$790,049)	(2.6%)
Loans	\$26,709,744	\$27,572,388	(\$862,644)	(3.2%)
Investments	\$3,093,266	\$3,020,671	\$72,595	2.4%
Other Income	\$1,032,597	\$1,476,064	(\$443,467)	(30.0%)
Gross Income	\$30,835,607	\$32,069,126	(\$1,233,519)	(3.8%)

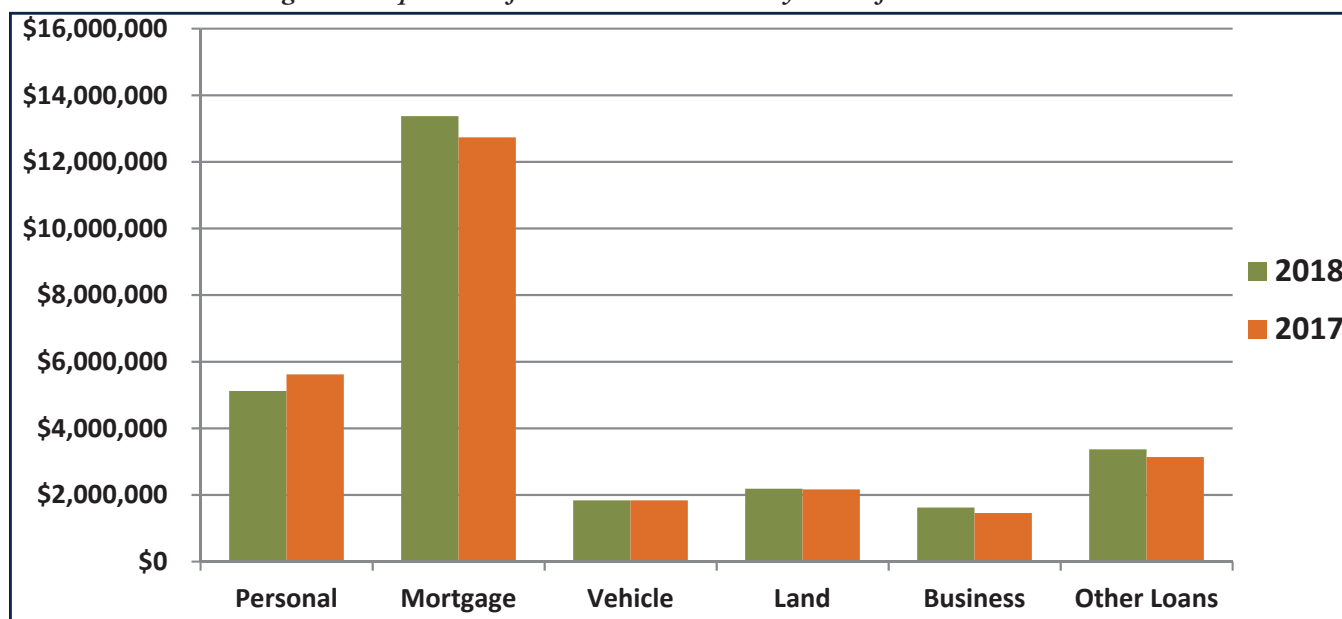
Fig. 1: Gross Income - 2018 & 2017



Interest Income

The interest earned from loans recorded \$26.7 million, a decrease of \$0.86 million or 3.2% growth when compared with \$27.6 million reported for 2017.

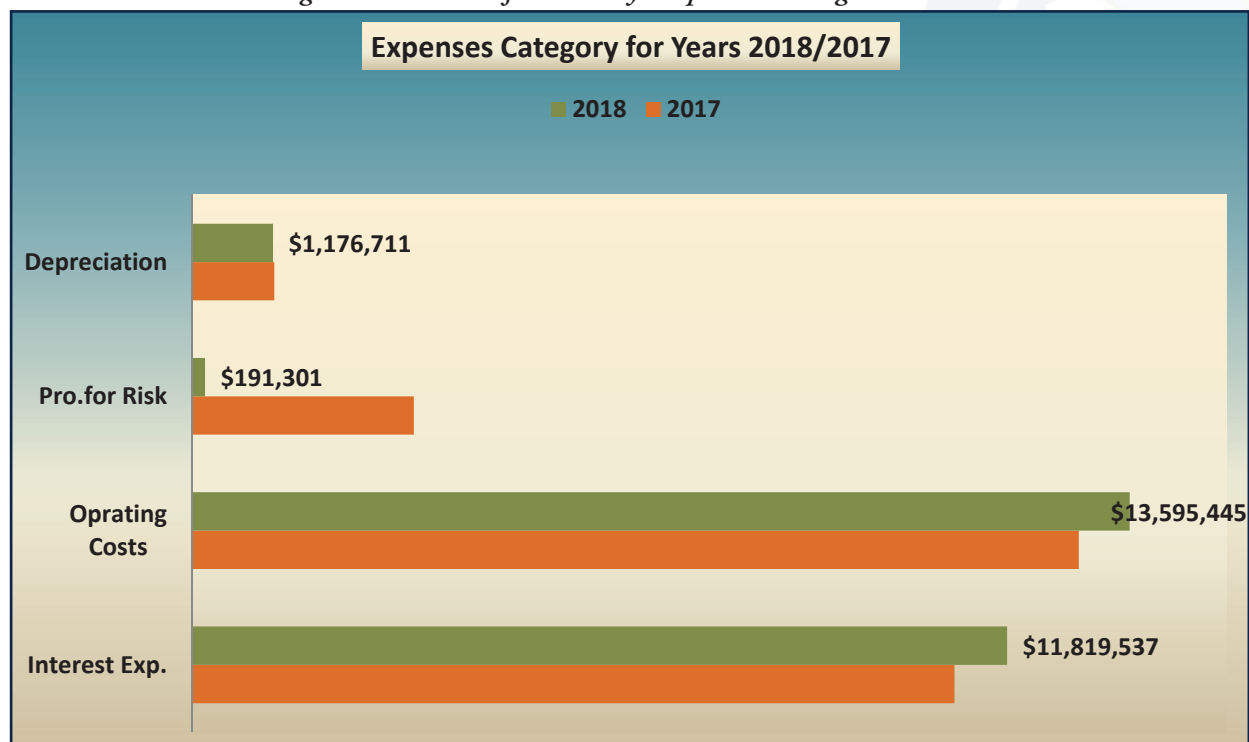
Fig. 2: Composition of Loan Interest Income by Sector for Year 2018/2017



Expenses

Total expenditure for the year 2018 totaled \$26.8 million as compared to last year 2017 when \$28.5 million was recorded. This constitutes a net value decrease of \$1.7 million, or (5.9%).

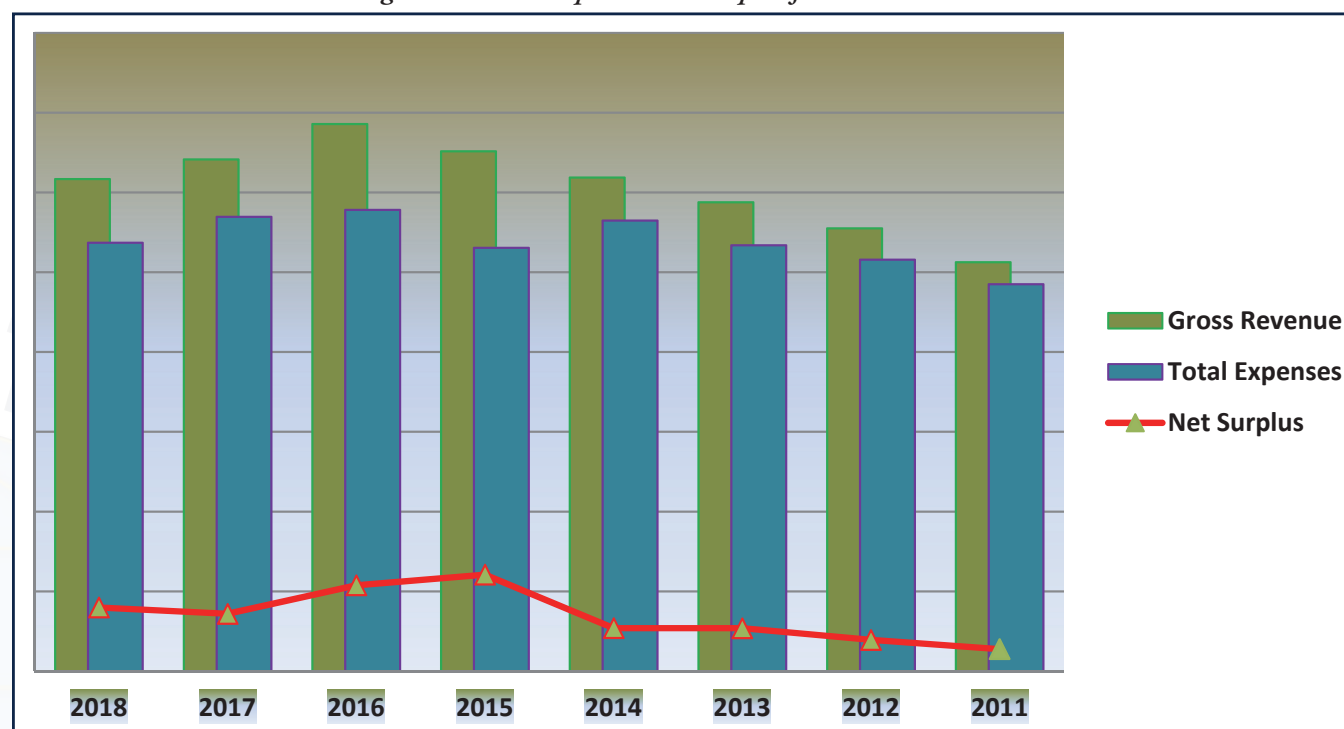
Fig. 3: Breakdown of the Society's Expenses During 2018/2017



Net Surplus

The net effect of the change in gross revenue and total expenses was a \$322,835 or 11.3% increase in Net Surplus for 2018 over 2017.

Fig. 4: Revenue/Expenses/Net Surplus from 2011 to 2018



FINANCIAL POSITION

Assets

The Society reports Assets in the amount of \$625.8 million, a growth of \$37.7 million or 6.4% when compared with last year 2017 figures of \$588.1 million. The growth is mainly attributed to \$25.8 million or 29.5% in Investment Securities such as Commercial Paper, Fixed Deposits, Treasury bills and Government Bonds.

Despite the continuous negative effect from Hurricane Maria, loans and advances to members increased by \$15.9 million or 4.2%. Conversely due to increase in provisioning for loan impairment by \$10.5 million or 54.9% to ensure compliance with IFRS 9, the net loans increased by \$5.3 million or 1.5%.

Liabilities

During the period under review, Total Liabilities grew to \$564.3 million showing \$43.4 million or 8.3% increase over financial year 2017.

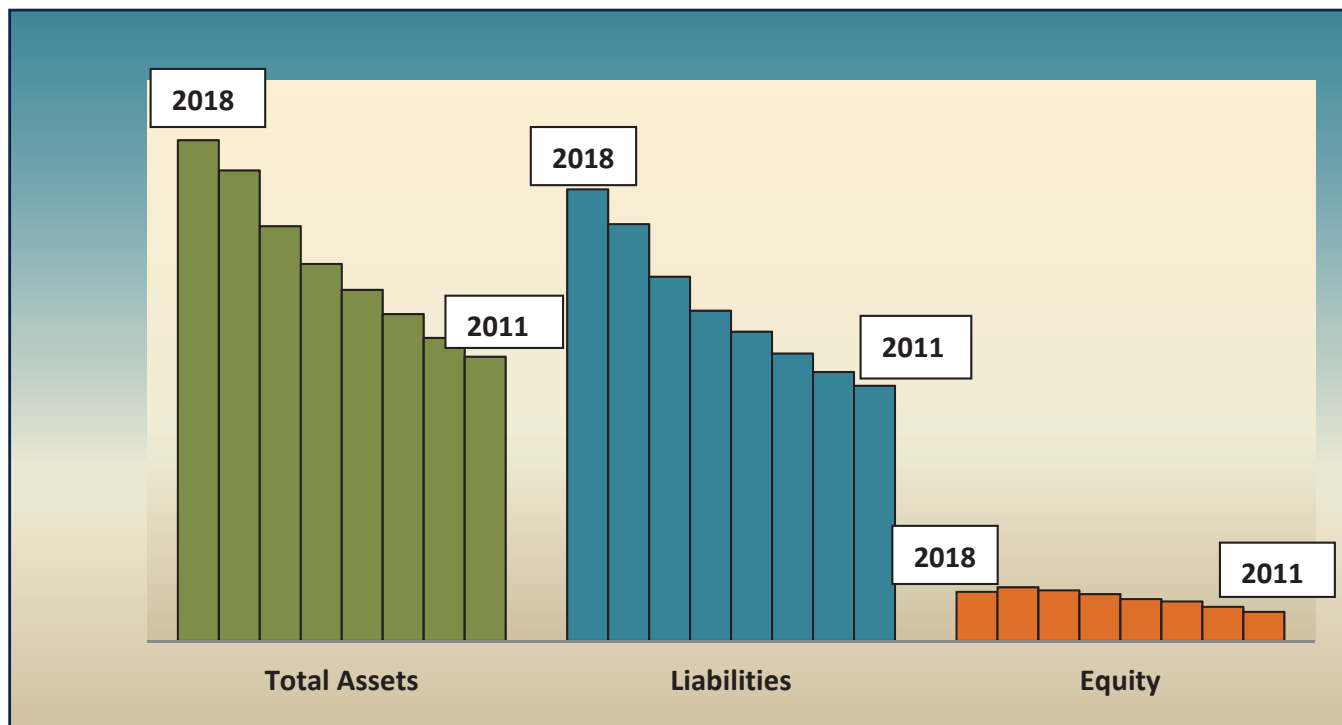
The main contributing factors were Members Savings and Deposits growth of \$36.3 million or 10.8%, indicating the confidence members have in investing at their Society.

Equity

Members' Equity for the year 2018 was \$61.4 million, a decrease of \$5.7 million or 8.6% when compared with \$67.1 million reported for 2017. The year over year decrease was primarily the result of \$6.7 million or 24.7% reduction in

Retained Surplus due to compliance with IFRS 9 when \$9.2 million was absorbed due to allowance for Expected Credit Losses.

