Invest in Permanent Shares

St. Vincent Building and Loan Association

74th ANNUAL GENERAL MEETING

Monday 29th August, 2016

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ST VINCENT BUILDING & LOAN ASSOCIATION

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 74th Annual General Meeting of the St Vincent Building and Loan Association will be held at the Methodist Church Hall, Kingstown, on Monday 29th August 2016 at 4:15 pm.

A G E N D A

1. Call to Order/prayers
2. Welcome – President
3. Amendments and Adoption of the Minutes of the 73rd Annual General Meeting, 10th August 2015
4. Matters Arising from the 73rd AGM minutes
5. Report of the Board of Directors.
6. To receive and consider the Auditors Report and Audited Financial Statements for the year ended 31st December 2015.
7. Election of New Directors to the Board
8. Election of Auditors
9. Any Other Business
10. Conclusion

BY ORDER OF THE BOARD OF DIRECTORS

……
Bernadine C. Nanton
Secretary to the Board

Please bring along a picture identification.

Auditors

Grant Thornton

Bankers

Bank of Nova Scotia

Bank of St. Vincent and the Grenadines Limited

Other Institutions with which the Association has Financial Interests

Eastern Caribbean Home Mortgages Bank (St. Kitts)

Guardian Life of the Caribbean Limited (Trinidad & Tobago)

First Citizens Investment Services Limited

British American Insurance Company Limited

CLICO (St. Vincent)

CLICO (Barbados)

President's Address

It is my great pleasure to welcome you to this 74th Annual General Meeting (AGM) of the St. Vincent Building and Loan Association. I am heartened that members have kindly spared their valuable time to be here this afternoon. I am pleased to report that 2015 was a successful year which delivered strong performance indicators following the recovery which started in 2013.

Our former CEO, Mr. Richard Branch opted not to renew his contract which ended in September 2015, having decided to take up another engagement. Mr. Elroy John, a former Country Manager of CIBC First Caribbean International Bank (FCIB) replaced him on November 02, 2015. President Jeremy Jackson resigned from the Board effective December 31, 2015 (due to increased work and family responsibilities), following which the Board of Directors elected me to serve as President. Mr. Joseph Ince also resigned in July 2015, to take up employment overseas. On behalf of the Board of Directors and staff, we thank Messrs. Jackson, Branch and Ince for their significant contribution to the Association.

The Association performed commendably over the last financial year registering increased profitability. I am pleased to report that we recorded total comprehensive income of $5.5 million for the year ended December 31, 2015 which is a 13% increase over the December 31, 2014 restated total comprehensive income. The accumulated deficit of $15.7 million inherited in 2013 has now been converted to an accumulated surplus of $2.7 million. Our equity now stands at $32.8 million, and we are compliant with Financial Services Authority regulations with a capital adequacy ratio of 13.8% (restated 2014: 9.5%). This significant achievement not only exceeds regulatory requirements but also gives the Association a stronger foundation on which to launch products and services that meet the needs of our diverse membership base. This achievement is due primarily to the commitment and loyalty of our membership base and the Board is fully committed to showing its gratitude to members, through greater return on your investments.

Our focus in 2015 remained on improving asset quality by reviewing and re-engineering our underwriting and administration procedures pertaining to the granting of loans. The non-performing loan portfolio now stands at $66.6 million at the end of 2015, an increase of 14% from 2014, but down from $81 million at the time of intervention by the Financial Services Authority in 2013. The 2015 increase results from the economic challenges faced within St. Vincent and the Grenadines, the United States of America and the United Kingdom where many of the Association's customers reside. We recognize the many challenges and significant efforts and resources are being dedicated to achieving even greater reduction in the future. A number of measures are being employed such as placing non-performing accounts on payment plans, in anticipation of them becoming performing assets again, the sale of properties, and more diligent follow up on delinquent accounts.

For the review period, the Board also focused on other critical areas of operation including cost containment, customer experience enhancement, staff development and management information system upgrade; among others. Operating expenses declined by $0.3 million. The greatest decline was in legal costs, which decreased by $0.2 million in 2015. In 2014, increased legal costs were incurred to retain external counsel to assist with, and rectify, some of the legal issues that the Association encountered.

Despite the improvements in cost containment, we recognize that cost efficiency measures can be achieved through ongoing improvements in the operations of the Association, such as our high

electricity consumption, driven mainly by an outdated and inefficient central air-conditioning system that will be soon replaced. We will focus on determining the most effective ways to realize greater efficiencies without compromising customer satisfaction and risk management.

Overall, given our recent history and the prevailing subdued economic conditions the Association has performed creditably. The continued trust, loyalty and commitment of all our members and other stakeholders have brought us through a very challenging period.

As we celebrate our 75th anniversary, we remain focused on the challenges and opportunities ahead. We continue to refine our approach to risk management and develop strategies to handle the challenges and distribute the rewards of this venerable institution. We firmly believe that our financial performance over the last two years, and our plans for the future, would ensure a sustainable and stable growth path that can only lead to value enhancement for not only you our members, but for all of the Association's stakeholders.

I thank my fellow Board members for their effort and stewardship over the last twelve months which required a heavy commitment of time and resources, notwithstanding that they also had their regular full time work responsibilities and personal commitments to attend to.

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

We express our sincere thanks and gratitude to you our members who have made it possible for the Association to achieve these results, through your commitment and confidence in us. The Board of Directors will continue to strive to provide you with the best products and services and employ best practice in managing the Association, to resound to the benefit of you our members.

Finally, I would like to thank you the members, my fellow directors and the staff for the opportunity to serve as Director of the Association for the past three years. However, I wish to advise that I will not be offering myself for re-election, due to other pressing personal commitments. I treasure the experience, but think it is also a good opportunity to allow other members to make their contribution. I do assure you of my continued commitment and willingness to assist the Association should need be to serve otherwise.

Again, I say thank you. **God's richest blessings!**

Camille H. Crichton
President

MINUTES OF THE 73rd ANNUAL GENERAL MEETING OF THE ST. VINCENT BUILDING AND LOAN ASSOCIATION HELD AT THE METHODIST CHURCH HALL KINGSTOWN 10th AUGUST, 2015 AT 4:15 p.m

PRESENT:	Mr. Jeremy Jackson	-	President
	Ms. Camille Crichton	-	Vice President
	Ms. Allison Thomas	-	Director
	Mr. Fidel Neverson	-	Director
	Richard Branch	-	CEO

Ninety-eight (98) members were in attendance.

CALL TO ORDER

The President, Jeremy Jackson called the meeting to order at 5.25 pm, when a quorum was attained.

PRAYER

Mr. Gilbert Porter said the opening prayer.

1. APOLOGIES FOR ABSENCE

The President reported that Director Joseph Ince resigned from the Board of Directors on July 23rd 2015, to take up employment in Trinidad and Tobago.

2. WELCOME BY PRESIDENT

The President welcomed all to the meeting and expressed his pleasure in seeing the members present, which sent a clear message that they were interested in the affairs of the Association.

The Association had another successful year despite the varied challenges in its operations. He thanked members for their participation and commitment over the past year.

3. ADOPTION OF AGENDA

The Agenda was amended to include Election of the Nominations Committee as item #10 and the number of the item that followed was adjusted as item #11. On a motion moved by Ms. Criselta Corridon and seconded by Mr. Harold Lewis the Agenda was adopted with amendment.

4. MINUTES OF 72nd ANNUAL GENERAL MEETING

Amendments

Page 29 under heading Audit and Compliance Committee -remove “Mrs. Marlyn Richards – Finance Manager “

The Minutes were adopted as amended on a motion moved by Mr. Junior Bacchus, seconded by Criselta Corridon.

5. MATTERS ARISING FROM THE MINUTES OF THE 72nd AGM HELD ON JUNE 30th 2014.

i **Forensic Investigation -** Ms. Patricia Williams enquired about the status of the Forensic Investigation. The President stated that this was commissioned by the Financial Services Authority (FSA), who reported that the second phase was completed in May 2014, and investigations were on-going. He stated that the total cost was EC$120,000.00, noting that, statutorily the Association was required to bear the full cost of the audit, however, the Association will pay 80% and the FSA 20%.

ii **The IT System -** In response to a question on the status of the implementation of the IT System, the President indicated that the conversion to the new system was nearing completion.

iii **Continuous FSA Oversight -** Member Dougal James enquired about getting back to normalcy, and the President advised that the FSA's main concern was the Non-Performing Loans which stood at $53 million down from $80 million.

iv **Products and Services -** Mr. Felix Lewis enquired about products and Services and the marketing plan for same. The CEO responded that a new type of savings was introduced to replace the old Shares accounts, and that marketing was ongoing. It was suggested by some members that more emphasis needs to be placed on marketing.

v **Customer Services -** Members suggested that the Board of Directors review the accounts that were held in trust for children prior to the recapitalization plan and were converted to permanent shares only in the name of an adult. The Board was also asked to review accounts for members that were converted to several permanent shares accounts where $1,000 was deducted from each account.

The President reminded the membership that the decision to convert the shares and deposits to permanent shares was part of the Recapitalisation Plan under the FSA, which was voted on and approved by the membership at the AGM held in August 2013.

Member Mr. Junior Bacchus acknowledged that the membership did vote on the Recapitalisation Plan, and as indicated by the President, it cannot be changed.

vi **Human Resources**

Mr. Kenneth Young enquired about Human Resources. The President reported that all staff now have new or updated job descriptions. An HR Consultant was hired to perform an assessment of the Association's Human Resources, and the exercise is more than 80% complete.

6. REPORT OF THE BOARD OF DIRECTORS

The membership commended the BOD for its work during the period, and enquired if the non-performing loans portfolio still consisted of a large percentage of customers residing overseas. The President confirmed that this was still the case, but was unable to confirm the actual percentage.

Member Kenneth Young commended The Board of Directors and management for the manner in which the information was presented in the report. Of particular mention was the disclosure of information on the Directors such as attendance at meetings, borrowings or other interest in the Association, which was not provided in the past.

The increase in legal fees was questioned, and the President explained that the services of some external senior lawyers (apart from the Association's lawyer) were engaged to provide urgent opinions and expertise in regularizing some matters, in order to protect the Association's interests.

Mr. Dougal James noted that Compliance component was not included in the report. The President responded that a Compliance Officer is in place, and engages regularly with the Financial Intelligence Unit (FIU). Training is conducted by the FIU at least once per year.

The Board and Management were also commended for continuing to sponsor Guardian Saints Cricket Club, and it was noted that Kenroy Peters and Sunil Ambris, members of that team, have both played on the national, Windwards and West Indies teams.

On a motion moved by Junior Bacchus and seconded by Dougal James, the Board of Directors Report was adopted.

7. COMMITTEE REPORTS

i Membership

Director Fidel Neverson, Chairperson, reported that the Membership Committee focused on the revision of the Rules of the Association, revision of the scholarship rules, and reviewing special requests for withdrawal of fixed deposits under extenuating circumstances.

- **Revision of Rules of the Association**

  A committee comprising of the Membership Committee and members Jerome Burke and Colin Williams, with input by the FSA, met several times to work on the revision. The revised rules were approved at a special meeting of the membership of the Association held July 1st 2015. He highlighted that the new rules provided for seven (7) directors, and the Board will therefore be increased accordingly at this AGM.

- **Scholarship Rules**

  After a one-year suspension during the FSA's intervention in 2013, the scholarship programme recommenced in 2014, with four scholarships awarded based on merit. In 2015 the Board of Directors reviewed the programme, and decided to award two merit based scholarships, and two needs based scholarships annually.

Members commended and applauded the Board of Directors for the recommencement of the scholarship programme.

