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## **Our Mission**

To promote the welfare of our members by being the leading provider of home loans in St. Vincent and the Grenadines and by delivering high quality service with integrity to a broad cross-section of the community through highly motivated staff.

**TO: THE MEMBERS OF THE ST. VINCENT BUILDING AND LOAN  
ASSOCIATION**

### Notice of Annual General Meeting

Notice is hereby given that the **69<sup>th</sup>** Annual General Meeting of the St. Vincent Building and Loan Association will be held at the Methodist Church Hall, on Wednesday 9<sup>th</sup> June, 2010 at 5.00 p.m. for the following purposes:

1. Prayer
2. Chairman's Remarks
3. To approve the Minutes of the 68<sup>th</sup> Annual General Meeting and address matters arising.
4. To receive the Report of the Directors and Statement of Accounts for the year ended 31<sup>st</sup> December, 2009
5. To elect Directors.
6. To appoint Auditors

**BY ORDER OF THE BOARD OF DIRECTORS**

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**EARL P. CRICHTON**

Secretary/CEO

## Minutes

Minutes of the 68<sup>th</sup> Annual General Meeting  
of the St. Vincent Building and Loan Association  
Held at the Methodist Church Hall Kingstown on May 21<sup>st</sup>, 2009

### ATTENDANCE

### DIRECTORS

KENNETH A. BROWNE	PRESIDENT
JULIAN C. JACK	VICE PRESIDENT
ROBERT A. BENNETT	DIRECTOR
INGRID D. FITZPATRICK	DIRECTOR
GRAFTON ISAACS	DIRECTOR
RENATO GUMBS	DIRECTOR
MARLYN ISAACS-RICHARDS	SECRETARY and CEO (AG)
CARL JOSEPH	COUNSEL

### AUDITOR

REUBEN JOHN	PARTNER – KPMG
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## 1.0 CALL TO ORDER

On ascertaining that a quorum was present Mr. Kenneth Browne, Chairman and President of the Association, called the meeting to order at 5.00 p.m.

## 2.0 PRAYER

Mr. Richard Cumberbatch said the opening prayer.

## 3.0 PRESENT'S WELCOME AND REMARKS

The President welcomed everyone to the 68<sup>th</sup> Annual General Meeting. He expressed satisfaction with the meeting's attendance, as in past the Association has had difficulties in forming a quorum.

The President made mention of the global financial situation which has negatively impacted financial institutions but gave the assurance that the St. Vincent Building and Loan Association was in a stronger position when compared to 2008. He however, cautioned that there were challenges which the Association will have to face in the upcoming period.

The President referred to the qualification of the statement, which was due to the treatment of the organisation's shares which are not in keeping with the IAS standards. According to the President, apart from this, the organisation had received a clean bill of health from the Auditors.

## 4.0 MINUTES

### **Amendments**

Page 12, Item 10 paragraph 5 the word 'Cindy' was changed to read 'Sindy'.

The motion for the adoption of the minutes was moved by Ms Criselta Corridon and seconded by Mr Cecil Ryan. The motion was carried by a majority vote.

## 5.0 MATTERS ARISING

### **The Strategic Planning Update**

The President informed the meeting that the Strategic Planning Committee met regularly and a Strategic Plan document outlining four levels of strategy for the organisation was prepared. This document was reviewed by the Board and will be presented to the general membership.

### **Attendance – Board Meetings**

Responding to an inquiry on the attendance of Board members to the Board meetings the President gave the information which included attendance at Board meetings and other subcommittee meetings.

### **Housing Project**

Responding to a request on the status of the Housing Project the President said the Board was awaiting the decision of the International Airport Authority to pay for the land and houses acquired. He said that the lands were valued at market value by an Independent Valuator which was recommended by the Airport Authority. He informed the meeting that the Association had received a down payment \$550,000.

### **Appointment of Chief Executive Officer**

The decision to fill the position of Chief Executive Officer by 31<sup>st</sup> July, 2009 was carried by a majority vote.

## 6.0 DIRECTORS' REPORT

The Board of Directors was commended for the preparation and presentation of the Annual General Meeting Report. The Board was reminded that the document is to be distributed two weeks prior to the date of the Annual General Meeting.

Questions were raised on delinquency. The recommendation was made for a system/structure operating outside the Board of Directors to be implemented to review the organisation's delinquency and to ensure that Board members are treated in the same manner as the ordinary member, and that wherever it was possible the Association should offer the member the option to restructure the loan, by extending the loan repayment period and lowering the repayment.

The Vice President in responding to a suggestion that the SVBLA increases the communication with the members in the Diaspora who may be unaware of the status of their accounts said that the Association was aware of the situation and that the staff has been asked to intensify its work in this area. He also recommended that the members in the Diaspora be encouraged to use the JN e-money transfer to send money to their accounts.

The Directors' Report was accepted on a motion moved by Ms. Beverley Stapleton and seconded by Ms. Noelene Bacchus. The motion was carried by a majority vote.

## 7.0 AUDITORS' REPORT

The Auditor's Report was presented by Mr. Reuben John. Except for the reservation on the treatment of shares which was due to the non-adherence to IAS 32, he stated that the report showed a true and fair view of the operations for the year. He also mentioned that internal control issues were identified. These he said were communicated to the Association through a management letter for corrective measures.

## 8.0 FINANCIAL STATEMENT QUESTIONS

The Meeting sought an explanation on the change in the Investment figure which had increased from \$15M to \$31M. The Auditor explained that Cash and Cash Equivalent is related to funds invested to mature within three (3) months, while Investments are funds with a maturity date longer than three (3) months. During the

period the funds which had a maturity date longer than 3 months were transferred to Investment. A total of \$16M was transferred from Cash Equivalent to Investment.

Responding to an inquiry about the safety of the investment of \$7M in British American Insurance Company Ltd, Mr Julian Jack explained that the Building and Loan Association has relied on the assurance from various Prime Ministers and the regulators at the Eastern Caribbean Bank that the investments in British American Insurance Company Ltd. will be safe. He said that there was very little that the Association can do about the situation, except to cash in the Investments when they mature.

The report was accepted on a motion moved by Mr. Lennox Francis and seconded by Mr. Robert Fitzpatrick.

## 9.0 ELECTIONS COMMITTEE'S REPORT

The chairperson Ms Camille Crichton presented the Committee's report. Three hundred and ninety seven (397) proxies were received and assigned to seventy-two (72) members. Two hundred and eighty eight (288) proxies satisfied the requirements of the rules while one hundred and fifteen (115) were invalid under rules 12, 51 and 114. Two positions on the Board became vacant due to retiring Directors Messrs Julian Jack and Grafton Isaacs who were eligible for re-election according to Rule 35 and had offered themselves for such. Two nominations were received for the position of Director; one of the nominations was invalid by Rules 36, 51 and 114. One person was therefore qualified to stand for elections.

## 10.0 ELECTIONS

### **Election of Directors**

Mr. Julian Jack, Mr. Grafton Isaacs and Ms. Nicole Sylvester qualified to fill the two vacant posts of Director. The votes were distributed as follows:

<b>Persons</b>	<b>No of Votes</b>
Julian Jack	123
Grafton Isaacs	106
Nicole Sylvester	275

Ms Nicole Sylvester and Mr Julian Jack were elected to the Board of Directors.

### **Election of President**

<b>Nominee</b>	<b>Nominator</b>	<b>Seconder</b>	<b>Votes</b>
Ms Nicole Sylvester	Ms Jeanie Ollivierre	Mr Robert Fitzpatrick	121
Mr Kenneth Browne	Ms Criselta Corridon	Ms Hazelann Bascombe	228

Mr Kenneth Browne was elected to the position of President.

### **Election of Vice President**

Mr Julian Jack was nominated by Mr Michael John. The motion was seconded by Mrs Evelyn Bailey.

There were no other nominations.

Mr Julian Jack was elected to the position of Vice President unopposed.

#### 11.0 APPOINTMENT OF AUDITORS

KPMG Accounting Firm was nominated by Ms. Nicole Sylvester and seconded by Mrs. Roxanne Morris.

KPMG was returned as the auditors of the SVBLA, unopposed.