Fig. 5: Financial Position 2011 to 2018



INTERNATIONAL FINANCIAL REPORTING STANDARD 9 (IFRS 9)

International Financial Reporting Standard 9 (IFRS 9) replaces International Accounting Standard 39 (IAS 39), administering a new impairment rule in computing Loan Loss Provisioning. This will no longer be based on an historical/actual loss but instead on the Expected Loss Method. A loss event will no longer need to occur before an impairment allowance is recognized resulting in the increase in the level of Loan Loss Provisioning.

It involves the probability that some portion of the number of loans, once granted to members will not be recovered and the probability that some investments may not materialize as planned.

With the first time adoption of IFRS 9, comparative information for the year 2017 was not restated. The reclassifications and the adjustments are recognized in the opening retained earnings as at January 1st 2018 which amounted to \$9.2 million (see note 2e).

On the other hand, future impairment losses will negatively affect the Income Statement with additional impact on the Institutional Capital and quantity of dividend (if any) that can be appropriated to members at the end of the financial year.

Consequently, we must adopt an aggressive recovery plan, comprehensive underwriting process and members must meet their contractual commitment to service their loans or come in to discuss with officers if their situations have changed.

CONCLUSION AND ACKNOWLEDGEMENT

The Society is poised to continue to do well with the support of the members. It is therefore necessary to ensure that loans granted are consistently repaid on time to avoid having to make major loan provisioning.

I am grateful for the opportunity to serve you the members and I extend my gratitude to the Board of Directors and Committees, Management and Staff who assisted me in effectively carrying out my functions during the year in review.



GERALD FREGISTE (MR.)

TREASURER *(for and behalf of the Board of Directors)*



SOCIAL RESPONSIBILITY, EDUCATION & COMMUNITY OUTREACH



INDEPENDENT AUDITOR'S REPORT

03 June, 2019

To the Members
National Co-operative Credit Union Limited
Roseau
COMMONWEALTH OF DOMINICA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Co-operative Credit Union Limited, which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Dominica, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard

Responsibilities of management *and the board of directors* for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- 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 Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- 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 the board of directors 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.

Moreau & Co.
MOREAU & CO

ROSEAU

COMMONWEALTH OF DOMINICA



Statement of Financial Position

as at December 31, 2018

	Notes	2018 EC\$	2017 EC\$
ASSETS			
Cash and bank balances	4	98,153,626	96,658,192
Investment securities	5	112,912,974	87,126,591
Loans and advances to members	6	365,783,097	360,489,571
Other assets	7	10,971,196	7,058,412
Property, Plant and Equipment	9	37,947,004	36,733,274
Leasehold Improvement	8	3,085	3,085
TOTAL ASSETS		625,770,982	588,069,125
LIABILITIES			
Members' savings/ordinary deposits	10	372,661,495	336,313,249
Term deposits	11	141,107,984	138,026,016
Accounts payable and provisions	14	6,898,876	3,981,320
Member Retirement Account	12	39,254,630	37,495,004
European Union Grant	13	21,415	21,415
Accrued Interest Payable	15	4,421,720	5,062,410
TOTAL LIABILITIES		564,366,120	520,899,414
MEMBERS' EQUITY			
Share capital	31	5,538,350	5,140,550
Statutory reserve (guarantee fund)	16	19,535,560	18,707,178
Education fund	17	377,360	400,960
Loan Protection fund	18	881,085	1,070,621
Capital Reserve		476,886	476,886
Capital Contribution	21	4,797,524	4,799,214
Revaluation Surplus	20	8,634,580	8,634,580
Fair Value Reserve		335,913	335,913
Development Fund	19	159,043	154,410
Retained Surplus		20,668,561	27,449,399
TOTAL MEMBERS' EQUITY		61,404,862	67,169,711
TOTAL LIABILITIES AND MEMBERS' EQUITY		625,770,982	588,069,125

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

Signed on behalf of the Board


PRESIDENT


TREASURER

Statement of Income and Appropriation

for the Year Ended December 31, 2018

	NOTES	2018 EC\$	2017 EC\$
Interest and Investment Income	22	29,803,010	30,593,059
Interest Expense	22	<u>(11,819,537)</u>	<u>(11,055,606)</u>
Net Interest Income	22	17,983,473	19,537,453
Other Income	23	<u>1,032,597</u>	<u>1,476,067</u>
Operating Income		19,016,070	21,013,520
Operating Costs	24	(13,595,445)	(12,859,873)
Provision for loan impairment		(191,301)	(3,218,004)
Provision for loan protection fund		----	(23,048)
Loan protection fund		(60,000)	(60,000)
Education Fund		----	(19,208)
Development Fund		----	(43,495)
Depreciation		(1,176,710)	(1,195,469)
Leasehold/amortisation		<u>----</u>	<u>(198)</u>
Surplus before the other comprehensive income		3,992,614	3,594,225
Other Comprehensive income			
Entrance fees		<u>24,883</u>	<u>14,620</u>
Total comprehensive income before appropriation		<u>4,017,497</u>	<u>3,608,845</u>
Appropriation: Surplus before comprehensive income			
Transfer to statutory reserve		(803,499)	(721,769)
Transfer to development fund		<u>(40,175)</u>	<u>(36,088)</u>
NET SURPLUS AFTER APPROPRIATION		<u><u>3,173,823</u></u>	<u><u>2,850,988</u></u>

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

Statement of Changes in Equity

for the Year Ended December 31, 2018

	Member Share Capital EC\$	Statutory Reserve EC\$	Education Fund EC\$	Development Fund EC\$	Revaluation Surplus	Capital Reserve EC\$	Capital Contribution EC\$	Loan Protection Fund EC\$	Fair Value Reserve EC\$
Balance - 31-12-16	4,520,450	17,759,706	335,650	148,581	8,450,532	461,196	4,799,054	1,033,669	305,253
Appropriation	---	721,769	---	36,088	---	---	---	---	---
Transfers - LaPlaine Credit Union	232,000	211,083	84,518	13,236	184,048	15,690	---	---	30,660
Payments	---	---	(19,208)	(43,495)	---	---	---	(23,048)	---
Receipts	388,100	---	---	---	---	---	160	60,000	---
Entrance Fee	---	14,620	---	---	---	---	---	---	---
Net Surplus	---	---	---	---	---	---	---	---	---
Adjustments	---	---	---	---	---	---	---	---	---
Dividend	---	---	---	---	---	---	---	---	---
Balance - 31-12-17	5,140,550	18,707,178	400,960	154,410	8,634,580	476,886	4,799,214	1,070,621	335,913
Balance - 31-12-17	5,140,550	18,707,178	400,960	154,410	8,634,580	476,886	4,799,214	1,070,621	335,913
Amount restated as per IFRS 9									
Appropriation	---	803,499	---	40,175	---	---	---	---	---
Net surplus	---	---	---	---	---	---	---	---	---
Payments	---	---	(23,600)	(35,542)	---	---	(1,690)	(249,536)	---
Receipts	397,800	---	---	---	---	---	---	60,000	---
Adjustments	---	---	---	---	---	---	---	---	---
Entrance Fee	---	24,883	---	---	---	---	---	---	---
Dividend	---	---	---	---	---	---	---	---	---
Balance - 31-12-18	5,538,350	19,535,560	377,360	159,043	8,634,580	476,886	4,797,524	881,085	335,913

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

Statement of Cash Flow

for the Year Ended December 31, 2018

	2018 EC\$	2017 EC\$
Cash flows from operating activities		
Surplus before appropriation	4,017,497	3,608,845
Adjustment for:		
Depreciation	1,176,710	1,195,469
Amount restated as per IFRS 9	(9,250,375)	----
Loan Protection Fund	60,000	60,000
Leasehold Amortization	----	198
Write back interest	(205,172)	(52,803)
	<u>(4,201,340)</u>	<u>4,811,709</u>
Cash flow before changes in operating assets and liabilities		
Increase in statutory reserve deposit	(415,298)	(360,900)
(Increase) / Decrease in originated loans	(5,293,526)	(8,498,619)
(Increase) / Decrease in other assets	(3,912,784)	1,043,841
Increase in members' savings/demand deposits	36,348,246	67,297,301
Increase in term deposits	3,081,968	(1,853,732)
Increase in Members' retirement account	1,759,626	2,819,922
Increase in subsidiary company account	----	----
Increase in Dominica Societies Co-operative League Shares	----	(6,500)
Increase / (Decrease) in accounts payable and provisions	2,917,556	(901,077)
Increase (Decrease) in accrued interest payable	(640,690)	(1,566,548)
Net cash from operating activities	<u>29,643,758</u>	<u>62,785,397</u>
Cash flow from investing activities		
Purchase of fixed assets	(2,390,441)	(2,016,181)
Purchase of investment securities: held to maturity	(25,371,085)	(1,783,513)
Leasehold improvements	----	(3,086)
Purchase of investment securities: available for sale	----	(544,332)
Net cash from investing activities	<u>(27,761,526)</u>	<u>(4,347,112)</u>
Cash flows from financing activities		
Share capital	397,800	620,100
Dividend paid	(474,231)	(432,772)
Transfers	----	153,880
Payments from funds	(308,677)	----
Capital contribution	(1,690)	160
Net cash from financing activities	<u>(386,798)</u>	<u>341,368</u>
Net cash flows	1,495,434	58,779,653
Cash and cash equivalent - Beginning of year	96,658,192	37,878,539
Cash and cash equivalent - end of year	<u>98,153,626</u>	<u>96,658,192</u>

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

Notes to Financial Statements

for the Year Ended December 31, 2018

1. GENERAL INFORMATION

The National Co-operative Credit Union Limited (NCCU) was registered under the Co-operatives Societies Act No. 2 of 2011 of the Laws of the Commonwealth of Dominica.

The Society's Head Office is located at 31-37 Independence Street, Roseau. Other branches are located at: Pointe Mitchel, Mahaut and Riviere Cyrique and Vielle Case with Sub-Branches at Penville, Paix Bouche, Castle Bruce, La Plaine and Thibaud in the Commonwealth of Dominica.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied as at the year presented unless otherwise stated.

Basis of financial statements preparation -

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in EC dollars, rounded to the nearest dollar. These financial statements are stated on the historical cost basis, except for the measurement at fair value of available-for-sale investments.

(a) Use of estimates

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Society's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(b) Comparative information

Where necessary, comparative data has been adjusted to conform to changes in presentation in the current year.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

(c) New Accounting Standards and Interpretations

The Society has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Society or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

IFRS 1 First-time Adoption of Financial Reporting Standards - Amendments regarding the deletion of short-term exemptions for first-time adopters (effective for accounting periods beginning on or after 1 January 2018).

IFRS 2 Share-based Payment - Amendments regarding the classification and measurement of share-based payment transactions (effective for accounting periods beginning on or after 1 January 2018).

IFRS 4 Insurance Contracts - Amendments regarding the application of IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective for accounting periods beginning on or after 1 January 2018).

IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2018).

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

(c) New Accounting Standards and Interpretations (cont'd)

IFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation (effective for accounting periods beginning on or after 1 January 2018).

IFRS 12 Disclosure of Interest in Other Entities - Amendments regarding the specification of the disclosure requirements for an entity's interest classified as held-for-sale, held for distribution or as a discontinued operation (effective for accounting periods beginning on or after 1 January 2017).

IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018).

IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2018).

IFRS 17 Insurance Contracts (effective for accounting periods beginning on or after 1 January 2021).

IAS 7 Statement of Cash Flows - Amendments resulting from disclosure initiative (effective for accounting periods beginning on or after 1 January 2017).

IAS 12 Income Taxes - Amendments resulting from recognition of deferred tax assets for unrealised losses (effective for accounting periods beginning on or after 1 January 2017).

IAS 28 Investment in Associates - Amendments regarding the long-term interests in associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2018).

IAS 40 Investment Property - Amendments regarding the transfer of investment property (effective for accounting periods beginning on or after 1 July 2018).

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

(c) New Accounting Standards and Interpretations (cont'd)

IFRS 22 Foreign Currency Transactions and Advance Consideration (effective for accounting periods beginning on or after 1 January 2018).

IFRS 23 Uncertainty over Income Tax Treatments (effective for accounting periods beginning on or after 1 January 2019).

d) Financial Assets (Application From 1 January 2018)

(i) Classification

From 1 January 2018, the Society classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss)
- Those to be measured at amortised cost.

The classification depends on the Society's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Society has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Society reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and Derecognition

Origination, purchases and sales of financial assets are recognized on trade-date, the date on which the Society commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Society has transferred substantially all the risks and rewards of ownership.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

d) Financial Assets.....cont'd

(iii) Measurement

At initial recognition, the Society measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt Investments

Subsequent measurement of debt instruments depends on the Society's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Society classifies its debt instruments:

- Amortised Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss.

When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- -FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

(d) Financial assets (Cont'd)

(iii) *Measurement*

Equity Investments

The Society subsequently measures all equity investments at fair value. Where the Society's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Dividends from such investments continue to be recognized in profit or loss as other income when the Society's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) *Impairment*

Financial assets at amortised costs are impaired at one of two levels:

(i) Twelve-month Expected credit loss (ECL) – These are losses that result from default events that are possible within twelve months after the reporting date. Such financial assets are at 'Stage 1'.

(ii) Lifetime ECL - These are losses that result from all possible default events over the life of the financial instrument. Such financial assets are at 'Stage 2' or 'Stage 3'.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the twelve-month ECL.