- **Special Request for Withdrawals**

  The Board of Directors maintained the policy of the FSA allowing members only to access funds based on extenuating circumstances, following the implementation of the Recapitalization Plan, the policy introduced by the FSA.

- **Quorum**

  Members expressed concerns with the poor attendance at AGMs compared to the past. They requested that the BOD revisit its strategy to mobilize members to attend the meetings. Social media and emails were suggested to promote the AGM. Members also requested that refreshments be provided at the next AGM.

ii Credit Committee Report

Director Allison Thomas, Chairperson of the Committee reported that sixteen (16) meetings were held in 2014. The granting of loans recommenced in earnest in 2014, and in addition to obtaining new business, emphasis was placed on either restructuring or regularizing delinquent and non-performing loans (NPL's), and placing properties for sale.

The services of external senior lawyers were engaged to assist the In-house legal counsel with the work load, for opinions, and to regularize other urgent matters.

A Credit Policy is currently being worked on and is expected to be completed soon. The CEO and Credit Committee have assigned limits for approving loans, and any amounts in excess of the Credit Committee's limit, has to be approved by the Board. All offers on properties advertised for sale must be approved by the Board.

When asked about the time it takes to approve loans, Ms. Thomas stated that it varies, depending on the type of loan, and added that while a number of loans are approved within a day, others may take longer since the Committee has to ensure that due diligence is carried out, and that the required documentation is in place. She assured members that they are working to ensure that the interest of members is protected, and avoid the issues which resulted in the FSA's intervention in 2013. She implored members to exercise patience in this regard.

In the upcoming year emphasis will also be placed on consumer loans and not just mortgages. When asked about the decrease in the number of NPLs she said that this was primarily due to restructuring, and improvement in payments by members.

In response to the question of the target for lending in 2015, the CEO, Mr. Branch responded that it was $12m; 90% mortgages and 10% consumer loans.

The Board was congratulated on the job done to reduce the NPL portfolio.

An enquiry was made about the number loans which were granted to persons who purchased properties which the Association had exercised the Power of Sale on. Ms. Thomas responded that some were, but the majority were financed by other financial institutions. She indicated

that like all other loan applications, the same requirements and procedures have to be met for approval to be granted.

The Summer Loans programme which caters for Consumer Loans, is expected to commence soon, with anticipated success.

iii Global Risk

The Chairman of the Committee reported that the principal goal for the Global Risk Committee was to establish internal Asset/Liability decision processes. The Committee collaborated with the Membership Committee on finding new products and looked at diversification in terms of investments. The Association met the capital adequacy requirement, which was at 10%.

Members questioned the composition of the committees and whether it consisted only of Directors and Management staff. The President indicated that they were Board Committees.

iv Audit and Compliance

The President reported that an audit from Financial Intelligence Unit was done and the Association was in compliance. The Committee ensured that insurance coverage for properties was done.

8. AUDITORS REPORT FOR THE YEAR ENDED 31ST DECEMBER 2014

The Auditor's Report and Financial Statements were presented to the members by Mr. Richard Peterkin, Engagement Partner of the accounting firm of Grant Thornton. He reported that the Association had made good strides but was not yet out of the woods; and also that the reports were prepared fairly and unqualified in accordance with International Financial Reporting Standards (IFRS).

Ms. Sharon Raoul give a brief synopsis of two reporting policies which affected the Association:

I. **Interest Levy –** The Association recognized the levy due to the Government, and the regulation calls for penalties and interest on amounts outstanding. The liability was on the books for a number of years. She emphasized that it was critical that an agreement with the Government be reached as to how this will be treated; in the absence of which there will be significant penalties which will have to be recorded in the financial statements.

II. **Funding arrangement with ECHMB –** Ms. Raoul also spoke of the number of financial institutions engaged in selling of loans which allowed them to access funds to be able to undertake other financial activities. In the prior year when the Financial Statements were disclosed the arrangement with the ECHMB was recorded net, i.e., the loans that were sold were put off balance sheet and the liability that came in to the Association was netted off. For the current period, the information was separated, in accordance with IFRS. Although the loans had been sold to the ECHMB, there was still a requirement for the Association to make good on them, and that the Association had to replace any impaired loans, since ECHMB will not recognize same, and the risk would have to remain with the Association.
Mr. Peterkin underscored the high number of NPLs as one of the interesting developments that has been affecting Financial Institutions in the region. This was estimated at $2.6 billion.

He added that it was important for information to be measured accurately as it relates to the provisioning. This was of such concern that the ECHMB set up a company to purchase some of these loans from the banks that can no longer deal with the issue of NPLs.

Malaika Theobalds from the Auditing Firm was asked to address the meeting on the issue of how NPLs are treated by the Association.

She stated that management put together an assessment of all loans that were non-performing; neither past due nor impaired loans improved slightly, past due but not impaired increased slightly but impaired loans decreased significantly. Furthermore, as long as the trigger for those loans was set off IAS39 would be the guide to assess these loans. Valuations would be done and compared to the loan balance and the interest. If the security is sufficient to cover the loan balance, then a provision would not be necessary. If there was a shortfall, then the provisioning becomes necessary.

Regarding the $14.1.m loan interest income and whether it was realized on the non-performing loans or performing loan portfolio, the Auditor stated that if a loan becomes non-performing you can stop recognizing the interest. However, where the net book value plus interest not accrued is less than the discounted market value, the Association can recognize non accrued interest up to the point at which the total loan balance is equivalent to the discounted market value.

Mr. Peterkin complimented the membership on the quality of their questions over the years. He assured the membership that they would work with the management to ensure that the financial reports were ready earlier in the next financial year.

- **Operating Expenses**

The increase in expenses of the Association by 50% was questioned, and the CEO indicated that the 2013 figure was for an 11-month period in comparison 2014 which was for 12 months. The increase in staff, including himself as CEO, the IT and Loans Managers, Legal and Professional fees, the Forensic Audit and training were the main contributors to the increase.

- **Directors Fees**

Questions were also raised about the increase in the Director's fees. The President responded that no Directors were in place for most of 2013, and that those elected in at the AGM August 2013, opted not to collect any fees for the first three months. All directors were paid full fees for 2014, thus the increase.

- **IADC**

Members enquired whether the lands at Argyle which the IADC took over from the Association were paid for, and the CEO confirmed that all funds were received.

- **Interest Levy**

The membership enquired about the operating profit, and liability in the form of the outstanding interest levy, citing that notwithstanding the profit, the Association was still at the mercy of the Government in this regard. In his response Mr. Peterkin stated that based on experience dealing with governments and debts owed, he doubted whether a demand will be made for

the money. He noted however that the figure that is shown did not include any penalties and interest, which the Association will have to pay had the Government gone in full accordance with the law.

The membership suggested that the Board devise a contingency plan to deal with the situation, but also asked that the Government be approached with a view to obtaining debt forgiveness.

- **Audit Fees**

The cost of the audit fees which appeared outside of the norm, was questioned, and Mr. Peterkin stated that it included other expenses, such as accommodation. He noted that the fees were not out of line for the region, and is an indication of the amount of time it takes to get the audit done and huge degree of risk involved, especially for financial institutions it was necessary that the information is correct. He assured the membership that the Board did its best to keep the figure down, and added that there was probably scope for further reduction.

8. (b) Election of Auditors for the year ending December 2015

The President informed the membership that the advertisement for auditors was placed in the newspapers prior to the meeting. Proposals were received from Grant Thornton and KPMG respectively. Both were reviewed and Grant Thornton was recommended by the Board. KPMG was not considered since they were the auditors during the period under review in the Forensic Audit.

Members requested the proposed cost submitted by the auditors. The President responded that Grant Thornton's fee was UDS$30,000.00 and KPMG was EC$89,500.00.

Dr. Wayne Murray, supported by other members, objected to KPMG being considered because of its history with the Association.

A motion moved by Dr. Timothy Providence, seconded by Dr. Wayne Murray to re-appoint Grant Thornton as auditors for the financial year 2015, which was carried by the membership on a vote by show of hands. The Board was asked to negotiate with the auditors for a reduction in the fees.

9. ELECTION OF THE BOARD OF DIRECTORS

Mr. Junior Bacchus Chairman of the Nominations Committee advised that three vacancies exist on the Board, citing that the new rules provided for seven (7) directors.

Mr. Bacchus stated that the Nominations Committee comprised three members of the Association and two members of staff- namely himself, Mr. Felix Lewis and Mr. Harold Lewis from the membership, and staff members Sebastian Forde, Loans Manager and Gilbert Porter, Insurance Manager. The role of the committee is to review the nominations, the nominations process and to ensure that everything was done in compliance with the rules.

Five nominations were received; three by the deadline date of July 27th 2015, and two thereafter. The Committee only considered those received by the deadline, being Mr. Kenneth

Young, Mr. Dougal James and Ms. Lucille Browne. He noted that apart from that for Mr. Kenneth Young, the nomination registration forms for the other applicants were not seconded as required by the rules. The Committee had consulted with the FSA, who advised that those submitted should be accepted. Mr. Bacchus asked that a member second the nominations for the other two nominees. Lucille Browne's nomination was seconded by Mr. Kenneth Young, while that for Dougal James was seconded by Rosemary Richardson.

The late nominations were Ms. Simone Murray and Mr. Arthur Guy.

Mr. Bacchus invited the membership to vote, however it was unanimously agreed that the three eligible nominated persons received be elected as directors.

10. ANY OTHER BUSINESS

i Election of Nominations Committee

Mr. Bacchus indicated that the current nominations committee was an interim one selected by the Board, and invited the membership to formally elect the members of the Nominations Committee. He indicated that the members were offering themselves up for election.

A motion to formally approve the current members of the committee for the next three (3) years, as moved by Mr. Cools Vanloo and seconded by Ms. Rosemary Richardson, was carried by the membership. It was suggested that the rules be amended to reflect the tenure of the Committee.

ii Other

Members enquired whether dividends will be declared based on the profit. The President responded that the Association will not be declaring a dividend, since there is still an accumulated deficit of $1.6m despite the recovery that was made.

There was no further business and the meeting ended at 8:15 pm on a motion moved by Junior Bacchus and seconded by Gloria Beste.

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

……..
President

……
Corporate Secretary

Prepared by:

Bernadine C. Nanton
Corporate Secretary

Board of Directors Report

President – Camille Crichton

Vice President – Kenneth Young

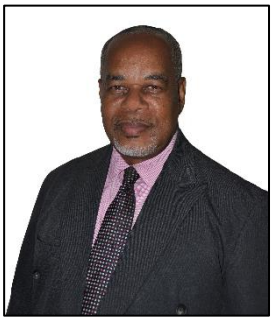
Director – Fidel Neverson

Director – Allison Thomas

Director – Lucille Browne

Director – Dougal James

Corporate Secretary – Bernadine Nanton



Chief Executive Officer – Elroy John

1.0 Introduction

1.1 Fellow members, we are pleased to present the report of the Board of Directors of the St. Vincent Building & Loan Association for the year ended December 31, 2015.

The Board of Directors remains committed to excellence in corporate governance and had a primary focus in 2015 of improving our overall risk management framework with particular focus on improving liquidity and profitability, while creating strategies and opportunities for growth.

The local economy performed better in 2015, realising economic growth of 1.4%. This was due to strong tourism inflows and a rebounding construction sector. The downward trend in global oil prices has also aided the economic recovery. The future outlook is more encouraging with the International Monetary Fund (IMF) projecting real GDP growth of 2.2% in 2016 and 3.1% in 2017.