#### 12.0 ELECTION OF ELECTIONS COMMITTEE

Ms. Camille Crichton, Ms. Ciclyn Joseph and Mrs. Gwendolyn Burgin were re-elected to serve on the Election Committee. The motion was moved by Mr. Harold Lewis and seconded by Ms. Sylvia Sutherland. The motion was carried by a majority vote.

#### 13.0 ADJOURNMENT

The motion for the adjournment was moved by Mr Richard Cumberbatch and seconded by Mrs June Bennett.

The meeting was adjourned at 9.50pm.

## **DIRECTORS' REPORT AND OPERATIONS REVIEW**

### **INTRODUCTION**

The Board of Directors of the St. Vincent Building and Loan Association has pleasure in presenting to this 69<sup>th</sup> Annual General Meeting its report and the Association's Audited Financial Statements for the year ended 31<sup>st</sup> December, 2009.

During the year Management and the Board of Directors commenced the re-shaping of the Organization. Certain adjustments and initiatives were taken in order to maintain compliance with International Accounting Standards. In particular the treatment of our Ordinary Shares and the introduction of Permanent Shares; the suspension of Interest on Impaired Loans and the application of International Prudential Guidelines in determining Loan Loss Provisions.

## **RISK MANAGEMENT**

The year saw increased involvement of Risk Management Committees comprising of the Loans Committee; the Credit Committee and the Investment Committee. These committees worked very closely with Management to ensure that Policies were adhered to in keeping with the Associations thrust towards prudent Corporate Governance.

- **Credit Risk**

Mortgage applications are being assessed along clearly established Board Approved Guidelines.

In an effort to reduce the Association's Non-Performing Assets, collections activity has been increased. Recoveries Officers are however conscious of the turbulent economic climate and have been working with members to restructure delinquent mortgages wherever possible.

- **Market Risk**

This incorporates the loss of income due to changes to Interest Rates. This risk is monitored by the Investment Committee with guidelines set by the Board.

- **Liquidity Risk**

Managing Liquidity Risk is of paramount importance to the Associations growth and profitability. This necessitates attracting deposits for Mortgage Lending; Investing; and other Financial Obligations as they become due.

The risk is mitigated by maintaining good quality liquid assets.

- **Operational Risk**

Operational Risk relates to efficiency of the Association's internal processes and systems in conjunction with personnel capability and delivery of Service Excellence. Management being cognisant of these requirements continues to explore technological advancement and provide continuous training to staff.

## **OUR SERVICES**

### **Deposits**

Member's deposits are a vital component in the Association's ability to grow.

During the year, members' Redeemable Shares increased by \$3M to \$53.5M. Net increase in membership 1,536 member's taking the total number of accounts to 21,080.

Permanent Shares were introduced in Mid-December 2009. It is expected that this New Product will feature prominently going forward, providing the Association will Liquidity while rewarding Shareholders with attractive dividends.

The Special Deposits portfolio decreased by 10M to 171.7M. 246 New Special Deposits were opened. Total Special Deposits 3,265.

### **Mortgages**

The Association's Mortgage Portfolio grew appreciably during the year under review increasing by 172 of accounts and \$29,958,495 in value.

The Association's thrust in recovering and replacing past due mortgages is expected to yield positive results going forward.

## Insurance

Residential Mortgages are required to be insured under the Association's "Home Secure Mortgage Plan" – five (5) Death Claims were settled during the year totalling \$747,860. Borrowers are also required to obtain Comprehensive Home Owners Insurance from a provider of their choice.

## Money Transfer Services

The transfer of money from outside of the region contributes significantly to the Countries Gross Domestic Product (GDP). The Association's Strategic Alliance with JN International Money Transfer Services ensures the seamless transmission of funds between seven countries which are listed below. Members residing in the Diaspora are encouraged to utilize this service to make regular contributions to their Shares; to service Mortgages; and invest in Permanent Shares.



Canada



The Cayman Islands



Dominica



The United Kingdom



The United States



Jamaica



St. Vincent and the Grenadines

### **Contribution to our community**

The Association provides monitory contributions to several worthwhile community initiatives.

During the year support was provided to twenty (20) worthy causes in the amount of \$17,535.00.

### **SCHOLARSHIP PROGRAMME**

The Association continues to contribute towards education for our youth. Four students were awarded Scholarships during the year. The awardees were: Richard John attending the St. Vincent Grammar School, Athalia Frederick, Cassie-Ann Laidlow and Raeisa Byron-Cox attending the St. Vincent Girls' High School.

These students all placed in the top sixteen (16) in the Common Entrance Examination.

Total number of Scholarship Holders to date is fifty-five (55).

### **Staff Tertiary Scholarship**

Ms. Bernadine Nanton was granted assistance to pursue the Bar Vocational Course in the United Kingdom.

Mr. Michael Morgan is also being assisted to complete his MBA at Lancaster University in England.

Both members are expected to return shortly.

## Financial Performance

Over the past few years the prime objectives have been to reduce costs and improve efficiency whilst building long term value for members. We have reduced relative costs in order to be able to operate on a finer interest margin whilst building long-term value for members.

Profitability fell during the year due to prudent decisions by management in response to changing market conditions.

The Association experienced a decline in profit due to three main factors – the impact of the classification of “interest on redeemable shares” as interest expense effective January 1<sup>st</sup>, 2009; provision for impairment loss on British American Investment (Principal and interest receivable); and a 184 percent increase in the provision for impairment of mortgage loans to members as the Association maintains prudent provisions given continued difficult economic conditions.

### Net Income

Operation income reduced to \$6.460 million, compared to \$8.012 million in 2008, mainly as a result of the classification of the “interest on redeemable shares” as interest expense.

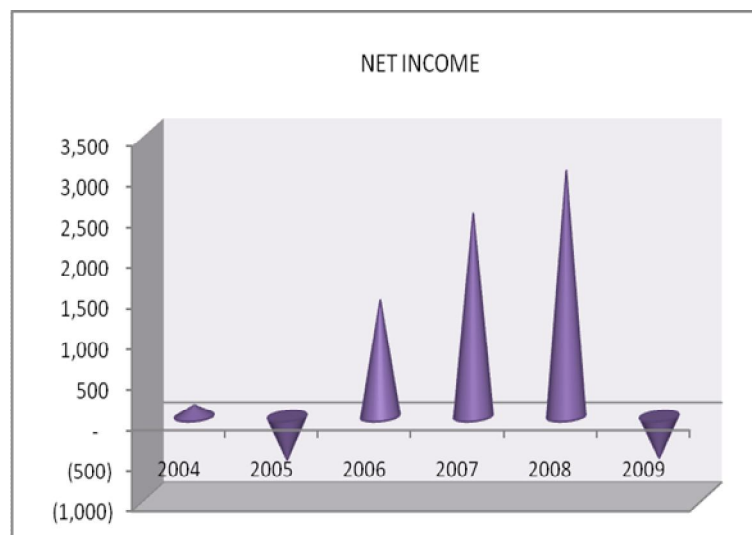
The impairment provision for mortgage loans was \$1.42 million (2008: \$0.5 million).

The impact of the classification compounded with the net impairment losses of financial assets resulted in a \$515 thousand loss for the period.

Income and expenditure items are outlined in more detail below.

Net Income Analysis	2009	2008
Interest earned on mortgage loans	13,987,238	15,002,964
Interest earned on	387,444	398,202

special deposit loans		
Interest earned on share loans	263,694	188,447
Interest earned on deposits and investments	2,753,371	2,141,425
<b>Total Interest Income</b>	<b>17,391,747</b>	<b>17,731,038</b>
Net Fee and Commission Income	1,142,239	1,414,932
Interest expense	(11,770,184)	(9,693,732)
Interest levy	(696,574)	(713,314)
Operating expenses	(6,582,330)	(5,714,062)
<b>Net earnings</b>	<b>(515,102)</b>	<b>3,024,862</b>



## Operating Expenses

In 2009, personnel expenses reduced by 7.45% over 2008. General and administrative expenses reduced by 18.51% over 2008. In 2009, The Net impairment loss on financial assets increased by 109.22% over 2008.

Note 9 details the 2009 net impairment loss on financial assets with comparatives for 2008.

Management continually reviewed its general and administration expenditure and endeavoured to contain expenditure in order to support its ability to offer excellent rates to both members and depositors.