ECL is a probability-weighted estimate of the present value of credit losses, measured as the present value of the difference between the cash flows due to the credit union under contract; and the cash flows that the credit union expects to receive, discounted at the asset's effective interest

From 1 January 2018, the Society assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES....cont'd

(e) Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Society's financial statements.

i) Impact on the financial statements

As explained in note 2 (e) below, IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are recognized in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Balance Sheet (extract)	31 Dec 2017 As originally presented \$	IFRS 9 \$	31 December 2017 Restated -\$
Financial assets at fair value through other comprehensive income (FVOCI)		20,314,724	20,314,724
Financial assets at fair value through profit or loss (FVPL)		5,469,200	5,469,200
Financial assets at amortised cost		421,832,238	421,832,238
Statutory Reserve Deposit	19,551,755	(19,551,755)	-
Shares at Dominica Co-op. Societies League Ltd.	155,710	(155,710)	-
Investments Securities	67,419,126	(67,419,126)	-
Loans and Advances to Members	360,489,571	(360,489,571)	-
Total Assets	447,616,162	-	447,616,162
Retained earnings	27,449,399	(9,951,650)	17,497,749
Total Equity	27,449,399	(9,951,650)	17,497,749

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

(e) Changes in accounting polices...cont'd

ii) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The new accounting policies are set out in note 2 (c) above. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Society's retained earnings as at 1 January 2018 and 1 January 2017 is as follows:

	1 January 2018 \$	1 January 2017 \$
Closing retained earnings 31 December - IAS 39/IAS 18	27,449,399	25,398,210
Increase in provision for debt investments at amortised cost	9,951,650	-
Recognition of Interest Receivable on Impaired Loans	(701,275)	-
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018	9,250,375	-
Opening retained earnings 1 January - IFRS 9	18,199,024	25,398,210

iii) Classification and Measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Society's management has assessed which business models apply to the financial assets held by the Society and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	Notes	FVPL \$	FVOCI \$	Available-for-sale \$	Held-to-maturity \$	Amortised cost* \$
Closing balance 31 December 2017 – IAS 39				8,056,313	79,070,278	360,489,571
Reclassify equities from available-for-sale to FVPL	(a)	5,469,200		(5,469,200)		
Reclassify treasury bills, bonds and Fixed income fund from available-for-sale to amortised cost	(b)			(1,824,144)		1,824,144
Reclassify non-trading equities from available-for-sale to FVOCI	(c)		762,969	(762,969)		
Reclassify statutory reserve deposit from held to maturity to FVOCI	(d)		19,551,755		(19,551,755)	
Reclassify fixed deposits from held to maturity to amortised Cost	(e)				(59,518,523)	59,518,523
Opening balance 1 January 2018 - IFRS 9		5,469,200	20,314,724	-	-	421,832,238

*The closing balances as at 31 December 2017 show Loans to Members as financial assets through amortised costs. These reclassifications have no impact on the measurement categories. The financial assets exclude cash and cash equivalents.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

(e) Changes in accounting polices...cont'd

iii) Classification and Measurement....cont'd

The impact of these changes on the Society's equity is as follows:

	Notes	Effect on AFS reserves \$	Effect on FVOCI reserve \$	Effect on retained earnings* \$
Opening balance – IAS 39		335,913	-	27,449,399
Reclassify investments from available-for-sale to FVOCI	(c)	(335,913)	335,913	-
Total impact		(335,913)	335,913	-
Opening balance - IFRS 9		-	335,913	27,449,399

* Before adjustment for impairment.

(a) Reclassification from available-for-sale to FVPL

Certain equity investments were reclassified from available-for-sale to financial assets at FVPL (EC\$ 5,469,200) as at 1 January 2018). They do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

There were no related fair value gains to be transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

(b) Reclassification from available-for-sale to amortised cost

Investments in treasury bills, bonds and the First Citizen Fixed income fund were reclassified from available-for-sale to amortised cost (EC \$1,824,144 as at 1 January 2018). At the date of initial application the Society's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount. The fair value of EC \$1,824,144as at 1 January 2018 was equivalent to the amortised cost for these assets. There was no impact on retained earnings at 1 January 2018.

There is no change in the fair value of these investments at 31 December 2018. Any change in the fair value would have otherwise been recognised in OCI in the current reporting period, had the investments not been reclassified to amortised cost.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

(e) Changes in accounting polices...cont'd

iii) Classification and Measurement....cont'd

(c) *Equity investments previously classified as available-for-sale*

The Society elected to present in OCI changes in the fair value of Domlec Shares, DUTC Shares, DUTC Income Fund and shares at Dominica Co-operative Societies League previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of EC \$762,969 were reclassified from available-for-sale financial assets to financial assets at FVOCI. There were no fair value gains or losses on reclassification from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018.

(d) *Reclassification from Held-to-Maturity Debt Investments to FVOCI*

Statutory Reserve deposits were reclassified from held-to-maturity to FVOCI, as the Society's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest.

(e) *Reclassification from held-to-maturity to amortised cost*

Fixed Deposits that would have previously been classified as held-to maturity are now classified at amortised cost. The Society intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of the other financial assets at 1 January 2018 to be recognized in opening retained earnings.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

(e) Changes in accounting polices...cont'd

iii) Classification and Measurement....cont'd

(d) *Reclassifications of financial instruments on adoption of IFRS 9*

On the date of initial application, 1 January 2018, the financial instruments of the society were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original \$	New \$	Difference \$*
Financial Assets					
Loans and Advances to members	Amortised Cost	Amortised Cost	360,489,571	350,537,921	9,951,650
Statutory Reserve Deposit	Held-to-Maturity	FVOCI	19,551,755	19,551,755	-
Investments Securities: held to maturity	Held-to-Maturity	Amortised Cost	59,518,523	59,518,523	-
Investments Securities: available for sale	Available for Sale	FVPL	5,469,200	5,469,200	-
Investments Securities: available for sale	Available for Sale	Amortised Cost	1,824,144	1,824,144	-
Investments Securities: available for sale	Available for Sale	FVOCI	607,259	607,259	
Shares at Dominica Co-op. Societies League Ltd.	Held-to-Maturity	FVOCI	155,710	155,710	

*The differences noted in this column are the result of applying the new expected credit loss model. The reclassifications of the financial instruments on adoption of IFRS 9 did not result in any changes to measurements

(ii) *Impairment of Financial Assets*

Loans to Members carried at amortised cost are subject to IFRS 9's new expected credit loss model.

The society was required to revise its impairment methodology under IFRS 9. The impact of the change in impairment methodology on the society's retained earnings and equity is disclosed in the table in note 2(e) above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

(e) Changes in accounting polices...cont'd

e) IFRS 15 Revenue from Contracts with Customers

The Society has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which has not resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements.

There was no impact to the Society's retained earnings as at 1 January 2018.

(f) Financial assets (cont'd) -

Performing financial assets – Stage 1

For performing assets and those expected to perform normally, the loss allowance is the 12-month expected credit loss and is done immediately at initial recognition of asset.

Significant increase in credit risk – Stage 2

When an asset becomes 30 days past due, the Credit union considers that a significant increase in credit risk has occurred and the asset is deemed to be at Stage 2 and the loss allowance is measured as the lifetime ECL.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

(f) Financial assets (cont'd) -

Credit-impaired financial assets – Stage 3

A financial asset is 'credit-impaired' when events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about one or more of the following events:

- (i) Significant financial difficulty of the borrower or issuer;
- (ii) A breach of contract such as a default or past due event;
- (iii) Granted to the borrower of a concession that the lender would not otherwise Consider
- (iv) The disappearance of an active market for a security because of financial difficulties or
- (v) The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

f) Financial assets (cont'd)

The credit union assesses whether debt instruments that are financial assets measured at amortized cost are credit-impaired at each reporting date. There is a rebuttable presumption that financial assets that are in defaulted for more than ninety (90) days are credit impaired. The credit union also considers a financial asset to be credit impaired if the borrower is unlikely to pay its credit obligation. To determine this, the credit union takes into account both qualitative indicators such as unemployment, bankruptcy, divorce Or death.

Quantitative indicators, such as overdue status. The credit union used its historical experience and forward-looking information that is available without undue cost or effort. If there has been a significant increase in credit risk the credit union will measure the loss allowance based on lifetime rather than twelve-month ECL.

Modification and Derecognition of Financial Assets

The credit union renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. This occurs particularly where, although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened. The revised terms usually include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan and /or a reduction in the amount of cash flows due. When a financial asset is modified, the credit union assesses whether this modification results in derecognition of the original loan, such as when the renegotiation gives rise to substantially different terms.

In the case where the financial asset is derecognized, the new financial asset will have a loss allowance measured based on twelve-month ECL. If, however, there remains a high risk of default under the renegotiated terms, the loss allowance will be measured based on lifetime ECL.

When the modification does not result in derecognition, the credit union will measure loss allowance at an amount equal to lifetime ECL.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

f) Financial assets (cont'd)

Write-off

Loans and receivables are written off when the credit union has no reasonable expectations of recovering the financial asset, for example, when the credit union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay. A write-off constitutes a derecognition event.

Subsequent recoveries resulting from the credit union's enforcement activities will result in gains.

Financial liabilities

Since the credit union does not trade in financial liabilities, and since there are no measurement or recognition inconsistencies, all financial liabilities are initially measured at fair value, net of transaction costs and subsequently, at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount on initial recognition. Financial liabilities recognized at amortised cost are not reclassified.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

f) Financial assets (cont'd)

Critical accounting judgments and key sources of estimation uncertainty

Business model assessment:

The credit union reassesses its business models in each reporting period to determine whether they continue to be appropriate and if there need to be a prospective change to the classification of financial assets. This assessment includes judgment regarding:

- (i) How the performance of the assets is evaluated and measured; and
- (ii) The risks that affect the performance of the assets and how these risks are managed

Significant increase of credit risk:

The credit union computes twelve-month ECL for Stage 1 assets and lifetime ECL for Stage 2 or Stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. Assessing whether there has been a significant increase in credit risk required judgment takes into account reasonable and supportable forward-looking information.

Establishing groups of assets with similar credit risk characteristics:

When ECL is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The credit union monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. Judgment is required in determining whether and when to move assets between portfolios.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

f) Financial assets (cont'd)

Valuation models and assumptions used:

The credit union uses various valuation models and assumptions in measuring the fair value of financial assets, as well as in estimating ECL. Judgment is applied in identifying the most appropriate valuation model for each type of asset, as well as in determining the assumptions to be used for each model.

Key sources of estimation uncertainty

Probability of default (PD):

PD is an estimate of the likelihood of default over a given period of time, the calculation of which includes historical data, assumptions and expectations of future conditions. PD constitutes a key input in measuring ECL.

Loss Given Default (LGD):

LGD is an estimate of the percentage loss arising on default, and is based on the difference between the contractual cash flows due and those that the credit union would reasonably expect to receive, taking into account cash flows from collateral. It requires forecasting the future valuation of collateral taking into account sale discounts, the time and cost associated with realizing collateral and seniority of claim. LGD is a key input in measuring ECL.

Fair value measurement and valuation process:

In estimating the fair value of a financial asset or a liability, the credit union uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the credit union uses valuation models to determine the fair value of its financial instruments.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

f) Financial assets (cont'd)

Exposure at Default (EAD):

EAD is an estimate of the total loss incurred when a member defaults, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest. EAD is a key input in measuring ECL.

Credit risk

Credit risk is the risk that a member will default on his contractual obligations resulting in financial loss to the credit union. Credit risk mainly arises from loans, and because it represents the credit union's main income generating activity, credit risk is the principal risk for the credit union.

Credit risk management

The credit union's credit committee is responsible for managing the credit union's credit risk by:

- (i) ensuring that the credit union has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the credit union's policies and procedures, International Financial Reporting Standards and relevant supervisory guidance;
- (ii) Identifying, assessing and measuring credit risk across the credit union, from an individual financial instrument to the portfolio level;
- (iii) creating credit policies to protect the credit union against the identified risks, including the obtaining collateral from borrowers, performing robust ongoing credit assessment of borrowers, and continually monitor exposures;

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

f) Financial assets (cont'd)

Credit risk management

(iv) as far as possible, limiting concentrations of exposure by type of loan, industry, credit rating, geographic location, etc.;

(v) Establishing a robust control mechanism for loan approval;

(vi) Categorizing exposures according to the degree of risk of default;

(vii) Developing and maintaining processes for measuring ECL; and

(viii) Providing guidance to promote best practice in the management of risk.

Significant increase in credit risk

The credit union presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than thirty (30) days past due, unless the credit union has reasonable and supportable information that demonstrates otherwise. The credit union has monitoring procedures to ensure that significant increase in credit risk is identified before default occurs.

Measurement of ECL

The key inputs used for measuring ECL are:

(i) probability of default (PD);

(ii) loss given default (LGD); and

(iii) exposure at default (EAD).

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

f) Financial assets (cont'd)

Measurement of ECL

The credit union measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The credit union's financial instruments are grouped on the basis of shared risk characteristics, such as:

- (i) Credit risk grade;
- (ii) Collateral type;
- (iii) Date of initial recognition;
- (iv) Remaining term to maturity;
- (iv) Industry;
- (v) Geographic location of the borrower;
- (vi) Income bracket of the borrower; and
- (vii) The value of collateral relative to the financial asset.

The groupings are reviewed on a regular basis to ensure that each grouping is comprised of homogenous exposures.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

f) Financial assets (cont'd)

i) Financial assets at fair value through profit and loss

The Society classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost (see note 7) or FVOCI (see note 6)
- equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

Financial assets mandatorily measured at FVPL include the following:

	2018	2017
	\$	\$
<i>Equity Investments</i>		
Shares at NBD (229,298) shares	104,200	104,200
ECSE capitalization account (5,000 class C shares @\$10)	50,000	50,000
EC Home Mortgage Bank: (250 shares @ \$100, 20,250 shares @\$160)	3,265,000	3,265,000
Shares at Corp EFF	2,050,000	2,050,000
	<u>5,469,200</u>	<u>5,469,200</u>

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

f) Financial assets (cont'd)

ii) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the Society has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Society considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Society's business model is achieved both by collecting contractual cash flows and selling financial assets.