2.0 Directors

2.1 During the financial year, three additional Directors were elected to the Board and there was one resignation at the end of July 2015, due to migration. At the close of the financial year the complement of Directors was as follows:

Mr. Jeremy Jackson	-	President
Ms. Camille Crichton	-	Vice President
Mr. Fidel Neverson	-	Director
Ms. Allison Thomas	-	Director
Mr. Kenneth Young	-	Director
Mr. Dougal James	-	Director
Ms. Lucille Browne	-	Director

Mr. Jeremy Jackson, who held the post of President from August 2013, resigned from the Board effective December 31, 2015 due to personal commitments. Mr. Joseph Ince resigned in July 2015 as he was migrating to another country. The Board elected Ms. Camille Crichton to serve as President in January 2016.

Ms. Camille Crichton, Mr. Fidel Neverson and Ms. Allison Thomas are the retiring Directors and are eligible for re-election at the 2016 AGM. Ms. Crichton has indicated that she will not be offering herself for re-election at this AGM.

The Board takes this opportunity to thank Presidents Jackson and Crichton, and Director Ince for their invaluable contributions over the past three (3) or so years.

3.0 Meetings and Attendance

3.1 The Board of Directors meets at least once a month for regular board meetings and from time to time will also schedule special board meetings. During the financial period there were a total of twenty-eight (28) such meetings, comprised of thirteen (13) board meetings and fifteen (15) special meetings. Attendance of Directors was as follows:

Director	Regular Meetings (Total 13)	Special Meetings (Total 15)	Total Meetings Attended (Total 28)
Jeremy Jackson	10	12	22
Camille Crichton	13	15	28
Fidel Neverson	13	13	26
Joseph Ince	07	06	13
Allison Thomas	12	08	20
Kenneth A. Young	05	05	10
Dougal James	06	04	10
Lucille Browne	06	07	13

3.2 Directors' Interest

Director	Minimum Permanent Shares	Does Director have Loan(s)?	Are Accounts up to date?
Jeremy Jackson	YES	YES	YES
Camille Crichton	YES	YES	YES
Fidel Neverson	YES	NO	N/A
Joseph Ince	YES	NO	N/A
Allison Thomas	YES	NO	N/A
Kenneth A. Young	YES	NO	N/A
Dougal James	YES	NO	N/A
Lucille Browne	YES	NO	N/A

3.3 Statement on Directors' Activities with the Association

There are no contract(s) that existed during or at the end of the financial year that the directors either solely or jointly had any material interest in that related directly or indirectly to the Association. Furthermore, there was no significant transaction conducted by any director during the financial period. The two existing loans held by directors existed before their appointment as directors and these facilities continue to reduce as scheduled.

4.0 Performance Related to Critical Areas

4.1 In 2015 the Board of Directors continued on its progress, with support and guidance from the Financial Services Authority (FSA), which has regulatory oversight of the Association. The Board identified eight (8) critical areas which it continued to focus on in order to re-establish the Association as a premier financial institution in St. Vincent & the Grenadines.

4.2 **Critical Area 1** - **Cost Containment:** We managed to reduce overall operating expenses in 2015 by 8%. The major decreases were seen in employee benefit expenses and legal and professional fees. The reduction in employment benefit expense was as a result of the early retirement of two staff members in 2014. Legal costs showed a significant decline in 2015, since referrals to external legal counsels were at a minimal, as most, if not all of those referrals done in 2014, were either settled, or measures put in place so that the In-House solicitor was able to handle matters.

4.3 **Critical Area 2 - Customer Service:** Service excellence to our members remains a central pillar of our objectives. We are however aware that this area requires ongoing attention and support. During 2016, the Board will be evaluating the overall functioning of the Association and in particular exploring enhancements and innovations to our existing products and services. This objective has already commenced in 2015 with the following activities being undertaken:

Training	Participants	Date	Facilitator
Customer Service Workshop	Linda Robinson, CSR and Denisha Cuffy, Accounts Clerk	March 09, 2015	Professional Secretarial and Consultancy Services
Customer Service Workshop	Kristy Stephens, Receptionist and Oszake James, CSR	November 19, 2015	Business Logistics
Legal Training Workshop	All Staff	February 01 – 28, 2015	P.R. Campbell

4.4 **Critical Area 3** - **Asset Quality Management:** The Board of Directors continues to place particular emphasis on asset quality management. We have had good success with the management of the non-performing loan portfolio and intend to continue our efforts in 2016 to ensure the continued reduction of this portfolio. As a result of tighter controls in this area, the allowance for impairment on non-performing loans declined by $1.8 million from 2014 to 2015. We continue to work closely with our members to rehabilitate these challenged exposures.

4.5 **Critical Area 4 - Implementation and use of Information Technology**: We implemented the Emortelle system at the end of 2014, but experienced some challenges in the transition. That system is however being run parallel to the legacy Vision system, as a back up to ensure the integrity and accuracy of data when the complete and final switch to Emortelle is done during 2016.

Work is ongoing with the redesign and upgrading of the Association's website. We have commenced discussions with a view to offering ATM and online banking services through a strategic partnership with another financial institution.

4.6 **Critical Area 5 - Corporate Social Responsibility**

We continue to play an active role in local cricket, and in partnership with Guardian General Insurance, continue to sponsor the Guardian Saints Cricket team, which can boast of having national and regional players, Sunil Ambris and Kenroy Peters on their team. We intend to expand our relationships with other sporting and cultural entities in the immediate and short-term future.

The Association continues to focus on giving back to our members and the wider society, through education, by providing scholarships to the children of our members, from the secondary school right through to the community college level. We can proudly boast of having twenty-four (24) active scholarship recipients as at the end of 2015.

Four (4) scholarships were awarded in 2015 as follows:

No.	YEAR	NAME OF AWARDEE	SCHOOL ATTENDING
1	2015	Taylor Olliver	St Vincent Girls' High School
2	2015	Jerona Mapp	St Vincent Girls' High School
3	2015	Natalia Charles	Central Leeward Secondary School
4	2015	Rene Jackson	St Vincent Girls' High School

As at the end of 2015, the full list of current scholarship recipients is as follows:

No.	YEAR	NAME OF AWARDEE	SCHOOL ATTENDING
1	2009	Raiesa Byron-Cox	SVG Community College
2	2009	Athalia Frederick	SVG Community College
3	2009	Richard John	SVG Community College
4	2009	Cassie-Ann Laidlow	SVG Community College
5	2010	Alexia Burgin	SVG Community College
6	2010	Indra Caine	SVG Community College
7	2010	Che Grant	SVG Community College
8	2010	Rukersha Jackson	SVG Community College
9	2011	Akil Augustus	St Vincent Grammar School
10	2011	Lyndsay Dowers	Girls' High School
11	2011	Natasha Hypolite	Girls' High School
12	2011	Sujith Nedd	St Vincent Grammar School
13	2012	Afique Ambrose	St Vincent Grammar School
14	2012	Amarlia Benn	Girls' High School
15	2012	Shari Marks	Girls' High School
16	2012	Justin Sylvester	St Vincent Grammar School
17	2014	Adiah Holder	St Vincent Grammar School
18	2014	F Nathaniel Williams	St Vincent Grammar School
19	2014	Zenika Chance	Intermediate High School
20	2014	Sorhea Jackson	St Joseph's Convent Marriaqua
21	2015	Taylor Olliver	St Vincent Girls' High School
22	2015	Jerona Mapp	St Vincent Girls' High School
23	2015	Natalia Charles	Central Leeward Secondary School
24	2015	Rene Jackson	St Vincent Girls' High School

In addition, we have also adopted a policy to provide summer and Christmas jobs for some of our scholarship holders, so that they can get firsthand experience in the work environment. This has been well received by the scholarship holders and their parents/guardians.

4.7 **Critical Area 6 - Human Resources:** The Board of Directors recognizes the need to have well trained personnel, and continues to focus on this area, by training and retooling of our existing staff, as well as by employing suitably qualified and well trained staff. During the financial period 2015, in addition to those listed in under Critical Area 2, the following training initiatives were also undertaken:

Training/Workshop/Seminar/Course	Participants	Date	Facilitator
Leadership Seminar	Michael Morgan, Sebastian Forde and Dexter Small	January 22, 2015	Chamber of Industry and Commerce
Eastern Caribbean Currency Union Workshop	Sebastian Forde	February 02, 2015	Eastern Caribbean Central Bank
Executive Officer Training	Andrea Patterson	February 22, 2015	Eastern Caribbean Central Bank
St. Vincent 2015 Budget Presentation	Marlyn Richards, Gilbert Porter and Sebastian Forde	March 27, 2015	Chamber of Industry and Commerce / KPMG
Tax Training	Marlyn Richards, Luella Jackson and Sebastian Forde	March 27, 2015	Chamber of Industry and Commerce / Inland Revenue Department
Performance Management Training	Michael Morgan	June 01, 2015	University of the West Indies
Geothermal Energy Presentation	Gilbert Porter, Dexter Small and Corliss Toby	July 17, 2015	Chamber of Industry and Commerce
Superstars in the Workplace	Zinzi Williams	September 22, 2015	Professional Secretarial and Consultancy Services
Business Symposium	Michael Morgan and Andrea Patterson	October 08, 2015	Eastern Caribbean Central Bank
Superstars in the Workplace	Oszake James	October 13, 2015	Professional Secretarial and Consultancy Services
Chamber Business Luncheon	Michael Morgan	November 19, 2015	Chamber of Industry and Commerce

The HR audit/assessment commissioned by the Association was completed during latter part of financial year 2015. The Board is currently reviewing the final report, and will seek to implement the necessary changes.

4.8 **Critical Area 7 – Products and Services:** We continue to improve on and add to our existing products and services, while maintaining the most competitive rates on mortgages, consumer loans, savings and fixed deposit products. We are simultaneously seeking new ways to expand our customer base, and provide an overall satisfying customer experience to our members.

4.9 **Critical Area 8- Compliance:** The Board of Directors is cognizant of the importance of compliance, and regulatory oversight, and continues to work along with and benefit from the guidance and expertise of the Financial Services Authority (FSA). Our Compliance Officer works closely with the Finance Intelligence Unit (FIU) to ensure that all reporting requirements and obligations are performed in a timely, accurate and efficient manner, and participates in training provided by that organization from time to time. Anti-money Laundering training was facilitated by the FIU to all staff members on February 12, 2015.

5.0 Conclusion

The Board extends its sincere appreciation to our staff, our members, the FSA and all stakeholders for their commitment and support, which are central to the success and continuity of this great institution. We ask that you continue to support the Association and to encourage your friends and family to become members so we can all enjoy the benefits of the continued success of the Association.

President

6.0 Committee Reports

6.1 Membership Committee Report

For the 2015 financial year the Membership Committee was comprised of the following persons:

Director Fidel Neverson – Chairman
Director Camille Crichton
Director Lucille Browne (joined committee in September 2015)
Mr. Elroy John – Chief Executive Officer (joined committee in November 2015)
Michael Morgan – Customer Service Manager
Gilbert Porter – Insurance Manager
Bernadine Nanton – In-house Legal Counsel

During 2015 the Membership Committee held one meeting each month for a total of twelve meetings for the year.

The primary accomplishments of the Committee in 2015 were the completion of the rules revision exercise, enhancing the Scholarship Programme, spearheading special product promotions, and increasing customer outreach.

Rules Revision Exercise

The Membership Committee was charged with the responsibility of spearheading the review of the Association's rules as mandated by the Financial Services Authority (FSA). This process which commenced at the beginning of 2014 was concluded after two special meetings were held at mid-year. The first meeting took place on May 27, 2015 at which the proposed new rules were presented to members for their input. After further revisions the proposed new rules were adopted by the members at a meeting held on July 01, 2015. Thereafter new rule books were printed and made available to members.

Scholarship Programme Improvements

In 2015 four (4) secondary school scholarships were granted to children of members. Two (2) merit scholarships were awarded based on the applicants' performance in the CPEA

examination and two need-based scholarships were awarded to applicants from low income families. However, in order to ensure that scholarship holders continue to meet the academic and behaviour standards required to keep their scholarships, guidelines were drawn up by the Association for the offering of counselling to awardees that are not performing adequately. This aspect of the programme is now in effect.

