Ariza
Credit Union

ANNUAL REPORT 2018

Save.
Invest.
Progress.

Ariza Credit Union

ANNUAL REPORT 2018

Mission

To maintain our role as leader in providing all-inclusive financial solutions based on co-operative ideals

Vision

To improve the quality of life of our members through sound financial solutions tailored to their needs

Core values

1. Member focus
2. Professionalism and Commitment
3. Excellence and Innovation
4. Collaboration and Teamwork
5. Growth

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Prayer

Lord, make me an instrument of thy peace
Where there is hatred let me show 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.

Bless, Oh Lord our deliberations and grant that
Whatever we may say and do
Will have thy blessing and guidance
Through Jesus Christ Our Lord
Amen

Song

With us there are no barriers
'Cause we're all the same
The more of us the happier
The louder we'll proclaim
That we are owner-members
Our rule is honesty
We are the Credit Union
And all the world can see

Chorus
Together, we give and receive
Together, we help each other to achieve
"Cause in our world today
It's not safe to be alone
We all will be true savers
Though it be great or small
We will become shareholders
Providing loans for all
When great need arises
There's no uncertainty
Once in the Credit Union
There's help for you and me.

We pledge to be of service
To better our land
We harbour no prejudice
Upon this theme we stand
One man one vote for members
Of high or low degree
For in the Credit Union
There's pure Democracy

Corporate Information

St. George's Branch
Bruce Street
St. George,
P.O. Box 886
T : (473) 440 1759 / 8296 /2099
F: (473) 440 8031
W: www.arizacu.com
www.facebook.com/arizacreditunion
www.facebook.com/excelclub
arizacu

Grenville Branch Office
Canal Road
Grenville,
St. Andrew
Telephone: (473)438-4929/4930
Fax: (473) 438-4928

Carriacou Branch Office
Church Street
Hillsborough,
Carriacou
Telephone: (473) 443-7461
Fax: (473) 443-8520

Credit Union House
906 Church Street,
St. George's

Auditors:
BDO Eastern Caribbean
GCNA Complex, Unit D15,
Kirani James Blvd, St. George's

Bankers:
Republic House
Maurice Bishop Highway,
Grand Anse, St. George's

RBTT Bank (Grenada) Ltd
Grand Anse, St. George's

Grenada Co-operative Bank Ltd.
Church Street, Saint George's

Solicitors/Attorneys:
Wilkinson, Wilkinson & Wilkinson
Law Office of George E. D Clyne

Notice of Meeting

Notice is hereby given that the Annual General Meeting (AGM) of the Ariza Credit Union Ltd. is scheduled for Thursday June 27th 2019 at 3:00 p.m. at the Spice Basket, Beaulieu, St. George 's.

AGENDA

OPENING SESSION

1.1.	Call to order and welcome
1.2.	Credit Union prayer
1.3.	Silent tribute
1.4.	Apologies for absence
2.	Greetings from Guest Societies
3.	Remarks by invited officials
4.	Break

BUSINESS SESSION

1.	Nominations Committee Report
1.2	Elections
1.3	Voting
1.4	Sitting of new Directors
2.	Consideration of the Minutes of the Annual General Meeting (AGM) held 28th June 2018
3.	Committee Reports
3.1.	Board of Directors
3.2.	Credit
3.3.	Supervisory & Compliance
3.4.	Treasurer and Auditors
3.5	Budget 2019 and 2020
4.	Resolutions
4.1	Amendment of Bylaws
4.2	Appointment of Auditors
4.2	Approval of Budget
4.3.	Allocation of Surplus

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Sis. Claudette James
Secretary

Standing Orders

1. (a) Only Delegates are allowed to address the Chair
   (b) A member to stand when addressing the Chair
   (c) Speeches to be clear and relevant to the subject before the meeting

2. A member shall only address the meeting when called upon by the Chairman to do so, after which he (she) shall immediately take his (her) seat.
3. No member shall address the meeting except through the Chairman
4. A member shall not speak twice on the same subject except:
   (a) The mover of the motion – who has the right to reply
   (b) He rises to object or to explain (with the permission of the Chair.)

5. The mover of a procedural motion – (Adjournment, laid on the table, motion to postpone) to have no right to reply.
6. No speeches to be made after the "Question" has been put and carried or negated.
7. A member rising on a "Point of Order" to state the point clearly and concisely. (A "Point of Order" must have relevance to the "Standing Orders").
8. (a) A member shall not "Call" another member "To Order" but may draw the Chair to a "Breach of Order".
   (b) In no event can a member call the chair to order.

9. A " Question" should not be put to the vote if a member desires to speak on it or move an amendment to it except that "a Procedural Motion", "the Previous Question", "Proceed to the next business" or the closure ' That question be put now" may be moved at any time.
10. Only one amendment should be before the meeting at one and the same time.
11. When a motion is withdrawn, any amendment to it fails.
12. The Chairman shall have in addition to his ordinary vote, a "casting Vote" in the case of equality votes.

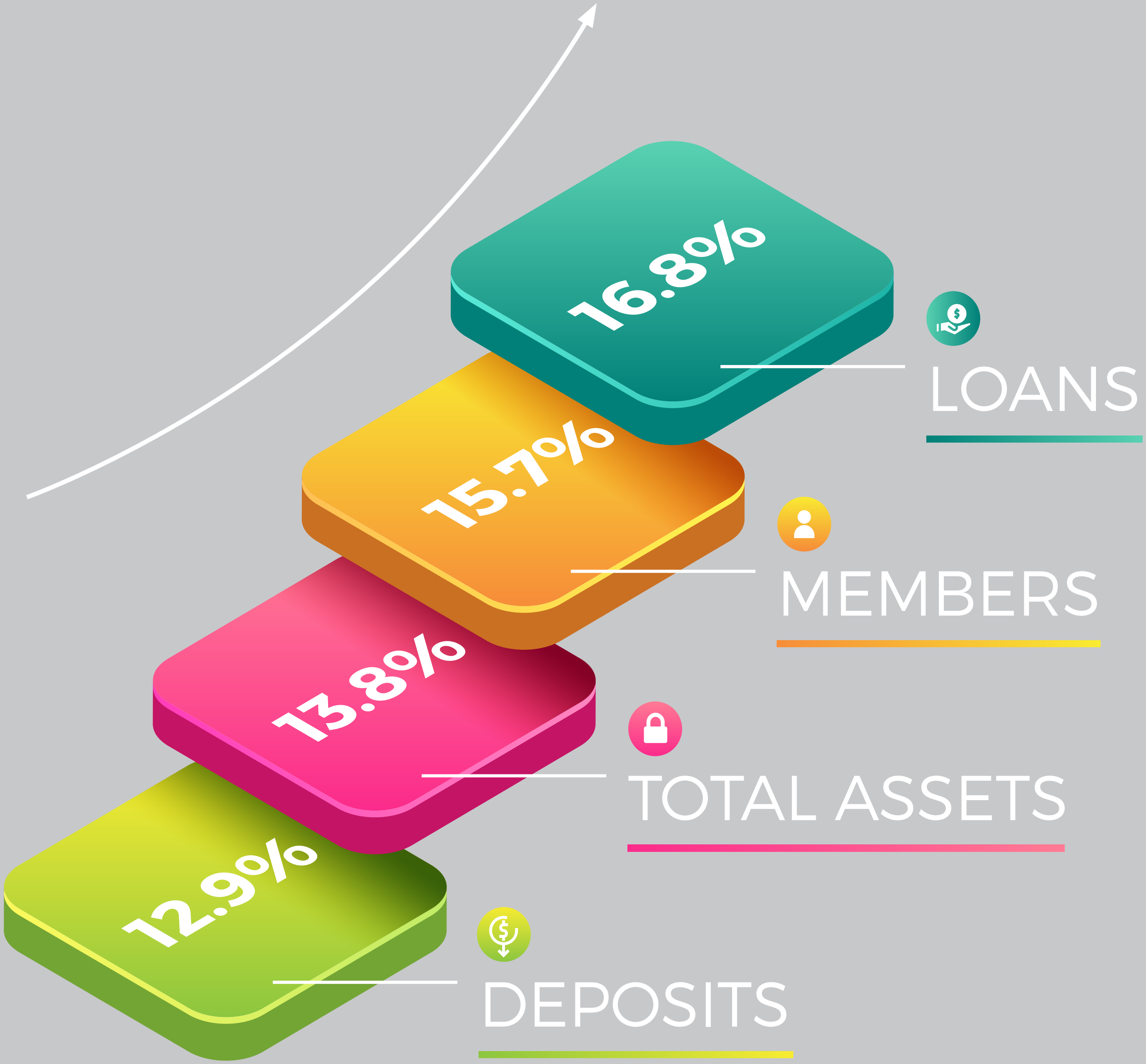
13. If there is an equality of votes on an amendment, and if the Chairman does not exercise his (her) casting vote, the amendment is lost.

14. Provisions to be made for protection by the Chairman from vilification (personal abuse)
15. No member shall impute improper motives against the Chairman, Board of Directors, Officers or any other member.

Operating Highlights

	2018	2017	2016	2015	2,014
Gross Loans	311,883,163	266,646,770	226,051,348	201,819,571	184,918,340
Net Loans	305,693,139	261,756,746	220,860,859	197,129,081	181,227,850
Investments	18,797,261	28,665,984	25,588,385	23,277,759	20,861,531
Fixed Assets	27,884,966	24,944,928	19,114,702	12,810,256	11,591,861
Total Assets	376,858,430	331,056,650	287,192,262	253,305,663	226,862,880
LIABILITIES					
Member's Lifetime Savings	165,500,796	142,540,794	119,094,956	105,244,887	92,375,572
Other Deposits	157,718,897	143,737,195	128,411,905	114,202,054	104,250,972
Total deposits	323,219,693	286,277,989	247,506,861	219,446,941	196,626,544
CAPITAL					
Member Equity	12,753,644	10,986,015	9,070,289	7,781,891	6,178,921
Member Qualifying Shares	3,519,435	2,884,200	2,731,038	2,346,896	2,154,431
Surplus and Reserves	25,441,149	22,351,316	19,234,169	17,773,146	16,137,960
Institutional Capital	28,960,584	25,235,516	21,965,207	20,120,042	18,292,391
INCOME					
Interest on loans	25,818,776	20,658,225	18,644,171	17,389,237	16,348,778
Other Income	1,232,891	1,201,002	1,049,704	1,541,034	1,016,403
Total income	27,051,677	21,859,227	19,693,875	18,930,271	17,365,181
EXPENDITURE					
Interest on Deposits	11,048,030	9,490,754	8,670,913	8,715,028	8,738,811
Other Expenses	9,938,786	8,768,609	8,193,226	5,732,161	6,084,578
Total expenses	20,986,816	18,259,363	16,864,139	14,447,189	14,823,389
SURPLUS					
Operating Surplus for the Year	6,064,859	3,599,864	2,829,734	4,483,082	3,027,939
Provision for Risk Assets	1,369,843	500,000	500,000	1,000,000	1,000,000
Unapproriated surplus/(deficit)	4,695,016	3,099,864	2,329,734	3,483,082	2,027,939
DIVIDEND	751,521	614,595	-	444,964	431,825
REBATE	516,375	426,805	-	523,340	509,141
Incentive Bonus			*651262	-	-
MEMBERSHIP	17,492	15,114	13,002	11,309	10,377

* In 2016 the Credit Union's Institutional Capital stood at 6.7% and as a result dividend and rebate were not paid as in keeping with the Act. An incentive Bonus payment was made to members in lieu of a dividend and rebate.


16.8%
LOANS
15.7%
MEMBERS
13.8%
TOTAL ASSETS
12.9%
DEPOSITS

Management Executives

Lucia Livingston-Andall
Chief Executive Officer

Kippling Charles
Executive Manager
Finance & Operations

Florence Williams
Executive Manager
Loans & Credit Administration

Management Team

Kevin Gilbert
Manager
Loans

Neika Johnson
Accountant

Gerlan Peters
Manager
Risk & Compliance

Lenus Walker Jr.
Manager
IT & Special Projects

Sabrina Rodney-Ogilvie
Manager
Grenville Branch

Dane Sylvester
Manager
Projects

Kimalene Regis
Manager
Marketing, Communications
& Member Care

ARIZA Ambassadors

Administration

Richard George

Veronica Alexander

Roxanne Antoine

Nghia Haynes

Administration

Janice Darbeau

Roxanne Charles

Kinesha Moses

Tiffani Hall

Marketing

Credit Admin

Candia Nicholas Dahilia Thomas Edlyn Lalsee Staciann Lake

Kesha Bartholomew Kendra Noel Geanelle Mitchell

Amirah Branch Kimalene Regis Edwin Francis

ARIZA Ambassadors

Information Technology

Ozimba Toussaint
Gerard St. Louis
Lenus Walker Jr.

Member Care

Kishon Palmer

Tracey Victor
Josephine Walters
Jerilee Edwards
Sonia LaTouche Cadet
Michelle Cambridge-Marryshow

Kimalene Regis
Iyana Brown
Abigail Alexander

Kishon Palmer (not in photo)

Risk & Compliance

Cristel Lalite

Gerlan Peters

Delinquency

Stephen Joseph

Sindyann Morain

Marietta Mitchell

Heather Thomas

ARIZA Ambassadors

Finance & Operations

Back Office

Neilon LaTouche
Jaime Phillip
Chenelle Mitchell
Neika Johnson
Kurt Bartholomew
Cheffon Whiteman
Frances Gilbert
Shaunon Amada

Loans

Kevin Gilbert
Jenelle Viechweg-Harbin
Arya Clyne
Shaquille Isaac
Lianne Purcell

Loans

Dossia Ferguson-John
Herschel Whiteman
Kynda Sylvester
Dayna Francis-Roberts

E-Services & E-Filing

Gerard Hillaire
Aidan Peters
Kenson Cumberbatch
Terissa Mitchell
Nerissa Read

ARIZA Ambassadors

Cashiers

Shawyne Daniel

Daneil Gilbert

Kelron Brathwaite

Javon Mc Sween

Nerissa Chitterman (not in photo)

Ancillary Staff

Emelyn St. Hillaire

Lema Mitchell

Grenville Branch

Neisha Allard
Francis Balwant
Sabrina Rodney-Ogilvie
Theresa Francique
Loreen Toussaint

Raquel Langdon (not in photo)

Carriacou Branch

Jeanette Stanislaus
Princess Henry-John
Wineth Stewart

President's Message

Brothers and Sisters in Credit Unionism, I take the opportunity to thank you, our Board of Directors, the Management and Staff for bestowing on me the honour to serve as President for the past year.

The opportunity to serve at the highest level of our Credit Union (Ariza) has created experiences that thrills the mind and generates the desire for continuous improvement to provide services to you- the members. As a proud member, serving at a time when Ariza is transforming to sustain its position as the most viable financial option, I am provided with a unique opportunity to help with strategic guidance geared toward constant development.

Over the last year, the Board was able to champion and help shape the plans of the Credit Union in an effort to connect with you, with the goal of creating avenues with effecting strategic policy decisions to facilitate you in achieve your financial dreams. Building on our rebranding initiative just over two years ago, we remain steadfast in finding better ways to bring satisfaction to you. The goal is to grow and improve in the way we do business, so that you can always remain proud of your credit union.

Brother and Sisters, in 2018 we intensified our efforts to remain progressive with the changes in technology, as we implemented a new financial software (Share Tec) resilient enough to meet the data processing of our growing credit union and the changing needs of the membership. This was necessary as we evaluated consumer pattern, security and privacy within the technological changes of the world today. During the year we also continued to emphasize consumer /member care and listened and responded as necessary. These efforts contributed to another year of growth, even better than that of 2017, both in the areas of membership and financial performance.

Brothers and Sisters, the hard work of the Ariza team supported by a competent Board of Directors and Committees led to Ariza Credit Union being the recipient of the Business of the Year Award for yet another consecutive year. This achievement makes us proud and eager to improve in other ways to maintain this award and achieve others, from the Grenada Chamber of Industry & Commerce (GCIC).

Successes for 2018

As the president of Ariza it was a pleasure to be part of the many successes of the credit union for the year 2018. Pertinent to mention here are:

- We experienced a Net Surplus of $2.86M after all appropriations, an achievement we all should be proud of.
- Our overall assets saw a growth of 13.84 percent
- There was remarkable performance in the loans portfolio, giving us a growth of 16.83 percent .Our membership growth of well over two thousand persons, now brings our total membership as of December 31st to 17,492.
- Implementation of a new operational software.
- The construction of a new building in Carriacou which is nearing completion.
- The approval of a new business plan for the next three years.
- The undertaking of a number of staff development and training programmes.

These successes would have never been possible without our valued members, therefore we must remain connected at all time so we all can enjoy the benefits of our credit union.

Challenges for 2018

While we cherish our successes, it is important to note that we also experienced some challenges during the year. However, with the experiences of our well capable management and staff, they were able to deploy strategies to mitigate these challenges. Reported communication issues and delays with the Ridgeway Residences Projects were the two major challenges.

The communication provider has since made some significant upgrades to our telecommunication system and management has initiated some specific front line adjustment to help with this problem. In respect to the housing project, the Board has since approved the cutting of ties with LegendWay International and approved new management strategies to guide the completion of the project; measures we are confident will produce successes.

Moving forward

The approved business plan sets the stage for continued growth and successes for our credit union. Notwithstanding, I will like to remind us all to stay highly engaged with our 'We Care' motto at the front of our minds at all times. We, as a Board, are committed to listening to you, to building stronger relationships and to developing a level of trust that will continuously strengthen our organization. I encourage you to make your family and friends part of the Ariza family so that they too can benefit from the advantages of membership.

Brothers and Sisters I know that our credit union is performing excellent that this time, but with all the external pressures and imminent changes, I must expound the need for us to remain connected and committed to our organization. Let us continue to stay together, work together, complain together, find solutions together, and keep Ariza moving forward together.

I take this opportunity to thank all Committee Members, Board of Directors, Management and Staff and Members for a successful 2019 and wish us all the best for the next business year and in the future.

In God we trust, blessings to all.

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Javan F. Williams
President

Board of Directors' Report 2018

Bro. Javan Williams

Bro. Aaron Moses

Bro. Orlando Romain

Bro. Dennis Cornwall

Sis. Claudette James

Sis. Carla Thomas-Ross

Bro. Ernie James

Bro. Lyndon Bubb

Not in photo:
Bro. Rodney George

Board Composition

At the conclusion of the Annual General Meeting in June 2018 the following members constituted the Board of Directors:

Sis. Claudette James
Sis Carla Thomas-Ross
Bro. Lyndon Bubb
Bro. Dennis Cornwall
Bro. Rodney George
Bro. Ernie James
Bro. Aaron Moses
Bro. Orlando Romain
Bro. Javan Williams

At the first meeting of the Board of Directors following the June 2018 AGM, the following executive officers were elected:

Bro. Javan Williams	-	President
Bro. Dennis Cornwall	-	Vice President
Sis. Claudette James	-	Secretary
Bro. Lyndon Bubb	-	Asst. Secretary
Sis. Carla Thomas-Ross	-	Treasurer
Bro. Ernie James	-	Asst. Treasurer

INTRODUCTION

We are thrilled to report that your organization – Ariza, experienced another year of resounding success in 2018. During the second year of operations under our new brand, we once again captured the prestigious and coveted GCIC Business of the Year Award! In addition, we attained significant operational milestones; over $300 million in loans and operating surplus in excess of $4 million. Your Board is therefore optimistic and excited about the road ahead.

We believe that Ariza's continued success rests in maintaining our dedication to service excellence – making a positive impact on members' lives through proactive needs-based advice and financial solutions. Our focus on service excellence has never wavered despite the many changes we have experienced. As we continue our quest to become the primary financial institution for each member and Grenada's premiere financial institution, we remain resolute in our commitment to enhanced service delivery. Our core operating system was successfully upgraded in May 2018. This undertaking would not have been possible without the tireless efforts of the dedicated Ariza team.

In advance of the upgrade, significant efforts were made to communicate the upcoming changes and impacts members could expect as a result of them. We acknowledge the inconveniences you may have experienced as we encountered teething problems and thank you for your patience and understanding during the adjustment period. In keeping with the credit unions' philosophy: "People Helping People," during the coming year we aim to resume the provision of financial education seminars. Credit unions are your financial partners for life and can help maximize all of your financial options. Ariza takes care of its members! We therefore anticipate your full support when this program is launched.

EXTERNAL ENVIRONMENT

According to the International Monetary Fund's (IMF) most recent World Economic Outlook Report, global growth is estimated at 3.7% for 2018 and 2019 respectively; downward revisions from an estimated global growth of 3.9%. The adjusted figures were largely based on lower projected growth for many advanced economies, especially the United States, due to expected negative impacts of planned trade tariffs. Growth has been revised up in some emerging markets and developing economies, especially those largely dependent on oil exports due to a projected increase in oil prices. Cognizance, however must be taken of the situation in Venezuela and the impact this can have on the region.

Grenada has been cited as having the fastest growing economy in the region, and for 2019, growth is estimated at 4.2%. It is expected that this growth will be fueled by expansions in the major sectors, especially construction, tourism, transport, private education and manufacturing. Additionally, the unemployment rate is expected to decrease with government's recent addition of another batch of Imani trainees and their MPower initiative. Ariza is poised to take advantage of these programs as we focus on membership growth. To this end we have forged relationships with the Ministry of Youth to provide financial services to Imani and MPower trainees upon acceptance into the programs. As a result of the Imani program we realized 140 new members in 2018. We anticipate this trend will continue in 2019.