<b>Non-interest income Analysis</b>	<b>2009</b>	<b>2008</b>
Fee income	20,036	22,105
Dividend income	18,267	24,375
Fines income	951,659	1,204,318
Rental income	164,512	160,350
Insurance Commission	154,403	160,521

## Financial Position

### Total Assets

At 31<sup>st</sup> December 2009 assets totalled \$241 million, a decrease of \$5 million (2.05%). Investment securities were down by 30.15% and interest receivable on loans by 11.66%.

Management continue to provide for potential mortgage losses on a prudent and consistent basis.

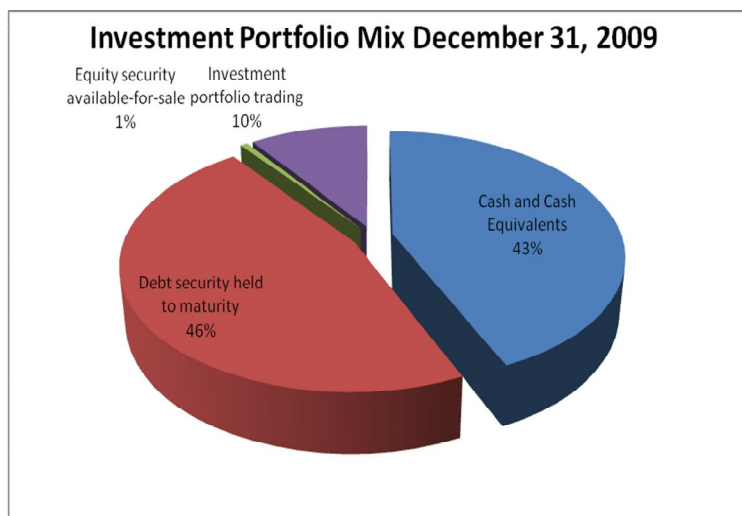
### Total Liabilities

At 31<sup>st</sup> December 2009 liabilities totalled \$235 million, an increase of \$45 million (23.55%). Special deposits were down by 5.53% and redeemable shares which were classified as equity is now reclassified as liabilities in compliance with IAS 32.

### Investment Portfolio Mix

Due to changing market conditions, it is critical to have the appropriate mix of assets and securities in the Investment Portfolio, as this will determine the Association's overall returns and risk exposure.

The chart below presents the Investment Portfolio mix as at December 31<sup>st</sup>, 2009.



## The Outlook

2010 looks to be another challenging year. The Global Economic Recovery lingers on and there is uncertainty surrounding the British American and CLICO rescue plans. The Board of Directors and Management will focus on a number of Key areas during the year:

- Maintaining confidence with our members and investors.
- Continuous close attention to Liquidity and Capital to ensure growth in our Lending Portfolio.
- Improved Marketing Strategy.
- Introduction of new Products and Services.
- Upgrading of the Operating Systems.
- Human Resource Management and training.
- Debt recovery.
- Cost control.

The confidence and support of our members and investors are key to keeping our business successful and stable. The Board remains strongly committed to the Association's delivery of Excellent Customer Service. We are confident that St. Vincent Building and Loan Association will continue to adapt positively to the challenges ahead.

## Directors

In keeping with the Rules of the Association, Rule 35, Mr. Renato Gumbs and Mrs. Ingrid Fitzpatrick are due to retire and, being eligible, offer themselves for re-election.

### **Auditors**

KPMG, Auditors, retire according to Rule 31 of the Rules of the Association and, being eligible, offer itself for re-appointment.

### **Conclusion**

We take this opportunity to thank our members and investors for your continued support. Please be assured of our unstinting effort in delivering the best Service we can.

The Board of Directors recognise the significant contribution being made by Management and Staff.

On behalf of the Board of Directors.

Kenneth A. Browne

President

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(With comparative figures for 2008)**

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**

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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS**

St. Vincent Building and Loan Association  
Kingstown

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the St. Vincent Building and Loan Association, which comprise the statement of financial position as at December 31, 2009, and the 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 notes.

#### *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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these 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 whether the 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 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 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 financial statements.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (cont'd)**

St. Vincent Building and Loan Association  
Kingstown

**Report on the Financial Statements**

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Association as at December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Chartered Accountants  
Kingstown, St. Vincent and the Grenadines  
May 4, 2010



## ST. VINCENT BUILDING AND LOAN ASSOCIATION

## Statement of Financial Position

As at December 31, 2009

With comparative figures for 2008

(Expressed in Eastern Caribbean Dollars)

	Note	2009 \$	2008 \$
<b>Assets</b>			
Cash and cash equivalents	11	16,702,822	16,071,632
Prepaid expenses		23,044	34,361
Other receivables	12	559,423	181,479
Interest receivable on loans	13	4,711,448	5,333,245
Interest receivable on fixed deposits and investments	14	1,599,624	1,512,539
Loans receivable	15	187,767,419	185,667,246
Investments securities	16	21,809,161	31,222,678
Investment property	17	3,065,574	1,173,100
Property and equipment	18	5,143,697	5,232,040
Staff pension fund (net)	19	90,222	92,641
Other assets	20	1	1
<b>Total assets</b>		<b>241,472,435</b>	<b>246,520,962</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	21	1,288,689	903,151
Other liabilities	22	1,787,510	1,556,471
Interest payable	23	6,299,502	5,651,819
Special deposits	24	171,697,282	181,748,504
Redeemable shares	25	53,497,005	-
<b>Total liabilities</b>		<b>234,569,988</b>	<b>189,859,945</b>
<b>Equity</b>			
Share capital	26	10,200	-
Redeemable shares		-	50,903,026
General reserve	27	5,191,609	5,191,609
Revaluation reserve	28	5,214,771	3,332,991
Fund balance		(3,221,209)	(2,630,475)
Fair value reserve		(292,924)	(136,134)
<b>Total equity attributable to equity holders of the Association</b>		<b>6,902,447</b>	<b>56,661,017</b>
<b>Total liabilities and equity</b>		<b>241,472,435</b>	<b>246,520,962</b>

The notes on pages 8 to 38 are an integral part of these financial statements.

**APPROVED ON BEHALF OF THE BOARD:**

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Statement of Comprehensive Income**  
**For the year ended December 31, 2009**  
**With comparative figures for 2008**  
**(Expressed in Eastern Caribbean Dollars)**

	Note	2009 \$	2008 \$
Interest income		17,391,747	17,731,038
Interest expense		(12,466,758)	(10,407,046)
Net interest income	5	4,924,989	7,323,992
Fee and commission income	6	1,285,364	1,568,565
Insurance on mortgage loans	6	(143,125)	(153,633)
Net fee and commission income		1,142,239	1,414,932
Net trading income (expense)	7	208,518	(911,122)
Other operating income	8	184,879	184,725
		393,397	(726,397)
<b>Operating income</b>		6,460,625	8,012,527
Write off of fixed assets		(73)	(4,507)
Net impairment loss on financial assets	9	(4,539,391)	(2,169,643)
Personnel expenses	10	(1,085,356)	(1,172,745)
Depreciation expense		(111,356)	(112,872)
Amortisation expense		-	(6,870)
General and administrative expenses		(1,239,551)	(1,521,027)
		(515,102)	3,024,863
Transfer to general reserve		-	(25,000)
<b>(Loss) profit for the period</b>		(515,102)	2,999,863
<b>Other comprehensive income</b>			
Fair value (available-for-sale-financial assets) net change in fair value		(156,790)	(223,027)
Amount transferred to general reserve		-	25,000
Net change in revaluation reserve		1,892,474	-
Appropriation to staff pension fund		(86,326)	(79,096)
Other comprehensive income for the period		1,649,358	(277,123)
<b>Total comprehensive income for the period</b>		1,134,256	2,722,740

The notes on pages 8 to 38 are an integral part of these financial statements.