Special Product Promotions

The Membership Committee spearheaded two promotions in 2015. The first was a special Independence fixed deposit promotion where members were offered a 4.5% interest rate on 36-month fixed deposits. This ran between late October and December 2015 and was quite successful attracting over $800,000 in new deposits. The second was a Christmas Loan promotion which ran from November to December 2015. This was the second straight year that a Christmas Loan promotion was being was undertaken by the Association.

Customer Outreach

New methods for reaching customers were explored during 2015. These included emailing customers in the Association's database, advertising via electronic billboards, and increased use of the typical paper and electronic media outlets. These approaches were used primarily for advertising our product promotions and while the results were mixed the plan is to continue to employ new and traditional means to market the Association to existing and potential members.

The plans for the Membership Committee for 2016 include spearheading the Association's 75th Anniversary activities, further enhancements to the Scholarship Programme, increased marketing of the Association, and ensuring that the Association continues to offer products and services that provide value to members and the organisation itself.

6.2 Audit and Compliance Committee Report

The Audit and Compliance Committee of the Board of Directors was established and charged with the responsibility of identifying, recommending and implementing policies, practices and processes that will ensure that the Building & Loan Association discharges its responsibilities with due care and diligence in relation to:

- Reporting of financial information
- Application of accounting policies
- Financial management
- Internal control systems
- Risk management systems
- Business policies and practices
- Protection of assets
- Compliance with relevant laws, regulations, standards and best practice guidelines.

The Committee is comprised of the following persons:

- Mr. Jeremy Jackson – Chairman
- Ms. Camille Crichton – Director
- Mr. Richard Branch – CEO (vacated office October 2015)
- Mrs. Marlyn Richards – Finance Manager

- Mr. Kenneth Young – Director (added November 2015)
- Mr. Elroy John – CEO (added November 2015)
- Mr. Dougal James – Director (added November 2015)

The Audit and Compliance Committee had a total of five (5) meetings during the 2015 financial year.

The Committee continues to meet its objectives and mandate as established by the Board of Directors. Policies and procedures are continuously being renewed, updated and implemented in an effort to improve and ensure that there is clear guidance with regards to how the Association undertakes its business.

The Committee received reports from the Internal Auditor, all of which were adequately reviewed and addressed. The Committee received and reviewed the External Auditor's Management Letter for the year ended December 31, 2014. All issues of interest raised therein were addressed and corrective actions based on recommendations instituted.

6.3 Human Resources Committee Report

The Human Resources (HR) Committee is charged with the responsibility of overseeing the organisational and staff issues of the Association in an effort to ensure the smooth and efficient deploying of its human resources. The objective is to ensure that the Association discharges its responsibilities with the highest level of professionalism, due care and attention.

The Human Resources Committee is comprised of the following persons:

Ms. Lucille Browne	- Chairperson
Ms. Camille Crichton	- Director
Mr. Kenneth Young	- Director
Mr. Dougal James	- Director
Mr. Elroy John	- CEO

The Human Resources Committee held a total of twelve (12) meetings during 2015.

The following issues were the main areas of focus during the year:

1. Human Resources Audit

a) The Human Resources audit/assessment report was received from the HR Consultant. The report was reviewed and endorsed by the Board of Directors as working document that will greatly assist in charting the course for the continued improvement of the Association's operations going forward. Some of the recommendations in the report have already been implemented. The Committee and by extension the Board of Directors are working diligently to continue the adoption and implementation of those recommendations that we deem adequate and appropriate for implementation. Going forward we will also be addressing issues and shortcomings in the Association's organisational structure and staff deficiencies as identified by the Consultant for possible remedial actions.

2. Staffing

i. Finance Manager

During the reporting period the Finance Manager tendered her resignation on December 31, 2015. The Board has made the decision to change the title of the position from Finance Manager to Chief Accountant in keeping with the HR exercise. It was also decided not to exercise haste in filling the position in order to ensure that the ideal candidate would be recruited. This strategy also received the blessing of the Financial Services Authority.

ii. Position of CEO

The CEO, Mr. Richard Branch's contract of employment expired on September 30, 2015. Mr. Branch did not choose to renew his contract and the position of CEO was subsequently advertised. After the recruitment process ended Mr. Elroy John was found to be the most suitable candidate for the position and was recruited effective November 2, 2015.

iii. Job Description

A new organisational chart for the Association was approved and implemented. As at December 31, 2015 the total number of staff was thirty-six (36). Job descriptions have been created for all staff positions. However, restructuring of departments is still ongoing so that the requisite job descriptions and responsibilities can be presented to each member of staff.

6.4 Credit Committee Report

The Credit Committee of the Board of Directors is responsible for assisting the Board of Directors as overseer of the loans portfolio of the Association. The Committee's mandate is to ensure that lending activities and practices are in keeping with regulatory and industry standards, the established credit policies of the Association and the Terms of Reference approved by the Board of Directors.

The Committee comprised the following members for financial year 2015:

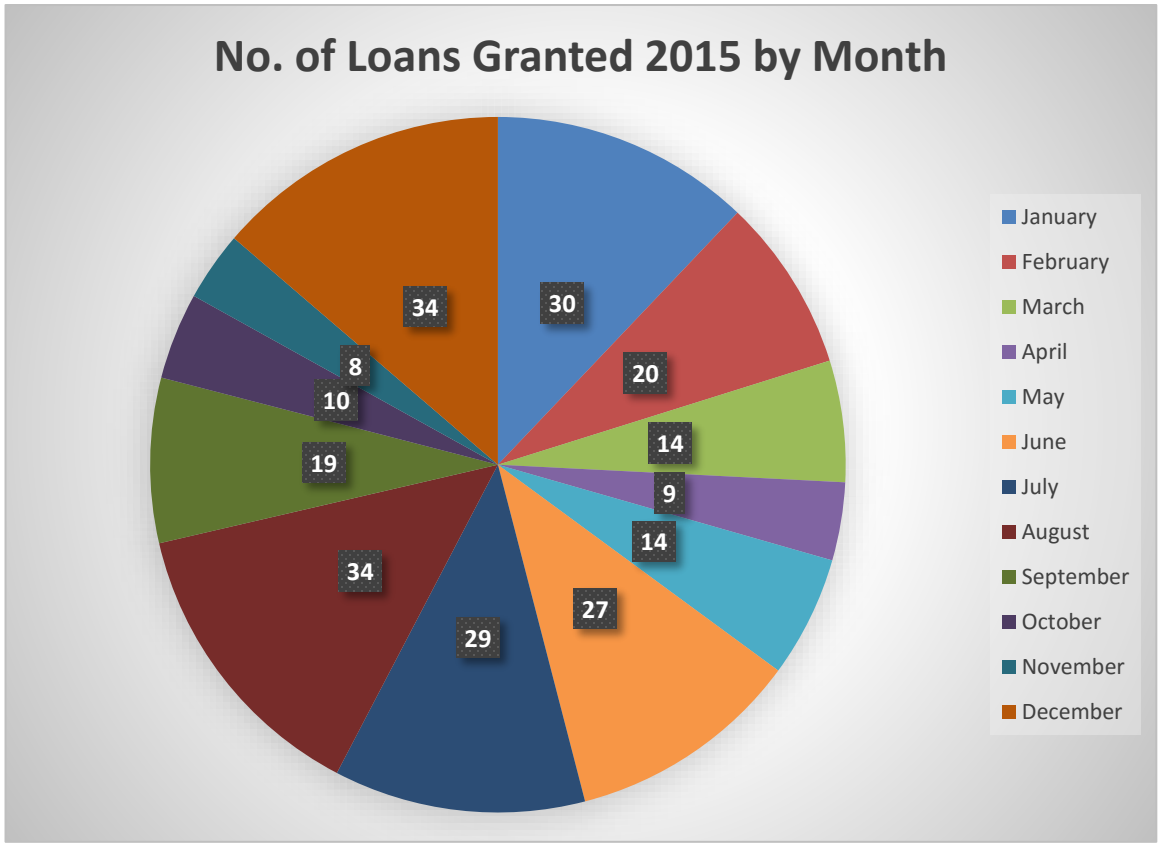
Ms. Allison Thomas - Chairman
Mr. Fidel Neverson - Director
Mr. Joseph Ince - Director (resigned July 23, 2015)
Mr. Richard Branch - Chief Executive Officer (resigned September 30, 2015)
Mr. Kenneth Young - Director (effective September 14, 2015)
Mr. Dougal James - Director (effective September 14, 2015)
Mr. Elroy John - Chief Executive Officer (effective November 02, 2015)

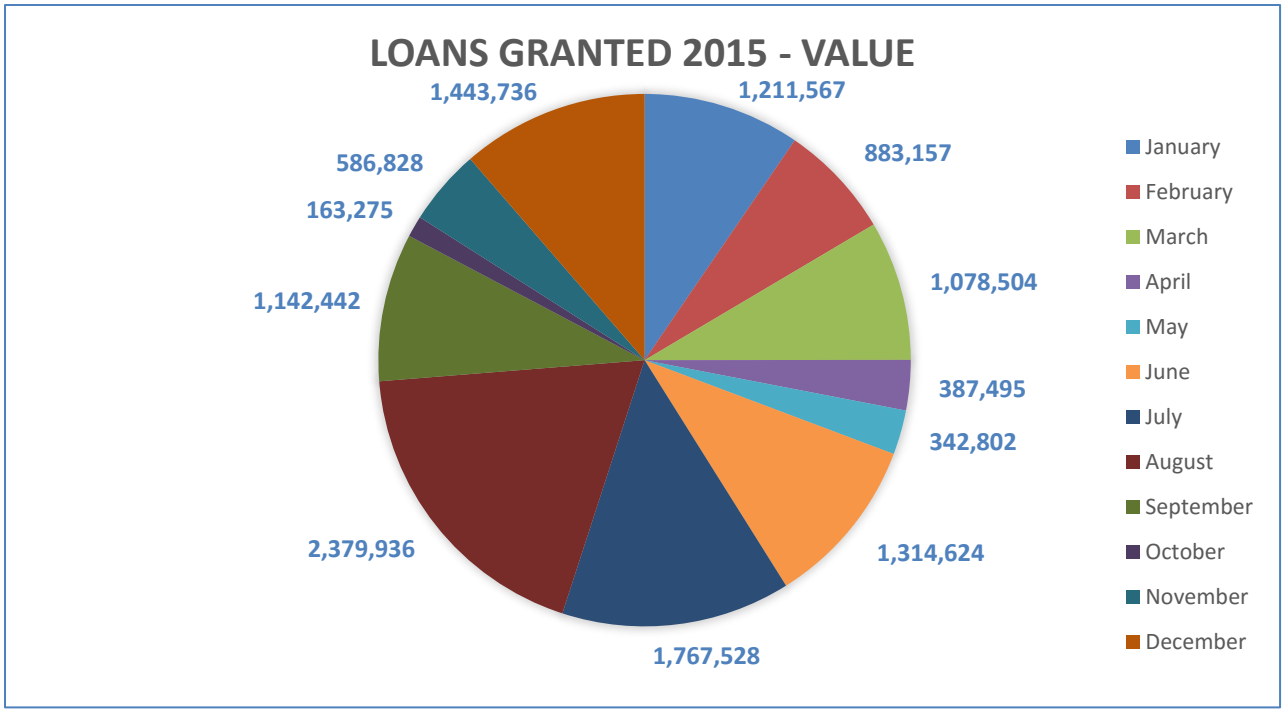
For the year 2015 the Association attained its loan target of $12 million, with 248 loans totaling $12.702 million being granted, an increase of $1.714 million or approximately 15.6% over 2014. Both Mortgages and Consumer Loans reflected increases, with consumer loans accounting for 21.66% of the total $12.702 million granted, exceeding the target of 10%.