Credit Union Sector Performance

While the credit union sector in Grenada continued to grow, there has been an overall deceleration in deposits received and loans granted. This decline can be attributed to the tapering of business which previously accelerated as a result of the reduction in operations by some of the international banks. Additionally, consumers now have more borrowing options due to increased access to non-traditional money lenders.In 2018 the sector's total assets grew by 12.8%; from $779M in 2017 to $879M in 2018. Loans grew by 12.1% increasing from $583M to $654M while deposits increased by 12.6% from 659.4M in 2017 to $742.5M in 2018. Overall credit union membership, however, experienced a 4.5% decline when compared to the previous year; from 69.5k in 2017 to 66.4K in 2018. This can be attributed to a purging of membership accounts mandated by the Grenada Authority for the Regulation of Financial Institutions (GARFIN) throughout the sector.

The following table summarizes the performance of all credit unions relative to Ariza:

	ALL CREDIT UNIONS			ARIZA CREDIT UNION			
	As of December 2018	As of December 2017	% Change	As of December 2018	As of December 2017	% Change	**Ariza Market Share (%) in 2018**
Deposits	742,529,155	659,454,007	12.6 %	323,219,693	286,277,989	12.9%	43.5%
Loans	654,666,558	583,924,350	12.1%	311,883,163	266,646,770	16.8%	47.6%
Total Assets	879,182,050	779,302,787	12.8%	376,858,430	331,056,650	13.8%	42.9%
Members	66,389	69,493	-4.5%	17,492	15,114	15.7%	26.3%

Ariza's Performance

Financial Performance

Ariza's success is primarily attributed to the amount of business transacted with members. Once again, we maintained a healthy financial position in 2018. Ariza's growth outperformed the sector in all areas.

Total assets grew by $45.8M or 13.8% to end the year at $376.8M. Growth from loans totaled 16.8% to $311.8M and members' deposits increased by 12.9% to $323.2M, for very balanced growth.

Corporate Governance

During the year under review, all volunteer committees continued to function effectively, meeting as required to fulfill their fiduciary and statutory obligations.

The issue of proper corporate governance is considered sacrosanct to the effectiveness and longevity of the organization. Accordingly, directors and volunteers must be adequately trained to effectively execute their functions.

During the year your President and Treasurer became Accredited Directors under the Canadian Directors' Education and Accreditation Program. This training would be extended to all directors in the upcoming years and other relevant training would be sourced for the Supervisory and Compliance and Credit Committees.

The training of volunteers before assuming positions was also given attention during the year. The Board began activities towards enhancing the nominations process by providing training to nominees and members willing to serve prior to being elected.

This training in the role and responsibilities of directors and volunteers was provided by a cadre of capable professionals from the World Council of Credit Unions (WOCCU) and the local regulatory bodies.

Compliance and Risk Management

In recognition of the increasingly important role that credit unions and other non-bank financial institutions play in deepening financial intermediation, the Government has indicated that they are working with the GARFIN and the ECCB to enhance the regulation and supervision of the non-bank financial institutions in Grenada. Accordingly, there has been increased focus on credit unions to strengthen their Anti-Money Laundering and Combating the Financing of Terrorism frameworks as they continue to grow and develop, especially with the heightened talks about crypto currencies and the opening-up of payment systems to credit unions. Ariza therefore continues to ensure that we continually improve our standards and onboarding processes to ensure that we remain compliant with all regulations. We anticipate your continued support and understanding as we seek to protect your hard-earned funds which you have entrusted to us.

Marketing Highlights

Our rebranding in December 2016 required extended awareness-building campaigns. Our efforts have borne fruit. The brand has resonated with the general public, members and potential members.

In addition, several other branding and marketing initiatives were undertaken to reinforce our brand presence. Sponsorship was provided for the following events:

- **Carriacou and Petite Martinique Carnival**

This is one of the premiere cultural events on the islands. The most anticipated show, the Ariza Kayak Mas 2018 Soca Monarch, was a resounding success. Membership vouchers were awarded to the 15 finalists in this competition.

- **Gouyave Knockout Basketball Tournament**

A basketball competition hosted by Sparklers Basketball Club in their hometown, Cuthbert Peters Park, St. John was also sponsored. Basketball clubs from throughout the island competed over an eight-week period to win the number one spot in the tournament. This sponsorship was important to Ariza as it boosted brand recognition and community involvement on the western side of the island and also served as an introduction into a new market.

- **Ariza National Junior Championship Games**

This was our first major sponsorship for the year which boasted participation of over 13 schools and clubs competing in over 94 track and field events. The competition was carried live on Facebook with engaging commentary and active discussion by viewers. We are proud to announce that this event was used as an avenue for selecting Grenada's representatives for the 2018 CARIFTA Games.

- **Petite Martinique Regatta**

This was our ground-breaking activity in Petite Martinique. The event was executed during the month of June with major activities taking place on the last weekend. These included cultural shows, boat racing, and various other activities and competitions. The event was highly attended by Grenadians residing in USA and the UK. Revelers and patrons expressed their gratitude for Ariza's sponsorship. Winners in the boat racing competition received membership vouchers whilst winners in the various onshore activities and competitions received Ariza branded tokens and memorabilia.

- **SpiceMas Carnival 2018**

Spicemas is Grenada's premiere cultural event when many Grenadians in the diaspora return home to enjoy our annual festival and participate in the major events around the Carnival Season. Ariza saw this as an opportune time to showcase its new brand to Grenada and the world by extension. Ariza was able to receive significant mileage by branding and representing the Credit Union at numerous activities throughout the carnival season, starting as early as April through to the end of August. Sponsorship was focused primarily on the Children's Carnival Frolic (Kiddies Carnival). Our facebook pages were used to highlight and promote the event through trivia competitions and giveaways.

Special Projects

At the end of 2018 your Board conducted a review of the arrangements for executing the Morne Jaloux housing project and terminated relations with its development partner, Legendway International Ltd. This decision was taken in light of major breaches in the terms of the Memorandum of Understanding governing the relationship and the undue delays experienced in delivering the model houses.

Despite initial challenges, your Board continues to be very optimistic about the viability and marketability of this superior housing development. **Consequently, a** decision was taken to recruit an additional in-house resource in the person of an engineer/project manager to oversee the project **going forward.**

With regard to the Grand Anse property a decision was taken to commence work in 2019 to convert this asset into a viable revenue earner while at the same time creating a presence for Ariza in this location.

The lot of land adjoining the Credit Union's headquarters, purchased during 2017, was also converted during the year to a commercial car park. This is intended to be temporary until a long-term plan for usage is finalized. The car park is projected to earn a minimum of EC$20k per month.

Social Responsibility and Community Outreach

Scholarship Awards

For over nineteen years Ariza has been granting scholarships to students under various programs. We, as a Board, extend special thanks to the volunteers of the Scholarship Committees and commend the Chairpersons, Sis. Meryl Baptiste-Lord of the Secondary School Scholarship Committee and Sis. Beryl Isaac of the Joseph Bain Scholarship Committee for their commitment and dedication to this program. The 2018 Scholarship Award Ceremony was held on the 7th September to recognize the students who excelled and who were granted awards in the following areas:

Blue Ribbon Award

The Blue Ribbon Award is granted annually to the holder of a Credit Union Education Savings Plan (ESP) who had scored highest in the CPEA exam. The recipient receives $1,000.00 per annum for the duration of their secondary school life.

The 2018 Blue Ribbon Awardee was Mya Carter who ranked third on the island. She attended the St. George's Anglican Senior School and now attends the St. Joseph's Convent, St. George.

Secondary School Scholarship

The Ariza Secondary School scholarship as customary, is granted to two students entering secondary school for a period of five (5) academic years. They receive an amount of $1000.00 per year. This award is given based on Merit; the applicant whose child/ ward attained the highest score at the CPEA exam and on Need; based on the analyzed need of the family for financial assistance to educate the child.
The 2018 Award was given to the following students:

- Dilan Nelson who attended Beacon Junior School and now attends the Presentation Brothers College.
- Amira Ogilvie who attended the Corinth Government School and now attends the St. Joseph's Convent, St. George

Brighter Future Scholarship

The Brighter Future Scholarship is awarded to students entering T.A Marryshow Community College (TAMCC). The recipients receive a grant in the amount of $1,500.00 per year for their two-year TAMCC programme.

Similar to the Secondary School Scholarship award, The Brighter Future Scholarship is given based on Merit and Need. Merit based on number of subjects and scores attained at CXC exams and Need based on assistance required to finance attendance at the college.

The two recipients for 2018 were:

- Ezra Frederick
- Kamal Farray

Joseph Bain Scholarship

The Joseph Bain Scholarship, birthed in 1999, is a partial scholarship of $5,000.00 granted to assist members pursuing studies towards a Bachelors, or Masters' Degree. For 2018 the awardees were:

- Ginelle Charles, pursuing a Bachelors' Degree in sociology
- Crispin Andrews, pursuing a Masters Degree in Advanced Chemical Engineering with IT and Management.
- Elizabeth Collins, pursuing a Bachelors' Degree in Accounting and Finance
- Lucyanna Greaves, pursuing a Bachelors' Degree in Architecture

Grencoda's Secondary Schools Scholarship Program

In 2018, Ariza upgraded its assistance to this program by providing full sponsorship to the tune of $20,000.00 to replace funding from another sponsor which was no longer forthcoming. We look forward to continue working with Grencoda in this long standing and very worthy community transformational effort.

Human Resource Management

Job Training

Our Credit Union continues to provide assistance to the youth. As has now become customary, both secondary and tertiary internships were provided to the following schools: St. Joseph's Convent St. George, St. Joseph's Convent Grenville and T.A Marryshow Community College. These initiatives not only benefit us as an organization, but also provide the coaching necessary for young adults to become assets to the workforce. We had the pleasure of coaching three young persons in 2018 and look forward to continuing to be the first place to impart working knowledge to many more young minds as they step into the world of work.

Staffing

During the year the total staff complement employed within all branches increased to seventy-two (72) as key staff positions were filled within all departments.

Seven (7) employees left our family to pursue other goals. We thank them for their years of service and extend best wishes for future endeavours.

Training Summary

Our Staff and Committee Volunteers participated in the following training sessions in 2018:

PARTICIPANTS	TRAINING	INSTITUTION	DATE
Gerlan Peters-Toussaint Cristel Lalite	Caribbean Anti- Money Laundering and Financial Crimes Conference	ComplianceAid, Miami	18th - 20th April 2018
Dayna Francis- Roberts Mondella Lynch-Alleyne	Mortgage Underwriter Training-St. Lucia	Eastern Caribbean Home Mortgage Bank	23rd-27th April 2018
All staff	The Ariza Way	*Image Management Consultant & Human Resource Development*-Edward Frederick	April 28, 2018, May 15, 2018
Edwin Francis, Kimalene Regis & Lucia Livingston-Andall	Financial Brand Forum, Las Vegas	Financial Brand	May 05-11,2018
Kinesha Moses & Kesha Bartholomew	Leading from the Middle	Alice Thomas - Roberts	May 15, 2018
Board of Directors, Credit & Supervisory Committees, Staff & Nominees with interest to Serve	Governance Training	Michael Edwards-World Council of Credit Unions	May 31-June 1, 2018
All Credit Union Managers		GARFIN	May 18, 2018
Lucia Livingston-Andall, Carla Thomas-Ross, and Ernie James, Neika Johnson	CCCU Convention 2018-Trinidad	Caribbean Confederation of Credit Unions	June 14-21, 2018
Lenus Walker, Kimalene Regis	Bitcoin impact on small Island Developing States	Grenada Chamber of Industry & Commerce	July 3, 2018
Gerlan Peters-Toussaint, Edlyn Lalsee, Florence Williams	Credit Reporting in the ECCU	Caribbean Credit Bureau Ltd.	July 4, 2018
All Staff	Personal Financial Wellness	Go Blue Inc.	July 10-13, 2018
Princess John, Jeanette Stanislaus	Exceptional Customer Service and Finances.	Business Support Center	September 2018
Kippling Charles & Lenus Walker	Sharetec User Conference	Bradford Scott - Texas	14th - 21st September, 2018

PARTICIPANTS	TRAINING	INSTITUTION	DATE
Dayna Francis- Roberts Theresa Francique	Mortgage Underwriter Training	Eastern Caribbean Home Mortgage Bank	November 19-23, 2018
Javan Williams, Carla Thomas-Ross	Governance Training - Barbados	Canadian Directors' Education and Accreditation Program	November 20-22, 2018

Donations and Contributions:

Provident Fund

The Provident Fund Committee makes recommendations to the Board to provide financial grants to members in genuine and deserving cases of need. In 2018, financial grants and Christmas hampers were provided to 25 members totaling in excess of $17k.

We thank the members of the Provident Fund Committee, under the chairmanship of Sis. Gloria Payne-Banfield, for their enduring voluntary commitment to serve. We are indeed grateful.

Other Donations and Contributions

During the year the Credit Union continued to respond to requests for support, contributions and donations in areas such as sport, community development activities and emergency medical care.

Transitions

The following members died during the year 2018. We express condolences to their loved ones.

Paula Rae Silvester	Grand Anse, St. George
Jean Dragon	Calivigny, St. George
Jean Lambert	Creighton, St. George
Algernon Antoine	Happy Hill, St. George
Earla Thompson	Brunswick, Carriacou
Kamisha Swapp	Grenville, St. Andrew
Kelisha Ramdeen	Snug Corner, St. George
Soloman King	USA
Rosy Bhola	Gouyave Estate, St. John
Lashley McEwen	Grand Roy, St. John
Ashley Bernardine	Jean Anglais, St. George
Pauline Clarke	USA
Percival Burke	Grenville, St. Andrew
Clarie Holas	Marli, St. Patrick
Sheila C. Henry	Springs, St. George
Peter Gilbert	Fontenoy, St. George
Elrick Haynes	Grand Anse, St. George
Linda Batson	USA
Daniel Andrew	Westerhall, St. David

Gabriel Francis	Paradise, St. Andrew
Rachael Palmer	Morne Fendue, St. Patrick
Ashton Calliste	Paradise, St. Andrew
Nicholas Hankey	La Tante, St. David
Francis Williams	Perdmontemps, St. David
Finbar Williams	Mt. Parnassus, St. George
George Golbin	Gross Point, St. Mark
Paul Preston George	Grand Roy, St. John
Joel Williams	Snug Corner, St. George
Alejandro Haynes	Springs, St. George
Keith Charles	Post Royal, Carriacou
Joan V. Mathurine-Moise	USA
Delores Nimrod	Belmont Carriacou
Jean Bristol	L'Esterre, Carriacou
Ruthlyn Modeste	USA
Cynthia Hazzard	The Bocas, St. George
Joseph Baptiste	Molinere, St. George
Laurance Cummings	USA
Nicoyan Philbert	Springs, St. George
Alexis Charles	Happy Hill, St. George
Daniel DeBough	Beaulieu, St. George
Elaine M. John	La Fortune, St. Patrick
Daniel Andrew	Westerhall, St. David
Marcelle Purcell	Champhfleur, St. David
Anthony John	La Fortune, St. Patricks
Oswald Williams	Lowthers Lane, St. George
Cainissac Edwards	Grenville, St. Andrew

Acknowledgements

Your Board expresses thanks to you our members for displaying confidence in the Credit Union and entrusting us with your business. As we continue to achieve our goals and forge ahead with your support, our successes can only serve to bring increased opportunities and strengthen your Credit Union further. We also extend our sincere gratitude to the management, staff and all committee members for displayed dedication and commitment. We look forward to your continued support. We were delighted to serve you in 2018 and look forward to working with you in 2019 and beyond.

Bro. Javan Williams
PRESIDENT

Sis. Claudette James
SECRETARY

Sis. Lucia Livingston-Andall
CHIEF EXECUTIVE OFFICER

Credit Committee Report 2018

Bro. Simon Lewis Bro. Brian Pascall Bro. Justin Hazzard

Sis. Ann Isaac Sis. Judy Pivotte

MANDATE

In accordance with our By Laws and the mandate given at our last General Meeting the Credit Committee is pleased to present its report for the financial year 2018. The mandate of the Committee is to consider all loan applications, make recommendations in respect of improved policies, procedures and practices and approve loans to members in accordance with the policies and procedures approved by the Board of Directors.

The Credit Committee met weekly to execute its mandate. It is facilitated in its work by the staff of the Loans and Credit Administration Department.

Composition

During the period the Committee comprised of the following members.

JANUARY TO JUNE 2018	POSITION	JULY TO DECEMBER 2018	POSITION
Bro. Justin Hazzard	Chairman	Bro. Justin Hazzard	Chairman
Bro. Dorran Strachan	Secretary	Bro Simon Lewis	Secretary
Sis Ann Isaac	Member	Sis. Ann Isaac	Member
Bro. Simon Lewis	Member	Bro. Brian Pascall	Member
Sis Judy Pivotte	Member	Sis Judy Pivotte	Member

Overview

We are pleased with the performance of the loan portfolio which continued to show robust growth at the rate of 16.8% in 2018 almost on par with 2017 performance which stood at 17.96%. The loan portfolio in 2018 stood at gross loans of $ 311.8M compared to $266.6M in 2017. We continue to experience severe competition as interest rates on lending and deposit products continue to respond to market conditions. Due to high liquidity in the market we are experiencing a lowering of rates on loan products which directly impacts deposit rates. The corresponding effect is also a lowering of interest earned on members investments with the Credit Union .

Lending Activities

In mid-2018 the Credit Union converted its core operating system to a new software, Sharetec which is a step towards efficiency in the loan processing and service delivery to members. The process of improved efficiency is expected to take place over a period of at least 12 months as our staff learn and become proficient with this new software. During this period our staff was engaged also in updating members' data as well as the electronic filing of members' data for easy and direct access in our core system.

We continued our Awesome August promotion which also coincided with our membership growth albeit with relaxed terms and conditions. We believe we have achieved our objectives by providing members with greater flexibility with conditions that did not expose the Credit Union to greater risks. We are aware of the many challenges facing our members and the need to exercise tighter controls over their indebtedness and therefore the Awesome August promotion was geared towards consolidating external consumer loans with affordable repayments terms secured by repayment by Salary assignment or deduction.

The Chart below shows that the credit union members' borrowing age has leveled off with the age group between 31 – 40 with loan concentration reaching $48M. This trend is growing and is critical as our demographic of borrowing members align itself with the demographic of the country.

Loan Approval and Disbursement

According to national statistic, in 2018 the Grenada Economy grew by 4.5%. The leading sector being Construction followed by Tourism. Evidently, this growth is manifested throughout the financial services sector as the leading sector in portfolio growth is housing construction. In 2018 housing-related activities grew by 54% with disbursement of $47M compared to $27M in 2017. Furnishing is directly related to housing development with increased business of 87% over 2017. We did not experience growth in Debt Consolidation; however, high growth was reflected in Personal Expenses as members continued to apply proceeds from the Awesome August in this and other sectors. Awesome August is now in its fourth year since its introduction in 2014 with an increased limit to $25,000 in 2018. This product is particularly attractive to our young and growing membership who are seeking to establish credit, acquire consumer goods and improved savings habit.

Lending to finance members involved in the business sector, primarily financing of stock and working capital, commercial vehicles and most recently, the construction of apartment buildings is showing signs of growth. Disbursement in this sector grew by 55% with a total of $8.7M in 2018 compared to $5.6M in 2017.

Delinquency Management

Notwithstanding the growth rate, we continue to experience challenges with the delinquent portfolio. In 2017 Portfolio at Risk stood at 6%, however, we experienced a 1% growth in the delinquent portfolio in 2018. The accepted standard is 5% of the portfolio. In order to address this growing and disturbing trend we have put in place a full team of four members of staff who are very knowledgeable and experienced to work unceasingly with members to collect and recover on past due accounts. Members are encouraged to ensure that we work together to curb this problem which we are confident is temporary as we have begun to experience a reduction in delinquent accounts as we pursue members which included taking legal action where we deemed necessary.