## ST. VINCENT BUILDING AND LOAN ASSOCIATION

## Statement of Changes in Equity

For the year ended December 31, 2009

With comparative figures for 2008

(Expressed in Eastern Caribbean Dollars)

	Share capital \$	Redeemable shares \$	General reserve \$	Revaluation reserve \$	Fair value reserve \$	Fund balance \$	Total \$
<b>Balance as at January 01, 2008</b>	-	47,687,217	5,166,609	3,343,685	86,893	(2,213,389)	54,071,015
Profit for the year	-	-	-	-	-	2,999,863	2,999,863
Transfer to general reserve	-	-	25,000	-	-	-	25,000
Appropriation to staff pension reserve fund	-	-	-	-	-	(79,096)	(79,096)
Amortisation of revaluation reserve	-	-	-	(10,694)	-	10,694	-
Unrealised holding loss	-	-	-	-	(223,027)	-	(223,027)
Total other comprehensive income	-	-	25,000	(10,694)	(223,027)	(68,402)	(277,123)
Total comprehensive income for the period	-	-	25,000	(10,694)	(223,027)	2,931,461	2,722,740
<b>Transaction with owners, recorded directly in equity</b>							
Dividends paid	-	-	-	-	-	(3,348,547)	(3,348,547)
Additions to share capital	-	3,215,809	-	-	-	-	3,215,809
Total contributions by and distributions to owners	-	3,215,809	-	-	-	(3,348,547)	(132,738)
	-						
<b>Balance as at December 31, 2008</b>	-	50,903,026	5,191,609	3,332,991	(136,134)	(2,630,475)	56,661,017

The notes on pages 8 to 38 are an integral part of these financial statements.

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Statement of Changes in Equity (cont'd)**  
**For the year ended December 31, 2009**  
**With comparative figures for 2008**  
**(Expressed in Eastern Caribbean Dollars)**

	Share Capital \$	Redeemable shares \$	General reserve \$	Revaluation reserve \$	Fair value reserve \$	Fund balance \$	Total \$
<b>Balance as at January 01, 2009</b>	-	50,903,026	5,191,609	3,332,991	(136,134)	(2,630,475)	56,661,017
Loss for the year	-	-	-	-	-	(515,102)	(515,102)
Transfer to general reserve	-	-	-	-	-	-	-
Appropriation to staff pension reserve fund	-	-	-	-	-	(86,326)	(86,326)
Revaluation of land	-	-	-	1,892,474	-	-	1,892,474
Amortisation of revaluation reserve	-	-	-	(10,694)	-	10,694	-
Unrealised holding loss	-	-	-	-	(156,790)	-	(156,790)
Total other comprehensive income	-	-	-	1,881,780	(156,790)	(75,632)	1,649,358
Total comprehensive income for the period	-	-	-	1,881,780	(156,790)	(590,734)	1,134,256
<b>Transaction with owners, recorded directly in equity</b>							
Reclassification of redeemable shares	-	(50,903,026)	-	-	-	-	(50,903,026)
Issuance of permanent shares	10,200	-	-	-	-	-	10,200
Total contributions by and distributions to owners	10,200	-	-	-	-	-	10,200
<b>Balance as at December 31, 2009</b>	10,200	-	5,191,609	5,214,771	(292,924)	(3,221,209)	6,902,447

The notes on pages 8 to 38 are an integral part of these financial statements.

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Statement of Cash Flows**  
**For the year ended December 31, 2009**  
**With comparative figures for 2008**  
**(Expressed in Eastern Caribbean Dollars)**

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Cash flows from operating activities</b>		
(Loss) profit for the year	(515,102)	3,024,863
<b>Adjustments for:</b>		
Amortisation of other assets	-	6,870
Depreciation expense	111,356	112,872
Net impairment loss on investment securities	1,400,000	-
Loss on disposal of fixed asset	73	4,507
Interest on staff pension fund	157,848	148,979
Interest income	(17,391,747)	(17,731,038)
Interest expense	12,466,758	10,407,046
	<u>(3,770,814)</u>	<u>(4,025,901)</u>
Change in other receivables	(377,944)	91,060
Change in loans receivable	(2,100,173)	(3,731,197)
Change in prepaid expenses	11,319	(22,131)
Change in accounts payable and accrued liabilities	385,538	678
Change in special deposits	(10,051,222)	4,801,119
Redeemable shares – (reclassification)	50,903,026	-
Change in redeemable shares	2,593,979	-
Change in other liabilities	231,039	(552,292)
	<u>37,824,748</u>	<u>(3,438,664)</u>
Interest received	17,926,459	19,180,027
Interest paid	(11,819,075)	(9,643,535)
<b>Net cash from operating activities</b>	<u>43,932,132</u>	<u>6,097,828</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(23,086)	(59,953)
Change in investment securities	7,636,793	(16,644,547)
<b>Net cash from (used in) investing activities</b>	<u>7,613,707</u>	<u>(16,704,500)</u>
<b>Cash flows from financing activities</b>		
Issuance of permanent shares	10,200	-
Redeemable shares – (reclassification)	(50,903,026)	-
Increase in redeemable shares	-	3,215,809
Dividends paid	-	(3,348,547)
Staff pension contributions	17,265	15,819
Payments from staff pension fund	(39,088)	(20,071)
<b>Net cash used in financing activities</b>	<u>(50,914,649)</u>	<u>(136,990)</u>
<b>Net change in cash and cash equivalents</b>	631,190	(10,743,662)
Cash and cash equivalents – Beginning of year	16,071,632	26,815,294
<b>Cash and cash equivalents – End of year</b>	<u>16,702,822</u>	<u>16,071,632</u>

The notes on pages 8 to 38 are an integral part of these financial statements.

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2009**  
**(Expressed in Eastern Caribbean Dollars)**

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**1. Reporting entity**

St. Vincent Building and Loan Association is a building society domiciled in St. Vincent and the Grenadines. The Association is primarily involved in receiving subscriptions from members and assisting them in acquiring property by providing mortgage loans and share loans secured by legal mortgages and unadvanced shares.

**2. Basis of preparation**

**(a) Statement of compliance**

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on May 4, 2010.

**(b) Basis of measurement**

These financial statements have been prepared on the historical cost basis except for:

- available-for-sale financial assets which are measured at fair value; and
- freehold land and building which are carried at revaluation.

**(c) Functional and presentation currency**

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

**(d) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2009**  
**(Expressed in Eastern Caribbean Dollars)**

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**3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods in these financial statements.

**(a) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss except for the differences arising in the retranslation of available for sale equity instruments. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that fair value was determined.

**(b) Recognition of principal types of income**

The principal types of income arising from the operations of the Association include interest income, fees for services, commissions and fines. Each type of income is separately disclosed in order that users can assess the performance of the Association.

**(c) Determination of charges**

The principal types of expenses arising from the operations of the Association include interest expense, insurance on loans and general administrative expenses. Each type of expense is separately disclosed in order that users can assess the performance of the Association.

**(d) Interest income and expenses**

Interest income and expenses are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability or which appropriate a shorter period to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition

of the financial asset or liability.

Interest income and expenses in the income statement include:

- Interest on financial assets and liabilities.
- Interest on available-for-sale investments securities.

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2009**  
**(Expressed in Eastern Caribbean Dollars)**

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**3. Significant accounting policies (cont'd)**

**(e) Fees and commission**

Fees and commission income, including fines and penalties charged for late payments, servicing fees and commissions are recognised as the related services are performed.

**(f) Insurance on mortgage loans**

Insurance on mortgage loans relate to insurance premiums paid by the Association on mortgage loans to members up to \$50,000.

**(g) Trading income**

Trading income represents unrealised holding gains/losses on trading assets.

**(h) 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.

**(i) Financial assets and liabilities**

**(i) Recognition**

The Association initially recognises loans and deposits on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through the statement of income) are initially recognised on the trade date at which the Association becomes a party to the contractual provisions of the instrument.

**(ii) Derecognition**

The Association derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Association is recognised as a separate asset or liability.

The Association derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Association enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet.

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2009**  
**(Expressed in Eastern Caribbean Dollars)**

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**3. Significant accounting policies (cont'd)**

**(i) Financial assets and liabilities (cont'd)**

**(ii) Derecognition (cont'd)**

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Association neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Association continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

**(iii) Offsetting**

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Association has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Association's trading activity.

**(iv) Amortised cost measurement**

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

**(v) Identification and measurement of impairment**

At each balance sheet date the Association assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2009**  
**(Expressed in Eastern Caribbean Dollars)**

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**3. Significant accounting policies (cont'd)**

**(i) Financial assets and liabilities (cont'd)**

**(v) Identification and measurement of impairment (cont'd)**

The Association considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan by the Association on terms that the Association would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of income.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to the income statement. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through the statement of income.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2009**  
**(Expressed in Eastern Caribbean Dollars)**

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**3. Significant accounting policies (cont'd)**

**(j) Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand, unrestricted balances held and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Association in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

**(k) Loans receivable**

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans receivable are initially measured at fair value. Specific provisions are made against identified doubtful loans and advances and general provisions are made for losses which are known from the past experience to be inherent in the loan portfolio. The level of the general provision is determined having regards to economic conditions, the level of on- and off- balance sheet assets and other general risk factors.