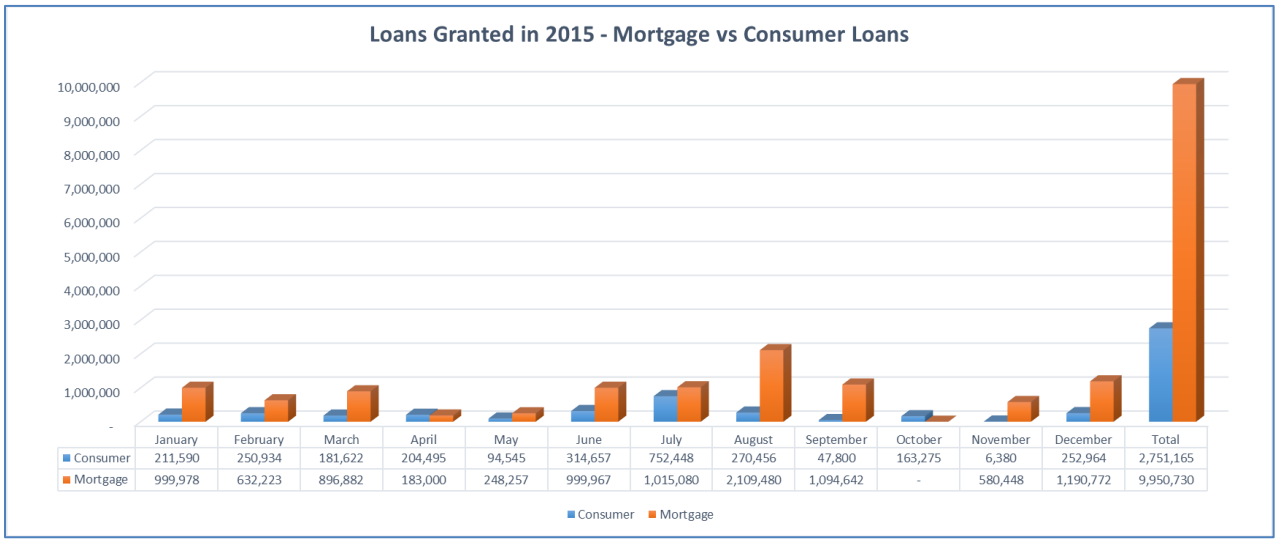
The Association continues to actively focus on working with members in rehabilitating delinquent and non-performing mortgage loans, and foreclosure on properties, where all other avenues have been exhausted.

The Association will continue to exercise prudence in managing its loan portfolio, in an effort to maintain the best match between consumer and mortgage loans, so as to avoid the liquidity constraints from being dependent on purely long term lending. For the upcoming year, emphasis will be on increasing our mortgage portfolio, through granting of new personal mortgages, in keeping with the original purpose for which the Association was established and to a lesser extent business mortgage loans.

Our Credit Policy is expected to be adopted in the upcoming financial year, and will greatly assist our loans personnel in the functioning and operation of that department. We will also be focusing on providing significant general and targeted training for our all members of the department, which we expect will yield a significant improvement in its functioning and operations.

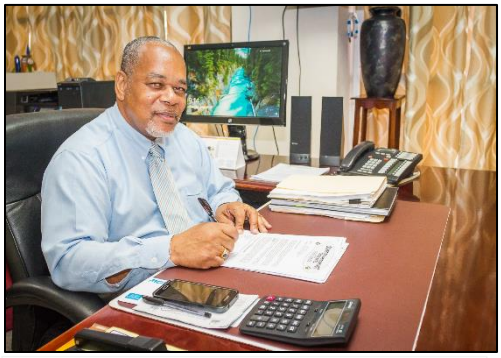






	January	February	March	April	May	June	July	August	September	October	November	December	Total
Consumer	211,590	250,934	181,622	204,495	94,545	314,657	752,448	270,456	47,800	163,275	6,380	252,964	2,751,165
Mortgage	999,978	632,223	896,882	183,000	248,257	999,967	1,015,080	2,109,480	1,094,642	-	580,448	1,190,772	9,950,730

Staff of the St. Vincent Building and Loan Association



Chief Executive Officer – Elroy John

Management Team of the Association

Accounting and Information Technology Departments

Customer Service and Administrative Departments

Loans, Insurance and Legal Departments

St. Vincent Building and Loan Association

Consolidated Financial Statements
December 31, 2015
(expressed in Eastern Caribbean dollars)

August 19, 2016

Independent Auditor's Report

To the members of
St. Vincent Building and Loan Association

Report on the financial statements

We have audited the accompanying consolidated financial statements of **St. Vincent Building and Loan Association** (the Association) and its subsidiary (the Group) which comprise the consolidated statement of financial position as of December 31, 2015 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report *...continued*

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respect, the financial position of the **St. Vincent Building and Loan Association** as of December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton

Chartered Accountants

St. Vincent Building and Loan Association

Consolidated Statement of Financial Position

As of December 31, 2015

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $ Restated
Assets		
Cash and cash equivalents (Note 5)	**24,105,856**	39,681,101
Other receivables and prepayments (Note 6)	**1,168,338**	1,361,774
Term deposits (Note 7)	**10,737,725**	15,625,449
Loan and advances to members (Note 8)	**153,721,298**	164,838,272
Investment securities (Note 9)	**1,224,264**	2,002,981
Property and equipment (Note 10)	**7,727,291**	7,865,779
Total assets	**198,684,772**	231,375,356
Liabilities		
Retirement benefits liability (Note 11)	**1,656,374**	1,746,205
Accounts payable and accrued liabilities (Note 12)	**1,910,353**	1,896,294
Other liabilities (Note 13)	**8,911,284**	11,211,376
Interest levy payable (Note 14)	**148,158**	8,927,583
Deposits due to members (Note 15)	**153,292,352**	180,366,725
Total liabilities	**165,918,521**	204,148,183
Equity		
Permanent shares (Note 16)	**24,670,044**	24,659,971
Revaluation reserve (Note 25)	**5,411,130**	5,464,570
Accumulated surplus/(deficit)	**2,707,821**	(2,758,220)
Fair value reserve	**(22,744)**	(139,148)
Total equity	**32,766,251**	27,227,173
Total liabilities and equity	**198,684,772**	231,375,356

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

St. Vincent Building and Loan Association

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2015

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $ Restated
Interest income (Note 18)	**11,428,726**	14,585,809
Interest expense (Note 18)	**(3,069,913)**	(7,070,059)
Net interest income	**8,358,813**	7,515,750
Fees and commissions income, net (Note 19)	**302,334**	314,640
Net trading loss (Note 20)	**(692)**	(1,062)
Other operating income (Note 21)	**148,219**	303,565
Operating income	**8,808,674**	8,132,893
Impairment (loss)/recovery on financial assets, net (Note 22)	**(219,814)**	220,131
Other operating expenses (Note 23)	**(3,150,131)**	(3,434,021)
Finance charges	**(26,128)**	(22,015)
Profit for the year	**5,412,601**	4,896,988
Other comprehensive income/(loss)		
Net change in fair value reserve	**116,404**	(8,699)
Total other comprehensive income/ (loss)for the year	**116,404**	(8,699)
Total comprehensive income for the year	**5,529,005**	4,888,289

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

St. Vincent Building and Loan Association

Consolidated Statement of Changes in Equity

For the year ended December 31, 2015

(expressed in Eastern Caribbean dollars)

	Permanent shares $	Revaluation reserve $	Fair value reserve $	Accumulated (Deficit)/ Surplus $	Total $
Balance as of January 1, 2014	24,574,401	5,519,100	(130,449)	(7,709,738)	22,253,314
Profit for the year, as previously reported	–	–	–	6,059,138	6,059,138
Impact of correction of error (note 29)	–	–	–	(1,162,150)	(1,162,150)
Other comprehensive income:					
Items that will be re-classifiable to profit or loss subsequently:					
Unrealised holding loss in fair value	–	–	(8,699)	–	(8,699)
Items that cannot be reclassified subsequently to profit or loss:					
Amortisation of revaluation surplus	–	(54,530)	–	54,530	–
Total comprehensive income, restated	–	(54,530)	(8,699)	4,951,518	4,888,289
Transactions with owners, recorded directly in equity					
Issuance of permanent shares	85,570	–	–	–	85,570
Balance as of December 31, 2014, restated	24,659,971	5,464,570	(139,148)	(2,758,220)	27,227,173
Balance as of January 1, 2015, restated	24,659,971	5,464,570	(139,148)	(2,758,220)	27,227,173
Profit for the year	–	–	–	5,412,601	5,412,601
Other comprehensive income:					
Items that will be re-classifiable to profit or loss subsequently:					
Unrealised holding gain/(loss) in fair value	–	–	116,404	–	116,404
Items that cannot be reclassified subsequently to profit or loss:					
Amortisation of revaluation surplus	–	(53,440)	–	53,440	–
Total comprehensive income	–	(53,440)	116,404	5,466,041	5,529,005
Transactions with owners recorded directly in equity					
Issuance of shares during the year	10,073	–	–	–	10,073
Balance as of December 31, 2015	24,670,044	5,411,130	(22,744)	2,707,821	32,766,251

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

St. Vincent Building and Loan Association

Consolidated Statement of Cash Flows

For the year ended December 31, 2015

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $ Restated
Cash flows from operating activities		
Profit for the year	**5,412,601**	4,896,988
Adjustments for:		
Depreciation expense (Note 10 and 23)	**231,431**	226,543
Net impairment loss/(recovery) on financial assets	**219,814**	(220,131)
Interest income (Note 18)	**(11,428,726)**	(14,585,809)
Loss on disposal of assets	**6,523**	–
Interest expense	**3,069,913**	6,270,936
Cash flows before changes in operating assets and liabilities	**(2,488,444)**	(3,411,473)
Decrease/(increase) in other receivables and prepayments	**193,436**	(126,468)
Decrease in loans and advance to members	**10,878,778**	16,694,281
Increase in accounts payable and accrued liabilities	**14,059**	284,594
Decrease in deposits due to members	**(27,148,199)**	(15,292,060)
Decrease in other liabilities	**(2,300,092)**	(832,427)
Decrease in retirement benefit liability, net	**(89,831)**	(20,416)
Decrease/(increase) in interest levy payable	**(6,165,126)**	777,390
Cash used in operations	**(27,105,419)**	(1,926,579)
Interest and dividend received	**11,508,708**	12,002,304
Interest paid	**(5,610,385)**	(6,358,579)
Net cash (used in)/ from operating activities	**(21,207,096)**	3,717,147
Cash flows from investing activities		
Purchase of property and equipment (Note 10)	**(99,466)**	(286,429)
Change in investment securities, net	**864,811**	864,811
Change in term deposits	**4,856,433**	2,925,237
Net cash from investing activities	**5,621,778**	3,503,619
Cash flows from financing activities		
Issue of permanent shares	**10,073**	85,570
Net (decrease)/increase in cash and cash equivalents	**(15,575,245)**	7,306,336
Cash and cash equivalents, beginning of year (Note 5)	**39,681,101**	32,374,765
Cash and cash equivalents, end of year (Note 5)	**24,105,856**	39,681,101

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

(expressed in Eastern Caribbean dollars)

1 General information

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

The registered office of the Association is 108 Halifax Street, Kingstown, Saint Vincent and the Grenadines.