Summary of Activities:

Table 1. Loan Disbursements 2018

	NUMBER OF LOANS			VALUE OF LOANS		
CATEGORY	2018	2017	% Change	2018	2017	% Change
Debt Consolidation	1029	1,184	-13.09	27,107,578	$27,531,019.95	-1.54
Personal Expenses	3312	2,777	19.27	23,640,719	$12,470,127.89	89.58
Educational	260	303	-14.19	3,551,486	$3,431,347.23	3.50
Housing	913	665	37.29	42,784,717	$27,778,687.01	54.02
Home Furnishing	201	117	71.79	1,740,282	$926,126.76	87.91
Agriculture	27	40	-32.50	697,286	$598,220.49	16.56
Land Purchase	59	51	15.69	5,427,828	$4,609,796.97	17.75
Business	154	209	-26.32	8,665,377	$5,597,226.31	54.82
Vacation / Travel	184	178	3.37	2,338,755	$2,098,804.35	11.43
Motor Vehicles	397	491	-19.14	9,881,076	$10,795,118.32	-8.47
TOTAL	**6536**	**6,015**	**8.66**	**125,835,104**	**$95,836,475.28**	**31.30**

Table 2. Portfolio Growth

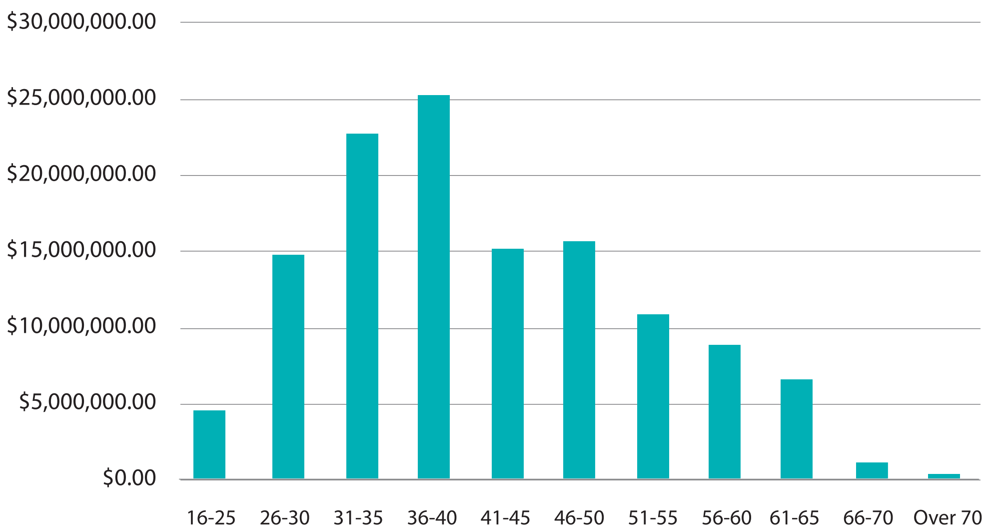
Gross loans & Growth Rate 2014-2018

YEAR	2018	2017	2016	2015	2014
Loan value ($M)	**311.8**	266.6	226.1	201.8	184.9
Growth rate	**16.83%**	17.96%	12.01%	9.14%	8.98%

Table 3. Gross Loan Portfolio by Sector

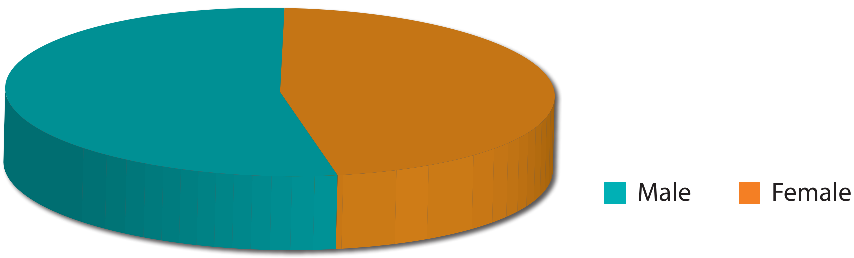
	NUMBER OF LOANS			VALUE OF LOANS		
CATEGORY	2018	2017	% Change	2018	2017	% Change
Debt Consolidation	1864	1448	28.73	54,276,403	34,285,747	58.31
Personal Expenses	3225	3315	-2.71	37,921,810	74,379,782	-49.02
Educational	420	417	0.72	11,893,707	10,939,834	8.72
Housing	1621	1204	34.63	143,675,757	94,053,353	52.76
Home Furnishing	177	138	28.26	2,145,484	1,920,591	11.71
Agriculture	64	61	4.92	2,169,364	1,604,079	35.24
Land Purchase	244	185	31.89	20,253,291	15,133,035	33.83
Business	360	344	4.65	13,276,508	9,845,069	34.85
Vacation / Travel	267	241	10.79	3,283,995	2,791,525	17.64
Motor Vehicles	737	633	16.43	22,986,844	21,693,169	5.96
TOTAL	**8979**	**7,986**	**12.43**	**311,883,163**	**266,646,184**	**16.83**

Chart 1. Loan portfolio by Age



LOANS DISBURSED BY GENDER - 2018		
GENDER	NUMBER	VALUE
MALE	3,047	$63,597,201
FEMALE	3,489	$62,237,903

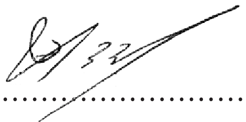
Loans Disbursed by Gender 2018



General Observations

The Credit Committee, cognizant of the many challenges facing our membership, saw the need for the Credit Union to encourage our members to consolidate their borrowings, increase surplus income and at the same time save monthly. The decision by the Board of Directors mandating borrowers to save the minimum of 5% of their loan repayment to Lifetime Savings monthly is highly commended. Given easy access to borrowing, it is harder to commit to saving. This aspect of the financial co-operative business model, however, has created an avenue that guarantees savings as a pledge from members' salaries. The benefit to us is tremendous as the saying goes; "one one cocoa full the basket". Let us continue to save today for a better tomorrow.

As a Credit Committee, we extend heartfelt thanks and appreciation to the Board of Directors, the Chairperson and members of the Supervisory Committee, the staff of the Loans Department, The C.E.O. and staff of Ariza Credit Union and to you our general membership.



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Bro. Justin Hazzard
Chairman

Supervisory & Compliance Committee Report 2018

Bro. Wayne Radix
Secretary

Sis Marina Jessamy
Chairman

Bro. Francis Robertson

Sis. Pearlena Sylvester

Sis. Karel Hood

The Supervisory & Compliance Committee submits its report in accordance with the requirements of Section 66 (1) of the Co-Operative Societies Act No. 08 of 2011 and as amended by Act No. 20 of 2017 section 130 (1).

The following members comprised the committee during the year.

Sis. Merina Jessamy – Chairman
Bro. Wayne Radix - Secretary
Sis. Karel Hood
Sis. Pearlena Sylvester
Bro. Francis Robertson

The following tasks were undertaken during the year.

- Review of Standing Committees
- Review of Policies
- Review of Bank Reconciliations
- Review of Management Accounts
- Report on Loans
    - Review of new loans in 2018
    - Review of Delinquent Loans
    - Ten (10) Largest Loans
    - Board and Committee Members Loans
- Deposits
- CORF-EFF Contract
- Review of Human Resources Management
- Cash Counts/Audits
- Review on investments and securities
- Review of Board Minutes
- Review of complaints
- Review of Fixed Asset Register

Report on Standing Committees

The Committee reviewed the Terms of Reference of the Standing Committees that were selected to review the policies and procedures of the Credit Union. The Committee was not presented with approved terms of reference for the Audit Committee nor the Loans Committee. The Terms of Reference for the HR Management Committee is silent on separation strategy for employees exiting the institution.

Recommendations

The Committee recommends timely ratification of terms of reference for all Committees in general and for the Audit Committee in particular.

Report on Policies

The Committee reviewed policies and noted that all policies were submitted for Board's approval. Some policies were listed as pending review by Management and the Policy Review Committee.

Recommendations

The review of policies is commendable as the institution is growing. However, the frequency of the review must be established, and the approval and revision dates must be inserted to ascertain that the policies are current.

Report on Bank Reconciliations

The SCC reviewed bank reconciliations for the period February, April, June, August and October 2018 for all bank accounts held by the Credit Union and report that no difference was noted between the reconciled balances and the balances in the various bank accounts in the General Ledger.

- RBTT Bank Grenada Limited account was reconciled for four months ended April 30th, 2018.
- Except for a Co-operative Bank Current Account all the reconciliations for April, June, August and October were not dated by the Preparer and Verifier.

At the end of August 2018 there was over $16 million in current accounts. This reduced by $5 million as at October 2018 but was still high at $11.4 million. Interest bearing investments were approximately $17 million.

Recommendations

The Committee recommends dating of the reconciliations by the Preparer and Verifier for all accounts.

We note that the Credit Union has been assiduously seeking to find financial instruments to invest in that will yield lucrative returns. We applaud and encourage further efforts to obtain rates that will ensure that the current returns on members' deposits may be sustained.

Report on Monthly Management Account

The monthly management accounts were submitted to the committee late for the year under review. There were instances where four months accounts were received together.

Recommendations

The monthly management accounts are to be completed and submitted to the Committee for review and sign-off before submission to GARFIN. The Bylaws under Section 74(5) stipulates a timeline of within twenty (21) days of the end of each month.

Report on Loans

Review of New Loans

The Committee reviewed a sample of loans using a pre-defined checklist.

- The Committee observed variances between the loan portfolio and the loan files in terms of approved amount, date approved and disbursement date
- There were case where the insurance policy documents listed as security for loans were not held by the Credit Union.

Recommendations

i. Care should be taken to ensure that members' files are properly maintained and documents filed in a manner that facilities ease of independent checks.

ii. The Credit Union must always endeavor to adhere to set policies and procedures. Any deviation must be clearly justified and not expose the institution to additional risk.

Review of Delinquent Loans

A review of the delinquent loan list revealed the following:

i. There were 772 delinquent loans with a balance of approximately $21million (7.0% of the total loan portfolio).

ii. Almost fifty percent (50%) of the loans are between one and three years in arrears and twenty-three percent (23%) were over three years in arrears

iii. Thirty-four (34) of the delinquent members age range from sixty-five (65) years to eighty-seven (87) years. The total balance owing on these loans was $1.75 million

iv. Ten (10) of the accounts had negative total asset values ranging from $45.71 to $5,660.33

Recommendations

Increased effort is needed to reduce delinquency to the recommended five percent (5%) or less. The provision for doubtful debt should also be reviewed to verify adequacy and compliance with IFRS 9.

The reason for the negative asset values should be investigated and corrected with steps taken to avoid reoccurrence.

Ten (10) Largest Loans as at December 31, 2018

The total balance on the ten largest loans is $8,750,777.56 or 2.87% percent of the total loan portfolio. This is an acceptable percentage. Also, the largest loan of $1,117,951.09 is a rounded 2.51 percent of the "Aggregate of total share capital, retained earnings and reserves".

This is within the ten percent (10%) cap for lending to any one member stipulated in the Bylaws.

Board and Committee Members Loans

	LOANS GRANTED	BALANCE 31/12/18	# OF LOANS	# OF MEMBERS	MEMBERS WITH LOAN
Board of Directors	$1,655,973.70	$1,543,830.50	7	9	5
Credit Committee	$772,703.07	$647,609.41	11	5	5
Supervisory/Compliance Committee	$665,201.76	$557,163.95	6	5	4

These loans are being serviced as required and there are no arrears.

Deposits

The deposit list was analyzed and some of the results are noted hereunder:

- ✓ The total of the ten largest deposits is almost 11% of the total deposits of $323,219,693 as at December 31, 2018.
- ✓ Total deposits which was 85.65% of the total assets as at 30/11/18 was 85.77% as at 31/12/18. This is above the recommended percentage of 70-80%.
- ✓ There are over 270 members with negative transactional savings balance. These are the only values on thirty (30) of the accounts. Twenty-one (21) accounts have zero qualifying shares.

Recommendations

The deposits must be closely monitored, and efforts taken towards reducing to the recommended percentage range. A cleaning up exercise is necessary to write off these negative transactional savings balances. Accounts that have monies in other deposit should be settled by way of transfer.

LP/LS FILE: CORP-EFF CONTRACT

The Corporate Enterprise Finance Facility is a loans protection insurance on members savings arranged by ARIZA without direct charge to insured members. The Committee is satisfied that the facility provides coverage for all members and that pre-existing health condition is part of the contract.

Recommendations

The Committee recommends awareness session for members and requested that Management provides clarity on the possible risks and implication for older members.

Human Resources Management

The Committee reviewed the organization chart and the personnel files for customer service staff and loan officers. The Committee noted that the files of ten (10) employees did not have updated signed declaration of secrecy. There are delays in issuing of offer letters and updating of files.

The Committee noted that the Credit Union operations expanded significantly and that the number of employees is 72.

Recommendations

The Committee recommends the filling of the vacancy of the Human Resource Manager as a matter of priority.

The Committee appreciates the filling of the position of Loans Manager. However, the Committee recommends the appointment of a Manager of credit administration to further strengthen the department.

Cash Accounts

The SCC conducted cash count at all branches of the Credit Union and received full cooperation of the staff.

The Committee noted that all books were in good order and appreciates the implementation of the recommendation in respect of "bait cash".

Investment and Securities

The Committee perused investment files in respect of treasury bills, government bonds, fixed deposits, league shares, shares in other business and other investments.

The Committee was generally satisfied that the investment files were in order.

Fixed Assets Register

The Committee noted and commends the inclusion in the register of location for all additions to fixed assets for the year.

It was noted that there remains on the register computers and equipment dating as far back as 1999.

Recommendations

The items that are on the fixed asset register but are no longer in use or are not in the Credit Union's possession should be taken off the register and the General Ledger.

Report on Review of Board Minutes

The Committee noted that in the Board Papers of July 2018, changes were proposed to fees and the rates for loans and deposits.

The Committee also noted in the Board Papers of October 2018 that the Internal Auditor resigned and that the Credit Union decided to part company with the developer, Legendway International Ltd.

Recommendations

The Committee recommends that members be informed on how to take advantage of the revised rates as members complained that the information was not shared in a timely fashion.

The Committee recommends the hiring of an Internal Auditor as soon as possible. Given the volume of processes, procedures and transactions undertaken by the Credit Union, it is an imperative that an Internal Audit Department be established. This function is designed to monitor and evaluate the adequacy, efficiency and effectiveness of the internal controls of the organization.

Joint Committee Meetings

The Committee members participated in joint meetings to deliberate on loans for staff of the Credit Union, Board directors, and Committee members. For the period under review, one (1) meeting was held on March 20th, 2018. The Committee did not have any bilateral meeting with the Board.

Recommendations

The Committee recommends that Joint Committee meetings be scheduled on a regular basis to update Committee members on new policies and procedures and not be solely used for approval of loans.

Section 69 of the Cooperative Societies Act 8 stipulates that the Committee "meet the Board at least four times in every year, to review the Board's performance of its function".

Members' Complaints

The Committee received complaints in writing from two members regarding their loans. The matters were addressed. The Committee created an email address that is scccomplaints@arizacu.com

We also take this opportunity to comment on the ATM machine at the Ministerial Complex. There were a significant number of occasions in the latter part of the year when the ATM was non-functional, and Users become aware of that only after inserting their cards. Persons have been using the ATM at the GCNA building.

Recommendations

The Committee recommends that members be made aware that they can submit complaints using the email address in addition to requesting to meet with the Committee members.

We recommend that an "out of order" sign be placed on the ATM door when the machine is not working. We further recommend that the Credit Union seek to replace the machine as soon as is practical.

Ariza Website

The Committee expresses commendation to Ariza Credit Union Ltd for the maintenance of the website. It is a very good platform for members to obtain information. No complaints were received for the period under review in respect of Online Account Access.

Carriacou Office

The Committee noted that the construction of the Carriacou office is well advanced. This will alleviate the constraints in terms of office space for the branch.

Acknowledgement

The Committee takes this opportunity to express its appreciation to the members, the Board of Directors, Management and staff of ARIZA Credit Union Ltd for the support received to perform its duties for another year and for your vote of confidence.

Special thanks to Mrs. Florence Williams, Mr. Kippling Charles, Ms. Gerlan Peters Ms. Neika Johnson, Mrs. Roxanne Antoine-Richards, Mr. Neilon La Touche, and Ms. Emlyn St. Hillaire for their diligent support to the Committee after working hours.

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Merina Jessamy
Chairman

Nominating Committee Report 2018

Composition

Bro. Dennis Cornwall - Chairman
Bro. Phillip Telesford - Member
Bro. Wayne Radix - Member
Sis. Gemma Bain-Thomas - Member
Sis. Shirley Modeste-Buckmire - Member
The Committee was constituted in accordance with Section 41 (1a and 1b) of the Credit Union's Bye-laws.

Meeting:

The Nomination Committee met on Wednesday 22nd May 2019 at 10:30am. The Chairman welcomed all members of the Committee to the meeting. Excuse was tendered on behalf of Sis. Shirley Modeste-Buckmire.

Notices

Notices of the vacancies and invitation for nominations to positions on the Board of Directors and Supervisory and Compliance Committee were placed in the local printed press, on notice boards within the various workplaces, through SMS text messages and on Ariza Website.

Nominees Training

On Wednesday May 15th a training session on corporate governance was held for volunteers wishing to serve. Ten nominees attended the training. One nominee tendered an excuse.

Vacancies

There were four vacancies to be filled on the Board of Directors and three on the Supervisory & Compliance Committee

Board of Directors:

1. Bro. Javan Williams was completing his first three-year term;
2. Bro. Ernie James was completing his second three-year term;
3. Bro. Orlando Romain was completing Bro. Duane Noel's second three-year term;
4. Bro. Rodney George had tendered his resignation from the Board due to pressing other commitments

Supervisory & Compliance Committee:

1. Sis. Merina Jessamy was completing her second three-year term;
2. Sis. Karel Hood was completing her second three-year term;
3. Bro. Wayne Radix had tendered his resignation from the Supervisory and Compliance Committee due to pressing other commitments

Nominations

The Nominating Committee considered eleven (11) nominations (in addition to the incumbents) as follows:

Board of Directors

1. Bro. Otis Gay
2. Sis. Zoe Hagley
3. Bro. Augustine Francis Balwant
4. Sis. Michelle Sayers - Griffith
5. Bro. Colin Bishop
6. Sis. Peterlyn H. Cooper
7. Bro. Terrence Victor

Supervisory & Compliance

9. Sis. Zoe Hagley
10. Bro. Colin Bishop
11. Bro. Adrian Strachan
12. Bro. Alan Francis
13. Bro. Jody Calliste

Bro. Terrance Victor was also given due consideration to serve on the Supervisory & Compliance by the Nominating Committee.

Guidelines

The Committee adopted the Guidelines and Scorecard for considering nominees to the committees. These Guidelines detailed the skills-set recommended for each committee.

Recommendations

After giving careful consideration to the Guidelines, the current stage of the Credit Union's development and the skills-set needed to propel its development further, the nominating Committee recommend the following nominees:

Board of Directors

1. Bro. Javan Williams for a second three-year term
2. Bro. Otis Gay to complete the term of Bro. Rodney George
3. Sis. Peterlyn H. Cooper
4. Sis. Michelle Sayers-Griffith

Supervisory & Compliance Committee

1. Bro. Terrence Victor
2. Bro. Alan Francis
3. Bro. Adrian Strachan to complete the term of Bro. Wayne Radix

The Nominating Committee noted that the volunteers selected had attended the governance training delivered by the Credit Union and recommended a continuation of the training programme.

Acknowledgements

Members of the Nominating Committee express appreciation to the Board of Directors for the opportunity given to serve and to the Management and Staff for providing the necessary support to its work. The Nominating Committee also extends thanks to all those who have expressed interest in serving the Credit Union as well as to all members who had taken time off to attend the governance training organized for this purpose.

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Bro. Dennis Cornwall
Chairman, Nominating Committee

Treasurer's Report 2018

The accompanying audited Financial Statements and analysis of the Credit Union's performance are submitted in accordance with the requirement of the Cooperative Societies Act No. 8 of 2011 as amended by Act No. 20 of 2017 section 130 (1).

The Financial Statements report on the financial activities and position at a given point in time. It comprises of, Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flow and Statement of Changes in Members' Equity.

Statement of Financial Position

This statement represents the financial position as at December 31st, 2018 and is made up of three elements which are assets, liabilities and capital.

Assets

These are resources owned, which contribute directly or indirectly to the generation of cash flows.

Ariza's assets are broken down further into two categories, namely:

I. Earning Assets
II. Non-Earning Assets

Earning Assets

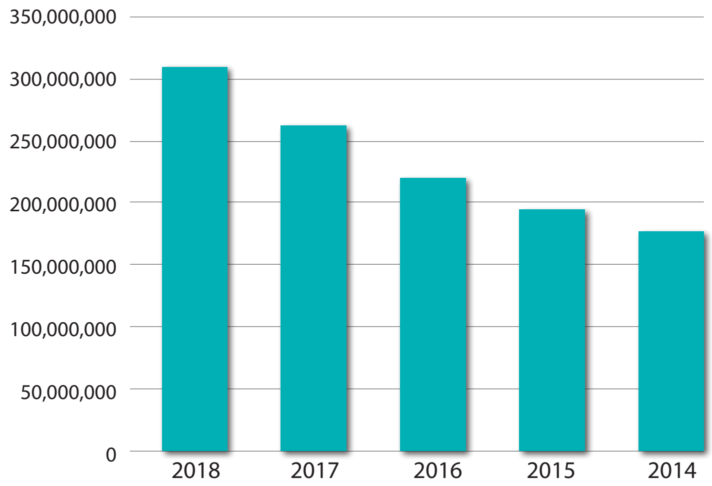
Earning Assets identify those assets through which a return is directly generated. Ariza's earning assets consist of Investments.

Investments are made predominantly in our members through loans. Additionally, investments via financial assets and real property are pursued.

Members' Loans

Members' loans account for 82.76% of the asset base and as such are the main source of revenue. At the end of 2018 the gross loan portfolio grew by $44.9M or 16.83% over 2017. The gross portfolio stood at $311.8M. Total Loans disbursed amounted to $125.8M.

Graph 1.1 below shows the growth in gross loans over the last five years.



Graph 1.1

The total balance on delinquent loans in excess of 90 days in arrears stood at $22.8M or 7.33% against a maximum standard of 5%.