Financial assets at Fair Value through Other Comprehensive Income include the following debt and equity investments:

	2018	2017
	\$	\$
<i>Equity Investments</i>		
Shares at Dominica Co-op. Societies League Ltd.	155,710	155,710
Shares at Domlec (140,328 shares @\$4,10)	607,039	607,039
Shares at DUTC (less provision \$441, 400)	110	110
DUTC Income Fund (less diminution \$28,377)	110	110
	<u>762,969</u>	<u>762,969</u>
<i>Debt investments</i>		
Statutory Reserve Deposit (See note 5)	<u>19,967,053</u>	<u>19,551,755</u>
	<u>20,730,022</u>	<u>20,314,724</u>
 Fair Value of Investment in Domlec		
Original cost of investments	301,785	301,785
Fair Value gain	305,254	305,254
	<u>607,039</u>	<u>607,039</u>

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

f) Financial assets (cont'd)

iii) Financial assets at amortised cost

The Society classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost include the following debt investments:

	2018	2017
	\$	\$
Loans and Advances to Members (see note 6 (a))	365,783,097	360,489,571
Fixed Income Investments	8,336,096	1,824,144
Fixed deposits at League & Other Credit Unions	78,377,657	59,518,523
	<u>452,496,850</u>	<u>421,832,238</u>

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Cash and Cash Equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at cost. For the purpose of the Cash Flow Statement, cash and cash equivalents comprise balances with less than three months' (90 days) maturity from the date of acquisition including: non-restricted cash and current account balances at commercial banks, deposits with non-banking financial institutions, and other short-term securities.

(h) Foreign Exchange Transaction and Transaction

Foreign exchange transactions during the year are converted at rates prevailing on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies as at the year-end are translated into Eastern Caribbean Dollars as at that date.

All amounts stated in these financial statements are expressed in Eastern Caribbean Dollars, which is the functional and presentation currency of the Commonwealth of Dominica. (US\$=EC\$2.67)

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Investment in Subsidiary

The investment in the subsidiary is accounted for by the cost method whereby the investment is initially recorded at cost and income from the investment is recognized to the extent that it arises from distribution of accumulated profits arising after the date of acquisition.

(j) Impairment of Non-Financial assets

Non- financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Impairment charges are included in net income, except to the extent they reverse gains previously recognized in other comprehensive income.

(k) Property and equipment

Land and building are stated at valuations carried out in 2011 and 2012 with subsequent additions at cost, less subsequent depreciation for building. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Property and equipment....cont'd

All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual value over their estimated useful lives as follows:

Buildings	25-50 years
Furniture, fixtures and equipment	5-7 years
Computer systems	3-5 years
Motor vehicles	4 years

Land is not depreciated. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statement of Comprehensive Income.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and value-in-use.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Dividends

Dividends on shares are recognised in equity in the period in which they are declared. Dividends for the year that are declared after the reporting date are dealt with in a note on subsequent events.

According to Section 129 of the Co-operative Societies Act No. 2 of 2011 authorizes the Society to pay a dividend on its shares in proportion to their business with the Society at such rate as may be prescribed by its by-laws. Unrealized gains or gains arising from asset revaluation are not considered in determining income for the distribution of dividends.

(m) Interest Income and expense

Interest income on originated loans is recognized in the Statement when received and/ or accrued for not more than three (3) months. Interest income and expense are recognized for all interest bearing financial instruments on an accrual basis, using effective interest rates. Interest income includes income on fixed investment.

If loans become doubtful, they would be written down to their recoverable amounts and interest income is thereafter recognized based on the rate of interest used to discount the future cash flow for the purpose of measuring the recoverable amount.

(n) Other income

Dividend income is recognized when the entity's right to receive payment is established. Other income, including fees and commissions are generally recognized on an accruals basis when the related service has been provided.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Taxation

The Society's income is exempt from taxation under Section 25(m) of the income Tax Act Chapter 67:01 of the laws of the Commonwealth of Dominica.

(p) Comparative Figures

Where necessary, certain comparative figures have been reclassified to conform to the current year's presentation.

(q) Member Deposits

All member deposits are initially measured at fair value, net of any transaction costs directly attributable to the insurance of the instrument. Member deposits are subsequently measured at amortized cost, using the effective interest rate method.

(r) Accounts payable and other liabilities

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

(s) Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(t) Members' Shares

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Revenue Recognition

Revenue from the provision of services of members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonable assured.

3. FINANCIAL RISK MANAGEMENT

Risk is inherent in the Credit Union's activities but is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls.

This process of risk management is critical to the Credit Union's continuing profitability and each individual is accountable for the risk exposures relating to his or her responsibilities. The Credit Union is exposed to credit risk, interest rate risk, liquidity risk, market risk and operational risk.

The Credit Union's aim therefore is to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance.

The Board of Directors has overall responsibility for the determination of the Society's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's finance function. The Board of Directors receives monthly reports from the Credit Union's Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Board of Directors has recently appointed an Assets Liabilities Management Committee comprising of the Treasurer, the Chief Executive Officer, The Accountant and a representative from the supervisory and compliance committee to monitor the key financial risks and key financial ratios and targets which the Board has set.

The supervisory and compliance Committee has the responsibility to monitor the overall risk process within the Credit Union

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

3. FINANCIAL RISK MANAGEMENT (Cont'd)

The Credit Union has recently reviewed and updated most of its operational policies. The Internal Audit Department audits various processes during the year to determine whether set policies, guideline and procedures are being followed. The Board takes appropriate action based on the Internal Audit Department's findings.

(a) Credit risk

Credit risk is the risk of financial loss to the Credit Union if a counterparty to a financial instrument fails to make payments of interest and principal when due. The Credit Union is exposed to credit risk from claims against a debtor or indirectly from claims against a guarantor of credit obligations.

Risk Management

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan.

The Credit Union's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensures that management has a framework, and policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

(b) Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending and on its investment in fixed deposits with banks and other financial institutions.

The Credit Union's goal is to manage the interest rate risk of the statement of financial position to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

3. FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Liquidity Risk

Liquidity risk is the risk that Credit Union will not be able to meet all cash outflow obligations as they come due. The Credit Union mitigates this risk by monitoring cash activities and expected outflows so as to meet all cash outflow obligations as they fall due.

The Society is exposed to liquidity risk to the extent that it has unmatched positions of contractual maturities and interest rates of financial assets and liabilities. The Society manages liquidity risk by carefully monitoring and maintaining financial assets of adequate maturities to service commitments associated with financial liabilities that require outflows of cash or another financial asset at a particular date.

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest, currency risk and equity risk.

The Credit Union is mainly exposed to interest rate risk. The Credit Union's exposure to currency risk is minimal since it does not have any significant foreign currency denominated assets. The Eastern Caribbean dollar is pegged to the United States Dollar at EC\$2.67. Most of the financial assets and liabilities of the Society is based in Eastern Caribbean Dollars. However, some of the members who have loans are based overseas. Fluctuation in foreign currencies against Eastern Caribbean Dollar will influence the net amount remitted by members to service their loans.

(e) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Credit Union's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

3. FINANCIAL RISK MANAGEMENT (Cont'd)

(e) Operational Risk

While operational risk is inherent to each other of the Credit Union's Business activities, the exposure is minimized by ensuring that the appropriate infrastructure, controls, systems and human resources are in place. Key policies and procedures, used in managing operating risk involve a strong internal audit function, segregation of duties, delegation of authority, and financial and managerial reporting.

Within the Credit Union, mitigation of operating risk is assigned to senior management supported by a well-defined organizational structure that segregates operational and administrative functions.

In addition periodic reviews are undertaken by the Internal Audit Department. The results of the reviews are discussed with senior management and Board of Directors.

(f) Fair Value 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 value cash resources, accounts receivable and accounts payable are assumed to approximate their carrying value due to their short term value. The fair values of securities are assumed to be equal to the estimated market value. The fair values of unquoted securities are estimated at book value which is not significantly different from their carrying value.

The estimated fair value of members' loans reflect changes in interest rates that have occurred since the loans were originated and is determined by discounting contracted future cash flows, over the remaining term to maturity, at current interest rates. The estimated fair values of members' loans are not significantly different from their carrying values. The estimated fair value of deposits with no stated maturity, which include non-interest bearing deposits, is the amount repayable on demand. Deposits payable on a fixed date are at rates which reflect market conditions and are assumed to have fair values which approximate carrying values.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

	2018 EC\$	2017 EC\$
4. Cash and Bank Balances		
Cash on hand	3,762,665	3,227,017
Current accounts	94,390,961	93,431,175
	<u>98,153,626</u>	<u>96,658,192</u>

	2018 EC\$	2017 EC\$
5. Investment Securities		
Investment Securities measured at FVTPL	5,469,200	----
Investment Securities measured at amortised cost	86,713,753	----
Investment securities measured at FVOCI - equity investments	20,730,021	----
Held to maturity investment securities	----	59,518,523
Statutory Reserve Deposit	----	19,551,755
Shares at Dominica Co-operative Societies League Ltd	----	155,710
Available for sale investment securities	----	7,900,603
	<u>112,912,974</u>	<u>87,126,591</u>

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

6. Loans and Advances to Members

	2018	2017
	\$	\$
(a) Loans and advances to Members at amortised cost		
Member Loans	383,388,628	368,203,163
Overdraft	2,466,168	2,604,964
Staff Advances and loans	9,782,562	8,955,431
	<u>395,637,358</u>	<u>379,763,558</u>
Less: Allowance for Expected Credit Losses	(29,854,261)	(19,273,987)
	<u>365,783,097</u>	<u>360,489,571</u>
(b) Allowance for Expected Credit Losses		
	2018	2017
	\$	\$
Provision at beginning of year	19,273,987	18,910,862
Amounts restated through opening retained earnings	9,951,650	-
Opening loss allowance (IFRS 9)	<u>29,225,637</u>	<u>18,910,862</u>
New Branch- La Plaine	-	207,588
Bad debts recovered	588,445	322,958
Bad debts Written Off	<u>(151,122)</u>	<u>(3,385,425)</u>
	29,662,960	16,055,983
Expected Credit Loss recognized during the period	<u>191,301</u>	<u>3,218,004</u>
Closing Allowance for Expected Credit Losses	<u>29,854,261</u>	<u>19,273,987</u>
(c) Originated Loans - Sectoral Analysis		
	2018	2017
	\$	\$
Personal	97,553,233	92,253,453
Mortgage	229,256,327	218,703,792
Vehicle	19,443,483	20,153,475
Land	24,354,697	23,414,793
Business	17,783,873	18,268,445
Other Loans (Litigated)	7,245,745	6,969,600
Total Loans	<u>395,637,358</u>	<u>379,763,558</u>

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

	2018 EC\$	2017 EC\$
7. Other Assets		
Interest receivable on investments	2,877,039	1,883,402
Inventory of stationery/office Supplies	536,471	363,426
Prepayments	351,301	373,994
Deferred expenses	258,802	590,620
Loans receivable interest	2,096,216	2,182,268
Debtors	4,488,768	1,449,171
Receivable staff education	45,443	41,968
Other Receivables	317,156	173,563
	<u>10,971,196</u>	<u>7,058,412</u>
	2018 EC\$	2017 EC\$
8. Leasehold Improvement		
Balance - Beginning of year	3,085	197
Additions	-----	3,085
Amortised during the year	-----	(197)
Unamortised balance end of year	<u>3,085</u>	<u>3,085</u>

Notes to Financial Statements (cont.) for the Year Ended December 31, 2018

9. PROPERTY, PLANT AND EQUIPMENT

COST

	LAND EC\$	BUILDING EC\$	FURNITURE & EQUIPMENT EC\$	COMPUTER SYSTEM EC\$	MOTOR VEHICLE EC\$	ATM EC\$	BUILDING in Progress EC\$	LEGAL LIBRARY EC\$	TOTAL EC\$
Balance - December 31, 2016	3,066,064	15,409,136	6,034,062	9,265,723	552,300	3,213,262	16,578,000	19,525	54,138,072
Additions for the year	122,886	486,147	933,958	697,620	-----	133,473	21,896	-----	2,395,980
BALANCE - December 31, 2017	3,188,950	15,895,283	6,968,020	9,963,343	552,300	3,346,735	16,599,896	19,525	56,534,052
Additions for the year	-----	896,821	1,010,588	303,032	180,000	-----	-----	-----	2,390,441
Additions - building in progress	-----	16,599,896	-----	-----	-----	-----	(16,599,896)	-----	-
BALANCE - December 31, 2018	3,188,950	33,392,000	7,978,608	10,266,375	732,300	3,346,735	-	19,525	58,924,493

ACCUMULATED DEPRECIATION

	LAND	BUILDING	FURNITURE & EQUIPMENT	COMPUTER SYSTEM	MOTOR VEHICLE	ATM	BUILDING in Progress	LEGAL LIBRARY	TOTAL
Balance - December 31, 2016	-----	1,658,281	4,710,162	8,702,865	409,253	2,725,424	-----	19,525	18,225,510
New Branch Opening Charge	-----	180,465	106,472	92,371	-----	-----	-----	-----	379,308
Adjustments	-----	-----	(164)	-----	-----	655	-----	-----	491
Charge for the year	-----	306,450	422,615	303,766	29,500	133,138	-----	-----	1,195,469
BALANCE - December 31, 2017	-----	2,145,196	5,239,085	9,099,002	438,753	2,859,217	-----	19,525	19,800,778
Charge for the year	-----	299,813	474,353	252,030	29,500	121,014	-----	-----	1,176,710
BALANCE - December 31, 2018	-----	2,445,009	5,713,438	9,351,032	468,253	2,980,231	-----	19,525	20,977,488

NET BOOK VALUE

December 31, 2018	3,188,950	30,946,991	2,265,170	915,343	264,047	366,504	-----	-----	37,947,005
December 31, 2017	3,188,950	13,750,087	1,728,935	864,341	113,547	487,518	16,599,896	-----	36,733,274



Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

10. Members' savings/ordinary deposits

Members' Savings formerly called "members shares" are now recorded as a liability in accordance with International Financial Reporting Standards (IFRS) according to Section 129 of the Co-operative Societies Act No.2 of 2011, the Credit Union may distribute by way of dividend or bonus amongst its members in proportion to their business with the Society at such rate as may be prescribed by its bye-laws. Members' savings and ordinary deposits subject to special terms and conditions are due on demand.

	2018	2017
	EC\$	EC\$
Members' savings/ordinary deposits	<u>372,661,495</u>	<u>336,313,249</u>

	2018	2017
	EC\$	EC\$
11. Term Deposits		
Interest bearing fixed deposits at rates in the range of 1.75% to 3% in 2018.	<u>141,107,984</u>	<u>138,026,016</u>

12. Member Retirement Account (MRA)

The Credit Union operates two (2) retirement savings plan for the benefit of its members. Under the MRA and MRA Gold, enjoy a rate of interest higher than the normal deposit interest rate on condition that the savings are not with-drawn before the member has reached the retirement age. Currently members' savings are limited to EC\$1,000 per month to a maximum of \$12,000 in any calendar year. As at year end, the rate offered to members was 4% per annum.