2 Summary of significant accounting policies

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

Basis of preparation

The consolidated financial statements of the St. Vincent Building and Loan Association have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, available-for-sale financial assets and property and equipment.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Changes in accounting policy and disclosures

a) New standards, amendments and interpretations adopted by the Group for the financial period beginning January 1, 2015

- ***Amendments to IAS 32, 'Financial Instruments: Offsetting financial assets and financial liabilities'***. These amendments clarify the application of certain offsetting criteria in IAS 32, including: (a) the meaning of 'currently has a legally enforceable right of set-off'; and, (b) that some gross settlement mechanisms may be considered equivalent to net settlement. The amendments had no material effect on the Group's consolidated financial statements.

- ***Amendments to IAS 36, 'Impairment of Assets: Recoverable amount disclosures for non-financial assets'***. These amendments clarify that an entity is required to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognized or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including: additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made; and, the discount rates used if fair value less costs of disposal is measured using a present value technique. The amendments had no material effect on the Group's consolidated financial statements.

- ***'Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)*** - These amendments clarify the requirements of IAS 19 relating to contributions from employees or third parties; introduce a practical expedient such that contributions that are independent of the number of years of service may be treated as a reduction of service cost in the period in which the related service is rendered. This standard is not expected to have an impact on the Group's consolidated financial statements.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies*…continued*

Changes in accounting policy and disclosures*…continued*

a) New standards, amendments and interpretations adopted by the Group for the financial period beginning January 1, 2015…continued

- ***IFRIC 21, 'Levies',*** clarifies that: (a) the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on a specific date within an accounting period, then the entire obligation is recognized on that date; and, (b) the same recognition principles apply in the annual and interim financial statements. IFRIC 21 has no material effect on the Group's consolidated financial statements.

Other standards, amendments and interpretations which are effective for the financial period beginning January 1, 2015 are not material to the Group.

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group for the financial period beginning January 1, 2015

At the date of the authorisation of these financial statements, certain new standards and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's consolidated financial statements is provided below.

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

- ***IFRS 9, 'Financial Instruments'***. The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Group has yet to assess the impact of IFRS 9 on the Group's consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

- ***IFRS 15, 'Revenue from Contracts with Customers'***. IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options and other common complexities. The Group has yet to assess the impact of IFRS 9 on the Group's consolidated financial statements. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018.

- **Amendments to IFRS 11 Joint Arrangements** (effective for reporting periods beginning on or after January 1, 2016. These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance. These amendments would not have a material impact on the consolidated financial statements.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies *...continued*

Consolidation

Overall considerations
The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

Basis of consolidation
The Group consolidated financial statements comprise the financial statements of the Association (the parent entity) and its subsidiary as of December 31, 2015. All subsidiaries have a reporting date of December 31.

Subsidiaries
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The results of the subsidiaries acquired or disposed of during the period are included in the consolidated statement of income from the effective acquisition date or up to the effective date on which control ceases, as appropriate.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

The integration of the subsidiaries into the consolidated financial statements is based on consistent accounting and valuation methods for similar transactions and other occurrences under similar circumstances.

Business combinations
The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies *...continued*

Cash and cash equivalents
Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition including: cash, deposits with other banks and other short-term securities.

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

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

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

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

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

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

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies*...continued*

Financial assets*...continued*

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

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

(d) Available-for-sale-financial assets
Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

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

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies*...continued*

Impairment of financial assets

Assets carried at amortised cost

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

(i) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(v) the disappearance of an active market for that financial asset because of financial difficulties;
(vi) downgrading below investment grade level; or
(vii) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

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

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies*...continued*

Impairment of financial assets*...continued*

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

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies*...continued*

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

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

Property and equipment
Land and buildings are stated at revalued amounts. Revalued amounts are fair values based on appraisals prepared by external professional valuers once every two years or more frequently if market factors indicate a material change in fair value (see Note 3.6). Any revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss (see Note 2) has previously been recognised in the statement of income, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land and buildings are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in the statement of income. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

Other items of property and equipment are measured at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies*...continued*

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

Free hold building	2%
Furniture fixtures and equipment	20%
Computer software	25%

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

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

Leases
The leases entered into by the Group are primarily operating leases for warehouse space. The total payments made under operating leases are charged to operating expenses in the statement of income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. Leases are cancellable.

The leases entered into by the Group as a lessor are primarily operating leases for office space. The total receipts received under operating leases are recognised in other operating income in the statement of income on a straight-line basis over the period of the lease. All leases are cancellable.

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

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

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

Provisions
Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies*...continued*

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

Other components of equity include the following:

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

All transactions with owners of the parent are recorded separately within equity.

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies*...continued*

Foreign currency translation

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

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the statement of income, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary items, such as equities held at fair value are recognised through the statement of income and are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

Employee benefits

Pension
Pursuant to the bye-laws made under article 44 of the Rules of the Association, the Association's employees benefit from a defined contribution pension plan. The Association contributes 12.5% of the total annual pensionable emoluments with each employee contributing 2.5% to the plan. Details of benefit payments during the period and contributions received are outlined in Note 11.

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management

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

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

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

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

3.1 Credit risk

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

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

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

- *Establishing the authorisation structure* for the approval and renewal of credit facilities.

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

Some specific control and mitigation measures are outlined below.

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

- Mortgages over residential properties;
- Loans secured by members' deposits

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

Impairment and provisioning policies
Loan portfolio reviews are undertaken at the end of the period for all loans greater than 4 months old which form the basis for the Association's impairment assessment and provisioning policies. The provisioning criteria are based on the age of the arrears, the borrower's capacity to service the debt under the existing terms and the status of the collateral.

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

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

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

Deposit loans are secured by the members' fixed deposits.

The Group's policy requires the review of individual financial assets that are 4 months and later. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the statement of financial position date on a case-by-case basis. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

3.1 Credit risk…*continued*

Maximum exposure to credit risk before collateral held or other credit enhancements
Credit risk exposures relating to on-balance sheet assets are as follows:

	Maximum exposure	
	2015	**2014**
	$	**$**
		Restated
Cash and cash equivalents	**23,744,027**	39,417,501
Other receivables and prepayments	**1,168,338**	1,361,774
Term deposits	**10,737,725**	15,625,449
Loans and advances to members	**153,721,298**	164,838,272
Investment securities	**1,224,264**	2,002,981
	190,595,652	223,245,977
Credit risk exposures relating to off-balance sheet items:		
Loan commitments	**533,634**	531,365
	191,129,286	223,777,342

The above table represents a worst case scenario of credit risk exposure to the group at December 31, 2015 and December 31, 2014, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above, 80% (2014 - 74%) of the total maximum exposure is derived from loans and advances to members; 6.2% (2014 -8%) represents investment securities.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loan and advances to member's portfolio based on the following:

Loans and advances
Loans and advances to members are summarised as follows.

	2015	**2014**
	$	**$**
		Restated
Neither past due nor impaired	**105,759,746**	126,718,465
Past due but not impaired	**47,322,020**	42,864,295
Impaired	**19,286,181**	15,611,476
Gross	**172,367,947**	185,194,236
Less allowance for impairment losses on loans and advances to members	**(18,646,649)**	(20,355,964)
Net	**153,721,298**	164,838,272

The total impairment provision for loans and advances to customers is $18,646,649 (2014 – $20,355,964) of which $6,457,525 (2014 - $5,979,624) represents the individually impaired loans and the remaining amount of $12,189,124 (2014 - $14,376,340) represents the portfolio provision. Further information on the allowance for impairment losses on loans and advances to members is provided in Note 8.

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

3.1 Credit risk…*continued*

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

	Mortgage Loans $	Deposit Loans $	Total $
At December 31, 2015	103,905,118	1,854,627	105,759,745
At December 31, 2014 – Restated	124,041,598	2,676,867	126,718,465

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

	Mortgage Loans $
At December 31, 2015	
Past due up to 1 month	15,602,304
Past due 2 months	1,414,804
Past due 3 months	3,667,077
Over 4 months	26,637,835
	47,322,020
At December 31, 2014	
Past due up to 1 month	14,017,974
Past due 2 months	1,517,714
Past due 3 months	1,663,187
Over 4 months	25,665,420
	42,864,295

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

3.1 Credit risk…*continued*

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

The breakdown of the gross amount of individually impaired loans and advances by class are as follows:

	Mortgage Loans $
December 31, 2015	
Individually impaired loans	19,286,181
Fair value of collateral	19,319,706
December 31, 2014	
Individually impaired loans	15,611,476
Fair value of collateral	15,632,685

Debt securities
The table below presents an analysis of debt securities, by rating agency designation at December 31, based on Caricris, AM Best, Moody's and Standard & Poors.

	Available-for-sale $	Total $
At December 31, 2015		
AM Best - A	169,328	169,328
Caricris – CariBBB+	34,580	34,580
Moody's B3	1,020,356	1,020,356
Total	1,224,264	1,224,264
At December 31, 2014		
AM Best - A	171,067	171,067
Caricris - CariAA	34,580	34,580
Moody's B2	1,797,334	1,797,334
Total	2,002,981	2,002,981

Repossessed collateral
At the end of December 31, 2015 and 2014 the Group had no repossessed collateral.

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

3.1 Credit risk…*continued*

Concentrations of risks of financial assets with credit exposure

(a) Geographical sectors
The Group operates primarily in Saint Vincent and the Grenadines based on the country of domicile of its counterparties and the exposure to credit risk is concentrated in this area.

(b) Industry sectors
The following table breaks down the Group's credit exposure at gross amounts without taking into account any collateral held or other credit support by the industry sectors of the Group's counterparts.

Geographical and economic concentrations of assets

	Financial Institutions $	Government $	Personal $	Other Industries $	Total $
At December 31, 2015					
Cash and cash equivalents	24,105,856	–	–	–	24,105,856
Term deposits	10,737,725	–	–	–	10,737,725
Other receivables and prepayments	–	–	–	1,168,338	1,168,338
Loans and advances to members	–	–	172,367,948	–	172,367,948
Investment securities:					
Available-for- sale	7,713,908	1,020,355	–	–	8,734,263
	42,557,489	1,020,355	172,367,948	1,168,338	217,114,130
Credit risk – off balance sheet items					
Loan commitments	**–**	**–**	**533,634**	**–**	**533,634**
At December 31, 2014 – Restated					
Cash and cash equivalents	39,681,101	–	–	–	39,681,101
Term deposits	15,625,449	–	–	–	15,625,449
Other receivables and prepayments	–	–	–	1,361,774	1,361,774
Loans and advances to members:	–	–	185,194,236	–	185,194,236
Investment securities:					
Available–for- sale	7,715,646	1,797,334	–	–	9,512,980
At December 31, 2014 – Restated	63,022,196	1,797,334	185,194,236	1,361,774	251,375,540
Credit risk – off balance sheet items					
Loan commitments	**–**	**–**	**531,365**	**–**	**531,365**

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

The Association has a non- trading portfolio which arises from the interest rate management of the Group's assets and liabilities.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

3.3 Currency risk

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

	ECD $	USD $	TTD $	Total $
Concentrations of financial assets and financial liabilities				
At December 31, 2015				
Financial assets				
Cash and cash equivalents	18,469,094	5,636,763	–	24,105,856
Other receivables	1,168,338	–	–	1,168,338
Term deposits	10,737,725	–	–	10,737,725
Loans and advances to members	153,721,298			153,721,298
Investment securities:				
Available-for-sale	763,533	291,403	169,327	1,224,264
Total financial assets	184,859,988	5,928,166	169,327	190,957,481
Financial liabilities				
Accounts payable and accrued liabilities	1,910,353	–	–	1,910,353
Other liabilities	8,911,284	–	–	8,911,284
Deposits due to members	153,292,352	–	–	153,292,352
	164,113,989	–	–	164,113,989
Net on balance sheet financial position	20,745,999	5,928,166	169,327	26,843,492
Credit commitments	533,634	–	–	533,634