Financial Assets

The financial assets held by Ariza were mainly in the form of term deposits, treasury bills, and investment in shares. At the end of 2018, total financial assets stood at $18.7M. During the period the Credit Union was able to generate a return of 3.38% amounting to $664.6K. The average return on the market is approximately 2.5%.

Investment Property

Your Credit Union has investments in properties at Morne Jaloux, Grand Anse and Bruce Street.

At the end of 2018 the value of the Morne Jaloux property stood at $4.55M. Grand Anse property was valued at $2.95M. The property at Bruce Street is currently being used as a parking lot. Revenues from its opening in August 2018 to December 2018 amounted to $42.8K. The financial projection provided for total revenues will be able to cover all the operational costs and for the annual costs associated with the land acquisition.

Non-Earning Assets

Non-Earning Assets are assets which are used for day to day operations and do not directly generate income.

These assets are primarily property, plant and equipment and cash and cash equivalents.

Property, Plant and Equipment

In the year 2018 there was an increase in plant, property and equipment of $3.07M or 12.34%. The value moved from $24.94M in 2017 to $28.02M in 2018. The main contributor to this increase was the continued work on the Carriacou building.

Cash and Cash Equivalents

With the growth of the Credit Union there has been an increase in the need for operational cash. This was reflected in the increase of $1.7M or 14.62% in cash and cash equivalents over 2017. The Credit Union continued to manage liquidity to ensure maximum return, and at the same time maintaining adequate cash for operations. Notwithstanding, our overall liquidity ratio of 9.92% fell below the prescribed standard of 15% and as such active measures are in place to correct this shortfall soonest.

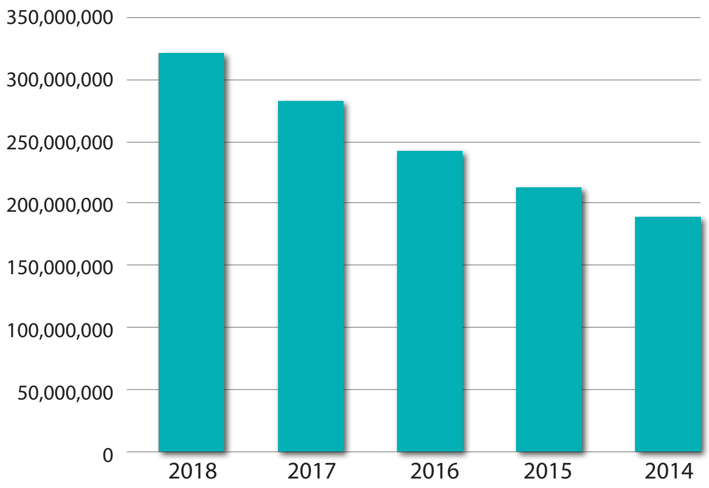
LIABILITIES

Liabilities capture the financial obligations of the Credit Union. It details the indebtedness to persons or institutions. Our main liabilities are member's deposits and savings.

Members Lifetime Savings/Other Deposits

In the year 2018 the total deposit portfolio stood at $323.2M. This represented a growth of $36.9M or 12.9% over 2017. This increase was fueled mainly by member's investment in lifetime savings. Over the year lifetime savings grew by $22.9M or 16.11%, The portfolio moved from $147.5M in 2017 to $165.5M in 2018.

Graph 1.2 below shows growth in total deposits over the last five years.



Graph 1.2

At the end of 2018 total interest on deposits outstanding to members stood at $2.34M compared to $2.04M in 2017. The increase in card usage through ATMs and Point of Sale terminals has also impacted the Credit Union's liabilities. At the end of 2018 outstanding payables stood at $6.7M.

Capital

Capital is the financial pillar of our Credit Union. It represents the excess of assets over liabilities. The capital base is broken down into the following:

I. Equity Shares
II. Institutional Capital
III. Other Funds and Reserves

Equity Shares

Equity Shares are members' investment in excess of the $200 mandatory qualifying shares. This investment allows the member to share in the year-end surplus through the payment of a dividend. In the financial year 2018, equity shares grew by $1.76M or 16.09%. At the end of the year the balance stood at to $12.7M.

Institutional Capital

At the end of 2018 the capital to total assets stood at 11.07% of which Institutional capital accounted for 7.68%. The benchmark for capital to total assets as per the Co-operative Societies Act is 10% of which institutional Capital must be greater than 7%. This 7% institutional capital threshold is the benchmark for the payment of a dividend. Institutional Capital comprises of the following:

I. ***Qualifying Shares*** - This represents the 10 mandatory share which defines eligibility for membership. Qualifying Shares stood at $3.52M in the year 2018. This represented a growth of $635.2k or 22.02%.

II. ***Statutory Reserve*** - This represents the amount set aside from surplus for strengthening capacity to withstand any external or internal shocks e.g. bad debts and impairments to assets. Whereas the law prescribes for a 20% transfer to this reserve it has been the Credit Union's practice to transfer 25%. At the end of 2018 the Credit Union's Statutory Reserve stood at $13.3M.

III. ***Accumulated Surplus*** - Accumulated surplus stood at $12.2M at the end of 2018.

Statement of Comprehensive Income

The Credit Union earned total income of $27.05M during the year 2018 as compared to $21.8M in 2017. Income from loans amounted to $25.8M and non-interest income totaled $1.19M. Loan interest income recorded an increase of $5.16M or 24.98% over 2017.

Interest on deposits and other finance cost amounted to $11.85M which represented an increase of $1.58M or 15.42% over the year 2017.

As at December 2018 total operating expenses stood at $9.13M. This represented an increase of $1.15M or 14.3% when compared to 2017. Notwithstanding this increase, the Credit Union continued to efficiently manage its operating costs with an operating cost to total asset ratio of 2.58%, This compares to 2.55% in 2017, which was well within the standard of 5% maximum.

Ariza recorded surplus before provision of $6.06M. This surplus represented the best operating performance recorded by the Credit Union to date. Further, surplus before appropriation amounted to $4.69M, an increase of $1.59M or 51.46% over 2017. At the end of 2018 the Credit Union was able to transfer $2.86M of unallocated surplus to accumulated reserve.

Ariza continues to play a pivotal role in helping to shape the lives of our members as a viable vehicle towards financial freedom. We thank you our members, for your unwavering support throughout the year. We value your commitment to your Credit Union. Let's continue to work together to expand on our strengths and to address our areas of challenges. Hats off to our Board, Management, Staff and Membership for another successful year at Ariza.

....

Carla Thomas-Ross
Treasurer

Ratio Analysis 2018

Ratios	Goal	Dec-18	Dec-17
Protection			
Provision for Loan Losses /Del>12 Months	100%	100%	100%
Provision for loan losses /Loans del<12 months	35%	35%	35%
Solvency	>=110%	113%	113%
Effective Financial Structure			
Net Loans/Total Assets	70-80%	81.02%	79.07%
Savings Deposits/Total Assets	70-80%	85.77%	86.47%
Member Share Capital/Total Assets*	10%	3.38%	3.32%
Institutional Capital (other)/Total Assets*		7.68%	7.66%
Asset Quality			
Balance of Del loans >90 /Gross Loan Portfolio	<=5%	7.33%	6.38%
Non-Earning Assets/Total Assets	<=5%	11.91%	12.69%
Rates of Return and Cost (Annualized)			
Fin Investment Income/Avg. fin investments	Market Rate 2.5%	3.38%	3.45%
Fin costs:savings deposit/average sav deposits	Market Rate 2%	3.63%	3.32%
Operating Expenses/average Total Assets	<=5%	2.58%	2.55%

Ratios	Goal	Dec-18	Dec-17
Liquidity			
Liquid Assets-ST payables/total deposits	Min 15%	9.92%	9.71%
Signs of Growth (Annualized Growth Rate)			
Total Assets	> inflation+10%	13.84%	15.27%
Loans to Members	5%	16.83%	17.96%
Savings deposits	5%	12.90%	15.60%
Share Capital	Min 10%	22.02%	21.12%
Institutional Capital	Min 15%	14.27%	15.58%
Membership	Min 15%	15.73%	16.24%

*The Act prescribes a total capital ratio of 10% of which Institutional Capital should be at least 7%

Audited Financial Statements

ARIZA CREDIT UNION LIMITED

Financial Statements

December 31, 2018

(Expressed in Eastern Caribbean Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Members of
ARIZA CREDIT UNION LIMITED

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Credit Union in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Credit Union for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on May 24, 2018.

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 auditors' 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.

To the Members of
ARIZA CREDIT UNION LIMITED

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

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

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

To the Members of
ARIZA CREDIT UNION LIMITED

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

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

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

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

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

Antigua and Barbuda

BDO

11th June, 2019

Chartered Accountants

	Notes		2018	2017
Assets:				
Earning Assets				
Members' loans	9	$	305,693,139	262,059,723
Investment property	10		7,496,414	7,074,592
Investment securities	11		18,797,261	21,591,392
			331,986,814	290,725,707
Non-earning Assets				
Property and equipment	12		28,022,042	24,944,928
Other Assets				
Cash and cash equivalents	13		13,636,161	11,896,516
Accounts receivables and prepayments	14		3,213,413	3,489,499
			44,871,616	40,330,943
Total Assets		$	376,858,430	331,056,650
Equity and Liabilities				
Equity				
Members qualifying equity	15		3,519,435	2,884,200
Statutory reserve	16		13,269,992	11,683,668
Accumulated surplus			12,171,157	10,667,648
Total Institutional capital			28,960,584	25,235,516
Member's equity shares	17		12,753,644	10,986,015
Other funds and reserves				
Development fund	18		218,413	135,747
Education fund	18		527,049	292,298
Education savings plan fund	18		457,325	213,253
Provident fund	18		168,438	134,960
LP/LS insurance fund	18		1,434,074	1,036,071
			2,805,299	1,812,329
Total Equity			44,519,527	38,033,860
Liabilities				
Members life time savings	19		165,500,796	142,540,794
Other deposits	20		157,718,897	143,735,737
Non-interest bearing liabilities	21		9,117,425	6,744,801
Other liabilities			1,785	1,458
Total liabilities			332,338,903	293,022,790
Total Equity and Liabilities			376,858,430	331,056,650

Approved for issue by the Board of Directors and signed on its behalf by:

Chairman ....

Treasurer ....

The notes on pages 63 to 116 are an integral part of these financial statements.

ARIZA CREDIT UNION LIMITED
Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2018
(expressed in Eastern Caribbean dollars)

		2018	2017
Income from loans:			
Interest from member loans	$	25,818,776	20,658,225
Fees and charges		754,914	491,453
Loan protection		(766,849)	(568,379
Other income from loans		53,006	49,483
		25,859,847	20,630,782
Income from Liquid Investments:			
Interest on Investments		638,991	658,518
Dividends on investments		25,675	41,528
Non-related income		527,164	528,399
		1,191,830	1,228,445
Total income		27,051,677	21,859,227
Financial Cost:			
Interest expenses on savings		11,048,030	9,490,754
Life savings insurance		485,781	519,297
Other financial cost		321,688	260,692
		11,855,499	10,270,743
Gross Margin		15,196,178	11,588,484
Operating expenses:			
Personnel expenses		4,494,493	3,799,026
Administration		1,410,581	1,310,249
Depreciation		1,096,786	922,877
Marketing expense		1,022,465	940,350
Occupancy expense		725,383	648,983
Governance		381,611	367,135
		9,131,319	7,988,620
Total operating surplus		6,064,859	3,599,864
Less: Provision for loan losses		(984,000)	(500,000
Provision of vacation accrual		(385,843)	-
Surplus for the year before appropriation		4,695,016	3,099,864
Appropriations			
Transfer to: Statutory Reserve		1,173,754	774,966
Education of members fund		234,751	77,497
Education of savings plan fund		234,751	-
Development fund		140,851	30,000
Provident fund		50,000	-
Total comprehensive income for the year	$	2,860,909	2,217,401

The notes on pages 63 to 116 are an integral part of these financial statements.

			Qualifying Equity Shares	Statutory Reserve	Other Funds and Reserves	Accumulated Surplus	Total
Balance at December 31, 2016		$	11,801,327	10,783,920	1,524,371	8,450,247	32,559,865
Net movement in shares			2,068,888	-	-	-	2,068,888
Entrance fees			-	42,550	-	-	42,550
Net movement on other funds and reserves			-	857,198	287,958	(882,463)	262,693
Net surplus for the year			-	-	-	3,099,864	3,099,864
Balance at December 31, 2017			13,870,215	11,683,668	1,812,329	10,667,648	38,033,860
Change in accounting policy – IFRS 9			-	-	-	(316,000)	(316,000
Restated balance at January 1, 2018			13,870,215	11,683,668	1,812,329	10,351,648	37,717,860
Net movement in shares	17		2,402,864	-	-	-	2,402,864
Entrance fees	17		-	42,420	-		42,420
Net movement on other funds and reserves			-	1,543,904	992,970	(1,834,107)	702,767
Dividends paid			-	-	-	(1,041,400)	(1,041,400
Net surplus for the year			-	-	-	4,695,016	4,695,016
Balance at December 31, 2018		$	16,273,079	13,269,992	2,805,299	12,171,157	44,519,527

The notes on pages 63 to 116 are an integral part of these financial statements.

	Notes		2018	2017
Cash flows from operating activities				
Profit for the year		$	4,695,016	3,099,864
Adjustments for:				
Provision for credit loss			984,000	500,000
Provision for vacation accrual			385,843	-
Depreciation	12		1,096,786	922,877
Interest income			(26,457,767)	(21,316,743)
Interest expense			11,048,030	9,490,754
Net movement in reserves			702,767	262,693
Operating loss before changes in working capital			(7,545,325)	(7,040,555)
Change in accounts receivable and prepayments			572,137	1,077,582
Change in Members' loans			(44,933,416)	(41,698,865)
Change in Members' deposits			22,960,002	23,445,838
Change in other deposits			13,983,160	15,323,832
Change in non-interest bearing liabilities			1,692,390	(355,123)
Change in other liabilities			327	(139,545)
Cash used in operations			(13,270,725)	(9,386,836
Interest received			26,024,639	21,261,218
Interest paid			(10,753,639)	(9,375,363)
Net cash generated from operating activities			2,000,275	2,499,019
Cash flows from investing activities				
Purchase of property and equipment	12		(4,036,823)	(6,753,103)
Purchase of Investment property	10		(421,822)	(694,712)
Sale of investment property	10		-	32,434
Increase in investment securities			(468,863)	(2,465,320)
Sales of Investment securities			3,262,994	50,000
Net cash used in investing activities			(1,664,514)	(9,830,701)
Cash flows from financing activities				
Entrance fees			42,420	42,550
Dividends paid			(1,041,400)	-
Increase in members' shares			2,402,864	2,068,888
Net cash generated from financing activities			1,403,884	2,111,438
Increase/(decrease) in cash and cash equivalents			1,739,645	(5,220,244)
Cash and cash equivalents, beginning of year			11,896,516	17,116,760
Cash and cash equivalents, end of year		$	13,636,161	11,896,516

The notes on pages 63 to 116 are an integral part of these financial statements.

(expressed in Eastern Caribbean dollars)

1. Nature of Operations

The principal activities of Ariza Credit Union Limited ("the Credit Union")(previously named Grenada Public Service Co-operative Credit Union Limited) are to provide ways and means through which savings can be effected and a source of credit made available to its members.

2. General information and statement of compliance with IFRS

The Ariza Credit Union Limited (previously named Grenada Public Service Co-operative Credit Union Limited) was established in 1947 and originally registered in March 1958 under the Co-operative Societies Ordinance as amended by the Co-operative Societies Act No. 8 of 2011 for the purpose of affording members of the Credit Union the opportunity to accumulate savings and to obtain credit for provident or productive purposes at reasonable rates of interest.

The Credit Union employed an average of seventy-six (76) persons during the year compared to sixty - nine (69) persons in 2017.

The Credit Union's registered office is located at Bruce Street, St. Georges, Grenada and it conducts business from three locations: the branch offices at Grenville, St. Andrews and Church Street, Hillsborough Carriacou and the head office at Bruce Street, St. Georges.

The accompanying financial statements are the financial statements of the Credit Union and have been prepared in accordance with International Financial Reporting Standards and International Financial Reporting Standards Interpretations Committee (IFRIC) interpretations as issued by the International Accounting Standards Board (IASB) under the historical cost convention, as modified by the revaluation of land and buildings and financial assets at fair value through other comprehensive income. The measurement bases are fully described in the summary of accounting policies.

3. Basis of Preparation

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standard Board (IASB). These financial statements were approved by the Board of Directors on ____________________.

3. Basis of Preparation *(cont'd)*

(b) Going Concern

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

(c) Adoption of New or Revised Standards, Amendments to Standards and Interpretations

Management anticipates that all of the relevant pronouncements will be adopted in the Credit Union's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, amendments to standards and interpretations not listed are not expected to have a material impact on the Credit Union's financial statements.

The Credit Union has adopted the following amendments to standards and new interpretations effective from January 1, 2018. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Credit Union's financial statements.

- IAS 1, *Presentation of Financial Statements,* has been amended to clarify or state the following:
  - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard;
  - the order of notes to the financial statements is not prescribed;
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
  - specific criteria are now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI; and
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

3. Basis of Preparation *(cont'd)*

(c) Adoption of New or Revised Standards, Amendments to Standards and Interpretations *(cont'd)*

- IFRS 9*, Financial Instruments,* IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of the adoption of IFRS 9, the Credit Union has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require separate presentation in the statement of profit or loss and OCI of interest revenue calculated using the effective interest method. Additionally, the Credit Union has adopted consequential amendments to IFRS 7 *Financial Instruments*: *Disclosures* that are applied to disclosures about 2018, but have not been applied to the comparative information. The key changes to the Credit Union's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 4.

Effective January 1, 2018

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Credit Union classifies financial assets under IFRS 9, see Note 4.5. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

3. Basis of Preparation *(cont'd)*

(c) Adoption of New or Revised Standards, Amendments to Standards and Interpretations *(cont'd)*

For an explanation of how the Credit Union classifies financial liabilities under IFRS 9, see Note 4.5(g) - Financial Liabilities. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. Comparative periods generally have not been restated.

- IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces two Standards, IAS 18 Revenue and IAS 11 Construction Contracts. It provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

1. Identify the contract with the customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. In applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The application of this standard has no significant impact in the Credit Union's financial statements.

- IAS 7, *Disclosure Initiative* – The amendments requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

- IAS 12, *Recognition of Deferred Tax Assets for Unrealised Losses* The amendments clarifies the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

3. Basis of Preparation *(cont'd)*

(c) **Adoption of New or Revised Standards, Amendments to Standards and Interpretations** *(cont'd)*

Improvements to IFRS 2015-2017 cycle, contain amendments to certain standards and interpretations. Below are the main amendments applicable to the Credit Union:

IFRS 3, *Business combinations and IFRS11 Joint Arrangements*, the amendment clarifies that when an entity obtains control of a business that is a joint operation, it premeasures previously held interests in that business. These changes also clarify that when an entity

obtains control of a business that is a joint operation, the entity does not re-measure previously held interest in that business.

IAS 23, *Borrowing Costs*, this amendment clarifies that if any specific borrowing remains outstanding after the related asset is ready for it intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

(d) **New Standards and interpretation of amendments to existing standards issued but not effective during the year**

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2019. The Credit Union has not early adopted the following new or amended standards in preparing these financial statements.

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

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting. Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers,* is also adopted.

3. Basis of Preparation *(cont'd)*

(d) **New Standards and interpretation of amendments to existing standards issued but not effective during the year** *(cont'd)*

The Credit Union is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

- IFRIC 23 Clarification of uncertainty in tax accounting. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, where there is uncertainty over income tax treatments under IAS 12. An entity is required to reassess its judgements and estimates if facts and circumstances change. The requirements are applied by recognising the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the entity first applies them without adjusting comparatives information.

- Amendment to IFRS 9 Prepayment. The amendment to the financial instrument Standard, IFRS 9, allows companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value though OCI if a specific conditions net – instead of at fair value through profit or loss.

4. Summary of significant accounting policies

4.1 Overall considerations

The significant accounting policies set out below have been applied consistently by the Credit Union to all periods presented in these financial statements, except as otherwise stated.

4.2 Revenue recognition

Revenue arises from the rendering of services. The Credit Union recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for the Credit Union's activities. It is measured at the fair value of consideration received or receivable. Revenue is recognised as follows:

4. Summary of significant accounting policies *(cont'd)*

(i) Interest income

Interest income is recognised in profit or loss, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability.

The Credit Union's calculation of the effective interest rate includes all material fees received, transaction costs, discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

(ii) Other income

Other income is recognised on the accrual basis except for dividend income which is accounted for on the cash basis.

4.3 Foreign currency translation

Functional and presentation currency

These financial statements are presented in Eastern Caribbean Dollars, which is the Credit Union's functional and presentation currency. All financial information presented in Eastern Caribbean Dollars has been rounded to the nearest dollar.

Foreign currency transactions and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Eastern Caribbean Dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Eastern Caribbean Dollars at foreign exchange rates ruling at the dates the values were determined.

4.4 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on the straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

4. Summary of significant accounting policies *(cont'd)*

4.5 Financial instruments

The Credit Union recognises a financial asset or a liability in the statement of financial position when it becomes party to the contractual provision of the instruments.