All known bad debts are written off in the year in which they are identified.

Loans are regularly reviewed and classified according to an assessed degree of credit risk. Loans classified as non-productive comprise loans where the interest and fee accrual has been suspended due to doubt as to full recovery. Specific provision is made where full recovery is doubtful.

When a loan receivable is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the *provision* for loan losses in the statement of income.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the loan loss impairment *in* the income statement.

Recoveries of non-productive loans are, in the absence of contrary agreement with the customer, applied as income or fees in priority to being applied as a reduction in principal, except where a cash receipt relates to proceeds from the sale of security.

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2009**  
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**3. Significant accounting policies (cont'd)**

**(i) Investment securities**

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity or available-for-sale.

**(i) Held-to-maturity**

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Association has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Association from classifying investment securities as held-to-maturity for the current and the following two financial years.

**(ii) Fair value through profit or loss**

The Association carries some investment securities at fair value, with fair value changes recognised immediately in the statement of earnings.

**(iii) Available-for-sale**

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in the statement of income using the effective interest method. Dividend income is recognised in the statement of income when the Association becomes entitled to the dividend. Foreign exchange gains or

losses on available-for-sale debt security investments are recognised in the statement of income.

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is recognised in profit or loss.

**(m) Investment property**

Investment property is carried at cost.

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2009**  
**(Expressed in Eastern Caribbean Dollars)**

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**3. Significant accounting policies (cont'd)**

**(n) Property and equipment**

**(i) Recognition and measurement**

Land and buildings are carried at valuation. Other items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

**(ii) Subsequent expenditure**

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Association and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in income statement and statement of recognised gains and losses as incurred.

**(iii) Depreciation**

Depreciation is recognised in the statement of income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The annual depreciation rates are as follows:

Freehold building	-	2%
Furniture, fixtures and equipment	-	20%

**(o) Prepayments**

Prepayments are recorded at cost.

**(p) Interest receivable**

Interest income is recognised on loans on an accrual basis. Interest receivable includes interest accrued on loans granted to members and related parties.

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2009**  
**(Expressed in Eastern Caribbean Dollars)**

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**3. Significant accounting policies (cont'd)**

**(q) Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities comprise all liabilities at the year end that is incidental to the Association's trade. Other liabilities include all debts that are not incidental to the Association's trade.

**(r) Impairment of non-financial assets**

The carrying amounts of the Association's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in the statement of income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2009**  
**(Expressed in Eastern Caribbean Dollars)**

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**3. Significant accounting policies (cont'd)**

**(s) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2009, and have not yet been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Association, with the exception of:

- IFRS 9 *Financial Instruments*, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of *held to maturity*, *available for sale* and *loans and receivables*. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Association's 2010 financial statements, with retrospective application required. The amendments are not expected to have a significant impact on the financial statements.

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2009**  
**(Expressed in Eastern Caribbean Dollars)**

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**4. Financial risk management**

**(a) Introduction and overview**

The Association has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks.

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

**Risk management framework**

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

The Association's risk management policies are established to identify and 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 Association, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

**(b) Credit risk**

Credit risk is the risk of financial loss to the Association if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Association's loans to members and directors and investment securities.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

**Management of credit risk**

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

- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities.

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2009**  
**(Expressed in Eastern Caribbean Dollars)**

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**4. Financial risk management (cont'd)**

**(c) Credit risk (cont'd)**

**Management of credit risk (cont'd)**

- *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.
- *Developing and maintaining the Association's risk gradings* in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The responsibility for setting risk grades lies with the final approving executive.

**Impaired loans and securities**

Impaired loans and securities are loans and securities for which the Association determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s).

**Exposure to credit risk**

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Loan receivable</b>		
<b>Carrying amounts</b>	187,767,419	185,667,246
Current	101,967,927	99,116,515
1-12 months in arrears	53,924,549	49,467,626
More than 12 months in arrears	42,081,569	45,869,731
	197,974,045	194,453,872
Allowance for loan losses	(10,206,626)	(8,786,626)
	187,767,419	185,667,246
<b>Current comprises:</b>	<b>2009</b>	<b>2008</b>
	\$	\$

Mortgage loans to members	93,855,918	91,936,464
Loans secured by special deposits	4,840,375	4,620,859
Loans secured by shares	3,271,634	2,559,192
	<u>101,967,927</u>	<u>99,116,515</u>

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2009**  
**(Expressed in Eastern Caribbean Dollars)**

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**4. Financial risk management (cont'd)**

**(b) Credit risk (cont'd)**

**Exposure to credit risk (cont'd)**

**Allowances for loan loss**

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

**Write-off policy**

The Association writes off a loan (and any allowance for loan losses) when it determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

The Association 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.

Special deposit loans and share loans are secured on the members' special deposit and share accounts respectfully.

An estimate of the fair value of collateral and other security held against financial assets is shown below:

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Mortgage loans	172,774,453	170,248,928
Loans secured by special deposits	5,378,194	5,134,288
Loans secured by shares	4,362,179	3,412,256
	<u>182,514,826</u>	<u>178,795,472</u>

(c) **Liquidity risk**

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations from its financial liabilities.

**Management of liquidity risk**

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

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2009**  
**(Expressed in Eastern Caribbean Dollars)**

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**4. Financial risk management (cont'd)**

**(c) Liquidity risk (cont'd)**

**Exposure to liquidity risk**

The key measure used by the Association for managing liquidity risk is the ratio of net liquid assets to deposits from members. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market.

The following are the contractual maturities of financial liabilities included estimated interest payments:

<b>December 31, 2009</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Under 1 year</b>
	\$	\$	\$
<hr/>			
<b>Non-derivative financial liabilities</b>			
Accounts payable and accrued liabilities	(1,288,689)	(1,288,689)	(1,288,689)
Other liabilities	(1,787,510)	(1,787,510)	(1,787,510)
Interest payable	(6,299,502)	(6,299,502)	(6,299,502)
Special deposits	(171,697,282)	(171,697,282)	(171,697,282)

December 31, 2008	Carrying amount \$	Contractual cash flows \$	Under 1 year \$
<b>Non-derivative financial liabilities</b>			
Accounts payable and accrued liabilities	903,151	(903,151)	(903,151)
Other liabilities	1,556,471	(1,556,471)	(1,556,471)
Interest payable	5,651,819	(5,651,819)	(5,651,819)
Special deposits	181,748,504	(181,748,504)	(181,748,504)

Special deposits and interest on special deposits are accounted for as on call. The Association accepts special deposits of amount of not less than five hundred dollars (\$500.00) for a period of not less than six months.

Three months notice shall be given for every withdrawal. The Board may at any time, after the period of six months aforesaid, for special reasons, waive such notice and thereupon the depositor shall forfeit three months interest.

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**4. Financial risk management (cont'd)**

**(d) Market risks**

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Association's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**(e) Operational risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Association's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Association's operations and are faced by all business entities.

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Association standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

**(f) Capital management**

It is the Association's policy to maintain a strong capital base so as to sustain future development future development of the business. The shares of the Association shall be of the following class:

- Ordinary subscriptions shares issued under the provision of Rule 65 of the Rules of the Association; and
- Preference shares shall not be issued.

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**4. Financial risk management (cont'd)**

**(f) Capital management (cont'd)**

The Association is not subject to externally imposed capital requirements and there were no changes in the Association's approach to capital management during the year.