2018	2017
EC\$	EC\$
<u>39,254,630</u>	<u>37,495,004</u>

	2018	2017
	EC\$	EC\$
13. EU GRANT		
Technical assistance grant for small business development	<u>21,415</u>	<u>21,415</u>

	2018	2017
	EC\$	EC\$
14. Accounts payable and provisions		
Accounts payable	4,578,804	1,941,776
Audit fees	53,275	41,300
Clearing Accounts	<u>2,266,797</u>	<u>1,998,244</u>
	<u>6,898,876</u>	<u>3,981,320</u>

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

	2018 EC\$	2017 EC\$
15. Accrued Interest Payable	<u>4,421,720</u>	<u>5,062,410</u>

16. Statutory Reserve

The Co-operative Societies Act No.2 of 2011 Section 125 (4) stipulates that a Society shall credit no less than 20% of its net surplus reserve, and such Reserve Fund, maybe subject to the approval of the Registrar, be used in the business of the Society, for the purpose of an exceptional nature including unforeseen losses, unexpected shortfalls in liquid cash, capital retention, repair and maintenance and the avoidance of external borrowing:

Movements during the year were as follows: -

	2018 EC\$	2017 EC\$
Balance - beginning of year	18,707,178	17,759,706
Add: Entrance fees	24,883	14,620
Appropriation from surplus	803,499	721,769
Adjustments	-----	211,083
Balance - end of year	<u>19,535,560</u>	<u>18,707,178</u>

17. Education Fund

	2018 EC\$	2017 EC\$
Balance - beginning of year	400,960	335,650
Add: La Plaine	----	84,518
Less: disbursements	(23,600)	(19,208)
Balance - end of year	<u>377,360</u>	<u>400,960</u>

This represents funds appropriated from surplus for member education.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

18. Loan Protection Fund

This fund represents amounts set aside by the Society to cover that portion of members' loan not covered under the CORP-EFF Insurance Company Limited Scheme up to \$100,000.

	2018 EC\$	2017 EC\$
Balance - beginning of year	1,070,621	1,033,669
Disbursements	(249,536)	(23,048)
Add: provisioning	60,000	60,000
Balance - end of year	<u>881,085</u>	<u>1,070,621</u>

19. Development Fund

	2018 EC\$	2017 EC\$
Balance - beginning of year	154,410	148,581
Disbursements	(35,542)	(43,495)
Appropriation from surplus	40,175	36,088
Adjustments	-----	13,236
Balance - End of year	<u>159,043</u>	<u>154,410</u>

Section 126 of the Co-operative Societies Act No.2 of 2011, states that every Society shall establish and maintain a Development Fund. Every Society that realises a surplus from its operations as ascertained by the annual audit shall make such annual contribution, not exceeding ten percent of that surplus, and the Co-operative Society shall use the funds for strengthening the capacity and growth of Co-operative Societies and for human development.

20. Revaluation Surplus

This represents the surplus on valuation over cost of the Society's land and building following valuations carried out in December 2012 by McKenzie Architect and Construction Services Incorporated. The valuations was accepted by the Board of Directors. The Excess of the revalued amount over cost is included under Revaluation Surplus.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

21. Capital Contribution

	2018 EC\$	2017 EC\$
This represents the following balances:		
Construction cost of the Society's office building.	4,799,214	4,799,054
Payments	(1,690)	----
Adjustments	----	160
Balance - end of year	<u>4,797,524</u>	<u>4,799,214</u>

Five (5) Credit Unions namely Roseau, La Salette, St.David, St.Paul and Vielle Case Credit Union amalgamated in accordance with the Co-operative Societies Act to form the National Co-operative Credit Union Limited (NCCU). The assets and liabilities of the five (5) former Credit Unions were vested in the NCCU in accordance with the Co-operative Societies Act as of November 1, 2010. The resulting credit balance on amalgamation is accounted for under Members' Equity as capital contribution.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

	2018 EC\$	2017 EC\$
22. Net Interest & Investment Income		
Interest Income		
Income from loans	26,709,744	27,572,388
Income from Investments	649,169	712,035
Interest on fixed deposit	2,444,097	2,308,636
	<u>29,803,010</u>	<u>30,593,059</u>
Interest Expense		
Interest on term deposits	3,804,067	4,084,754
Interest on members' savings/deposits	6,527,045	5,343,002
Interest on borrowed funds	----	978
Interest on Member Retirement Account (MRA)	1,479,840	1,620,732
Interest on Christmas savings club	8,585	6,140
	<u>11,819,537</u>	<u>11,055,606</u>
Net Interest & Investment Income	<u>17,983,473</u>	<u>19,537,453</u>
23. Other Income		
	2018 EC\$	2017 EC\$
Rent	50,145	50,452
Cheque book fees	107,085	101,947
Sale of rule and pass books	32,965	26,915
Professional services	569,734	404,027
Sundry service charge	214,989	242,471
Bad debts recovered/written off	----	537,562
Commissions	41,952	60,008
Other Income	15,727	52,682
	<u>1,032,597</u>	<u>1,476,064</u>

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

	2018 EC\$	2017 EC\$
24. Operating Costs		
Personnel expenses (see note 25)	7,248,572	7,531,366
Governance (Board & committees' expenses and honoraria)	84,580	142,901
CORP-EFF Insurance	1,140,246	985,798
Annual General Meeting	57,345	63,941
Scholarship	60,786	49,770
Overseas Travel and conference	140,811	115,607
Computer services and expenses	603,321	568,948
Stationery and office supplies	204,740	280,719
Fraternity expenses	245,879	237,038
Audit fee	53,275	41,300
Occupancy expenses	918,073	788,911
Insurance building and content	241,635	205,850
General expenses (See note 27)	2,596,182	1,847,723
	<u>13,595,445</u>	<u>12,859,872</u>

	2018 EC\$	2017 EC\$
25. Personnel Expenses		
Salaries, staff benefits & allowances	6,416,574	6,665,667
Social Security	366,183	392,604
Pension and insurance	-----	35,454
Uniforms allowances and transportation	465,815	437,642
	<u>7,248,572</u>	<u>7,531,367</u>

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

	2018 EC\$	2017 EC\$
26. Key Management Compensation		
Salaries and allowances	1,433,428	1,433,428
Gratuity	285,775	291,561
	<u>1,719,203</u>	<u>1,724,989</u>
	2018 EC\$	2017 EC\$
27. General Expenses		
Hurricane claims	897,104	----
Security services	139,962	146,594
Postage	12,199	11,484
Advertising, publicity and promotions/dues	179,839	426,968
4cs expenses	257,454	224,191
Donations	77,241	75,284
ATM services and expenses	333,420	301,336
Entertainment	34,893	176,619
Maintenance of fixed assets	223,217	228,181
Valuation and legal fees	1,200	12,350
Bank charges	226,108	177,841
Other	213,545	66,875
	<u>2,596,182</u>	<u>1,847,723</u>

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

28. Related Party Transactions

Parties are considered to be related if one party had the ability to control the other party or exercise significant influence over the other party by making financial and operational decisions.

As at the year end, related party transactions/balances were as follows:

	2018 EC\$	2017 EC\$
<i>Loan balances at year end</i>		
Directors & Volunteers	4,574,057	5,245,429
Key Management Staff	3,292,068	3,082,979
TOTAL LOANS	<u>7,866,125</u>	<u>8,328,408</u>
 <i>Savings balances at year end</i>		
Directors & Volunteers	4,113,000	3,294,039
Key Management Staff	3,031,148	2,967,893
TOTAL DEPOSITS	<u>7,144,148</u>	<u>6,261,932</u>

29. Share Capital

	2018 EC\$	2017 EC\$
Issued and fully paid shares of \$50 par value per share		
Balance - beginning of year	5,140,550	4,520,450
Issued during the year 110,767 (2017: 12,402)	397,800	620,100
	<u>5,538,350</u>	<u>5,140,550</u>

The liability of each member is limited to the paid up shares.

Shares may with the consent of the Board, but not otherwise, be transferred from one member to another. Such transfers shall be in writing in such form as the Registrar may approve and shall be subject to payment by the transferee of such fee for each transfer as the Board of Directors may prescribe. The Board may, in its absolute discretion, purchase shares from a member in case of hardship.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2018

30. Commitments and Contingencies

Loans and advances committed but not yet drawn down at the balances sheet date totalled \$11,616,645 in 2016 and \$ 7,414,128 in 2017.

The Society has entered into a contract for the extension of its building in Roseau. The contracted sum for the project is EC\$15.2 million. As at December 31, 2017, the cost incurred was \$16.5 million.

31. Other Disclosure - 2017

At January 3, 2017, the assets and liabilities of the South Eastern Co-operative Credit Union Limited were transferred to the National Co-operative Credit Union Limited.

SOCIAL RESPONSIBILITY, EDUCATION & COMMUNITY OUTREACH *(cont.)*



SOCIAL RESPONSIBILITY, EDUCATION & COMMUNITY OUTREACH *(cont.)*



CREDIT COMMITTEE



Chekira Lockhart
Chairperson



Keturah Deschamps
Secretary



Luana Laurent
Member



Quincy Angol
Member



Sylvester Mark
Member



Jodie Dublin-Dangleben
Member



Hyacinth Durand-Ducreay
Member



Oscar Tyson George
Member



David Maximea
Member



Ronald Smith
Member



Isabella Prentice
Member



Philbert Joseph
Member



Natasha Nation
Member

CREDIT COMMITTEE'S REPORT

For the Year Ended December 31, 2018

The Credit Committee is pleased to present its report for the period ended December 31, 2018. The Committee conducted its duties and functions in accordance with Co-operative Societies Act No.2 of 2011 and the Bye-laws of the National Co-operative Credit Union Ltd.

The Committee comprise of thirteen (13) members who served during the period. They are as follows:

Mrs. Chekira Lockhart-Hypolite - *Chairperson*

Ms. Keturah Deschamps - *Secretary*

Mr. Philbert Joseph

Mr. Quincy Angol

Mr. Sylvester Mark

Mrs. Jodie Dublin-Dangleben

Mrs. Hyacinth Durand-Ducreay

Mr. Oscar Tyson George

Mr. David Maximea

Mr. Ronald Smith

Ms. Isabella Prentice

Ms. Luana Laurent

Ms. Natasha Nation

Meetings

For the period ended December 31, 2018 the Committee held eighty-seven (87) meetings. These meetings were dedicated to the reviewing of Loans, Joint Committee and outreach meetings. The schedule of attendance at these meetings is listed at Table 1.

Table 1: Meetings Attended by Committee Members - Jan. 2018 - Dec. 2018

NAME	Loan Review Meetings Scheduled	Loan Review Meetings Attended	Loan Review Meetings Cancelled	Joint Committee Meetings Scheduled	Joint Committee Meetings Attended	Branch Outreaches Scheduled	Branch Outreaches Attended
Mrs. Chekira Lockhart-Hypolite	39	34	08	04	04	05	00
Ms. Keturah Deschamps	41	34	04	04	03	05	00
Mr. Philbert Joseph	15	12	03	01	01	01	00
Mr. Quincy Angol	39	32	09	04	03	05	02
Mr. Sylvester Mark	39	31	12	04	03	05	01
Mrs. Jodie Dublin-Dangleben	34	23	05	04	01	05	00
Mrs. Hyacinth Durand-Ducreay	40	26	14	04	02	05	02
Mr. Oscar George	19	15	04	01	01	01	00

Continuation of Table 1: Meetings Attended by Committee Members - Jan. 2018 - Dec. 2018

NAME	Loan Review Meetings Scheduled	Loan Review Meetings Attended	Loan Review Meetings Cancelled	Joint Committee Meetings Scheduled	Joint Committee Meetings Attended	Branch Outreaches Scheduled	Branch Outreaches Attended
Mr. David Maximea	37	29	09	04	03	05	02
Mr. Ronald Smith	41	33	08	04	01	05	02
Ms. Isabella Prentice	39	32	08	04	02	05	00
Ms. Luana Laurent	19	16	03	01	01	01	01
Ms. Natasha Nation	36	29	06	04	02	05	00

Note: Scheduled loan review meetings and branch outreaches were affected by inclement weather conditions/storm and hurricane threats. Only two (2) of the five (5) scheduled branch outreaches were executed.

OVERVIEW

The year ended December 31, 2018 proved to be a challenging but rewarding one. In spite of increased competition from the banks and other financial institutions in the market, your Credit Union rose to the challenge in meeting its objective to provide members with appropriate loan products.

This was a testament to the enormous effort of the Board of Directors, other Committees, Management and staff who served during the period under review.

LOANS

During the period under review, five thousand seven hundred and seventy-one (5,771) loans were approved amounting to \$91,085,178.96 as compared to six thousand three hundred and ninety-seven (6,397) loans amounting to \$66,120,545.87 in 2017. While the volume of loans decreased by 10%, the value increased by 38%. This increase is of great significance considering the availability of funding from various sources in the market to members. Together with the deliberate choice that members made in doing business with their Credit Union, the marketing arm of the institution needs commendation for improving on the messaging to members.

Table 2: No. of Loans Approved - 2018 & 2017

LOANS APPROVED	2018	2017	VARIANCE	
	VOL	VOL	VOL	%
	5,771	6,397	(626)	10

Table 3: Value of Loans Approved - 2018 & 2017

LOANS APPROVED	2018	2017	VARIANCE	
	\$	\$	\$	%
	91,085,179	66,120,546	24,964,867	38

Loans disbursed in 2018 was stated as \$79,019,075 as compared to \$ 70,414,208 for the same corresponding period in 2017, an increase of \$8,604,867 or 12%.