(a) *Initial recognition and measurement of financial instruments*

At initial, recognition, the Credit Union measures its financial assets and financial liabilities at their fair values plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability such as fees and commissions.

If the Credit Union determines that the fair value of its financial assets and liabilities at initial recognition differs from the transaction price, the difference is recognised as follows:

- If that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss.

- In all other cases, the difference between the fair value at initial recognition and the transaction price is deferred. After initial recognition, the recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

(b) Classification and subsequent measurement of financial assets

The Credit Union classifies the financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:
(i). the Credit Union's business model for managing the financial assets; and
(ii). the contractual cash flow characteristics of the financial asset.

4. Summary of significant accounting policies *(cont'd)*

4.5. Financial instruments *(cont'd)*

Based on these factors, the Credit Union classifies its asset into one of the following three measurements:

Financial assets at amortised cost

A financial asset is measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are classified as non-current assets.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset. When calculating the effective interest rate, the estimates the expected cash flows by considering all the contractual terms of the financial instrument, but does not consider the expected credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

The Credit Union's financial assets measured at amortised cost include loan to members, investments in fixed deposits and treasury bills and cash and cash equivalents.

Financial assets at fair value through other comprehensive income (FVTOCI)

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

Financial assets at fair value through other profit or loss (FVTPL)

4. **Summary of significant accounting policies** *(cont'd)*

4.5. Financial instruments *(cont'd)*

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

(b) Classification and subsequent measurement of financial assets

However, an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. The Credit union does not have any assets measured at FVTPL.

Reclassifications

If the business model under which the holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Credit Union's financial assets. During the current financial year and previous accounting period there were no changes in the business models under which the Credit Union holds financial assets and therefore no reclassifications were made except for the new classifications under IFRS 9. Changes in contractual cash flows are considered under the accounting policy on *Modification of loans to members* in Note 4.5 (d) and *Derecognition of financial assets* in Note 4.5 (f).

(c) Impairment of Financial Assets

The Credit Union recognises a loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost and the exposure arising from loan commitments and financial guarantee contracts. The expected credit losses are assessed on a forward looking basis. The Credit Union's measurement of ECL reflects:

a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) the time value of money; and
c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

4. Summary of significant accounting policies *(cont'd)*

4.5 Financial instruments *(cont'd)*

(c) Impairment of Financial Assets (cont'd)

The financial assets are grouped on the basis of shared credit risk characteristics to determine the average credit losses for each group of assets. The Credit Union considers this approach to be a reasonable estimate of the probability-weighted amount. The lifetime expected credit losses for the nonperforming financial assets are assessed on an individual basis. The Credit Union considers if there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking. At each reporting date, the Credit Union measures the loss allowance at an amount equal to the lifetime expected credit losses, if the credit risk on that financial instrument has increased significantly since initial recognition. The Credit Union considers the following factors in assessing changes in credit risk since initial recognition:

- significant changes in internal price indicators of credit risk;
- changes in the rates or terms of an existing instrument that would be significantly different if the instrument was newly issued (eg more stringent covenants);
- significant increases in credit risk on other financial instruments from the same borrower;
- an actual or forecast significant adverse changes in the business, financial or economic conditions that are expected to significantly affect the borrower's ability to meet its debt obligations (e.g. increase in interest rates and unemployment rates);
- an actual or expected significant change in the financial instrument's external credit rating;
- an actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally;
- an actual or expected significant change in the operating results of the borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of guarantees or credit enhancements reductions in financial support from a parent entity that are expected to reduce the borrower's incentive to make scheduled contractual payments;
- expected breaches of contract that may, for example, lead to covenant waivers or amendments, or interest payment holidays;
- existing or expected adverse changes in the regulatory, economic, or technological environment that significantly affect, or are expected to affect, the borrower's ability to meet its debt obligations;
- changes in the Credit Union's credit management approach in relation to the financial instrument (e.g. specific intervention with the borrower, more active or close monitoring of the instrument by the Credit Union);

4. Summary of significant accounting policies *(cont'd)*

4.5 Financial instruments *(cont'd)*

(c) Impairment of Financial Assets (cont'd)

- significant changes in the expected performance and behaviour of the borrower including changes in the payment status of borrowers in the (e.g. expected increase in delayed contractual payments); and
- past due information, including the rebuttable presumption of more than 30 days past due.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and 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 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Credit Union under the contract and the cash flows that the Credit Union expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Credit Union if the holder of the commitment draws down the loan and the cash flows that the Credit Union expects to receive if the loan is drawn down; and

- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Credit Union expects to receive from the holder, the debtor or any other party.

4. Summary of significant accounting policies *(cont'd)*

4.5 Financial instruments *(cont'd)*

(c) Impairment of Financial Assets (cont'd)

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 measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

A financial asset is 'credit-impaired' when one or more 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 the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Credit Union assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Credit Union considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession, the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

4. Summary of significant accounting policies *(cont'd)*

4.5 Financial instruments *(cont'd)*

(c) Impairment of Financial Assets (cont'd)

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

- the borrower is past due more than 90 days on any material credit obligation to the Credit Union; or
- the borrower is unlikely to pay its credit obligations to the Credit Union in full.

This definition of default is used by the Credit Union for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Credit Union considers both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Credit Union uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired.

Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

4. Summary of significant accounting policies *(cont'd)*

4.5 Financial Instruments *(cont'd)*

(d) Modification of loans to members

When the Credit Union renegotiates or otherwise modifies, the contractual cash flows of its customer loans, the Credit Union assesses whether or not the new terms are substantially different from the original terms of the agreement. The Credit Union derecognises the original loan if the terms are substantially different and recognises the new loan at its fair value. The Credit Union also recalculates the new effective interest rate for the loan. The date of the modification is considered to be the date of initial recognition of the new loan when applying the impairment requirements and also assessing whether a significant increase in credit risk has occurred. The Credit Union also considers whether there may be evidence that the modified loan is credit-impaired at initial recognition. In this situation, the loan is recognised as an originated credit-impaired financial asset. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset as a result of the borrower being unable to make the originally agreed payments. Differences in the carrying amount are recognised as a gain or loss on derecognition in the profit or loss.

If the new terms are not substantially different the original loan is not derecognised. The Credit Union recalculates the gross carrying amount of the loan and recognises a modification gain or loss in the profit and loss. The gross carrying amount of the loan is recalculated as the present value of the renegotiated contractual cash flows discounted at the loan's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified loan and are amortised over the remaining term of the modified financial asset.

(e) Write offs

The Credit Union directly reduces the gross carrying amount of a financial asset when the Credit Union has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. This is the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

The Credit Union may apply enforcement activities to financial assets written off. Recoveries resulting from the Credit Union's enforcement activities will result in impairment gains, which will be presented in net impairment loss on financial assets in the statement of profit or loss.

4. Summary of significant accounting policies *(cont'd)*

4.5 Financial Instruments *(cont'd)*

(e) Write offs (cont'd)

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

(f) Derecognition of financial assets

The Credit Union derecognises financial assets when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to receive the cash flows of the financial asset are retained but the contractual obligation to the pay the cash flows to one or more recipients is assumed in an arrangement where:

(i). The Credit Union has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition;

(ii). The Credit Union is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and

(iii). The Credit Union has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

(g) Financial Liabilities:

Classification and subsequent measurement of financial liabilities

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost. Other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities. Other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4. Summary of significant accounting policies *(cont'd)*

4.5 Financial Instruments *(cont'd)*

(g) Financial Liabilities (cont'd)

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specific in the contract is discharged, cancelled or expires).

4.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Credit Union in the management of its short-term commitments.

Cash and cash equivalents are measured at amortised cost.

4.7 Property and equipment

i. Initial measurement
Property and equipment are initially stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributed to the acquisition of items.

ii. Subsequent measurement

Land and building
After recognition, land and building whose fair value can be measured reliably are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in members' equity under the heading of revaluation reserves. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

4. Summary of significant accounting policies *(cont'd)*

4.7 Property and equipment *(cont'd)*

ii. Subsequent measurement *(cont'd)*

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserves in respect of that asset.

The decrease recognised in other comprehensive income reduces the amount accumulated in members' equity under the heading of revaluation reserve.

When a building is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Furniture, equipment and motor vehicle
After recognition, an item of furniture, equipment and motor vehicle is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

iii. Depreciation
Depreciation is calculated on the straight line method to write down the cost less estimated residual values of the assets. The following depreciation rates are applied:

Freehold Land and Building	40 years
Car Park	40 years
Furniture, Fixtures and Equipment	10 years
Motor vehicles	5 years
Automatic Teller Machine	4 years
Computer Equipment and Software	3 years

Land and work in progress are not depreciated.

The assets' residual values and estimated useful lives are reviewed and adjusted, if appropriate, at each reporting date.

4. Summary of significant accounting policies *(cont'd)*

4.7 Property and equipment *(cont'd)*

iii. Depreciation (cont'd)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit or loss.

4.8 Impairment of non-financial assets

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed only to the extent that the asset's or cash-generating unit's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.9 Provisions

Provision for legal disputes or other claims are recognized when the Credit Union has a present or legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Credit Union to settle the obligation and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

4. Summary of significant accounting policies *(cont'd)*

4.7 Provisions *(cont'd)*

Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Credit Union can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

4.10 Employee benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or losses incurred.

4.11 Equity, reserves and dividend payments

(a) *Permanent shares*

Permanent 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.

(b) *Reserves*

Statutory reserves comprise amounts required to be set aside as stipulated by the Co-operative Societies Act (see note 20).

(c) *Retained earnings*

Retained earnings include all current and prior period retained profits.

4. Summary of significant accounting policies *(cont'd)*

4.11 Equity, reserves and dividend payments *(cont'd)*

(d) Dividends

Shares that contain redemption features subject to the Credit Union maintaining adequate regulatory capital are accounted for using the partial treatment requirements of IFRIC 2, *Members' Shares in Cooperative Entities and Similar Instruments*.

Dividends paid are recognised in equity in the period in which they are approved by the Credit Union's members at the Annual General Meeting.

4.12 Operating expenses

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

4.13 Effect of change in accounting policy

The Credit Union has adopted IFRS 9 as issued by the IASB July 2014, with a date of transition of January 1, 2018, which resulted in changes in accounting policies and adjustment to the amount previously recognised in the financial statements. IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39), and has had a significant effect on the Credit Union in the following areas:

(a). The Credit Union applied the expected credit loss (ECL) model when calculating impairment losses on its financial assets measured at amortised costs (such as loan to members). This resulted in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the Credit Union considered the probability of a default occurring over the contractual life of its member loan balances on initial recognition of those assets.

(b). Equity investments classified as available-for-sale financial assets under IAS 39 have been classified as being at Fair Value through Other Comprehensive Income (FVTOCI) under IFRS 9. All fair value gains in respect of those assets are recognised in other comprehensive income and accumulated in the equity investment reserve, and these are not recycled to profit or loss. Previously, under IAS 39, impairments of such assets were recognised in profit or loss, and gains and losses accumulated in reserves were recycled to profit or loss on disposal.

4. Significant Accounting Policies: *(cont'd)*

4.13 Effect of change in accounting policy *(cont'd)*

The Credit Union adopted IFRS 9 with a transition date of 1 January 2018. The Credit Union has chosen not to restate comparatives on adoption of IFRS 9 and, therefore, are not reflected in the restated prior year financial statements. Rather, these changes have been processed at the date of initial application (January 1, 2018) and recognised in the opening equity balances.

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of January 1, 2018 is as follows:

	IAS 39 carrying amount as at December 31, 2017	Reclassifications	ECL Remeasurement	IFRS 9 carrying amount as at January 1, 2018
Financial assets				
Cash and cash equivalents	11,896,516	-	-	11,896,516
Loans to members	262,059,723	-	(316,000)	261,743,723
Investment securities				
Available-for-sale Investments	1,291,090	(1,291,090)	-	-
Financial assets at FVTOCI	-	9,317,284	-	9,317,284
Financial assets at amortised cost	20,596,316	(8,026,194)	-	12,570,122
Accounts receivables (excluding prepayments and deferred expenses)	2,266,850	-	-	2,266,850
Non-financial assets	32,946,155	-	-	32,946,155
Total assets	331,056,650	**-**	(316,000)	330,740,650
Financial liabilities				
Members' life time savings	142,540,794	-	-	142,540,794
Other deposits	145,778,360	-	-	145,778,360
Non-interest bearing liabilities	4,702,178	-	-	4,702,178
Other liabilities	1,458	-	-	1,458
Total liabilities	293,022,790	**-**	**-**	293,022,790

4. Significant Accounting Policies: *(cont'd)*

4.13 Effect of change in accounting policy *(cont'd)*

	IAS 39 carrying amount as at December 31, 2017	Reclassifications	ECL Remeasurement	IFRS 9 carrying amount as at January 1, 2018
Members Equity				
Members Equity shares	10,986,015	-	-	10,986,015
Institutional capital				
Closing balance under IAS39	25,235,516			
Recognition of IFRS 9 ECLS			(316,000)	
Opening balance under IFRS 9				24,919,516
Other funds and reserves	1,812,329	-	-	1,812,329
Total members' equity	38,033,860	-	(316,000)	37,717,860

5. Significant management judgement in applying accounting policies and estimation uncertainty

In the application of the Credit Union's accounting policies, which are described in note 4, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have the most significant effect on the amounts recognised on the financial statements are described below.

(a) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Credit Union determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Credit Union monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Credit Union's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(b) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for the financial assets measured at amortized cost, FVTPL and FVTOCI is an area that requires the use of modeling and assumptions about future economic conditions and credit behaviors (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgement are also required in applying the account requirements for measuring ECL, such as:

5. Significant management judgement in applying accounting policies and estimation uncertainty *(cont'd)*

- Determining credit for significant increase in credit risk
- Choosing appropriate model and assumptions for the measurement of proportional loss
- Establishing groups of similar financial assets for the purposes of measuring ECL
- Recovery rates on unsecured exposures
- Drawdown of approved facilities
- Determination of macroeconomic drivers (management overlay)
- Determination of life of revolving credit facilities
- Models and assumptions used

(a) Valuation of Stage 3 facilities

The proposed cash flow was discounted using the yield of the facilities. The Credit Union makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Expected Credit Loss Financial Asset held FVOCI - Equity Investments:

The Credit Union determines Fair Value equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgement, the Credit Union evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. These factors may give rise to uncertainty regarding the recoverability of the carrying value in the subsequent period and/or the eventual recoverability of the amounts invested in full.

The Credit Union recognised ECL on equity investments during the year of nil (2017: nil) due to doubts about the recoverability of the amount.

6. Financial instrument risk

Risk management objectives and policies

The Credit Union has exposure to the following risks arising from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Credit Union's exposure to each of the above risks, the Credit Union's objectives, policies and processes for measuring and managing risk, and the Credit Union's management of capital.

The Board of Directors has overall responsibility for the determination of the Credit Union'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 Management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Credit Union's risk management processes are essentially those mandated by the Board of Directors and are structured to facilitate identification of risks in its various business activities and to formulate risk management strategies, policies and procedures.

Risks are maintained within established limits. The Credit Union's risk management policies entail diversification of risk in its portfolios, the establishment of risk rating indicators for individual members and lines of credit and continuous review of risk profiles for its members and portfolios. Risk limits are also set in relation to groups of borrowers and industry and geographical segments. The policies also include review, analysis and valuation of all risk taking activities.

6. Financial instrument risk *(cont'd)*

6.1 Credit risk analysis *(cont'd)*

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty to a financial instrument fails to meet its contractual obligations. The Credit Union is exposed to this risk for various financial instruments, for example, granting loans to members, placing deposits and investing in bonds.

i. *Loans to members*

The Credit Union's exposure to credit risk is influenced mainly by the individual characteristics of each member. The demographics of the Credit Union's member base, including the default risk of the country in which members operate, has less of an influence on credit risk. Geographically there is concentration of credit risk as all members are located in Grenada.

ii. *Cash and cash equivalents*

Cash and cash equivalents are held with established and reputable financial institutions, which represent minimum risk of default.

iii. *Maximum exposure to credit risk*

The maximum on-balance sheet and off-balance sheet exposure to credit risk at the reporting date.

		2018	2017
On-balance sheet			
Cash and cash equivalents	$	13,636,161	11,896,516
Accounts receivables (excluding Prepayments and deferred expenses)		2,995,992	2,440,122
Member's loans		305,693,139	262,059,723
Investment securities		18,797,261	21,591,392
	$	341,122,553	297,987,753

6. Financial instrument risk *(cont'd)*

6.1 Credit risk analysis *(cont'd)*

		2018	2017
Off-balance sheet			
Loan commitments and other credit related facilities	$	9,210,000	15,500,000

Loan to Members

(a) *Expected credit loss on loans to members*

The Expected Credit Loss, commonly referred to as ECL, represents the amount the Credit Union is likely to lose in the event of a default. The Credit Union is required to categorise the loans in their respective stages as outlined in the IFRS 9 Standard.

Expected credit loss (ECL) on loans to members are analysed below:

		Gross Amount	ECL	Net Amount
Stage 1	$	286,547,453	343,016	286,890,469
Stage 2		1,724,820	17,248	1,742,068
Stage 3		23,243,217	5,829,760	29,072,977
As at December 31, 2018	$	311,515,490	6,190,024	317,705,514

		Gross Amount	ECL	Net Amount
Stage 1	$	240,000,000	246,000	240,246,000
Stage 2		7,000,000	70,000	7,070,000
Stage 3		19,646,770	4,890,024	24,536,794
As at January 1, 2018	$	266,646,770	5,206,024	271,852,794

6. Financial instrument risk *(cont'd)*

6.1 Credit risk analysis *(cont'd)*

(a) Expected credit loss on loans to members (cont'd)

Stage 1 loans

Loans placed in this stage include loans past due between for 0 to 30 days and loans for which there is no evidence of a significant increase in credit risk since the origination date.

Stage 2 loans

Loans placed in this stage include loans past due between for 31 to 60 days and loans that experienced a significant increase in credit risk even if past due days threshold is not met.

Stage 3 loans

Loans placed in this stage are loans that are past due 60 days and over and loans that show evidence of impairment even if the 60 days threshold is not met.

One of the crucial requirements of IFRS 9 is for the Credit Union to determine whether there is a significant increase in credit risk (SIICR) from the date of loan origination to the current or the reporting date. In the event of a SIICR, the loan must be placed in Stage 2 and will require a lifetime provision. The loan should remain in this Stage until there is evidence that the event(s) that resulted in the increase in the credit risks have been satisfactorily cured. It is only then that these loans should be transitioned back to Stage 1. SIICR is determined by observing to the extent to which adverse changes in one or more of the credit risk drivers could increase the likelihood of the default since the origin of the loan. A change in members' employment arrangement, payment method, industry or personal conditions could be deemed significant enough to trigger a migration of loans to Stage 2 even if the past due days quantitative SIICR threshold is not met.

(b) Loans to members re-negotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferred payments. Following restructuring, a previously overdue account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators of criteria which, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continual review. Restructuring is most commonly applied to term loans, in particular customer finance loans. There were no renegotiated loans which were impaired as of December 31, 2018 and December 31, 2017.

6.1 Credit risk analysis *(cont'd)*

(c) **Bonds and equity investments**

There is no formal rating of the credit quality of bonds, treasury bills and equity investments. A number of qualitative and quantitative factors are considered in assessing the risk associated with each investment; however, there is no hierarchy of ranking. There are no external ratings of the securities. None of the securities are pledged as collateral.

(d) **Repossessed collateral**

The Credit Union had no repossessed collateral in its statement of financial position as of December 31, 2018 (2017: nil).

6.2 Liquidity risk analysis

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Credit Union's liquidity risk is subject to risk management controls and is managed within the framework of regulatory requirements, policies and limits approved by the Board. The Board receives reports on liquidity risk exposures and performance against approved limits. Management provides the Board with information on liquidity risk for Board oversight purposes through its monthly meetings. The key elements of the Credit Union's liquidity risk management framework include:

- liquidity risk measurement and management limits, including limits on maximum net cash outflow over a specified short-term horizon;
- holdings of liquid assets to support its operations, which can generally be converted to cash within a reasonable time;
- liquidity stress testing PEARLS-specific ratios; and
- liquidity contingency planning.

6.2 Liquidity risk analysis *(cont'd)*

To the Financial Statements

Non-derivative financial liabilities and assets held for managing liquidity risk.

For the year ended December 31, 2018

The table below presents the cash flows payable by the Credit Union under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual and undiscounted cash flows.