**5. Net interest income**

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Interest income</b>		
Interest earned on mortgage loans	13,987,238	15,002,964
Interest earned on special deposit loans	387,444	398,202
Interest earned on share loans	263,694	188,447
Interest earned on deposits and investments	2,753,371	2,141,425
	<u>17,391,747</u>	<u>17,731,038</u>
<b>Interest expense</b>		
Interest levy on special deposit	696,574	713,314
Interest on special deposits	9,591,553	9,693,732
Interest on redeemable shares	2,178,631	-
Total interest	<u>12,466,758</u>	<u>10,407,046</u>
Net interest income	<u>4,924,989</u>	<u>7,323,992</u>

**6. Net fee and commission income**

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Fee and commission income</b>		
Fee income	20,036	22,105
Fines income	951,659	1,204,318
Commissions earned on insurance	154,403	160,521
Commissions earned on ECHMB loans	125,080	132,582
Commissions earned on EMoney transfer	34,186	49,039
Total fee and commission income	<u>1,285,364</u>	<u>1,568,565</u>

**Fee and commission expense**

Mortgage insurance

143,125

153,633

Total fee and commission income

143,125

153,633

Net fee and commission income

1,142,239

1,414,932

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**7. Net trading income**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Unrealised holding gain (loss)	210,275	(882,518)
Foreign exchange loss	(1,757)	(28,604)
Net trading income (expense)	208,518	(911,122)

**8. Other operating income**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Other income	2,100	-
Dividend income	18,267	24,375
Rental income	164,512	160,350
	184,879	184,725

**9. Net impairment loss on financial assets**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Impairment allowances on loans to members	1,420,000	500,000
Provision for impairment – interest receivable	1,000,000	1,300,000
Loans written off	237,580	115,895
Bad debt expense (related party balances written off)	-	15,129
Provision for doubtful debts	182,934	(16,380)
Provision for impairment on Eastern Caribbean Home Corporation Investment	-	254,999
Provision for impairment on British American Investment (Principal)	1,400,000	-
Provision for impairment on British American Investment interest receivable	298,877	-
	4,539,391	2,169,643

**10. Personnel expenses**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Salaries and wages	1,040,479	1,125,809
National Insurance Services contributions	36,495	37,629
Staff group insurance	8,382	9,307
	1,085,356	1,172,745
Average number of employees	27	24

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**11. Cash and cash equivalents**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Cash on hand and bank	3,083,190	389,780
Current accounts	1,473,929	4,489,260
Fixed deposits	11,980,053	11,017,570
Savings accounts	165,650	175,022
	<u>16,702,822</u>	<u>16,071,632</u>

**12. Other receivables**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Advances	21,537	23,517
Rent	3,957	2,731
Home Mortgage premiums outstanding	171,040	-
Deposit	617	617
Other sundry debtors	35,871	54,614
Due from ECHMB	104,464	-
Jamaica National EMoney Transfer Services	121,937	-
	<u>459,423</u>	<u>81,479</u>
Jamaica National EMoney statutory deposits	100,000	100,000
	<u>559,423</u>	<u>181,479</u>

**13. Interest receivable on loans**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Interest receivable on loans	12,864,287	12,486,084
Less: provision for impairment on interest receivable	(8,152,839)	(7,152,839)
	<u>4,711,448</u>	<u>5,333,245</u>
<b>Provision for impairment on interest receivable</b>		
Balance – beginning of year	7,152,839	5,852,839
Increase in current year	1,000,000	1,300,000
Balance – end of year	<u>8,152,839</u>	<u>7,152,839</u>

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**14. Interest receivable on fixed deposits and investments**

	<b>2009</b>	<b>2008</b>
	\$	\$
Interest receivable on fixed deposits and investments	1,599,624	1,512,539

**15. Loans receivable**

	<b>2009</b>	<b>2008</b>
	\$	\$
Mortgage loans to members	188,441,912	185,845,849
Mortgage loans to related parties	1,420,124	1,427,972
	189,862,036	187,273,821
<b>Less:</b> allowance for impairment	(10,206,626)	(8,786,626)
	179,655,410	178,487,195
Loans - secured by shares	3,271,634	2,559,192
Loans - secured by special deposits	4,840,375	4,620,859
	187,767,419	185,667,246

**Allowance for impairment**

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Balance</b> - beginning of year	8,786,626	8,286,626
Increase in current year	1,420,000	500,000
<b>Balance</b> - end of year	10,206,626	8,786,626

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**15. Loans receivable (cont'd)**

**Mortgage loans**

	Gross amount \$ 2009	Impairment allowance \$ 2009	Carrying amounts \$ 2009	Gross amount \$ 2008	Impairment allowance \$ 2008	Carrying amounts \$ 2008
Current	93,855,918	(1,479,961)	92,375,957	91,936,464	(1,274,807)	90,661,657
1-12 months in arrears	53,924,278	(3,317,153)	50,607,125	49,467,626	(2,859,872)	46,607,754
Over 12 months in arrears	42,081,840	(5,409,512)	36,672,328	45,869,731	(4,651,947)	41,217,784
	<u>189,862,036</u>	<u>(10,206,626)</u>	<u>179,655,410</u>	<u>187,273,821</u>	<u>(8,786,626)</u>	<u>178,487,195</u>

No allowance for impairment is provided on loans secured by special deposits and shares as these loans are restricted to a percentage of the value of the deposits and shares that are held as security.

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**16. Investment securities**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Debt securities held-to-maturity</b>		
(i) Government of St. Vincent - bonds	854,465	1,005,253
(ii) Eastern Caribbean Home Mortgage Bank (ECHMB) - bonds	5,700,000	5,700,000
(iii) British American Investments	5,600,000	7,000,000
(iv) EGE Haina Bonds	1,005,253	1,005,253
(v) Government of Antigua Treasury Bills	-	3,445,625
(vi) Government of St. Vincent and the Grenadines Treasury Bills	4,642,857	7,390,875
	<u>17,802,575</u>	<u>25,547,006</u>
<b>(b) Equity Securities available-for-sale</b>		
(i) Eastern Caribbean Home Mortgage Bank (ECHMB) - shares	34,580	13,300
(ii) Guardian Holdings - shares	199,335	670,051
(iii) Eastern Caribbean Home Corporation (ECHC) - shares	510,000	510,000
	<u>743,915</u>	<u>1,193,351</u>
Provision for impairment on ECHC shares	(509,999)	(509,999)
	<u>233,916</u>	<u>683,352</u>
<b>(c) Investment portfolio – trading</b>		
(i) Guardian Asset Management	3,367,035	5,819,291
Unrealised holding gain/(loss)	405,635	(826,971)
	<u>3,772,670</u>	<u>4,992,320</u>
<b>Total investment securities</b>	<u>21,809,161</u>	<u>31,222,678</u>

**(a) Debt securities held-to-maturity**

**(i) Government of St. Vincent - bonds**

The bonds were issued on June 2, 2009 and bear interest at the rate of 8.5% per annum payable May 28 and November 28 of each year. The bonds are due to mature on June 1, 2017.

**(ii) Government of St. Vincent - bonds**

The bonds were issued on March 11, 2009 and bear interest at the rate of 8% per annum. The bonds are due to mature on March 10, 2016.

**(iii) Eastern Caribbean Home Mortgage Bank (ECHMB) - bonds**  
**10<sup>th</sup> Bond Issue**

Bonds carried an interest rate of 5.5% per annum payable on February 28<sup>th</sup> and August 28<sup>th</sup> each year. The bonds matured February 28, 2009. (Nominal value - EC\$1,000,000).

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**16. Investment securities (cont'd)**

**(a) Debt securities held-to-maturity (cont'd)**

**(iii) Eastern Caribbean Home Mortgage Bank (ECHMB) – bonds (cont'd)**

***11<sup>th</sup> Bond Issue series #2***

Bonds bear interest at the rate of 5.5% per annum payable on July 30<sup>th</sup> and January 30<sup>th</sup> each year, with a maturity date of January 30, 2010. (Nominal value EC\$1,000,000).

***11<sup>th</sup> Bond Issue series #3***

Bonds bear interest at the rate of 6% per annum payable on July 30<sup>th</sup> and January 30<sup>th</sup> each year, with a maturity date of January 30, 2013. (Nominal value EC\$1,700,000).

***12<sup>th</sup> Bond Issue***

Bonds bear interest at a rate of 5.5% per annum payable on January 1<sup>st</sup> and July 1<sup>st</sup> each year with a maturing date of July 1st 2010. (Nominal value - EC\$2,000,000).

***17<sup>th</sup> Bond Issue***

Bonds bear interest at the rate of 6% per annum payable on February 28<sup>th</sup> and August 28<sup>th</sup> each year, with a maturity date of February 28, 2013.