Table 4: Value of Loans Disbursed 2018 & 2017

LOANS DISBURSED	2018	2017	VARIANCE	
	\$	\$	\$	%
	79,019,075	66,120,546	24,964,867	12

The five (5) top most approved loan categories are as listed below:

Table 5: Top 5 Loan Categories - 2018 & 2017

2018			2017			
LOAN CATEGORY	NO. OF LOANS APPROVED	VALUE OF LOANS APPROVED \$	NO. OF LOANS APPROVED	VALUE OF LOANS APPROVED \$	VARIANCE	
					#%	\$%
Special Savings/Deposit - 5.99%	1,836	19,061,117	576	13,164,029	219%	45%
Hurricane Maria Relief	1,604	40,244,655	0	0	100%	100%
Now 4 Now	1,411	5,467,682	1,617	3,804,385	-13%	44%
Domestic	614	3,033,727	1,436	4,582,329	-57%	-34%
Debt Consolidation	521	6,545,777	700	6,684,393	-26%	-2%
Total	5,986	74,352,968	4,329	28,235,136	38%	163%

Fig. 1: Top 5 Most Approved Loans (Vol.) - 2018 & 2017

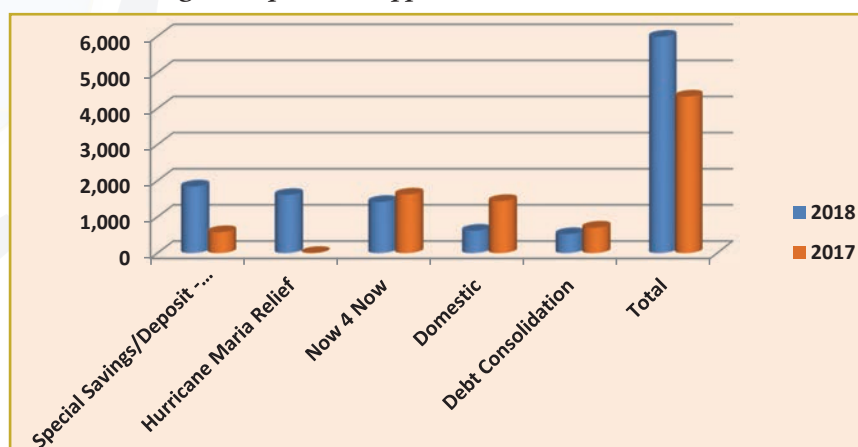
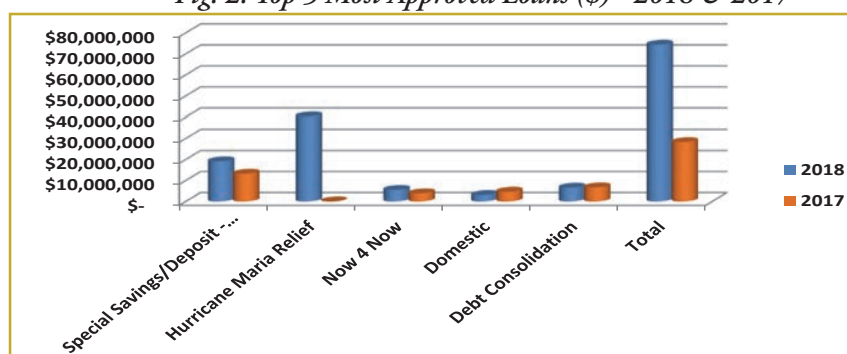


Fig. 2: Top 5 Most Approved Loans (\$) - 2018 & 2017



Out of the top five (5) loan categories listed above, the “Cash Secured” at 5.99% and “Hurricane Maria Relief” at 5% were the loan products most sought after at the institution, during the period under review. This was by no means surprising, considering the massive recovery effort which began island wide after the passage of Hurricane Maria on September 18, 2017.

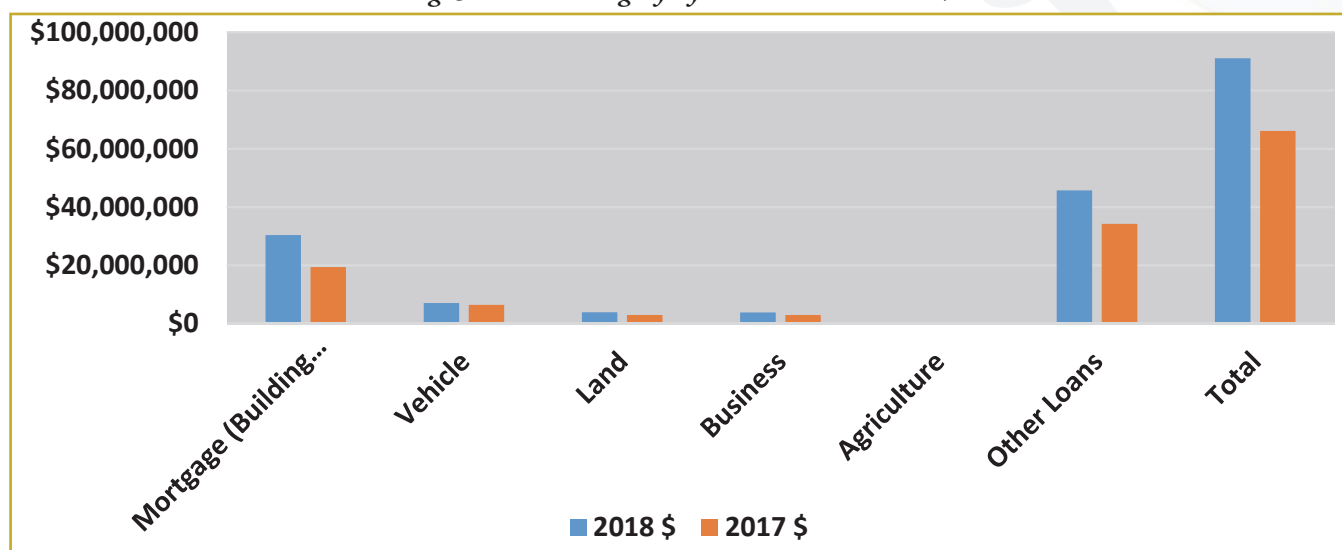
It must also be noted that the top five (5) loan categories listed above represent in value 78% of the Society’s approved loans for the period.

In terms of approved loans by sector, significant growth was recorded in all categories: Mortgage Building Construction & Purchase recorded 57%; Vehicle 10%; Land 32% Business 29%; Agriculture 35% and other loans 34%. These increases speak to the availability, access and improved process to funding for members at the Credit Union. The detailed loans by sector refers in the table below.

Table 6: Loans Approved By Sector 2018 & 2017

LOAN CATEGORY	2018	2017	VARIANCE	
SECTOR	\$	\$	\$	%
Mortgage (Building Construction & Purchase	30,369,768	19,400,943	10,968,826	57%
Vehicle	7,070,412	6,413,418	656,994	10%
Land	3,914,099	2,975,329	938,770	32%
Business	3,859,285	2,990,529	868,756	29%
Agriculture	171,043	126,295	44,748	35%
Other Loans	45,700,571	34,214,032	11,486,539	34%
Total	91,085,179	66,120,546	24,964,633	38%

Fig. 3: Loans Category by Sector - 2018 & 2017

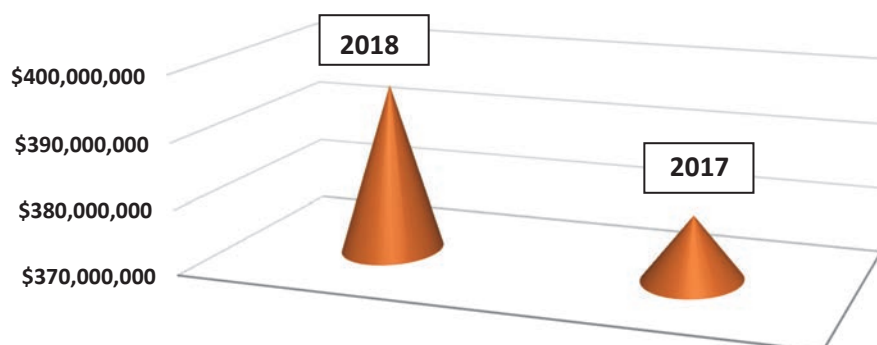


It must be noted that the loan portfolio of the NCCU was stated as \$395,637,358 at the end of the 2018 financial period, as compared to \$379,763,558 in 2017. This represents growth of 4% over the corresponding period. Considering the

many challenges in the market place, coming from a devastating hurricane in 2017 and the availability of funds from competitors, the institution needs to be commended for this effort in meeting members growing needs.

Table 7: Loans Portfolio as at Dec. 31, 2018 & Dec. 31, 2017

LOAN PORTFOLIO			
2018	2017	Variance	%
\$	\$	\$	%



395,637,358	379,763,558	15,873,800	4%
-------------	-------------	------------	----

Fig. 4: Loans Portfolio as at Dec. 31, 2018 & Dec. 31, 2017

LOAN BY BRANCH

The very highest commendation goes out to all Departments within the Society involved in the engaging, processing and granting of loans. In spite of Castle Bruce, Vieille Case and St. David branches being closed for an extended period of time during the period under review, members never lost confidence in the NCCU and migrated to other branches to conduct their business. The overall positive variance in the loans portfolio speaks to the simplicity in transitioning from one branch to the other to transact business.

Table 7: Loans Approved by Branches - 2018 & 2017

LOANS APPROVED BY BRANCH	2018	2017	VARIANCE	
	\$	\$	\$	%
Roseau	55,485,427	36,249,511	19,235,916	53
St. Paul	20,517,729	16,332,956	4,184,773	26
Vieille Case	6,494,563	6,494,565	(2)	0
La Salette	5,567,356	2,455,204	3,112,152	127
St. David	140,240	1,430,148	(1,289,908)	-90
Castle Bruce	2,879,864	3,158,162	(278,298)	-9
Total	91,085,179	66,120,546	24,964,633	38

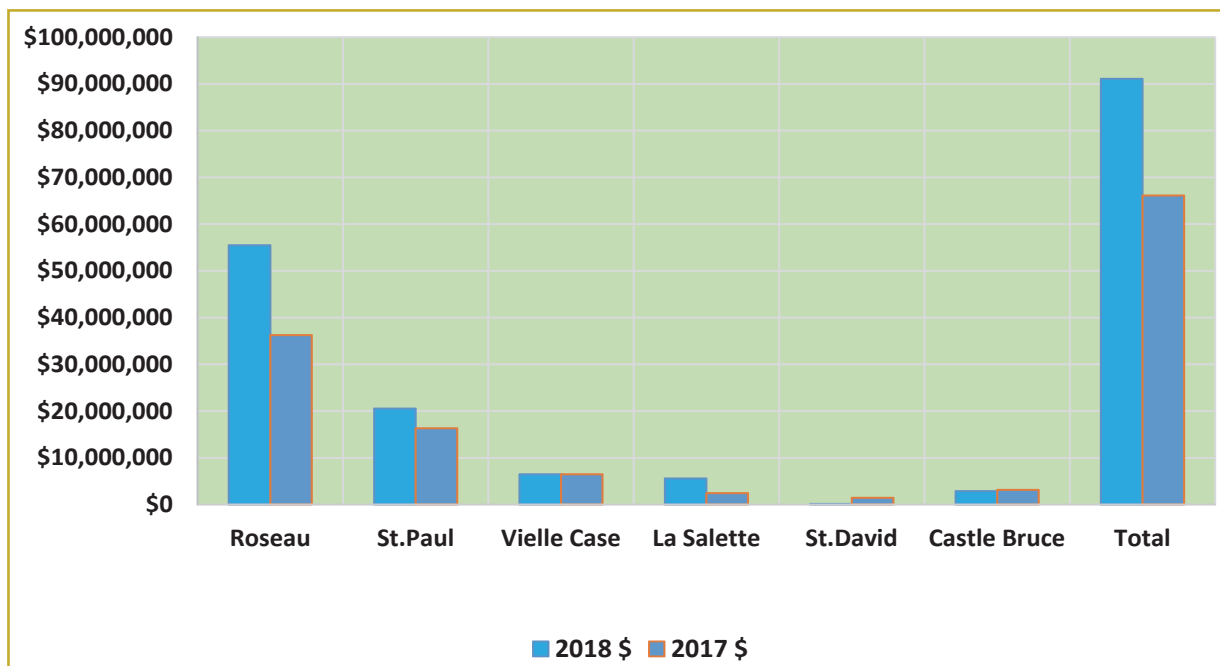


Fig. 5: Loans Approved by Branches - 2018 & 2017

Table 8: Summary of Loans Approved by the Credit Committee & Managers for the year ended Dec. 31, 2018 and

LOANS BY PURPOSE	VOLUME				VALUE			
	2018	2017	VARIANCE	%	2018	2017	VARIANCE	%
BUILDING CONSTRUCTION & PURCHASE	233	176	57	32%	\$ 30,369,768.15	\$ 19,400,942.57	\$ 10,968,825.58	57%
LAND	50	54	-4	-7%	\$ 3,914,099.15	\$ 2,975,328.82	\$ 938,770.33	32%
DEBT CONSOLIDATION HR/CC	110	150	-40	-27%	\$ 697,593.74	\$ 1,001,011.09	\$ (303,417.35)	-30%
DEBT CONSOLIDATION	521	700	-179	-26%	\$ 6,545,776.68	\$ 6,684,393.46	\$ (138,616.78)	-2%
BUSINESS	101	161	-60	-37%	\$ 3,859,285.42	\$ 2,990,529.04	\$ 868,756.38	29%
EQUIPMENT	16	26	-10	-38%	\$ 226,586.04	\$ 404,711.36	\$ (178,125.32)	-44%
TRAVEL	40	67	-27	-40%	\$ 357,742.48	\$ 465,379.95	\$ (107,637.47)	-23%
AGRICULTURAL LAND	1	3	-2	-67%	\$ 97,131.65	\$ 17,631.10	\$ 79,500.55	451%
MOTOR VEHICLE - AGRICULTURE	0	0	0	0%	\$ -	\$ -	\$ -	0%
MOTOR VEHICLE - PRIVATE	243	343	-100	-29%	\$ 6,312,664.36	\$ 5,975,834.23	\$ 336,830.13	6%
HOUSE HOLD GOODS	39	64	-25	-39%	\$ 473,620.46	\$ 614,621.50	\$ (141,001.04)	-23%
DWELLING HOUSE REPAIR	68	143	-75	-52%	\$ 1,625,985.32	\$ 1,455,255.20	\$ 170,730.12	12%
EDUCATION	56	125	-69	-55%	\$ 678,126.45	\$ 944,564.81	\$ (266,438.36)	-28%
AGRICULTURAL EXPENSES	5	21	-16	-76%	\$ 15,111.43	\$ 49,864.32	\$ (34,752.89)	-70%
DOMESTIC	614	1436	-822	-57%	\$ 3,033,727.00	\$ 4,582,328.98	\$ (1,548,601.98)	-34%
MOTOR VEHICLE EXPENSES	33	65	-32	-49%	\$ 400,005.19	\$ 437,583.87	\$ (37,578.68)	-9%
LEGAL EXPENSES	7	17	-10	-59%	\$ 119,223.45	\$ 104,560.11	\$ 14,663.34	14%
LEARN WHILE U EARN	13	36	-23	-64%	\$ 101,838.63	\$ 135,211.95	\$ (33,373.32)	-25%
MEDICAL	40	71	-31	-44%	\$ 455,892.47	\$ 529,804.26	\$ (73,911.79)	-14%
LINE OF CREDIT	33	59	-26	-44%	\$ 222,722.76	\$ 298,000.00	\$ (75,277.24)	-25%
NOW 4 NOW	1304	1617	-313	-19%	\$ 4,137,333.14	\$ 3,804,385.19	\$ 332,947.95	9%
SPECIAL AGRICULTURE	0	7	-7	-100%	\$ -	\$ 58,800.00	\$ (58,800.00)	-100%
SPECIAL EDUCATION	22	480	-458	-95%	\$ 703,904.00	\$ 25,775.25	\$ 678,128.75	2631%
SAVINGS/DEPOSIT LOANS @ 5.99%	1996	576	1,420	247%	\$ 19,942,624.56	\$ 13,164,028.81	\$ 6,778,595.75	51%
HURRICANE MARIA RELIEF LOAN	226	0	226	100%	\$ 6,794,416.43	\$ -	\$ 6,794,416.43	0%
	5771	6397	-626	-10%	\$ 91,085,178.96	\$ 66,120,545.87	\$ 24,964,633.09	38%