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.3 Currency risk *...continued*

	ECD $	USD $	TTD $	Total $
Concentrations of financial assets and financial liabilities				
At December 31, 2014 – Restated				
Financial assets				
Cash and cash equivalents	35,276,979	4,404,122	–	39,681,101
Other receivables	1,361,774	–	–	1,361,774
Term deposits	15,625,449	–	–	15,625,449
Loans and advances to members	164,838,272	–	–	164,838,272
Investment securities: Available-for-sale	1,483,754	348,160	171,067	2,002,981
Total financial assets	218,586,228	4,752,282	171,067	223,509,577
Financial liabilities				
Accounts payable and accrued liabilities	1,896,294	–	–	1,896,294
Other liabilities	11,211,376	–	–	11,211,376
Deposits due to members	180,366,725	–	–	180,366,725
	193,474,395	–	–	193,474,395
Net on balance sheet financial position	25,111,833	4,752,282	171,067	30,035,182
Credit commitments	**531,365**	**–**	**–**	**531,365**

3.4 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

3.4 Interest rate risk *...continued*

	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Non-interest bearing $	Total $
Concentrations of financial assets and financial liabilities							
At December 31, 2015							
Financial assets							
Cash and cash equivalents	23,662,060	–	–	–	–	443,796	24,105,856
Other receivables	–	–	–	–	–	1,168,338	1,168,338
Term deposits	–	–	10,737,725	–	–	–	10,737,725
Loans and advances to members	3,027,737	16,884	1,840,562	13,888,800	134,947,315	–	153,721,298
Investment securities:							
Available-for-sale	–	–	–	731,173	289,183	203,908	1,224,264
Total financial assets	26,689,797	16,884	12,578,287	14,619,973	135,236,498	1,816,042	190,957,481
Concentrations of financial assets and financial liabilities							
At December 31, 2015							
Financial liabilities							
Accounts payables and accrued liabilities	–	–	–	–	–	1,910,353	1,910,353
Other liabilities	–	–	–	1,035,021	7,685,909	190,354	8,911,284
Deposits due to members	2,157,043	–	16,866,637	133,079,038	–	1,189,634	153,292,352
Total financial liabilities	2,157,043	–	16,866,637	134,114,059	7,685,909	3,290,341	164,113,989
Net Interest re-pricing gap	**24,532,754**	**16,884**	**(4,288,350)**	**(119,494,086)**	**127,550,589**	**(1,474,299)**	**26,843,492**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.4 Interest rate risk *...continued*

	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 Years $	Over 5 years $	Non-interest bearing $	Total $
Concentrations of financial assets and financial liabilities							
At December 31, 2014 – Restated							
Financial assets							
Cash and cash equivalents	27,651,787	–	–	–	–	12,029,314	39,681,101
Other receivables and prepayments	–	–	–	–	–	1,361,774	1,361,774
Term deposits	–	–	15,625,449	–	–	–	15,625,449
Loans and advances to members	2,859,682	83,943	987,328	14,229,199	146,678,120	–	164,838,272
Investment securities:							
Available-for-sale	–	–	–	1,449,174	348,160	205,647	2,002,981
Total financial assets	30,511,469	83,943	16,612,777	15,678,373	147,026,280	13,596,735	223,509,577
Concentrations of financial assets and financial liabilities							
Accounts payables and accrued liabilities	–	–	–	–	–	1,896,294	1,896,294
Other liabilities	–	–	32,213	723,923	10,284,963	170,277	11,211,376
Deposits due to members	1,022,325	–	70,733,083	107,556,811	–	1,054,506	180,366,725
Total financial liabilities	1,022,325	–	70,765,296	108,280,734	10,284,963	3,121,077	193,474,395
Net Interest re-pricing gap	29,489,144	83,943	(54,152,519)	(92,602,361)	136,741,317	10,475,658	30,035,182

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

3.5 Liquidity risk

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

Liquidity risk management

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

Non derivative cash flows

The table below presents the cash flows payable by the Group under non-derivative financial liabilities by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

	Up to 1 month $	1-3 Months $	3-12 Months $	1-5 Years $	Over 5 Years $	Total $
As at December 31, 2015						
Financial liabilities						
Accounts payables and accrued liabilities	1,910,353	–	–	–	–	1,910,353
Deposits due to members	3,364,127	37,454,935	74,755,278	50,701,077	333,760	166,609,177
Other liabilities	479,708	229,883	1,019,240	4,489,318	7,025,863	13,244,012
Total financial liabilities	5,754,188	37,684,818	75,774,518	55,190,395	7,359,623	181,763,542
Assets held for managing liquidity risk	**37,720,884**	**2,985,996**	**13,156,228**	**59,917,900**	**164,857,590**	**278,638,599**
As at December 31, 2014						
Financial liabilities						
Accounts payables and accrued liabilities	1,896,294	–	–	–	–	1,896,294
Deposits due to members	2,079,436	41,311,800	30,318,402	113,260,683	–	186,970,321
Other liabilities	1,637,114	261,149	1,151,762	5,240,386	8,610,349	16,900,760
Total financial liabilities	5,612,844	41,572,949	31,470,164	118,501,069	8,610,349	205,767,375
Assets held for managing liquidity risk	**58,746,589**	**3,339,154**	**14,732,132**	**69,729,050**	**241,582,034**	**388,128,959**

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

3.5 Liquidity risk *...continued*

Off-balance sheet items

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

	<1 Year $
As of December 31, 2015	
Loan commitments	533,634
As of December 31, 2014	
Loan commitments	531,365

3.6 Fair values of financial assets and liabilities

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

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

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

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

Deposits due to members
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

Deposits payable on a fixed date are at rates, which reflect market conditions and are assumed to have fair values which approximate carrying values.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

3.6 Fair values of financial assets and financial liabilities *...continued*

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

	Carrying value		Fair value	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
		Restated		**Restated**
Financial assets				
Term deposits	**10,737,725**	15,625,449	**10,737,725**	15,625,449
Other receivables and prepayments	**1,168,338**	1,361,774	**1,168,338**	1,361,774
Loans and advances to members	**153,721,298**	164,838,272	**120,027,598**	122,105,933
Financial liabilities				
Accounts payables and accrued liabilities	**1,910,353**	1,896,294	**1,910,353**	1,896,294
Deposits due to members	**153,292,352**	180,366,725	**160,462,320**	177,536,326
Other liabilities	**8,911,284**	11,211,376	**5,603,182**	7,158,666

Fair value hierarchy

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

3.7 Fair value measurement of financial assets

Assets and liabilities measured at fair value

	Level 2 $	Level 3 $	Total $
December 31, 2015			
Available-for-sale	169,327	1,054,937	1,224,264
December 31, 2014			
Available-for-sale	171,067	1,831,914	2,002,981

The Group's management performs valuations of financial items for financial reporting purposes, including Level 2 and 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, using discounted cashflows. Valuation processes and fair value changes are undertaken at least every year, in line with the Group's reporting dates.

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

	Level 3 $
December 31, 2015	
Property and equipment:	
Land and buildings	7,221,613
Total non-financial assets	7,221,613
December 31, 2014	
Property and equipment:	
Land and buildings	7,306,540
Total non-financial assets	7,306,540

Fair value of the Group's main property assets were revalued on December 31, 2014 by an independent, professionally-qualified property valuator. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors and Audit Committee at each reporting date.

The valuation approach used prices and other relevant information generated by market transactions involving identical or comparable assets. Under the market approach, the value is determined based on comparable transactions. Managements is of the opinion that this property fair value will estimate the current market value.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

3.8 Capital management

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

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

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

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

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

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

The Association will continue to work along with its members to ensure the realisation of the additional conversion to permanent shares over the next 12 months.

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

The Group's regulatory capital includes permanent shares, retained earnings/(accumulated deficit) and general reserves.

The table below summarises the composition of regulatory capital of the Group for the year ended December 31.

	2015 **$**	**2014** **$** **Restated**
Total capital		
Permanent shares	**24,670,044**	24,659,971
Accumulated surplus/(deficit)	**2,707,821**	(2,758,220)
Total capital	**27,377,865**	21,901,751
Total assets	**198,684,772**	231,375,356
Minimum capital requirement (8%)	**15,894,782**	18,510,028

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates, and judgements in applying accounting policies

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

Impairment losses on loans and advances to customers

The Group reviews its loan portfolio to assess impairment at least annually. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on their best estimate of historical loss for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision would be estimated at ($777,383)/$489,481 (2014 - ($629,142))/$526,597 (lower)/higher respectively.

Impairment of available-for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates, among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows. At the period end the Group had a net fair value reserve loss of $22,744 (2014 - $139, 148).

(expressed in Eastern Caribbean dollars)

5 Cash and cash equivalents

	2015 $	2014 $
Cash on hand	**361,830**	263,600
Current accounts	**5,718,729**	16,169,836
Fixed deposits, net	**2**	2
Savings account	**18,025,295**	23,247,663
	24,105,856	39,681,101

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

	2015 $	2014 $
Fixed deposit	**3,158,300**	3,158,300
Less provision for impairment	**(3,158,298)**	(3,158,298)
	2	2

6 Other receivables and prepayments

	2015 $	2014 $
Home Mortgage Premiums outstanding	**721,230**	727,103
Sundry debtors	**317,025**	527,292
Jamaica National E money statutory deposit	**100,000**	100,000
Deposits receivable	**617**	617
	1,138,872	1,355,012
Prepayments	**29,466**	6,762
	1,168,338	1,361,774

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

7 Term deposits

	2015 $	2014 $
Term deposits	**10,737,725**	15,625,449

The weighted average effective interest rate on term deposits as of December 31, 2015 is 2.71 % (2014 – 3.2%). Term deposits mature in 2016.

	2015 $	2014 $
Current	**10,737,725**	15,625,449

(expressed in Eastern Caribbean dollars)

8 Loans and advances to members

	2015 $	2014 $ Restated
Mortgage loans	**170,513,319**	182,517,369
Less allowance for impairment on loans and advances to members	**(18,646,648)**	(20,355,964)
	151,866,671	162,161,405
Loans - secured by deposits	**1,854,627**	2,676,867
	153,721,298	164,838,272

	2015 $	2014 $ Restated
Current	**32,241,674**	28,185,012
Non-current	**140,126,272**	157,009,224
	172,367,946	185,194,236

The weighted average interest rate on loans and advances to members as of December 31, 2015 is 8.57% (2014- 8.57%).

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

	2015 $	2014 $
Balance - beginning of year	**20,355,964**	20,920,351
Provisions (reversed) / made during the year	**(1,666,861)**	120,000
Provisions recovered during the year	**(42,455)**	(226,459)
Provisions written off during the year	**–**	(457,928)
At end of year	**18,646,648**	**20,355,964**

9 Investment securities

	2015 $	2014 $
Available-for-sale		
Debt securities	**8,020,355**	8,848,547
Equity securities	**713,908**	664,433
	8,734,263	9,512,980
Less provision for impairment on available-for-sale investments	**(7,509,999)**	(7,509,999)
	1,224,264	2,002,981

(expressed in Eastern Caribbean dollars)

9 Investment securities…*continued*

	2015 $	2014 $
Debt securities:		
Listed	**1,020,355**	1,848,547
Unlisted	**7,000,000**	7,000,000
	8,020,355	8,848,547
Less provision for impairment	**(7,000,000)**	(7,000,000)
	1,020,355	1,848,547
Equity securities:		
Listed	**203,907**	154,434
Unlisted	**509,999**	509,999
	713,907	664,433
Less provision for impairment	**(509,999)**	(509,999)
	203,907	154,434

	2015 $	2014 $
Non-current	**8,734,263**	9,512,980

All debt securities have fixed interest rates. Debt securities bear interest at the rate of 7.5% to 8.5% per annum and are due to mature between 2016 and 2022.