As of December 31, 2018

		Carrying amount	On demand	Up to 1 year	1-5 years	Over 5 years	Total
Liabilities							
Members' life time savings	$	165,500,796	105,086,194	11,882,828	28,308,678	20,223,096	165,500,796
Other deposits		157,718,897	157,718,897	-	-	-	157,718,897
Non-interest bearing liabilities		9,117,425	9,117,425	-	-	-	9,117,425
Other liabilities		1,785	1,785	-	-	-	1,785
	$	332,338,903	271,924,301	11,882,828	28,308,678	20,233,096	332,338,903

As of December 31, 2017

		Carrying amount	On demand	Up to 1 year	1-5 years	Over 5 years	Total
Liabilities							
Members' life time savings	$	142,540,794	48,801,026	17,703,191	42,174,635	33,861,942	142,540,794
Other deposits		143,735,737	143,735,737	-	-	-	143,735,737
Non-interest bearing liabilities		6,744,801	6,744,801	-	-	-	6,744,801
Other liabilities		1,458	1,458	-	-	-	1,458
	$	293,022,790	199,283,022	17,703,191	42,174,635	33,861,942	293,022,790

6 **Financial instrument risk** *(cont'd)*

6.2 **Liquidity risk analysis** *(cont'd)*

Assets held for managing liquidity risk

The Credit Union holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Credit Union's assets held for managing liquidity risk comprise:

- Un-restricted cash in bank
- Certificates of deposit
- Loans and receivables investment securities
- Unimpaired loans

6.3 **Market risk analysis**

The Credit Union is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

(i) *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Credit Union does not face any such risk since its transactions are substantially in Eastern Caribbean Dollars, which is its functional currency. The United States Dollar, in which the Credit Union also transacts business, is fixed in relation to the Eastern Caribbean Dollar.

(ii) *Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market. The Credit Union has no exposure to such risk since its existing investments are not listed in any stock exchange or market.

(iii) *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest earning assets and interest bearing liabilities, which are subject to interest rate adjustments within a specified period.

6 **Financial instrument risk** *(cont'd)*

6.2 **Liquidity risk analysis** *(cont'd)*

(iii) Interest rate risk (cont'd)

The Credit Union actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances. Interest rate risk arising from the Credit Union's funding and investment activities is managed in accordance with Board-approved policies.

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

6. Financial instrument risk *(cont'd)*

6.3 Market risk analysis *(cont'd)*

(iii) Interest rate risk (cont'd)

As of December 31, 2018

	Interest rate %		On demand	Up to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets								
Cash and cash equivalents		$	13,636,161	-	-	-	-	13,636,161
Accounts receivables (excluding Prepayments and deferred expenses)			-	-	-	-	2,995,992	2,995,992
Members' loans	3.5%-14%		367,673	14,095,716	70,459,358	220,770,392	-	305,693,139
Investment securities	2.5%-5.21%		8,727,526	8,778,645	-	-	1,291,090	18,797,261
Total financial assets			22,731,360	22,874,361	70,459,358	220,770,392	4,287,082	341,122,553
Liabilities								
Members' lifetime savings	3.5%		123,511,249	383,637	13,713,831	27,892,079	-	165,500,796
Other deposits	2-4%		157,718,897	-	-	-	-	157,718,897
Non-interest bearing liabilities			-	-	-	-	9,117,425	9,117,425
Other liabilities			-	-	-	-	1,785	1,785
Total financial liabilities		$	281,230,146	383,637	13,713,831	27,892,079	9,119,210	332,338,903
Total interest repricing gap		$	(258,498,786)	22,490,724	56,745,527	192,878,313	(4,832,128)	8,783,650

6. Financial instrument risk *(cont'd)*

6.3 Market risk analysis *(cont'd)*

(iii) Interest rate risk (cont'd)

As of December 31, 2017

	Interest rate %	On demand	Up to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and cash equivalents		$ 11,896,516	-	-	-	-	11,896,516
Accounts receivables (excluding Prepayments and deferred expenses)		-	-	-	-	2,440,122	2,440,122
Members' loans	3.5%-12%	302,977	31,321,154	107,499,628	122,935,964	-	262,059,723
Investment securities	2.5%-5.21%	9,570,817	10,729,485	-	-	1,291,090	21,591,392
Total financial assets		21,770,310	42,050,639	107,499,628	122,935,964	3,731,212	297,987,753
Liabilities							
Members' lifetime savings	4%	48,801,026	17,703,191	42,174,635	33,861,942	-	142,540,794
Other deposits	3.1%-6%	143,735,737	-	-	-	-	143,735,737
Non-interest bearing liabilities		-	-	-	-	6,744,801	6,744,801
Other liabilities		-	-	-	-	1,458	1,458
Total financial liabilities		$ 192,536,763	17,703,191	42,174,635	33,861,942	6,746,259	293,022,790
Total interest repricing gap		$ (170,766,453)	24,347,448	65,324,993	89,074,022	(3,015,047)	4,964,963

6. Financial instrument risk *(cont'd)*

6.3 Market risk analysis *(cont'd)*

(iii) Interest rate risk (cont'd)

Fair value interest rate sensitivity analysis
The Credit Union does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow interest rate sensitivity analysis
The Credit Union is not exposed to any cash flow interest rate risk as it has no variable rate financial instruments.

6.4 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 involvement with financial instruments, including 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 behaviour.

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Credit Union's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for development and implementation of controls to address operational risk is assigned to management within the Credit Union. This responsibility is supported by the development of overall Credit Union standards for the management of operational risk by establishing requirements for:

- appropriate segregation of duties, including the independent authorization of transactions;
- the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- the reporting of operational losses and proposed remedial action;

6. Financial instrument risk *(cont'd)*

6.4 Operational risk *(cont'd)*

- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with the Credit Union's standards is supported by a programme of periodic reviews undertaken by the Supervisory Committee. The results of the Supervisory Committee reviews are discussed with management, with summaries to the Board of Directors.

7. Fair value of financial assets and liabilities

a) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of the Credit Union's financial assets and liabilities not presented on the statement of financial position at their fair values.

		Carrying Value		Fair Value	
		2018	2017	2018	2017
Financial assets					
Cash and cash equivalents	$	13,636,161	11,896,516	13,636,161	11,896,516
Investment securities:					
– Financial assets at amortised costs		11,429,929	12,274,108	11,429,929	12,274,108
Members' loans		305,693,139	262,059,723	305,693,139	262,059,723
Accounts receivables (excluding Prepayments and deferred expenses)		2,995,992	2,440,122	2,995,992	2,440,122
	$	333,755,221	288,670,469	333,755,221	288,670,469
Financial liabilities					
Members' deposits		165,500,796	142,540,794	165,500,796	142,540,794
Other deposits		157,718,897	143,735,737	157,718,897	143,735,737
Non-interest bearing liabilities		9,117,425	6,744,801	9,117,425	6,744,801
Other liabilities		1,785	1,458	1,785	1,458
	$	332,338,903	293,022,790	332,338,903	293,022,790

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

a) Financial instruments not measured at fair value *(cont'd)*

(i) *Loans and advances*
The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(ii) *Investment securities*
The fair value of investment securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated for debt investment securities based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and remaining maturity.

(iii) *Members' deposits*
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new deposits with similar remaining maturity.

b) Fair value measurement of financial instruments

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

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

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at December 31, 2018 and December 31, 2017.

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

b) Fair value measurement of financial instruments *(cont'd)*

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into Level 3 of the fair value hierarchy.

		Level 3	Total
December 31, 2018			
Financial assets			
Investment securities:			
- Financial assets at fair value through other comprehensive income (OCI)	$	7,367,332	7,367,332

		Level 3	Total
December 31, 2017			
Financial assets			
Investment securities:			
- Financial assets at fair value through other comprehensive income (OCI)	$	9,317,284	9,317,284

Measurement of fair value of financial instruments

The Credit Union's finance team performs valuations of financial items for financial reporting purposes. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the General Manager and to the Board of Directors. Valuation processes and fair value changes are discussed among the Board of Directors and the valuation team at least every year, in line with the Credit Union's reporting dates. The valuation techniques used for instruments categorised in Level 3 are described below:

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

b) Fair value measurement of financial instruments *(cont'd)*

Financial assets at FVTOCI
The fair value is generally on broker/dealer price quotations. Where this information is not available, fair value is based on cost less any impairment recognised.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

c) Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at December 31, 2018 and December 31, 2017.

		Level 3	Total
December 31, 2018			
Property and equipment			
Freehold Land and Building	$	23,807,717	23,807,717
Investment property			
Land		6,599,758	6,599,758
Buildings		896,656	896,656
Total assets	$	31,304,131	31,304,131

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

c) Fair value measurement of non-financial assets *(cont'd)*

		Level 3	Total
December 31, 2017			
Property and equipment			
Freehold Land and Building	$	23,521,842	23,521,842
Investment property			
Land		6,596,958	6,596,958
Buildings		477,634	477,634
Total assets	$	30,596,434	30,596,434

Fair value of the Credit Union's main property assets is estimated based on appraisals performed by independent, professionally qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors at each reporting date. Further information is set out below.

Land and buildings
The appraisal was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use.

8. Capital management policies and procedures

The Credit Union has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. This capital management process aims to achieve three major objectives:

- exceed regulatory thresholds;
- meet longer-term internal capital targets; and
- provide the Credit Union's members with a source of finance.

8. Capital management policies and procedures *(cont'd)*

Capital is managed in accordance with the Board-approved Capital Management Policy which is based on regulatory requirements of the Co-operative Societies Act and the PEARLS regulations. Management and the Board of Directors develop the capital strategy and oversee the capital management processes of the Credit Union. The Credit Union's management and Supervisory Committee are key in implementing the Credit Union's capital strategy and managing capital. Capital is managed using both regulatory capital measures and internal metrics.

The three primary regulatory capital ratios used to assess capital adequacy are as follows:

		Regulatory requirement	2018 %	2017 %
1.	Net Loans/Total Assets	70% to 80%	81%	79%
2.	Institutional Capital/Total Assets	10% minimum	7.70%	7.62%
3.	Total Delinquency/Total Loans	5% maximum	6.63%	5.58%

9. Members' loans

		2018	2017
General loans	$	311,515,490	266,646,770
Members overdraft accounts		367,673	302,977
		311,883,163	266,949,747
Allowance for doubtful loans		(6,190,024)	(4,890,024)
Total members' loans		305,693,139139	262,059,723
Current		14,463,389	31,624,131
Non-current		291,229,750	230,435,592
		305,693,139	262,059,723

9. Members' loans *(cont'd)*

		2018	2017
Allowance for doubtful loans			
Balance at beginning of the year	$	4,890,024	5,190,490
Amounts written off during the year		-	(800,466)
Provisions for loan losses for the year		984,000	500,000
Provision for loan losses 2017 through equity		316,000	-
Balance at end of the year	$	6,190,024	4,890,024

The average interest rate earned on the members' loans during the financial year was 9.14% (2017:8.6%).

The Credit Union's loan loss provision has been made in accordance with the requirements of IFRS 9. Under the PEARLS methodology, the Credit Union provides for loan losses at the rate of thirty-five (35%) percent on balances less than twelve (12) months old and one hundred (100%) percent on balances more than twelve (12) months old on the net amount of delinquent loans according to the policy set by the Board of Directors. This basis of provision is a requirement of Grenada Co-operative Societies Regulations 2010, Section 201 (compliance with PEARLS). As of December 31, 2018, the provision for credit losses in accordance with the PEARLS methodology amounted to $5,829,759 (2017: $4,890,024).

10. Investment property

		Land	Building	Total
Balance at December 31, 2016	$	6,412,314	-	6,412,314
Additions during the year		217,078	477,634	694,712
Sale during the year		(32,434)	-	(32,434)
Balance at December 31, 2017		6,596,958	477,634	7,074,592
Additions during the year		2,800	419,022	421,822
Balance at December 31, 2018	$	6,599,758	896,656	7,496,414

11. Investment securities

Financial assets at fair value through other comprehensive income (OCI)

		2018	2017
Equity financial assets			
Grenada Co-operative League Limited			
- 11,717 ordinary shares of $5.00 each	$	76,095	76,095
East Caribbean Home Mortgage Bank			
- 194 shares of $160 each		31,040	31,040
- 625 shares of $160 each		100,000	100,000
- 1,560 shares of $160 each		249,600	249,600
Corporation Enterprise Finance Facility Limited			
- 10,000 shares $50 each		500,000	500,000
Grenada Co-operative Bank Limited			
- 47,765 shares of $7.00 each		334,355	334,355
Treasury bills			
Government of Antigua & Barbuda		2,617,413	2,529,603
Government of St. Lucia		2,458,829	2,396,591
Government of Grenada		1,000,000	3,100,000
Total Financial assets at fair value through OCI	$	7,367,332	9,317,284

11. Investment securities *(cont'd)*

Financial assets at amortised costs

		2018	2017
Fixed deposits			
Grenada Union of Teachers Credit Union	$	3,300,498	3,204,367
Communal Co-operative Credit Union Ltd		2,303,917	2,236,813
Grenada Co-operative League Limited		1,541,443	1,497,844
First Citizens Investment Limited		1,053,219	1,027,531
Community First Credit Union Limited		1,030,000	1,000,000
Grenville Co-operative Credit Union Limited		551,668	535,600
First Citizen Investment Limited		493,064	481,037
Grenada Co-operative Bank Limited		-	1,162,994
Fixed rate bond			
Government of St. Lucia		1,156,120	1,127,922
Total Financial assets at amortised costs	$	11,429,929	12,274,108
Total Investment securities		18,797,261	21,591,392
Current	$	17,506,171	20,300,302
Non-current		1,291,090	1,291,090
	$	18,797,261	21,591,392

12. Property and equipment

		Work in Progress	Freehold Land and Building	Furniture, Fixtures and equipment	Computer Equipment and Software	Automatic Teller Machines	Motor vehicles	Car Park	International Debit Card Development	Total
Cost/valuation										
At December 31, 2016	$	30,275	17,638,914	1,501,326	1,614,762	913,593	259,600	-	188,630	22,147,100
Additions		355,255	5,852,653	328,875	186,644	29,676	-	-	-	6,753,103
Transfer		(30,275)	30,275	-	-	-	-	-	-	-
At December 31, 2017		355,255	23,521,842	1,830,201	1,801,406	943,269	259,600	-	188,630	28,900,203
Additions		2,515,592	285,875	28,020	1,130,094	-	-	77,242	-	4,036,823
Transfer		137,077	-	-	-	-	-	-	-	137,077
At December 31, 2018	$	3,007,924	23,807,717	1,858,221	2,931,500	943,269	259,600	77,242	188,630	33,074,103
Accumulated depreciation										
At December 31, 2016	$	-	600,549	457,994	1,046,013	652,385	124,553	-	150,904	3,032,398
Charge for the year		-	327,350	138,264	291,213	76,404	51,920	-	37,726	922,877
At December 31, 2017		-	927,899	596,258	1,337,226	728,789	176,473	-	188,630	3,955,275
Charge for the year		-	331,291	156,808	492,509	72,132	43,324	722	-	1,096,786
At December 31, 2018	$	-	1,259,190	753,066	1,829,735	800,921	219,797	722	188,630	5,052,061
Carrying value										
At December 31, 2018	$	3,007,924	22,548,527	1,105,155	1,101,765	142,348	39,803	76,520	-	28,022,042
At December 31, 2017	$	355,255	22,593,943	1,233,943	464,180	214,480	83,127	-	-	24,944,928

13. Cash and cash equivalents

		2018	2017
Cash on hand	$	2,103,138	2,888,343
Cash in bank		11,533,023	9,008,173
Total cash and cash equivalents	$	13,636,161	11,896,516

14. Accounts receivables and prepayments

		2018	2017
Due from Grenada Co-operative Bank Limited – ATM	$	1,674,400	1,659,247
Interest receivable		729,142	296,014
Due from Communal Co-operative Credit Union Limited		322,366	475,725
Due from Grenada Union of Teachers Credit Union		285,612	20,576
Prepaid expenses		155,659	782,886
Other accounts receivable		61,762	44,602
Re-branding prepayment		-	219,644
Government payroll receivable		-	2,245
		3,228,941	3,500,939
Less: Provision for Fraud Loss		(15,528)	(11,440)
Total Accounts receivables and prepayments	$	3,213,413	3,489,499

15. Members qualifying equity

These shares are of a nominal value of $20.00 when fully paid up. Each member is required to own ten (10) shares of $20.00 each. A minimum of $5.00 can be paid towards the acquisition of shares.

16. Statutory reserve

		2018	2017
Balance at January 1	$	11,683,668	10,783,920
Receipts from loans written-off		36,912	82,232
Entrance fees		42,420	42,550
Receipts from British American Investment		333,238	-
Allocation for the year – 25% of surplus		1,173,754	774,966
Balance at December 31	$	13,269,992	11,683,668

In accordance with Section 125 (4) of the Co-operative Societies Act No.8 of 2011, at least 20% of the surplus for the year shall be transferred to the Reserve Fund.

17. Members' equity shares

This amount represents non-mandatory shares purchase by members and shares which have not met the mandatory amount of $200.00

18. Other funds and reserves

(a) Development fund

		2018	2017
Balance at January 1	$	135,747	139,323
Allocation for the year		140,851	30,000
Remittance to Grenada Co-operative League Limited		(30,999)	(23,297)
Remittance to Dominica Co-operative League		(27,186)	(10,279)
Balance at December 31	$	218,413	135,747

The above fund is payable to the Grenada Co-operative League Limited and is made in accordance with Section 126 of the Cooperative Societies Act No. 8 of 2011.

(b) Education fund

		2018	2017
Balance at January 1	$	292,298	214,801
Allocation for the year		234,751	77,497
Balance at December 31	$	527,049	292,298

This fund is dedicated for the provision of educational initiatives for members of the Credit Union.

(c) Education savings plan fund

		2018	2017
Balance at January 1	$	213,253	196,268
Allocation for the year		234,751	-
Interest allocated for the year		9,321	16,985
Balance at December 31	$	457,325	213,253

This fund was set up to provide scholarship to members.

18. Other funds and reserves *(cont'd)*

(d) Provident fund

		2018	2017
Balance at January 1	$	134,960	186,629
Allocation for the year		50,000	-
Disbursements during the year		(16,522)	(51,669)
Balance at December 31	$	168,438	134,960

This fund was set up to assist members who are not in a position to access loan facilities

(e) LP/ LS Insurance fund

		2018	2017
Balance at January 1	$	1,036,071	787,350
Contributions during the year		590,095	1,087,676
Settlement during the year		(192,092)	(838,955)
Balance at December 31	$	1,434,074	1,036,071

This fund is held to provide life savings and loans protection benefits to beneficiaries of members of the Credit Union.

19. Members' life time savings

These deposits are members' long-term savings at the Credit Union. This is the first form of security held against member's loans. Interest is payable on these deposits at the rate of 4% per annum.

20. Other Deposits

		2018	2017
Term deposits	$	83,273,412	79,768,806
Savings		47,704,658	41,296,310
Education savings plan		12,079,130	11,282,346
Retirement savings		9,326,220	7,821,773
Internal holding		1,931,815	1,601,842
Insurance and group life savings plan		1,550,079	1,337,493
Loan payment savings		869,839	-
Excel savings		549,262	538,269
Estate Management		272,435	-
Business Savings		73,515	-
Micro-finance savings		57,285	86,971
Standing order		31,157	-
Other deposits		90	1,927
	$	157,718,897	143,735,737

These deposits have various maturity profiles with interest rates varying from 2% to 4% (2017: 3% to 6%.

21. Non-interest bearing liabilities

		2018	2017
International Debit Card payables	$	2,438,998	2,850,974
Interest payable		2,337,014	2,042,623
Sundry creditors and accruals		816,853	447,739
Other accounts payable		3,524,560	1,403,465
	$	9,117,425	6,744,801

22. Income tax

Under the income tax levy of Grenada, the Credit is classified as a non-profit organization and therefore exempt from the payment of income tax.

23. Related party balances and transactions

Related parties

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

a) A person or a close member of that person's family is related to the Credit Union if that person:
   i) has control or joint control over the Credit Union;
   ii) has significant influence over the Credit Union; or
   iii) is a member of the key management personnel of the Credit Union, or of a parent of the Credit Union.

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

Related party balances

		Total loans		Total deposits	
		2018	**2017**	**2018**	**2017**
Board of directors	$	1,543,831	1,328,490	1,237,437	618,925
Credit committee		647,609	894,731	250,318	233,398
Supervisory committee		557,164	496,050	801,311	808,975
Key management personnel		1,421,339	1,545,479	883,631	678,003
Total related party balances	$	4,169,943	4,264,750	3,172,697	2,339,301

23. Related party balances and transactions *(cont'd)*

Related party transactions *(cont'd)*

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

Transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and conditions except for certain loans made available to officers.

		2018	2017
Interest income on loans	$	280,457	249,056
Interest expense on deposits		85,346	76,200
Accrued interest payable on deposits		16,660	10,692

Interest rates on related party deposits range from 3% to 4% (2017: 3% to 6%). Interest rates on related party loans range from 3.5% to 12% (2017: 3.5% to 12%).

Remuneration of key management personnel

During the year, salaries and related benefits paid to key members of management were as follows:

		2018	2017
Salaries and allowances	$	613,922	589,126

24. Dividends

During the year, the Credit Union paid $1,041,400 as dividends (2017: nil) to its members.

25. Comparatives

Certain comparative amount for 2017 have been reclassified to conform to the current year's presentation.