OVERSIGHT RESPONSIBILITY

In performing its oversight responsibilities, the Committee during its outreach effort randomly reviewed manager approved loans. The objective of such a review was to ensure:

- a. compliance with the Credit Union's Policies;
- b. approval limits were in line with the By-laws;
- c. completeness of documentation and
- d. risk were assessed in terms of security of loans approved.

All concerns were successfully addressed and all loans reviewed met the requirements of approval by the Society.

INTERVIEWS

For the period under review, the Committee met with three (3) members to deliberate on their loan applications. The Committee was guided by the By-laws of the Society and took decisions in line with such By-laws. The opportunity was taken during these interactions to provide financial counselling and work with the members for a mutually beneficial outcome.

REPRESENTATION

The Committee was represented by Mrs. Chekira Lockhart-Hypolite, Mrs. Hyacinth Durand-Ducreay and Mr. Ronald Smith at the Caribbean Confederation of Credit Unions 61st Annual International Convention held in Trinidad from June 15 to 20, 2018. Members reported gaining great knowledge which was shared with Committee members who did not attend. The Conference theme was "Credit Unions: The Power to Change the Future."

Members also benefited from various trainings coordinated by the Dominica Co-operative Societies League. The trainings were informative and expanded on Committee members' knowledge base and added great value to the Committee's overall work output at the institution. The topics explored at the trainings included:

- Corporate Governance
- Volunteers Induction
- Loans Underwriting

RECOMMENDATIONS

The Committee encourages all members to visit the various branches of the Society and participate in the products and services being offered at the Credit Union.

Members are also encouraged to service their loans in line with their loan contracts with the NCCU, as the growth of the Credit Union is dependent on your ability to keep your commitment.

To assist the institution in its growth trajectory and build on the available product offering to you, the Committee encourages members to invest in the institution by purchasing shares.

Additionally, the Credit Union advantage must continue to be communicated by the Society and this advantage must be the experience of all members interfacing with the Society. The Credit Union story must continue to be told, so the younger

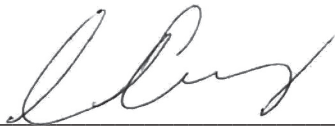
generation can have a better appreciation of the NCCU and pioneers who led the way so they can enjoy the benefits today.

CONCLUSION

Our Credit Union is a strong, resilient, viable and reputable institution. Its strength is a testimony of its membership base and the prudent management of its assets over the years. The Committee thanks the Chief Executive Officer, Branch Managers, Loans Department and other supporting staff for their hard work in ensuring the NCCU achieved its growth objectives.

Very special thanks to the Board of Directors and the Supervisory and Compliance Committee for their continued guidance and support during the period.

May God continue to bless our Credit Union.



HYACINTH DURAND-DUCREAY (MRS.)
for CHEKIRA LOCKHART-HYPOLITE
On behalf of the Credit Committee

SOCIAL RESPONSIBILITY, EDUCATION & COMMUNITY OUTREACH *(cont.)*



SUMMARY OF LOANS APPROVED BY THE CREDIT COMMITTEE AND MANAGER

For the Year Ended December 31, 2018

	LOANS APPROVED IN 2018						LOANS APPROVED IN 2017						COMPARATIVE INCREASE/DECREASE OVER 2016	
	BY THE MANAGER ON BEHALF OF THE CREDIT COMMITTEE		DIRECTLY BY THE CREDIT COMMITTEE		TOTAL APPROVED BY THE CREDIT COMMITTEE		BY THE MANAGER ON BEHALF OF THE CREDIT COMMITTEE		DIRECTLY BY THE CREDIT COMMITTEE		TOTAL APPROVED BY THE CREDIT COMMITTEE		AMOUNT	%
	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	AMOUNT	%
BUILDING CONSTRUCTION & PURCHASE LAND	125	\$ 7,480,122.22	108	\$ 22,889,645.93	233	\$ 30,369,768.15	85	\$ 880,268.46	91	\$ 18,520,674.11	176	\$ 19,400,942.57	\$ 10,968,825.58	57%
	33	\$ 2,326,651.80	17	\$ 1,587,447.35	50	\$ 3,914,099.15	47	\$ 1,770,604.60	7	\$ 1,204,724.22	54	\$ 2,975,328.82	\$ 938,770.33	32%
DEBT CONSOLIDATION HR/CC	87	\$ 491,028.01	23	\$ 206,565.73	110	\$ 697,593.74	136	\$ 637,421.21	14	\$ 363,589.88	150	\$ 1,001,011.09	\$ (303,417.35)	-30%
DEBT CONSOLIDATION	442	\$ 4,477,561.01	79	\$ 2,068,215.67	521	\$ 6,545,776.68	666	\$ 4,733,966.26	34	\$ 1,950,427.20	700	\$ 6,684,393.46	\$ (138,616.78)	-2%
BUSINESS	87	\$ 1,680,599.46	14	\$ 2,178,685.96	101	\$ 3,859,285.42	157	\$ 1,754,347.28	4	\$ 1,236,181.76	161	\$ 2,990,529.04	\$ 868,756.38	29%
EQUIPMENT	16	\$ 226,586.04	0	\$ -	16	\$ 226,586.04	25	\$ 207,229.95	1	\$ 197,481.41	26	\$ 404,711.36	\$ (178,125.32)	-44%
TRAVEL	34	\$ 301,958.36	6	\$ 55,784.12	40	\$ 357,742.48	66	\$ 418,379.95	1	\$ 47,000.00	67	\$ 465,379.95	\$ (107,637.47)	-23%
AGRICULTURAL LAND	1	\$ 97,131.65	0	\$ -	1	\$ 97,131.65	2	\$ 600.00	1	\$ 17,031.10	3	\$ 17,631.10	\$ 79,500.55	451%
MOTOR VEHICLE - AGRICULTURE	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	0	\$ -	\$ -	0%
MOTOR VEHICLE - PRIVATE	216	\$ 4,986,803.85	27	\$ 1,325,860.51	243	\$ 6,312,664.36	320	\$ 4,626,778.65	23	\$ 1,349,055.58	343	\$ 5,975,834.23	\$ 336,830.13	6%
HOUSE HOLD GOODS	34	\$ 364,352.00	5	\$ 109,268.46	39	\$ 473,620.46	60	\$ 459,169.98	4	\$ 155,451.52	64	\$ 614,621.50	\$ (141,001.04)	-23%
DWELLING HOUSE REPAIR	63	\$ 1,115,345.80	5	\$ 510,639.52	68	\$ 1,625,985.32	142	\$ 1,362,897.37	1	\$ 92,357.83	143	\$ 1,455,255.20	\$ 170,730.12	12%
EDUCATION	50	\$ 353,232.80	6	\$ 324,893.65	56	\$ 678,126.45	122	\$ 698,634.15	3	\$ 245,930.66	125	\$ 944,564.81	\$ (266,438.36)	-28%
AGRICULTURAL EXPENSES	5	\$ 15,111.43	0	\$ -	5	\$ 15,111.43	21	\$ 49,864.32	0	\$ -	21	\$ 49,864.32	\$ (34,752.89)	-70%
DOMESTIC	605	\$ 3,015,404.87	9	\$ 18,322.13	614	\$ 3,033,727.00	1436	\$ 4,492,960.96	0	\$ 89,368.02	1436	\$ 4,582,328.98	\$ (1,548,601.98)	-34%
MOTOR VEHICLE EXPENSES	32	\$ 377,005.19	1	\$ 23,000.00	33	\$ 400,005.19	64	\$ 421,355.98	1	\$ 16,227.89	65	\$ 437,583.87	\$ (37,578.68)	-9%
LEGAL EXPENSES	6	\$ 96,006.32	1	\$ 23,217.13	7	\$ 119,223.45	16	\$ 91,553.10	1	\$ 13,007.01	17	\$ 104,560.11	\$ 14,663.34	14%
LEARN WHILE U EARN	13	\$ 101,838.63	0	\$ -	13	\$ 101,838.63	35	\$ 112,761.29	1	\$ 22,450.66	36	\$ 135,211.95	\$ (33,373.32)	-25%
MEDICAL	36	\$ 390,165.84	4	\$ 65,726.63	40	\$ 455,892.47	69	\$ 444,204.26	2	\$ 85,600.00	71	\$ 529,804.26	\$ (73,911.79)	-14%
LINE OF CREDIT	31	\$ 202,722.76	2	\$ 20,000.00	33	\$ 222,722.76	59	\$ 298,000.00	0	\$ -	59	\$ 298,000.00	\$ (75,277.24)	-25%
NOW 4 NOW	1303	\$ 4,134,933.14	1	\$ 2,400.00	1304	\$ 4,137,333.14	1617	\$ 3,804,385.19	0	\$ -	1617	\$ 3,804,385.19	\$ 332,947.95	9%
SPECIAL AGRICULTURE	0	\$ -	0	\$ -	0	\$ -	7	\$ 58,800.00	0	\$ -	7	\$ 58,800.00	\$ (58,800.00)	-100%
SPECIAL EDUCATION	22	\$ 703,904.00	0	\$ -	22	\$ 703,904.00	480	\$ 25,775.25	0	\$ -	480	\$ 25,775.25	\$ 678,128.75	2631%
SAVINGS/DEPOSIT LOANS @ 5.99%	1994	\$ 19,948,124.56	2	\$ 4,500.00	1996	\$ 19,942,624.56	576	\$ 13,164,028.81	0	\$ -	576	\$ 13,164,028.81	\$ 6,778,595.75	51%
HURRICANE MARIA RELIEF LOAN	191	\$ 4,241,446.87	35	\$ 2,542,969.56	226	\$ 6,794,416.43	0	\$ -	0	\$ -	0	\$ -	\$ 6,794,416.43	#DIV/0!
TOTAL	5426	\$ 57,128,036.61	345	\$ 33,957,142.35	5771	\$ 91,085,178.96	6208	\$ 40,513,987.02	189	\$ 25,606,558.85	6397	\$ 66,120,545.87	\$ 24,964,633.09	38%

SUPERVISORY AND COMPLIANCE COMMITTEE'S REPORT

For the Year Ended December 31, 2018

Pursuant to Section 66 of the Cooperative Societies Act No. 2 of 2011, the Supervisory and Compliance Committee is pleased to report on its activities for the year ended December 31, 2018. Members serving on the Supervisory and Compliance Committee for the year under review were:

Ms. Evadney Esprit	Chairperson	(Jan. – Dec. 2018)
Mr. Ian-Michael Anthony	Vice Chairperson	(Jan. – Dec. 2018)
Mrs. Hannah Leblanc-Pierre	Secretary	(Jan. – Dec. 2018)
Mrs. Julie Shillingford-Durand	Member	(Jan. – Dec. 2018)
Mr. Jerome Bardouille	Member	(Jan. – Dec. 2018)
Mrs. Corinthia Carbon	Member	(Jan. – Dec. 2018)
Mrs. Clare Seraphin-Wallace	Member	(Jan. – Dec. 2018)
Mrs. Sophia Albert-Charles	Member	(Jan. – Dec. 2018)
Mr. Calvin Esprit	Member	(Jan. – Dec. 2018)
Mr. Bernard Nation	Member	(Jan. – Dec. 2018)
Ms. Kayan Toussaint	Member	(June – Dec. 2018)
Ms. Linda Gonzalez-Peltier	Member	(June – Dec. 2018)

The following table provides a record of the attendance of members at regular and special meetings of the Committee.



Committee Members	Meetings Scheduled During Tenure		Total Meetings Scheduled	Total Special Meetings	Meetings Attended			Excused/ Absent
	Regular	Joint			Regular	Joint	Special	
Ms. Evadney Esprit	14	3	17	3	12	2	1	1 /4
Mr. Ian-Michael Anthony	14	3	17	3	12	3	1	1/3
Mrs. Hannah Leblanc-Pierre	14	3	17	3	12	2	1	2/3
Ms. Kayan Toussaint	14	3	17	3	12	3	3	1/1
Mr. Jerome Bardouille	14	3	17	3	8	2	1	1/8
Mr. Corinthia Carbon	14	3	17	3	10	3	3	2/2
Mrs. Sophia Albert-Charles	14	3	17	3	13	3	2	0/2
Mrs. Julie Shillingford-Durand	14	3	17	3	12	3	3	1/1
Mr. Calvin Esprit	14	3	17	3	10	2	2	2/4
Mr. Bernard Nation	14	3	17	3	9	2	2	2/5
Ms. Linda Gonzalez-Peltier	14	3	17	3	14	3	3	0/0
Mrs. Clare Seraphin-Wallace*	13	2	15	3	10	2	2	1/3
Mr. BeranCuffy**	14	3	17	0	1	0	0	15/2

* Co-opted by Supervisory and Compliance Committee on July 26, 2018 to replace Yakima Cuffy up to AGM 2019.