**(iv) British American Insurance Company Limited - investment**

**BSV004730**

Investment bears interest at the rate of 9% per annum, accrued on the anniversary of the deposit payable on maturity. Policy matures February 26, 2013.

**BSV004731**

Investment bears interest at the rate of 9% per annum, accrued on the anniversary of the deposit payable on maturity. Policy matures March 20, 2012.

**BSV004732**

Investment bears interest at the rate of 9% per annum, accrued on the anniversary of the deposit payable on maturity. Policy matures May 16, 2011.

**BSV006147**

Investment bears interest at the rate of 9% per annum, accrued on the anniversary of the deposit payable on maturity. Policy matures April 4, 2011.

**BSV006148**

Investment bears interest at the rate of 9% per annum, accrued on the anniversary of the deposit payable on maturity. Policy matures April 4, 2012.

**BSV006126**

Investment bears interest at the rate of 9% per annum, accrued on the anniversary of the deposit payable on maturity. Policy matures May 22, 2011.

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**16. Investment securities (cont'd)**

**(a) Debt securities held-to-maturity (cont'd)**

**(iv) British American Insurance Company Limited - investment (cont'd)**

**BSV006607**

Investment bears interest at the rate of 8.5% per annum, accrued on the anniversary of the deposit payable on maturity. Policy matured September 5, 2009.

**(v) EGE Haine Bonds**

The bonds were issued on May 6, 2009 and bears interest at the rate of 9.5% per annum payable April 26 and October 26 of each year. The bonds are due to mature on May 5, 2017.

**(vi) Government of Antigua Treasury Bills**

**AGB120209**

These treasury bills were issued on November 12, 2009 and bears interest at the rate of 6%. The treasury bills matured on February 13, 2009.

**AGB130109**

These treasury bills were issued on October 14, 2009 and bears interest at the rate of 6%. The treasury bills matured on January 28, 2009.

**(vii) Government of St. Vincent and the Grenadines Treasury Bills**

**VCB030309**

These treasury bills were issued on December 2, 2009 and bears interest at the rate of 5.82%. The treasury bills matured on March 3, 2009.

**VCB280109**

These treasury bills were issued on October 29, 2009 and bears interest at the rate of 5.82%. The treasury bills matured on January 28, 2009.

**(b) Equity securities available-for-sale**

**(i) Eastern Caribbean Home Mortgage Bank (ECHMB)**

This represents 266 Class D shares (2008: 133) of \$100 each in the Eastern Caribbean Home Mortgage Bank. The investment is carried at cost.

**(ii) Guardian Life - shares**

The Association purchased 84,136 ordinary shares of Guardian Holdings Limited. These shares are carried at fair value.

**(iii) East Caribbean Home Corporation (ECHC) - shares**

The Association purchased 510,000 ordinary shares of East Caribbean Home Corporation. These shares are carried at cost less provision for impairment

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**16. Investment securities (cont'd)**

**(c) Investment portfolio-trading**

The Association invested \$8,000,000 in an investment portfolio managed by Guardian Asset Management Ltd. The Association withdrew \$1,625,285 from the Money Market Fund.

At a media conference made on January 30, 2009, the Governor of the Central Bank of Trinidad and Tobago affirmed the current financial problems encountered by CL Financial Limited (CL), Colonial Life (Trinidad) Ltd. (CLICO), CLICO Investment Bank (CIB), British American Insurance Company (Trinidad) Limited and Caribbean Money Market Brokers (CMMB), all members of the CL Financial Group (The Group).

As a result, the Central Bank, the Government of Trinidad and Tobago and The Group have reached an agreement on a strategy to deal with the underlying financial challenges. The main elements of the strategy are as follows:

- The Central Bank of Trinidad and Tobago takes control of CIB under Section 44D of the Central Bank Act;
- CIB's banking license was revoked;
- All the third party assets and liabilities on the books of CIB and CMMB was transferred to First Citizens Bank. Third party liabilities will be matched by resources from the sale of CIB holdings of certain high quality assets. Moreover, the Central Bank will provide short term liquidity as needed to ensure that these liabilities are serviced; and
- CL will divest 55% holdings in Republic Bank Limited and shares in Methanol Holdings Trinidad Limited to help fund CLICO's sizeable Statutory Fund deficit. The Government has committed to provide any additional funding that is needed by CLICO exchange for collateral and an equity interest in CLICO.

As at December 31, 2009, the Association had investments with the various entities as follows:

<b>Name of entity</b>	<b>Type of investment</b>	<b>2009</b>	<b>2008</b>
		<b>\$</b>	<b>\$</b>
British American Insurance Company Limited	Fixed deposit (classified as held-to-maturity investment security)	7,000,000	7,000,000
CLICO	Deposit (pension fund)	1,839,563	1,703,299
CMMB	Fixed deposits (Cash and cash equivalents)	1,320,423	6,079,142
CLICO	FPA	3,158,300	2,934,215

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**16. Investments (cont'd)**

**(c) Investment portfolio-trading (cont'd)**

The Government and Central Bank of Trinidad and Tobago, where CL is incorporated, the Government of Barbados, where CLICO is incorporated, and other regional Governments including the Government of St Vincent and the Grenadines have undertaken by way of public pronouncements, to protect the interests of The Group's respective depositors, and insurance and pension fund clients. The outcome of these undertakings cannot be guaranteed.

These financial statements do not include any allowance for impairment of the value of the Association's investments in the above entities.

During 2009, British American Insurance Company Limited (BAICO) Limited a Bahamian registered company which owned and operated branches in the OECS was deemed to be insolvent and its branches was placed under Judicial Management.

The Association had EC\$7,000,000 invested with the St. Vincent Branch at the balance sheet date. There is currently a provision for impairment of \$1,400,000 on this balance. The Government of the OECS has accepted a recommendation from the Judicial Managers to form a new company to take over the operation of British American Insurance Company Limited in the eight OECS states where branches currently exist. The Governments and Judicial Managers are currently working on the implementation of the recommendation.

**17. Investment property**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Land at Mount Pleasant	3,065,574	1,173,100

Investment property relates to land which was acquired for a housing development project undertaken by a related company East Caribbean Home Corporation. The land was revalued by Mr Christopher Browne, a qualified and independent valuator in August 2009 and is carried at revaluation.

The Government of St. Vincent and the Grenadines through the International Airport Development Company is in the process of acquiring the land as part of the areas to be used for the construction of an international airport. Based on the agreement between the Association and the acquirer it is anticipated that the sale price of the land will be more than the carrying value of the land.

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**18. Property and equipment**

	<b>Freehold land</b>	<b>Freehold building</b>	<b>Furniture, fixtures and equipment</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Cost or valuation</b>				
As at January 01, 2009	1,873,200	3,909,000	1,049,608	6,831,808
Additions	-	-	23,086	23,086
Disposals	-	-	(5,392)	(5,392)
<b>As at December 31, 2009</b>	<b>1,873,200</b>	<b>3,909,000</b>	<b>1,067,302</b>	<b>6,849,502</b>
<b>Accumulated depreciation</b>				
As at January 01, 2009	-	780,870	818,898	1,599,768
Charge for the year	-	62,563	48,793	111,356
Disposals	-	-	(5,319)	(5,319)
<b>As at December 31, 2009</b>	<b>-</b>	<b>843,433</b>	<b>862,372</b>	<b>1,705,805</b>
<b>Net book value</b>				
As at January 01, 2009	1,873,200	3,128,130	230,710	5,232,040
<b>As at December 31, 2009</b>	<b>1,873,200</b>	<b>3,065,567</b>	<b>204,930</b>	<b>5,143,697</b>

The Association's freehold land and building were revalued on June 8, 1998 by a former employee of the Association at an open market value of \$5,782,200. The directors have agreed to carry the property at the appraised value. The revaluation surplus arising from the revaluation amounted to \$2,269,211, which has been credited to revaluation reserve.