Budgeted Statement of Financial Position

STATEMENT OF FINANCIAL POSITION	ACTUAL 2018	BUDGET 2019	BUDGET 2020
Earning Assets			
Net loans	**305,693,139**	**356,099,208**	**411,249,208**
Short Term Investments	17,506,171	24,398,819	29,398,819
Long Term Investments	1,291,090	1,291,090	1,291,090
Development Lands	7,496,414	8,307,074	17,570,274
Total Earning Assets	**331,986,814**	**390,096,191**	**459,509,391**
Non Earning Assets			
Fixed Assets	28,022,042	30,358,153	30,443,605
Receivables & prepayments	3,213,413	3,550,286	3,586,250
Cash on Hand & in Bank	13,636,161	14,536,738	15,626,216
Total Non-Earning Assets	**44,871,616**	**48,445,177**	**49,656,071**
Total Assets	**376,858,438**	**438,541,367**	**509,165,462**
Liabilities			
Members' Lifetime Savings	165,500,796	192,097,875	217,447,875
Savings	157,718,897	181,231,053	214,079,570
Non Interest Bearing Liabilities	9,117,425	7,138,189	7,215,174
Staff pension benefit	1,785	204,823	204,981
Total Liabilities	332,338,903	380,671,940	438,947,600
Capital			
Equity Shares	12,753,644	13,853,956	15,253,956

STATEMENT OF FINANCIAL POSITION	ACTUAL 2018	BUDGET 2019	BUDGET 2020
Institutional Capital			
Qualifying Shares	3,519,435	9,720,195	12,820,195
Statutory Reserve	13,269,992	13,806,258	16,203,139
Accumulated Surplus	12,171,157	17,580,002	21,975,210
Total Instituitional Capital	**41,714,229**	**54,960,412**	**66,252,500**
Other Funds & Reserves			
Development Fund Reserve	218,413	296,254	373,847
Education of Members Reserve	527,049	544,808	1,024,184
Education Savings Plan Fund	457,325	470,765	950,142
LP/LS Insurance Fund	1,434,074	1,494,529	1,494,529
Provident Fund	168,438	102,660	122,660
Total Capital	2,805,299	2,909,016	3,965,362
Total Liabilities & Capital	376,858,430	438,541,368	509,165,462

Budgeted Statement of Comprehensive Income

	ACTUAL 2018	BUDGET 2019	BUDGET 2020
Income			
Net Loan Income	25,859,847	31,471,912	35,241,840
Total Non- Interest Income	1,191,830	1,375,000	1,625,000
Total Income	**27,051,677**	**32,846,912**	**36,866,840**
Cost/Expenses			
Total Financial Cost	**11,855,499**	**13,691,730**	**14,649,558**
Gross Margin	**15,196,178**	**19,155,183**	**22,217,282**
Operating Expenses			
Total Personnel Expenses	4,556,048	6,177,200	6,575,912
Total Member Interest Protection	381,611	583,000	593,000
Total Marketing Expenses	802,822	1,075,000	1,065,000
Total General & Admin Expenses	2,074,406	2,436,132	2,464,500
Total Depreciation	1,316,432	1,283,661	1,381,348
Total Operating Expenses	**9,131,319**	**11,554,993**	**12,079,760**
Operating Surplus	6,064,859	7,600,190	10,137,522
Provision for Risk Assets	984,000	500,000	500,000
Provision for Vacation Accrual	385,843	50,000	50,000
Surplus Before Appropriation	**4,695,016**	**7,050,190**	**9,587,522**

Capital Budget 2019 & 2020

	2019	2020
Computer Hardware	400,000	300,000
Computer Software	30,000	30,000
Furniture and Equipment	954,500	300,000
Morne Jaloux/Grande Anse Project	836,000	10,000,000
Carriacou Project	3,035,000	
TOTAL	**5,256,300**	**10,630,000**

Resolutions 2019

1. AMENDMENT OF BYLAWS

WHEREAS Section VII 13 (1) (b) of the Bylaws provides for every member of the Credit Union to invest in ten (10) Qualifying Shares;

AND WHEREAS these Qualifying Shares form part of the Credit Union's Institutional Capital;

AND WHEREAS the Cooperative Societies Act 2017 requires that a credit union achieve an Institutional Capital to Total Asset ratio of at least 7%;

AND WHEREAS this 7% institutional capital threshold is the qualifying determinant for the payment of a dividend to members;

AND WHEREAS the credit unions have being informed that the Institutional Capital threshold as prescribed in the Act will be increased to at least 10% of total assets

AND WHEREAS one of the ways in which this ratio can be improved is through increased Qualifying Share investment by our members

BE IT RESOLVED that Ariza amends its membership requirement as per Section VII 13 (1) (b) of its Bylaws to provide for every new member to invest in twenty-five (25) Qualifying Shares.

Further that existing members increase their Qualifying shareholding to twenty-five (25) shares by December 2019, through deposit or transfer from other equity shares or deposits.

2. APPROVAL OF MAXIMUM LIABILITY LIMIT

WHEREAS it is required under section 35 of the Co-op Societies Regulations that every registered society shall from time to time fix at a General Meeting the Maximum Liability the society may incur in loans and deposits from a member or non-member.

AND WHEREAS it is provided under the Bylaw nine (9) of the Credit Union's Bylaws that the Board may borrow or raise money from any source in any manner it thinks fit, provided that it does not exceed the Maximum Liability Limit ceiling set the Annual General Meeting.

AND WHEREAS it is provided in Bylaw ten (10) that members in General Meeting shall, in accordance with the provisions of the Act and the Regulations, from time to time, fix the maximum amount which the Credit Union may at any time owe in respect of deposit and loans.

AND WHEREAS it is provided for under Bylaw fifty five (55) that the Board of Directors may borrow up to four (4) times the retained earnings and reserves of the Credit Union, provided that this is within the Maximum Liability Limit fixed by a resolution of members at a general meeting and approved by Registrar,

AND WHEREAS the Annual General Meeting in its Meeting of 2008 approved the following *maximum liability limits:*

Maximum Liability Limit	*$500M*
Maximum Limit per depositor	*$5M*
Maximum loan limit	*$55M*

AND WHEREAS the Credit Union has experienced significant growth since;

BE IT RESOLVED that *the maximum liability limit of the Credit Union be set as follows:*

Maximum Liability Limit	*$1B*
Maximum Limit per depositor	*$15M*
Maximum Borrowing limit	*$55M*

3. APPROVAL OF BUDGET

WHEREAS it is required under the Credit Union's Bylaws (section 37(2h) that the budget be approved by the Annual General Meeting

AND WHEREAS this budget is presented for the consideration of the meeting on pages 118-121 of the Annual Report and is highlighted as follows:

	2019	2020
Total Assets	$438.54M	$507.97M
Net Loans	355.72M	410.87M
Total Income	32.85M	36.87M
Total Expenses	25.79M	27.27M
Surplus	7.05M	9.58M
Capital Expenditures	5.25M	10.63M

BE IT RESOLVED that the budget, as presented, is approved.

4. ALLOCATION OF SURPLUS

WHEREAS the Credit Union paid interest of 3.5% on Lifetime Savings amounting to **$5,756,515** to its Members during 2018;

And WHEREAS the Board has approved a further payment in the form of LOAN INTEREST REBATE of 2% amounting to $516,375 which will be paid to members within one week of the AGM;

And WHEREAS the Credit Union earned a surplus of $4,695,017 for the year ended December 31st, 2018 and a balance of $2,860,911 remains unallocated after making the required Statutory and other allocations for the year;

AND WHEREAS the highest rate of dividends on Equity Shares allowable under the Co-operative Society's Act and Regulations is 5%;

BE IT RESOLVED
That a dividend payment on EQUITY SHARES of 5% amounting to $751,521 is paid to Members.

Minutes of the 71st Annual General Meeting of the Ariza Credit Union
Held on Tuesday 26th June 2018 at Spice Basket, Beaulieu, St. George

AGM 18/01 Call to order and Welcome

The meeting commenced at 3:10 p.m. chaired by President Bro. Carlyle Felix.
The prayer was played followed by the National Anthem and the Ariza Song.
The President welcomed everyone to the 71st Annual General Meeting, including specially invited guests.
A moment of silence was observed in respect for all deceased members for the period 2017 as listed on page 30-31 of the Annual Report.
Excuses for absence were given on behalf of Gateway Credit Union.

AGM 18/02 Greetings from Guest Societies

River Sallee Co-operative Credit Union
Bro. Lennox Andrews, General Manager of the River Sallee Credit Union, brought warm fraternal greetings to Ariza Credit Union.

He conveyed that Ariza has taken the leadership role in Credit Unionism, and has made the image of Credit Unions highly recognized and acceptable in the eyes of the Grenadian Public. He praised Ariza for taking that initiative and expressed that the theme clearly demonstrated our persistence over the years, which have served as an inspiration for all in the Credit Union movement.

He wished Ariza Credit Union a productive and meaningful Annual General Meeting and encouraged us to continue to share those brilliant ideas that have made the institution what it is today.

Communal Co-operative Credit Union
Sis. Chinnel Andrews, representative from Communal Co-operative Credit Union extended congratulations on hosting its 71st Annual General Meeting.

She stated that the theme chosen by Ariza was a very motivational and timely one that was appropriate for the financial sector which is growing rapidly, becoming the number one choice for financial business.

She informed that it was evident through our success that we have been guided by the theme chosen for this years' Annual General Meeting, as our results for the year 2017 have shown double digit growth in all the key areas of our operations, both in assets and capital and has made a great impact in Grenada's economy.

On behalf of the Communal Co-operative Credit Union, she extended congratulations and best wishes to Ariza Credit Union on its 71st Annual General Meeting.

GUT Co-operative Credit Union

Sis. Retesha Boyd, General Manager of the Grenada Union of Teachers Credit Union sent greetings to Ariza Credit Union on its 71st Annual General Meeting under the chosen theme *"Intuit, Innovate, Inspire*". She congratulated Ariza on another successful year of creating value for our members. She indicated that we have made tremendous strides in facing the changing regulations and the increased competitions in a more hostile environment.

Sis. Boyd informed that the circumstances dominating the economy and the financial sector have highlighted the importance of building better partnerships with each other, as some of the challenges we face require a more collective approach for its success.

She commended Ariza's good performance through the hard work and dedication to the cause put in by our members, staff and management and wished Ariza best regards in 2018 and beyond from everyone at the GUT Co-operative Credit Union.

Grenada Co-operative League Ltd.

Bro. William Joseph, General Manager of the Grenada Co-operative League extended commendations to Ariza Credit Union on its 71st Annual General Meeting and welcomed the opportunity to make brief remarks on behalf of the Grenada Co-operative League.

He paid special tribute to Bro. Aaron Moses, the Director on the Ariza Credit Union Board as well as the Director on the Caribbean Confederation of Credit Unions and on the World Council of Credit Unions, he trust that his good values will entrenched in the emerging culture of the organization in the face of new reporting demands and accounting standards, he added, that all Credit Unions should readily appreciate the wisdom in practicing good brand hygiene.

Bro. Joseph stated that he was happy to note the observation of consistency between this years' theme and last years' theme *"expanding horizons- same values".* He also observed that having expanded, takes creativity to sustain the forward movement while consolidating the new territory and the important financial gains and therefore, this years' theme was very powerful and commends all those who were part of its formation.

He went on to state that the theme spoke loudly and smartly to the marketplace and was confirming the markets' direction, keeping focus on the goal. He affirmed that the members need to see themselves as an integral part of the theme and get involve in bringing it to life in practical ways.

He concluded by stating that management must take the appropriate steps to inspire members to celebrate the Ariza's story to the fullest.

AGM 18/03 Official Remarks

GARFIN

The representative from GARFIN, Senior Examiner, Mr. Albert Andall expressed his thanks to the Board, Management and Staff of Ariza Credit Union for the invitation to the AGM this year. He then made comparisons of the last two financial periods and identified some of the milestones achieved.

He stated that the very fact that we are here today highlighted one of the fundamental differences between Credit Unions and its competitors, affirming that everyone's presence was due to their ownership of this institution with a voice in the direction of the organization.

Mr. Andall mentioned that the members were also volunteers who give their time and effort to make Ariza a better organization. Adding that we are also part of a co-operative of over nine thousand individuals whose purpose is to serve and help each other achieve their dream of financial independence.

He indicated that the year 2018 and 2019 will mark a pivotal chapter in the existence of our movement when we envisage the mark of $1 billion which will be achieved with a crowning moment for the industry, this achievement, will also bring new pressures and increase attention from the banking industries.

On the subject of De-Risking, he indicated that given its negative impact, Credit Unions must ensure that compliance with Anti- Money Laundering and Terrorist Financing Legislations, are all comprehensive, robust and effective.

He assured that GARFIN will make compliance a key focus of regulation and will engage the League and FIU in ensuring that the industry takes all the necessary measures to address the deficiencies and weaknesses in our system.

On the matter of Auditors, Mr. Andall indicated that the law requires that a firm is changed after 5 years and it is expected that the Credit Union to be mindful of this provision. GARFIN sent a list of approved auditors including the foreign firm BDO, who was recently registered to do business in Grenada. He affirmed that they will continue to emphasize the importance of good governance and sound decision making by the board and management and stress that safety and soundness of members' funds must also be at the forefront of the decision making process.

He placed emphasis on compliance with the roles and responsibilities of management committees, stating that they should be engaged in training and ensures that they become knowledgeable of the law and internationally accepted best practices.

In conclusion, Mr. Andall stated that GARFIN continues to have an excellent relationship with Ariza Credit Union and their performance shows that it continues to be well balanced across the important indicators that measure financial and operational stability.

Ministry of Trade, Industry, Co-operatives, and CARICOM Affairs

Hon. Oliver Joseph, Minister responsible for Trade, Industry, Co-operatives, and CARICOM Affairs, first congratulated Bro. Aaron Moses on his elevation to serve on the Board of Directors not only on the Caribbean Conference of Credit Unions but to the World Council of Credit Unions.

Hon. Oliver Joseph brought greetings from the Cabinet of Grenada whose members are all Credit Unionist in their own right, and therefore have a special interest in the survival of this noble and meaningful institution. He indicated that our movement continues to capture the attention of the majority of people within the country.

He conveyed to the meeting that he felt at home with Ariza Credit Union, and reflected on a period when one had to fight for change, one being the fight to open the Credit Union bond so that non-public officers can become members. He stated that this change came only when the Board itself changed and as a result, the organization now contains more Non- Public Servants than Public Servants as members of the Ariza family.

He informed that Ariza must be admired for their fearless and diligent approach taken in spreading the good news of Credit Unionism. The technological advancement shows that we are quite capable of managing our own affairs in the midst of a competitive financial market, we have recruited the services of the finest minds in our country as is necessary by the exigencies of the financial sector which demonstrates innovation, intuition and inspiration and extends congratulations for such.

He continued, stating that the leadership role taken up should endure in the future, as the international financial community places greater compliance and measures on small financial institutions and Ariza as the largest of the Credit Unions in the country, would be required to objectively respond to those pressures thereby serving as protector of the other smaller Credit Unions.

He made reference to the IFRS 9 reporting standards and to De-Risking which together can threaten the existence of our movements. In this regard he requested that we work closely with the regulator GARFIN and the League for further guidance and support in responding to those demands.

He wished Ariza a successful and meaningful AGM and asked that we participate in the proceedings, bearing in mind that our ideas need to be shared on the next steps for the continuous growth and development of our institution.

AGM 18/04 **End of Official Session commendations**

The President thanked the speakers for their words of congratulations, advice and commendations**.** The Official Session of the meeting ended with a short break before the business session commenced.

President's Message

The President, Bro. Carlyle Felix began by thanking everyone for giving him the opportunity to serve as President for the past twelve months, and expressed that it was an honor to have gained such experience. Bro. Felix went on to note the highlights of achievements for 2017, making comparison to the previous year 2016. He affirmed that our asset and membership growth have gained remarkable achievements as well as our loan portfolio, stating that we have surpassed expectations resulting in our noteworthy increase in market share. He also mentioned that in 2017 we were able to correct the capital deficiency experienced in 2016, he also mentioned other accomplishments for the year 2017.

The Chairman indicated that the performance of any given year should serve as a benchmark for the succeeding year and the results thus far for 2018 is an indication of this being used as a guide towards success.

He also made mention of a few requirements for our continued success, some of which are the need for the customer service culture to take deeper roots within our operations and discovering creative ways to make the use of electronic services a more popular option.

Bro. Felix placed on record his sincerest appreciation to the CEO, the Management Team and staff for their hard work and dedication and once again gave thanks to the members for the opportunity to serve as President during his short tenure.

AGM 18/04 **Presentation by the Chief Executive Officer**

The CEO, Sis. Andall, made a presentation sharing with our members some of the new initiatives that Ariza has taken to improve members experience.

She began by informing the members that we have received an award from Grenada Chamber of Industry and Commerce for Business of the Year and that there was no other Credit Union on the island to have ever featured for an such award.

She affirmed to the meeting that Ariza has been faced with many challenges of late, for which we have begun to correct, some of which included a new software, process reengineering, a new telephone system, and member benefits. Regarding the new software, she informed that this change was made due to the previous one's inability to meet our needs as it was not expandable. She reiterated to the members that it is not a smooth transition and is still a work in progress.

Regarding process reengineering, she stated that management saw the need to review the processes of the Credit Union so that our members request can obtain a swift response, and as a result of those changes, it reduces the waiting time for our service delivery.

In respect to the new telephone system, changes were made from Flow to Digicel with an additional officer on the PBX system. A receptionist was stationed at every key area, and the phone calls were extended to ring until 4:00 p.m. all of which was done to improve our customer service experience.

In relation to member benefits, the method of interest calculation on deposits was altered from interest being calculated on the minimum balance to the average daily balance. This she informed will be a benefit to the members by way of gaining additional interest. She added that another benefit of the software is the application of members' payments to a fixed date on their loans at the end of the month thereby the loan not entering into an interest cycle.

AGM 18/05 Tokens to outgoing Committee Members

The Vice-President Bro. Javan Williams presented tokens to all the outgoing Committee members as follows:

- *Credit Committee-* ***Bro. Dorran Stratchan***
- *Supervisory & Compliance Committee -* ***Sis. Shirlyn De Coteau-Sayers***
- *Board of Directors-* ***Bro. Carlyle Felix, Sis. Gemma Bain-Thomas, and Sis. Annette Henry***

AGM 18/06 Nomination Committee Report

Bro. Carlyle Felix, Chairman of the Nominations Committee presented the Nomination Committee Report. He outlined the process adopted by the Committee and the basis upon which recommendations were made.

Board of Directors:

There were three vacancies to be filled on the Board of Directors, with three of the incumbents completing their second term of office and therefore were ineligible for re-election.

- *Bro. Carlyle Felix*
- *Sis. Gemma Bain-Thomas*
- *Sis. Annette Henry*

The Nomination Committee made the recommendations that the following persons be nominated for the Board of Directors:

- *Bro. Rodney George*
- *Bro. Lyndon Bubb*
- *Sis. Claudette James*

Supervisory and Compliance Committee

There were two vacancies to be filled on the Supervisory and Compliance Committee, the first listed incumbent completed her first three year term and the second completed her second three year term.

- Sis. Pearlena Sylvester (*completing her first three year term)*
- Sis. Shirlyn De-Coteau-Sayers *(completed her second three year term)*

The nomination Committee made the recommendations that the following persons be nominated for the Supervisory and Compliance Committee:

- *Sis. Pearlena Sylvester for a second three year term*
- *Bro. Francis Robertson*

Credit Committee

There were three vacancies to be filled on the Credit Committee, where two incumbents completed their first three year term and the third completed his second three year term.

- *Bro. Simon Lewis (completed his first three year term)*
- *Sis. Judy Pivotte (completed her first three year term)*
- *Bro. Dorran Stratchan (completed his second three year term)*

The nomination Committee made the recommendation that the following persons be nominated for the Credit Committee

-Bro. Simon Lewis for a second three year term

-Sis. Judy Pivotte for a second three year term

-Sis. Desiree Stephen

A motion was not moved for the recommendations made by the Nomination Committee and as such a nomination was made from the floor to recommend Bro. Brian Pascal, this motion was moved by Sis. Kim Taylor and seconded by Sis. Cheryl Charles.

Election was then ensured by secret ballots for the positions on the Credit Committee as follows:

- *Bro. Simon Lewis*
- *Sis. Judy Pivotte*
- *Sis. Desiree Stephen*
- *Bro. Brian Pascal*

The results of the election for the Credit Committee were as follows:

- *Bro. Simon Lewis*
- *Sis. Judy Pivotte*
- *Bro. Brian Pascal*

A motion to adopt the nominations was moved by Bro. Francis Balwant and seconded by Sis. Sherin Mc Millian.

AGM 18/06 Consideration of the minutes of the 70th Annual General Meeting 2017

The minutes of the 70th Annual General Meeting were taken as read.

Corrections to the minutes

Pg. 115. Any other Business – *first line "Geanelle"* ***should be*** *"Glenda"*

Pg 107.* First sentence**- *"a few members to collapse a $1m Credit Union"* ***should be *"a few members to collapse a multi-million dollar credit union referring to a Hindu Credit Union in Trinidad."*

The minutes were confirmed on a motion moved by Bro. Maximus Lazarus

AGM/18/07 Matters arising from the minutes

Morne Jaloux Project

Bro. Dexter Best sought clarification on the role Legend Way plays in the Morne Jaloux Project as well as the amount of money the Credit Union invested in such.

The CEO, Sis. Andall first explained to Bro. Best the history of the Morne Jaloux Project and that it was always meant to be a transitory investment. She further informed that there is a Memorandum of Understanding that clearly states the responsibilities of both parties, which was entered into with Legend Way to develop the property together.

Regarding the Morne Jaloux Project, Bro. Phillip mentioned that though it did not turned out the way it was envisioned, there is a need to provide for investment threat and no matter how cautious one may be you can still be the victim of the market and thus far, he is satisfied that the Credit Union has not had a weakness of the Governance processes of the Management Committee.