** Vacated office in September 2018 as a result of poor meeting attendance.

Summary of Major Activities

The Supervisory and Compliance Committee remained engaged during the year by conducting tests to ascertain that the Society's business was conducted in accordance with the policies and procedures of the Society and the Co-operative Societies Act No. 2 of 2011. The following were among the main activities pursued during the year:

- Meeting with Branch Managers and Committees.
- Perusal of reports on delinquent loans;
- Examination of accounts and loan files of volunteers, staff and politically exposed persons;
- Inspection of physical plants (branch offices);
- Review of policies;
- Evaluation meetings with the Board of Directors;
- Review of monthly department reports;
- Attendance at developmental seminars organized by the Dominica Co-operative Societies League and the Caribbean Confederation of Credit Unions (CCCU);
- Conducting of cash counts at all branches.

Human Resource and Training

During the period under review, members of the Supervisory and Compliance Committee benefited from various

training sessions and workshops organized by the Dominica Co-operative Societies League Ltd as follows:

- | | |
|--|--------------------------|
| • Human Resource Management | - March 3, 2018 |
| • De-Risking | - April 21, 2018 |
| • Corporate Governance | - June 2, 2018 |
| • Volunteers Induction | - September 1, 2018 |
| • Loans Underwriting | - November 17, 2018 |
| • Training in Preparation for IFRS9 | - December 10 - 12, 2018 |
| • Caribbean Confederation of Credit Unions | - June 15 – 20, 2018 |

Policy and Procedures

Between January to September 2018, part of the Committee's work plan was the review of all policies governing the Society. That plan stemmed out of the Committee having new members who needed to become familiar with what governs the mandate of the Committee.

The Internal Auditor regularly reported on internal control testing conducted on the operational policies and procedures of the Society with recommendations for improvements. The Supervisory and Compliance Committee continues to be particularly concerned over the level of adherence to the policies and procedures related to:

- Dormant Accounts;
- Loan underwriting policies and
- General cashing procedures.

Continuous training and increased awareness of the level of risk associated with non-adherence to the policies and procedures is crucial in ensuring that the Society continues to operate within the guidelines of the policies and procedures and by extension, the laws and regulations.

Compliance

Compliance continues to be at the forefront as it relates to the governance and regulation of the Society. Strategies had to be developed and policies amended to respond to changes in the regulatory environment. The Co-operative Societies Act, No. 2 of 2011; the Co-operative Societies Regulations S.R.O. 26 of 2001; the Anti-Money Laundering Act No. 8 of 2011; Anti-Money Regulations S.R.O. 4 of 2013; Suppression of Financing of Terrorism Act No. 9 of 2011; Banking Act No. 16 of 2005; Financial Services Unit Act No. 18 of 2008 and the recent implementation of Foreign Accounts Tax Compliance Act (FATCA), must all be used to guide and govern the operations of the NCCUL.

The Supervisory and Compliance Committee met with the Compliance Officer during the year to discuss his role and the overall compliance of the Society on all the above regulations. During the year, there were amendments to the NCCUL Anti Money Laundering Policy in response to the increased governance requirements. Although there is still work to be done, the Committee is pleased with the regulatory compliance of the NCCUL during the year and we look forward to continue working with the Compliance Officer and his team in achieving all the regulatory requirements.

Finance & Management

The Society continued to show financial and membership growth during 2018 despite the challenges being faced with non-performing loans due to the exit of Ross University and the still lingering effects of the 2017 Hurricane Maria disaster.

The Society also had to adjust accounting policies to incorporate the introduction of a new accounting standard - IFRS 9 - which regulates the way in which loan impairment is accounted for.

Monthly financial analysis of the management financial reports was done by the Committee during the year with enquiries on trends made to the Accountant. A review of the Society's schedule of insured assets was done to ensure insurance coverage was in effect and up to date.

Cash counts were conducted at all the branches visited during the year and share to loan ratio tests to ensure that the requirement of Member Share Capital was met. In addition, the usual end-of-year cash count was undertaken in collaboration with the External Auditor.

Testing of the online services platform was done in the last quarter of 2018, we are excited about the platform being introduced to the general membership which would significantly increase the efficiency of the Loans Department.

Board of Directors' Evaluation Meetings

The Committee held meetings with the Board of Directors to evaluate its performance. These meetings afforded the opportunity to highlight issues and where necessary, seek clarifications. In some cases, based on discussions held, recommendations were made to the Board of Directors.

Some of the issues discussed included:

- Online loan applications;
- The Society's financial performance and capital structure;
- Off-Site Data Storage as part of Risk Management;
- Employee appraisals, benefits and pay structures
- NCCU Cadence Lypso Inc.; and
- Delinquency Committees

The Committee continues to be concerned with the overall participation at this very important forum and looks forward to a re-commitment of all volunteers concerned to avail themselves of all opportunities to further the ideals of the Society.

Physical Plant

Except for Delices, LaPlaine and Grand Fond, as at December 31, 2018, all the other NCCUL branches and sub-offices were operational, providing full services to the general membership. Connectivity remained an issue for the Delices sub-office since the building was not affected by Hurricane Maria.

Repair work was ongoing on the LaPlaine building; however, at the time of reporting, no work had been done on the Grand Fond building.

The NCCUL continued discussions on a location for the La Salette branch as the land ear marked for construction of the office was rendered unsuitable by the passage of Hurricane Maria.

Looking Ahead

There is need for:

- Increased Member Share Capital;




- Reduction in the level of delinquency;
- Increased interaction with the membership and staff;
- Automation of loan application;
- Review and testing of disaster plan; and
- Continuous training in the areas of:
 - ⇒ Compliance
 - ⇒ Risk Management and
 - ⇒ IFRS 9

Conclusion

The Supervisory and Compliance Committee plays a major role in the governance of the Society with compliance and adherence to the internal policies and the regulatory requirements crucial to our longevity.

The ability of the Society to meet its objectives – both qualitative and quantitative – over the past year was dependent on a team of committed and dedicated employees and volunteers, a solid management structure and most importantly the confidence and loyalty of you, the membership.

The Committee would like to sincerely thank the Management and Staff, Directors of the Board, the Credit Committee and the general membership for the support given during the year.



EVADNEY ESPRIT (MS.)
CHAIRPERSON

For and on behalf of the Supervisory and Compliance Committee

NOMINATION COMMITTEE'S REPORT

For the Year Ended December 31, 2018

The Nominations Committee was duly appointed by the Board of Directors in accordance with the Society's By-Laws 59(a) to propose members to serve on the Board of Directors, Supervisory and Compliance and Credit Committees and recommend one (1) member to fill each vacancy.

Members were invited through the media to nominate eligible and willing members to serve as volunteers on the various committees. The Committee reviewed and determined the eligibility of all the nominees.

The Committee comprised the following persons:

- Mr. Dexter Ducreay - Chairperson
- Dr. Damien Dublin
- Mr. Ian-Michael Anthony
- Ms. Keturah Deschamps
- Mr. Aylmer A. Irish

The Committee ensured that the nominees all met the requirements of the appropriate legislation and By-Laws:

- ❖ Co-operative Societies Act No. 2 of 2011, Section 53(4)
- ❖ Financial Services Act No. 8 of 2008 Section 27
- ❖ The Society's By-Laws No. 1 of 2012

Following the Committee's deliberations, the Committee recommended the following nominees to you, the members to serve on the Board of Directors and Committees.

BOARD OF DIRECTORS

Five (5) persons are nominated to serve. One (1) will serve the unexpired term of Clement Marcellin Jr. who resigned.

- **Mr. Aaron Dalrymple**
 - ~ *Qualified Accountant who has worked in various capacities in the private and public sector.*
 - ~ *Retired from the position of Manager - Dominica Co-operative Societies League in Dec. 2016.*
 - ~ *Past Treasurer of NCCU Board of Directors.*
- **Mrs. Josephine Dublin**
 - ~ *President of NCCU Board of Directors.*
 - ~ *Past Principal of the Convent High School.*
 - ~ *Superintendent of Catholic Schools.*

- **Mr. Gerald Fregiste**
 - ~ *Economist, Ministry of Finance*
 - ~ *Treasurer of NCCU Board of Directors*
- **Mrs. Candia Carrette-George**
 - ~ *Attorney at Law*
 - ~ *Chief Magistrate*
 - ~ *Secretary of NCCU Board of Directors*
- **Mrs. Janice Jean-Jacques Thomas**
 - ~ *Director of Dominica Social Security.*
 - ~ *MBA (Hons) UWI*
 - ~ *Past Member of NCCU Board of Directors*
 - ~ *Past Member of NCCU Supervisory and Compliance Committee*
- **Mr. Cecil Shillingford**
 - ~ *Employed with the Government of Dominica at the Office of Disaster Management as Disaster Risk Management Specialist.*
 - ~ *Member of NCCU Board of Directors.*

The names of other members submitted by the membership who are willing to serve on the Board of Directors are:

- **Mr. Michael Augustine** - *Teacher at Dominica Grammar School/Past President of NCCU.*
- **Mrs. Irene John** - *Mayor of Roseau*
- **Mr. Ericson Algernon Degallerie** - *Principal/Past NCCU Director/Past President of the League Board*
- **Mr. Carlisle Jno Baptiste** - *Journalist/Past Secretary of NCCU Board*
- **Mrs. Suzanne Alexander-Alie** - *Senior Auditor at Unicomer Dominica Ltd.*

SUPERVISORY AND COMPLIANCE COMMITTEE

Six (6) persons are nominated to serve. One (1) will serve the unexpired term of Yakima Cuffy who resigned.

- **Ms. Priscilla Panthier**
 - ~ *Served previously on the NCCU Credit Committee for two (2) terms.*
 - ~ *Clerk at Prevost & Roberts Law Chambers.*
- **Ms. Marilyn Sherma Richards**
 - ~ *Executive Director, Plan Parenthood Association since July 2013.*
 - ~ *Chair of the Country Coordinating Mechanism (a national committee in each OECS country that submits funding applications to the Global Fund to fight AIDS and tuberculosis)*
- **Mrs. Sophia Albert-Charles**
 - ~ *Senior Administrator Officer at Dominica State College*
 - ~ *Member of the NCCU Supervisory and Compliance Committee*

- **Mrs. Julie Shillingford-Durand**
 - ~ Member of the NCCU Supervisory and Compliance Committee
 - ~ Previously served as member on the NCCU Credit Committee
 - ~ Accountant at Dominica Water & Sewerage Company Ltd.
- **Mr. Calvin Esprit**
 - ~ Ag. Government Printer
 - ~ Member of the NCCU Supervisory and Compliance Committee
- **Mr. Bernard Nation**
 - ~ Member of the NCCU Supervisory and Compliance Committee
 - ~ Managing Director of Environplus Consulting Inc.
 - ~ Previously served as Treasurer of West Coast and President of Castle Bruce Credit Unions.

The names of other members submitted by the membership who are willing to serve on the Supervisory and Compliance Committee are:

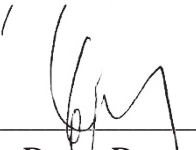
- **Ms. Nadette Williams** - Teacher at Convent High School/past member of the NCCU Supervisory and Compliance Committee and Credit Committee
- **Ms. Bernadette Austrie** - Assistant Coordinator/Lecturer Dept. of Nursing at All Saints University School of Medicine.

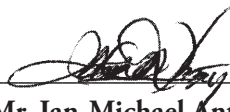
CREDIT COMMITTEE

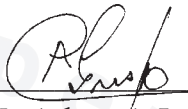
Six (6) persons are nominated to serve. One (1) will serve the unexpired term of Luana Laurent who resigned.


- **Mr. George Maxwell**
 - ~ Past Chairperson Credit Committee
 - ~ Technical Officer - Ministry of Tourism & Culture
- **Ms. Renita Charles**
 - ~ Librarian I, Public Library
- **Mrs. Jodie Dublin-Dangleben**
 - ~ Civil and Environmental Engineer, Government of Dominica
 - ~ Member of the NCCU Credit Committee
- **Mr. David Maximea**
 - ~ Education Officer, Ministry of Education
 - ~ Member of the NCCU Credit Committee
- **Mr. Mervin Anthony**
 - ~ Customs Officer, Government of Dominica
- **Mrs. Kassandra Robert-Joseph**
 - ~ Operations Assistant/Deputy Manager, Commonwealth Bank and Trust Ltd.

The Nominations Committee is pleased to present this report to you the members.



Mr. Dexter Ducreay

Mr. Ian-Michael Anthony

Mr. Aylmer A. Irish

Dr. Damien Dublin

Ms. Keturah Deschamps

Blank lined paper for writing.



YOU ASKED FOR IT

IT'S HERE!

Sign Up
Today

- + CHECK YOUR BALANCES
- + DO TRANSFERS
- + OBTAIN YOUR TRANSACTION HISTORY
- + OPEN NEW SUB-ACCOUNTS

AT YOUR CONVENIENCE



ONLINE
Services





One Big Family

Roseau Branch/Head Office

P.O. Box 175, 31-37 Independence Street,
Roseau, Commonwealth of Dominica, W.I.
Tel: 255 2172

Vieille Case Branch

7021 Church Street, Vieille Case
Commonwealth of Dominica, W.I.
Tel: 255 2241

St. Paul Branch

Cnr of Main Rd & Campbell Rd.
Mahaut
Commonwealth of Dominica, W.I.
Tel: 255 2215

St. David's Branch

Riviere Cyrique
Commonwealth of Dominica W.I.
Tel: 255 2256

La Salette Branch

Pointe Michel
Commonwealth of Dominica, W.I.
Tel: 255 2228

Castle Bruce Branch

Glu-Glu, Castle Bruce
Commonwealth of Dominica, W.I.
Tel: 255 2264

La Plaine

Main Street, La Plaine
Commonwealth of Dominica, W.I.
Tel: 255 2275

Tel: +1767 225 2172

Int: 718 618 5877

Fax: +1767 225 2109

www.nccudominica.com