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

	Available-for-sale $	Total $
At December 31, 2015		
At beginning of period	2,002,981	2,002,981
Disposals (sales and redemptions)	(776,978)	(776,978)
Loss from changes in fair value and foreign exchange, net	(1,739)	(1,739)
At end of year	1,224,264	1,224,264
At December 31, 2014		
At beginning of period	2,895,918	2,895,918
Disposals (sale and redemption)	(883,176)	(883,176)
Losses from changes in fair value and foreign exchange, net	(9,761)	(9,761)
At end of year	2,002,981	2,002,981

(expressed in Eastern Caribbean dollars)

10 Property and equipment

	Freehold land $	Freehold building $	Furniture, fixtures and equipment $	Computer software $	Total $
As of January 1, 2014					
Cost or valuation	3,060,200	4,333,000	1,185,077	259,138	8,837,415
Accumulated depreciation	–	–	(889,637)	(141,885)	(1,031,522)
Net book amount	3,060,200	4,333,000	295,440	117,253	7,805,893
For the period ended December 31, 2014					
Opening net book amount	3,060,200	4,333,000	295,440	117,253	7,805,893
Additions	–	–	84,294	202,135	286,429
Depreciation (Note 23)	–	(86,660)	(66,421)	(73,462)	(226,543)
Closing net book amount	3,060,200	4,246,340	313,313	245,926	7,865,779
As of December 31, 2014					
Cost or valuation	3,060,200	4,333,000	1,269,377	461,273	9,123,850
Accumulated depreciation	–	(86,660)	(956,064)	(215,347)	(1,258,071)
Net book amount	3,060,200	4,246,340	313,313	245,926	7,865,779
For the period ended December 31, 2015					
Opening net book amount	3,060,200	4,246,340	313,313	245,926	7,865,779
Additions	–	–	46,347	53,119	99,466
Disposals	–	–	(6,523)	–	(6,523)
Depreciation (Note 23)	–	(84,927)	(67,292)	(79,212)	(231,431)
Closing net book amount	3,060,200	4,161,413	285,845	219,833	7,727,291
As of December 31, 2015					
Cost or valuation	3,060,200	4,333,000	1,284,631	514,392	9,192,223
Accumulated depreciation	–	(171,587)	(998,786)	(294,559)	(1,464,932)
Net book amount	3,060,200	4,161,413	285,845	219,833	7,727,291

The Group's freehold land and buildings were revalued on December 31, 2014 by a qualified valuator at an open market value of $7,393,200. The Directors have agreed to carry the property at the appraised value. The revaluation surplus arising from the revaluation has been credited to the revaluation reserve.

(expressed in Eastern Caribbean dollars)

11 Retirement benefits liability

	2015 $	2014 $
Investments		
Investments, gross	**3,275,994**	3,068,930
Less provision for impairment on investments	**(1,839,560)**	(1,839,560)
Investments, net	**1,436,434**	1,229,370
Less: liability		
Fund balance - beginning of period	**2,975,575**	2,832,004
Interest earned	**51,946**	44,806
Employer contributions	**129,164**	99,318
Employee contributions	**25,833**	19,863
	3,182,518	2,995,991
Pension payments during period	**(89,710)**	(20,416)
Fund balance - end of period	**3,092,808**	2,975,575
	(1,656,374)	(1,746,205)

Pursuant to the bye-laws made under article 44 of the Rules of the Association, the Association's employees benefit from a defined contribution pension plan. However, as a result of certain investment impairment losses incurred in 2012, a decision was made by the members on August 29, 2014 for the shortfall in the fund balance resulting from the impairment with respect to the underlying investments to be met by the Association.

12 Accounts payable and accrued liabilities

	2015 $	2014 $
Group Life Insurance payable	**409,190**	566,206
Other payables	**933,093**	747,463
Accrued liabilities	**568,070**	582,625
	1,910,353	1,896,294

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

(expressed in Eastern Caribbean dollars)

13 Other liabilities

	2015 $	2014 $
Due to Eastern Caribbean Home Mortgage Bank	**8,720,931**	11,041,099
Legal and registration fees deposits in advance	**190,353**	170,277
	8,911,284	11,211,376

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

14 Interest levy payable

	2015 $	2014 $
Interest levy on special deposits	**148,158**	8,927,583

Under the provisions of the Interest Levy Act 314, the Association is required to pay an interest levy of half of one (0.5%) percent effective January 1, 2009 on special deposits, based on its average monthly balances adjusted for amounts lent for home construction in the period under review. During the year, the Government of St Vincent and the Grenadines waived $2,539,883 of the amount due with respect to prior years.

15 Deposits due to members

	2015 $	2014 $
Savings	**2,157,043**	1,022,325
Other deposits	**1,102,184**	979,855
Fixed deposits	**144,635,459**	174,965,504
Super Saver account	**5,310,216**	3,324,391
Death benefit fund	**87,450**	74,650
	153,292,352	180,366,725

The weighted average effective interest rate on deposits is 3.5%. Fixed deposits mature between 2016 and 2019 with an option to roll over these fixed deposits.

	2015 $	2014 $
Current	**115,486,890**	70,889,045
Non-current	**37,805,462**	109,477,680
	153,292,352	180,366,725

(expressed in Eastern Caribbean dollars)

16 Permanent shares

The movement on the Permanent shares is as follows:

	2015 $	2014 $
At beginning of year	**24,659,971**	24,574,401
Issued during the year	**10,073**	85,570
At end of year	**24,670,044**	24,659,971

17 Principal subsidiary undertakings

	Holding	
	2015 %	2014 %
RR Recovery Ltd	**100**	100

RR Recovery Limited is incorporated in St. Vincent and the Grenadines. The purpose of the business was to assist with the recovery of the delinquent loans portfolio for the Association. At December 31, 2014 the company ceased its operations.

18 Net interest income

	2015 $	2014 $ Restated
Interest income		
Loans and advances to members	**10,283,462**	12,946,727
Deposits and investments	**1,003,220**	1,383,867
Deposit loans	**142,044**	255,215
	11,428,726	14,585,809
Interest expense		
Levy on special deposits, net	**1,815,174**	(799,123)
Interest – ECHMB	**(820,057)**	(920,649)
Savings account	**(37,917)**	(20,795)
Supersaver account	**(136,302)**	(62,476)
Fixed deposits	**(3,890,811)**	(5,267,016)
	3,069,913	(7,070,059)
Net interest income	**8,358,813**	7,515,750

(expressed in Eastern Caribbean dollars)

19 Net fees and commissions income

	2015 $	2014 $
Fees and commissions income		
Fines income	**32,001**	34,757
Commissions earned on insurance	**181,445**	168,940
Commissions earned on ECHMB loans	**72,256**	81,122
Commission earned on E money transfer	**13,849**	17,120
Other fees (expense)/ income	**(3,965)**	6,176
Commissions earned on utility services	**6,748**	6,525
Net fees and commissions income	**302,334**	314,640

20 Net trading loss

	2015 $	2014 $
Loss on foreign exchange	**692**	1,062

21 Other operating income

	2015 $	2014 $
Rental income	**112,784**	112,784
Dividend income	**9,785**	9,709
Legal fees income	**14,518**	53,169
Other income	**11,132**	127,903
	148,219	303,565

22 Impairment loss/(recovery) on financial assets, net

	2015 $	2014 $
Provision for impairment on loans and advances to members	**–**	120,000
Loans to members impairment recovery, net	**(1,666,860)**	(674,358)
Write-off of loans and advances	**1,873,770**	–
Other receivables bad debt expense	**20,456**	334,227
Other receivables bad debts recovered	**(7,552)**	–
	219,814	(220,131)

(expressed in Eastern Caribbean dollars)

23 Expenses by nature

	2015 $	2014 $
Employee benefit expenses (Note 24)	**1,802,713**	1,897,375
Depreciation expense (Note 10)	**231,431**	226,543
Security	**120,038**	115,690
Electricity	**118,779**	155,036
Audit fees	**90,674**	127,232
Advertising and promotion	**86,145**	50,811
Repairs and maintenance	**76,836**	73,171
Computer expenses	**69,113**	87,012
Cleaning Services	**67,385**	67,305
Director fees	**65,200**	36,000
Postage, Printing and stationery	**63,642**	86,691
Telephone	**52,196**	51,389
Scholarship	**32,200**	35,900
Office expenses	**28,107**	44,289
Annual general and special meeting expenses	**27,567**	15,768
Staff expenses and uniforms	**24,591**	–
Rates and taxes	**21,928**	38,331
Insurance	**21,148**	21,148
Legal and professional fees	**69,627**	198,720
Bank and other licenses	**11,500**	11,500
Rental expenses	**11,040**	11,040
Donations	**10,149**	8,337
Loss on disposal of assets	**6,523**	–
Training expenses	**6,210**	45,444
Other expenses	**35,389**	29,289
	3,150,131	3,434,021

24 Employee benefit expenses

	2015 $	2014 $
Salaries and wages	**1,481,589**	1,598,257
Travelling, telephone and housing allowance	**98,273**	97,957
National insurance contributions	**67,429**	70,268
Gratuity and other staff benefits	**155,422**	130,893
	1,802,713	1,897,375

(expressed in Eastern Caribbean dollars)

25 Revaluation reserve

The movement on the revaluation reserve is as follows:

	2015 $	2014 $
Balance, at beginning of year	**5,464,570**	5,519,100
Amortization of revaluation surplus during the year	**(53,440)**	(54,530)
At end of year	**5,411,130**	5,464,570

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

26 Fair value reserve

The fair value reserve is a non-distributable reserve, it arises from fair value gains and losses on financial assets classified as available for sale.

27 Related party transactions and balances

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

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

Loans and advances to directors

	2015 $	2014 $
Loans outstanding at beginning of year	**199,207**	224,036
Transfers out of director's loans	**(9,229)**	–
Net repayments for the year	**(22,872)**	(24,829)
Loans outstanding at end of year	**167,106**	199,207
Interest income earned	**15,143**	17,128

(expressed in Eastern Caribbean dollars)

27 Related party transactions and balances *….continued*

Deposit loans to related parties

	2015 $	2014 $
Principal balance	**60,655**	258,152
Interest expense	**4,546**	19,121

Key management compensation
Key management includes the Group's complete key management team. The compensation paid or payable to key management for employee services is shown below:

	2015 $	2014 $
Salaries and other short-term benefits	**262,606**	276,000
Pension costs	**14,081**	27,000
	276,687	303,000
Directors remuneration	**65,200**	36,000

28 Loan commitments

Loan commitments
Loans approved but not yet drawn down at December 31, 2015 amounted to $533,634 (2014 - $531,365).

29 Prior period adjustment- Correction of error

During the prior year, the Association's estimate of interest income on impaired loans was overstated. As a consequence, loans and advances to members and the related interest income on these loans were overstated.

The error has been corrected by restating each of the affected financial statement line items for the prior year. The following table summarizes the impact on the consolidated financial statements:

	Impact of correction of error		
	As reported 2014 $	Adjustments 2014 $	Restated 2014 $
Consolidated Statement of Financial Position			
Loans and advances to members	166,000,422	(1,162,150)	164,838,272
Accumulated deficit	(1,596,070)	(1,162,150)	(2,758,220)
Consolidated Statement of Comprehensive Income			
Interest income	15,747,959	(1,162,150)	14,585,809

ST. VINCENT BUILDING & LOAN ASSOCIATION

CELEBRATING 75 YEARS

1941 - 2016

OUR VISION

To be a leading Financial Services provider with Local, Regional and International customer base, a responsive operational framework with an exceptional level of efficiency.

OUR MISSION

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

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