Bro. Learie Barry endorsed Bro. Ambrose's view supporting the statement that the Morne Jaloux project was not lost nonetheless admired Bro. Best vigilance towards the project. He informed that he wishes to dissociate this Credit Union from Bro. Best inferences made regarding the project, as we are seeking mergers with other sister Credit Unions and therefore should not disrepute this organization.

GRENCAN

Bro. Best also sought clarity on an investment made with GRENCAN which was sold where Ariza received 20% as a return from the investment. He requested clarity on the remaining amount.

Sis. Andall explained that GRENCAN is the trading name for Flamboyant Hotel which was sold, and part of the sale agreement stated that on the commencement or after the profitable operation of the new entity which is still under construction, the remaining amount will be paid.

On Pg. 107. Bro. Ambrose Phillip indicated to the meeting that a distinction needs to be made between Investment Risk that the Credit Union will face during their course, as opposed to the consequences of improper Governance.

He stated that he has seen no evidence that this Credit Union has been a victim of improper governance practice. However, he pointed out that the Credit Union has been the victim of Investment Risk.

Church Street Building

A member informed the meeting that downstairs the Credit Union building on Church Street, is being occupied by vagrants. She implored that something be done regarding this issue.

Another member questioned the sale of the Church Street Building. The President informed that it wasn't for sale at the moment, as it is presently occupied by E-filing staff however, it will be for sale in the future.

Grand Anse Property

Sis. Merryl Sylvester requested an update on the purchase of land in Grand Anse.

Sis. Andall responded that the land at Grand Anse is still owned by Ariza Credit Union and a best use survey was done regarding this land prior to the 2008. Consequently, it was advised at that point that it was not the right time to invest. She stated that the land continues to be in our possession until the market turns.

Sis. Andall informed that in our strategic plan for 2018-2019, the board has mandated that another best use survey be done to find out if it is the best time to invest in the land at Grand Anse, while bearing in mind that we have to be cautious about investments.

Cyber Fraud

Bro. Ambrose Phillip had a question on cyber fraud questioning whether the Credit Union had any provision for protection against it. Bro. Kippling Charles, Executive Manager, Finance and Operations responded by stating that we sought quotations from service providers and received one quote from CCCU that was examined.

The quote was very exorbitant and therefore additional quotes were required so that additional proposals could be taken to the board for consideration. Mrs. Andall stated that our other option is to increase the internal reserve from profits therefore it will be a cost to our members. She added that our new software allows us to provide higher interest to our members and that money has to be obtained from somewhere, therefore the internal reserves have to be from profits.

Sis. Andall informed that the cost to use the online mobile banking must come from somewhere in order to ensure that we keep the Credit Union profitable and sustainable over the long term.

Bro. Ambrose stated that members would like to know if they became a victim of cyber fraud that they are insured and will be fully reimbursed, and the internal provision made will be one that is going to be cost effective.

Bro. Argar Alexander shared a concern regarding the debit card and travelling, stating that one must indicate before travelling, the amount willing to expend on the card, as it is your responsibility to do so in the event of one being hacked. We need to educate members accordingly in this regard.

Mr. Charles assured Bro. Alexander that we are privileged to have been benefiting from a company called 4C's Fraud Monitoring System hence, if a member were to use his debit card in an outside territory, The Credit Union will receive a fraud alert stating the transaction that took place. After which, the member would be contacted to verify the transaction.

AGM/18/08 Board of Directors Report

The Chairman sought for any clarifications from the Board of Directors Report.

There being no clarification from the Board of Directors Report we moved to the Credit Committee Report.

AGM/18/09 **Credit Committee Report**

A motion that the Credit Committee Report be taken as read was moved by Bro. Ambrose Phillip and seconded by Bro. Learie Barry.

Bro. Hazzard, Chairman of the Credit Committee informed that the mandate of the Committee is to consider and approve loan applications, make recommendations, improve policy procedures and practices as well as to ensure that all members use Ariza as their financial institution of choice.

He stated that the Committee was very pleased with this years' Report in terms of its level of borrowings and disbursements. He informed that there was a change in the borrowing pattern with respect to the age difference in borrowers. Noting that the majority of borrowers were within the age range of 31-40 as compared to previous years being 45-50.

This he stated not only shows that we have a growing youth population, but that they are making more long term investments in terms of lands and housing.

Bro. Hazzard also informed of some pre-cautionary measures as it relates to borrowing, stating that though the Credit Union may be very lenient when trying to assist our members through consolidation, The Credit Committee advises that members must be careful regarding the quick fix loans that they seek elsewhere, as they leave our members in a more venerable position than they were in before. He advised that they be prudent in their borrowings.

Bro. Hazzard extended heartfelt thanks and appreciation to Bro. Dorran Stratchan for his services of six years on the Credit Committee as Secretary. He also extended appreciation to the Members of the Board of Directors, the Supervisory and Compliance Committee, the Staff at Ariza and to the members.

AGM/18/10 **Supervisory and Compliance Report**

A motion that the Supervisory and Compliance Committee Report was taken as read was moved by Bro. Learie Barry.

Sis. Merina Jessamy highlighted the work plan completed for 2017 stating that in general they were very satisfied.

She congratulated Ariza for winning the Business Award of the Year as well as the growth of the Credit Union.

She informed that the Committee's role is specified in the bylaws which requires the committee to ensure that they keep the co-operative principles of the Credit Unions.

She conveyed to the members the recommendations, which were from various components of the report, one being that GARFIN did not present a final report to the Credit Union since 2013, in light of this, she made a request to GARFIN to complete the Reports for the other years in order to be updated.

Sis. Jessamy also stated that when a review is done, they ensure that the governance structure of the Credit Union is resilient and once compromised, will be brought to the attention of the Board.

Another concern for 2017 was the lack of meetings held with the Supervisory Committee and the Board for the period of 2017 outside the joint committee meetings. Therefore, it was recommended that at least one be held in 2018.

She also indicated that if Ariza continues on the part established and continues with the plans for 2019 in terms of customer service, we will grow from strength to strength therefore, the committee would like to see that members continue to be served in a timely manner with fairness and equality.

Sis. Jessamy thanked the board, management and staff and a special appreciation to Bro. Moses for representing us at the highest level and a special thanks to our outgoing member Sis. Shirlyn De Coteau-Sayers for her service and commitment and unwavering support.

Mr. Albert Andall representative from GARFIN, requested clarification on whether Ariza needs an Inspection Report or that GARFIN has not done an inspection since 2013.

The CEO stated that GARFIN conducted an Inspection of the Credit Union in 2013 which was finalized and another inspection was done subsequently for which we are still awaiting a report.

Mr. Andall indicated that this matter will be clarified with GARFIN and will get back to Ariza on this.
A motion to adopt the report was moved by Bro. David Fullerton and seconded by Cristel Pascal.

AGM/18/11 **Treasurers Report**

Treasurer, Sis. Carla Thomas-Ross indicated that Ariza Credit Union's performance signaled a very optimistic outlook for the years ahead at Ariza. She informed that as a Credit Union we remained focused in partnering with our members on their journey to financial freedom through quality service delivery and product offering.

She went on to highlight key performance indicators stating that the PEARLS standards set the scale that the Credit Union should achieve and maintain to ensure viability, and under all those categories, Ariza has surpassed its target.

She indicated to the meeting an evaluation of the Credit Union's performance against that of a modeled Credit Union.

Under protection, she affirmed that as at December 31st 2017, Ariza was fully protected against all delinquent loans that were greater than 12 months and had adequate provision in place for loans less than 12 months.

Regarding the effective financial structure, she informed that the financial structure of the Credit Union was the single most important factor in determining growth potential, earnings capacity, and overall financial strength, while stating the various ratios.

Under Asset Quality the Treasurer indicated that with the benchmark of 90 days, the delinquency ratio at year end 2017 was 6.38% of the loan portfolio which was an increase on the 5.62% experienced at December 31st 2016 and was slightly above the standard of 5% by 1.38%. She stated that the ideal goal was to maintain the delinquency rate below 5% of total loans outstanding.

In conclusion, Sis. Thomas-Ross pointed out both the financial and membership growth ratios of the Credit Union indicated that they were above benchmark and pointed out the overall confidence placed in our Credit Union by the members.

A motion to adopt the Treasurer's Report was moved by Sis. Merryl Sylvester and seconded by Bro. Learie Barry.

AGM 18/12 Auditors Report

The Auditor's Report was presented by representative from the Auditing firm PKF, Mr. Lorenzo Sylvester. Mr. Sylvester summarized the Auditor's opinion, affirming that PKF had audited the Financial Statements of Ariza Credit Union which included the financial position as at 31st December 2017, the statement of

Comprehensive Income, the statement of changes in member's equity, statement of cash flows and notes to the financial statements included a summary of significant accounting policies.

He stated that in the Auditors opinion, the accompanying financial statements present fairly in all material respects the financial position of the Credit Union as at December 31st 2017 and its cash flows for the year then ended in accordance with International Reporting Standards IFRS 9.

Bro. Phillip made a comment on two issues within the financials, first, seeking clarity on pg. 61 regarding members Qualifying and Equity Shares and whether dividend was paid on it, and whether there was a way to distinguish the two. Another concern was on non-interest income moving from 900k to 1.2m. He queried its content as well as what was the non-interest income driven by.

Bro. Kippling Charles responded by stating that the increase in the non-interest income was the result of the increase revenues from ATM related transactions and debit card related transactions.

With respect to the Equity Shares, Bro. Charles stated that both the Qualifying Shares and other Equity Shares make up the members capital investment in the Credit Union. He stated that a decision was taken at a previous AGM to separate the two with the Qualifying Shares being the $200 which is the 10 shares that members need to become a member and any additional investment in capital is classified as other equity. As it relates to how it is being dealt with as a dividend payment, Bro. Charles informed that it is treated the same, it is just a matter of classification.

Bro. Phillip stated that perhaps we should encourage members to go up to the 50 shares that are provided for in the bylaws, thereby strengthening the institutional capital, Bro. Charles indicated that in addition to the bylaws, the recently updated Act speaks to the Qualifying Shares being just what is needed to become a member and the additional investment is categorized as other equity.

AGM 18/13 Budget 2018 and 2019

A motion to approve the budget for 2018 and 2019 was moved by Sis. Carla Thomas-Ross and seconded by Bro. Kelly Patrick.

Bro. Barry raised a question pertaining to the budget questioning the total non-interest income on page 96, he queried whether we anticipate that we will raise another million dollars by 2019 and from what sales.

Bro. Charles responded that the main item that is driving the increase projection is the sale of the houses at Morne Jaloux.

Bro. Ambrose Phillip made a suggestion that we raise income from more merchants signing up to use the online products, therefore it will be less of a burden on the members to pay that cost. He stated that he would like to see targets set in that respect.

Bro. Charles informed that Management is endorsing this idea and thinking along those lines as it is already within the IDC plan with one of them being the acquisition of merchants as it is viewed as one of the areas in which we can increase revenue.

A motion to adopt the budget for 2018 and 2019 was moved by Bro. Maximus Lazarus and seconded by Bro. Kelly Patrick.

AGM 18/14 Resolutions 2018

Allocation of Surplus

The following resolutions were approved/passed:

WHEREAS the Credit Union paid interest of 4% on Regular Shares amounting to $3,215,107 to its members during 2017.

And WHEREAS the Board has approved a further payment in the form of LOAN INTEREST REBATE of 2% amounting to $426,805 which will be paid to members within one week of the AGM.

And WHEREAS the Credit Union earned a surplus of $3,099,864 for the year ended December 31st 2017 and balance of $2,217,401 remains unallocated after making the required statutory and other allocations for the year.

AND WHEREAS the highest rate of dividends on Equity Shares allowable under the Cooperative Society's Act and Regulations is 5%.

BE IT RESOLVED

That a dividend payment on EQUITY SHARES OF 5% amounting to $614,595 be paid to members.

Approval of the resolution as presented on page 98 of the Annual Report was moved by Carla Thomas-Ross and seconded by Sis. Francis.

Appointment of Auditors - 2018

Whereas the firm of Pannell Kerr Foster has been providing auditing services to the Credit Union for the past 20 years.

And Whereas the Act specifies that Auditors should not provide services to a Co-operative for more than five consecutive years (136) (1) (c)

And whereas the Credit Union has researched the services of BDO Eastern Caribbean and has found that, based on its reputation, it will provide expert service to the Credit Union.

Be it resolved that the firm of BDO Eastern Caribbean be appointed as the Credit Union's auditors for the year 2018.

After much queries and discussions on the company BDO, the Resolution was approved by a motion moved by the Treasurer Sis. Carla Thomas-Ross and seconded by Sis. Bernadine Mc Ewen.

AGM 18/15 **Adjournment**

A motion was moved to adjourn the meeting at 7:30pm by Sis. Merryl Phillip-Sylvester and Bro. Francis Balwant.

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President

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Secretary

Nominees

BOARD OF DIRECTORS

Bro. Javan Williams

Javan F. Williams is a native of Grenada from the island of Carriacou where he received his early years of education. In 2005 he attended Universidad Nacional Autnoma in Mexico graduating with a Certificate in Spanish. Three years later Mr. Williams earned a Bachelors Degree in Industrial and System Engineering from Centro Universitario in Mexico. He then pursued a Masters Degree in Project Leadership at the University of Sydney in Australia graduating in 2014.

Mr. Williams professional career commenced in 1993 as a Teacher at the Hillsborough Secondary School where he held the post of Head of the Mathematics Department for five years and then Head of the Industrial Department for latter two years at the said institution. In 2010 he was transferred as Permanent Secretary (AG), Ministry of Carriacou and Petite Martinique Affairs. At present he is Permanent Secretary with responsibility for Disaster Management.

During his Public Service career he served as Director on *the* Eastern Caribbean Telecommunications Authority (ECTEL), Grenada Postal Corporation, Secretary to the Transport Board and Chairman of the Project Steering committee for the Grenville Market Square Development Project. Mr. Williams is a highly motivated person who possesses a wide range of skills, knowledge and experience gained through academic study and hard work. He is a confident and enthusiastic individual, always keen to learn and work effectively both as a team member and individually.

Outside of his professional life Mr. Williams has given voluntary service to the Sustainable Development Council, community groups and served in the capacity of Assistant Scout Commissioner for Carriacou. Mr. Williams sees his involvement in voluntary service as a way of assisting in building his country through community groups and professional organisations.

BOARD OF DIRECTORS

Bro. Otis Gay

Mr. Gay is a well-known respectable Civil Engineer, who, apart from his personal work, is on the valuating team for several financial institutions in the tri island state. He has managed projects worth millions of dollars and was one of the engineers assigned by the Ministry of Education to rebuild schools after the passage of Hurricane Ivan.

Additionally, Mr. Gay is also the owner of several businesses including a well-known supermarket which means he is able to calculate the risk when assessing the viability of a business.

In addition to his work/entrepreneurial experience, Mr. Gay has excellent communication skills, is a team player, courteous and always finds the time to help when it is most needed.

BOARD OF DIRECTORS

Sis. Peterlyn Cooper

Ms. Cooper has an extensive career in human resources, administration, customer care, and project management, She is ready to be involved with a board and organisation where she could deliver value through her technical expertise, leadership skills and operational understanding.

She currently works in project management and previously in human resources and customer care management at a major telecommunications organisation on the island. In collaboration with the leadership team, she has executed strategies towards the successful delivery of organizational objectives including but not limited to growth in revenue, reduction in cost and customer satisfaction.

As a tenacious truth-seeker, she utilizes research and analytical skills to find unique solutions to difficult problems. This, together with her professional experience and education as well as her commitment to work, places her in a positive position to contribute to Ariza Credit Union board and help the organisation to achieve its mission and goals.

BOARD OF DIRECTORS

Sis. Michelle Sayers-Griffith

Mrs. Griffith has a wealth of experience in the financial services industry spanning over 25 years. Just about 17 of those years were at the senior management level, with responsibility inter alia for retail banking operations, retail lending and commercial lending. After exiting the Banking sector in 2015 she held the position of Operations Manager of a leading hardware outlet for one year before assuming her current position of Enterprise Risk Manager of a leading local conglomerate.

Mrs. Griffith possesses a Bachelors Degree in Management and Economics from the University of the West Indies, is an affiliate of the Association of Certified Chartered Accounts (ACCA) and is a Certified Anti Money Laundering Specialist.

Mrs. Griffith will certainly be asset the Board of the Ariza Credit Union. Therefore, as a member of the Ariza Credit Union it is without hesitation that I recommend her to serve on the Board.

SUPERVISORY & COMPLIANCE COMMITTEE

Bro. Alan Francis

Mr. Francis is the Finance Officer of the Grenada Solid Waste Management, solely responsible for the preparation of the Authority's Financial Statements. He prepares Monthly & Quarterly reports on matters arising in the respective periods, to the board, through the General Manager and on matters of internal control.

He also assists in formulating the Strategic plans of the Authority and in budget preparation. Currently he is a member of the in house evaluation committee responsible for reviewing and making recommendations for the selection of all procurement contracts in accordance with specific legislations policies and guidelines.

During his tenure he assisted in auditing the books of companies such as Grenada Airports Authority, Grenada Industrial Development Corporation, Vena Bullen & sons of Carriacou, and Grenada Solid Waste Management Authority. He served as temporary Accountant at both the Grenada Industrial Development Corporation & Grenada Solid waste Management Authority while their respective Accountants were on leave. He also served as a member of the Supervisory committee of the Ariza Credit Union in the past.

SUPERVISORY & COMPLIANCE COMMITTEE

Bro. Terrence Victor

Mr. Terrence Victor has been an active member of the Ariza Credit Union for more than twenty years.

The following is a summary of Mr. Victor's career as a Public Officer and a member of Ariza:

- Formally trained in Co-operative Management
- Past member of Credit Committee.
- Master's Degree in Business Administration
- Represented the Ariza at various meeting and conferences
- Functioned as Registrar of Co-operatives from 2013 to 2016
- Currently acting as the Chief Procurement Officer – Ministry of Finance

Additional attributes include;

- High level of integrity
- Significant knowledge of the Co-operative Societies Act and the fundamental principles of the co-operative movement
- Excellent leadership and management skills
- Excellent communication skills
- Considerable Knowledgeable on the economic and financial environment under which the Ariza operates.

Mr. Victor has always displayed a keen interest in the growth and development of the Ariza. He continues to advocate for its improvement in various areas through the education and empowerment of its members. He believes that every member has a role to play in the Ariza accomplishing its goals and that members must help other members to play that role.

Mr. Victor is highly qualified for membership on the Credit Union Board and I hereby nominate him to be elected.

SUPERVISORY & COMPLIANCE COMMITTEE

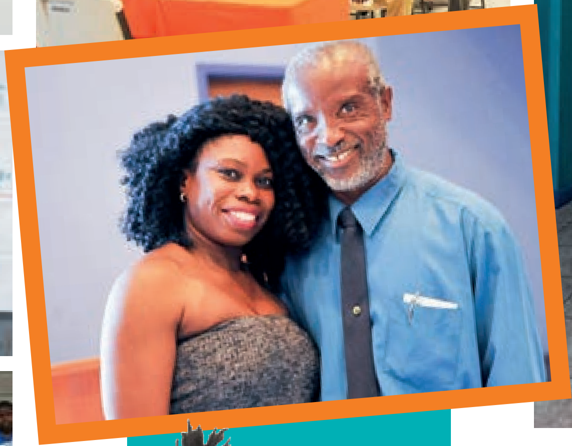
Bro. Adrian Strachan

Bro. Adrian Strachan is an Affiliate of the Association of Chartered Certified Accountants (ACCA). His experience in accounting and finance spans over a sixteen (16) year period. Currently, Bro. Adrian serves as Financial Officer of the T. A. Marryshow Community College, where he has been responsible for, among other things, ensuring proper accounting procedures, conducting routine financial controls, and supervision.

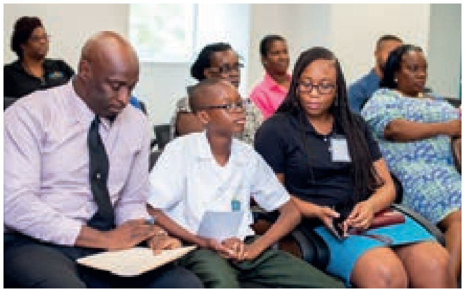
In 2018, Bro. Adrian attended the Credit Union's Governance Training and has had numerous exposure by way of studies and trainings in governance, risk, ethics, leadership and management. He has held leadership roles in service organisations, is result-oriented, and has good leadership, motivational, analytical, interpersonal, and communication skills.

As a member of the Ariza Credit Union (formerly the Grenada Public Service Co-operative Credit Union) for over fifteen (15) years, Bro. Strachan has been approached and agrees that the time is fitting to serve our Credit Union, as a member of the Supervisory and Compliance Committee.

2018 Highlights



Highlights 2018




Happy Anniversary


Ariza
Credit Union


BUSINESS
OF THE YEAR
2018
Ariza
Credit Union
Ariza
Credit Union
Because of
YOU
We Did it
Again!
Ariza Credit Union wins the Business of the Year Award for the second time at the 29th Annual Grenada Chamber of Industry and Commerce Awards
www.arizacu.com


Ariza
Credit Union


soaring


soaring

Notes

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