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**19. Staff pension fund**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Investment</b>		
Opening balance	2,074,982	1,824,884
Interest earned	146,181	148,979
Contributions	92,347	101,119
<b>Less:</b> payments to staff from Guardian Asset	(18,596)	-
	<u>2,294,914</u>	<u>2,074,982</u>
<b>Liability</b>		
<b>Fund balance</b> - beginning of year	1,982,341	1,758,518
Interest earned	157,848	148,979
Appropriation for the year	86,326	79,096
Staff contribution	17,265	15,819
	<u>2,243,780</u>	<u>2,002,412</u>
Pension payments in current year	(39,088)	(20,071)
<b>Fund balance</b> - end of year	<u>2,204,692</u>	<u>1,982,341</u>
<b>Staff pension fund (net)</b>	<u>90,222</u>	<u>92,641</u>

**20. Other assets**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Cost</b> - Arnos Vale Pavilion	68,714	68,714
<b>Less:</b> accumulated Amortisation	(68,713)	(68,713)
	<u>1</u>	<u>1</u>

The cost of Arnos Vale Pavilion is amortised on a straight-line basis at the rate of 10% per annum.

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**21. Accounts payable and accrued liabilities**

	<b>2009</b>	<b>2008</b>
	\$	\$
Deposit on properties at Mt. Pleasant	428,000	428,000
Jamaica National EMoney transfer	-	72,801
Payroll accruals	31,893	20,692
Utilities	31,217	22,396
Accrued liabilities	403,865	358,084
Amounts due to ECHMB	393,714	-
Other	-	1,178
	<u>1,288,689</u>	<u>903,151</u>

**22. Other liabilities**

	<b>2009</b>	<b>2008</b>
	\$	\$
Legal, stamp duty and registration fees received in advance	335,613	208,873
Prepayments on shares	812,080	907,339
Other deposits	639,817	440,259
	<u>1,787,510</u>	<u>1,556,471</u>

**23. Interest payable**

	<b>2009</b>	<b>2008</b>
	\$	\$
Interest levy on special deposits	5,425,706	4,729,131
Interest on special deposits	873,796	922,688
	<u>6,299,502</u>	<u>5,651,819</u>

**24. Special deposits**

	<b>2009</b>	<b>2008</b>
	\$	\$
Special deposits - members	171,295,725	181,403,235
Special deposits - related parties	401,557	345,269
	<u>171,697,282</u>	<u>181,748,504</u>

These amounts are payable on demand. Depositors are required to give three (3) months notice of their intention to withdraw funds or forfeit three months of interest.

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**25. Redeemable shares**

From inception the Association was owned and controlled by members who owned redeemable shares. These shares were classified as equity in its financial statements. This treatment was not in conformity with International Financial Reporting Standards. On December 2, 2009 a special general meeting of the Association was convened in order to authorise the issuance of permanent shares. At this meeting a resolution was passed to approve a minimum of 25 permanent shares of \$10 each for each member of the Association to be purchased by December 31, 2010.

The resolution also authorised the board of directors to transfer funds from redeemable shares or interest thereon of any member who fail to pay for the minimum 25 permanent shares by stipulated date December 31, 2010.

Redeemable shares have been included as liabilities in the current year financial statements and interest charged on these amounts are included in interest expenses.

**26. Share capital**

At a special general meeting on December 2, 2009, the Association's members authorised the issuance of permanent shares. A resolution at the meeting approved the issuance of a minimum of 25 permanent shares at \$10 each for each member. The shares are to be purchased and paid for by December 31, 2010. If the permanent shares are not acquired by that date the board of directors has been authorised to transfer funds from members' redeemable shares or interest thereon to pay for the minimum 25 permanent shares.

At the balance sheet date the Association had issued 1,020 permanent shares of \$10 each.

**27. General reserve**

Pursuant to the provisions of rule 73 of the Rules of the Association, before declaring dividends the board of Directors shall set aside such sum as they think proper as a Reserve Fund. This fund should be applicable to meet any contingencies, losses, repairs or depreciation and improvements or maintenance to which the profits of the Association may be properly applied.

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Fund Balance - beginning of year</b>	5,191,609	5,166,609
Amount transferred to general reserve	-	25,000
<b>Fund Balance - end of year</b>	<u>5,191,609</u>	<u>5,191,609</u>

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2009**  
**(Expressed in Eastern Caribbean Dollars)**

**28. Revaluation reserve**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Balance</b> - beginning of year	3,332,991	3,343,685
Amortisation of revaluation reserve	(10,694)	(10,694)
Revaluation of land (Note 17)	1,892,474	-
<b>Balance</b> - end of year	<u>5,214,771</u>	<u>3,332,991</u>

**29. Pension plan**

Pursuant to the bye-laws made under article 44 of the Rules of the Association, the Association's employees benefit from a defined contribution pension plan. The Association contributes 12.5% of the total annual pensionable emoluments with each employee contributing 2.5% to the plan. Details of benefit payments during the year and contributions received are outlined in Note 19. The pension plan fund has not been subjected to an actuarial review.

**30. Interest levy on special deposit**

Under the provisions of the Interest Levy Act, the Association is required to pay a half of one (0.5%) percent effective January 1, 2009 (1%: 2008) interest levy on special deposits, based on its average monthly balances adjusted for amounts lent for home construction in the year under review.

**31. Commitments**

At the balance sheet date the Association had the following commitments;

- a) Loans approved but not drawn down at December 31, 2009, amounted to \$1,057,363 (2008: \$2,416,756).
- b) Capital commitment in respect of acquisition of capital assets amounted to \$670,168 (2008: \$25,000).
- c) Shares matured but not paid at December 31, 2009 amounted to \$929,210 (2008: \$1,851,487).

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2009**  
**(Expressed in Eastern Caribbean Dollars)**

**32. Related parties**

**Identification of related party**

A party is related to the Association if:

- (i) Directly or indirectly the party:
  - Controls, is controlled by, or is under common control with the Association.
  - Has an interest in the Association that gives it significant influence over the Association or
  - Has joint control over the Association.
- (ii) The party is a member of the key management personnel of the Association.
- (iii) The party is a close member of the family of any individual referred to (i) or (ii).
- (iv) The party is a post-employment benefit plan for the benefit of employees of the Association or any company that is a related party of the Association.

A number of transactions have been entered into with related parties in the normal course of business.

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Mortgage loans to related parties:</b>		
Principal balances	1,420,124	1,427,972
Repayments	162,300	145,277
<b>Special deposits loans to related parties:</b>		
Principal balance	-	26,852
Interest and fines	-	136
<b>Special deposits held by related parties:</b>		
Principal balance	401,557	345,269
Amounts deposited	29,005	159,872
Amounts withdrawn	-	-
Legal fees paid to related parties	164,741	262,453

**33. Comparative figures**

Certain the comparative figures have been changed to conform with the presentation used in the current year.

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**

**ADDITIONAL INFORMATION**

**TO THE**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**(With comparative figures for 2008)**

**KPMG**  
**Chartered Accountants**

**ADDITIONAL INFORMATION**

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**ADDITIONAL COMMENTS OF INDEPENDENT AUDITORS'**

To the Directors  
St. Vincent Building and Loan Association  
Kingstown

The accompanying schedule I is presented as additional information only. In this respect, it does not form part of the financial statements of St. Vincent Building and Loan Association for the year ended December 31, 2009 and hence is excluded from the opinion expressed in our report dated May 4, 2010 to the members on such financial statements.

Chartered Accountants  
Kingstown, St. Vincent and the Grenadines  
May 4, 2010

## Schedule I

**ST. VINCENT BUILDING AND LOAN ASSOCIATION**  
**Schedule of General and Administrative Expenses**  
**For the year ended December 31, 2009**  
**With comparative figures for 2008**  
**(Expressed in Eastern Caribbean Dollars)**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Advertising and promotion	31,012	74,538
Annual General Meeting expenses	45,805	44,998
Audit fees	45,096	45,096
Bank charges	20,942	12,479
Cleaning expense	41,717	48,613
Computer consultancy	49,253	59,192
Conferences, meetings and seminars	23,663	47,440
Customer relations	12,237	51,379
Directors fees	85,000	91,800
Education and training	28,556	17,988
Electricity	122,460	145,745
General expenses	23,060	44,847
Gratuity and other staff benefits	35,587	12,400
Insurance expense	21,149	20,510
Legal and professional fees	23,795	25,825
License fees	26,500	26,500
Office expenses	32,806	34,266
Postage	9,585	5,749
Printing and stationery	55,284	58,519
Rates and taxes	12,634	11,901
Repairs and maintenance	61,831	85,497
Scholarships	140,869	152,628
Security	101,832	91,561
Severance payment	-	86,927
Strategic planning	-	65,413
Subscriptions and donations	22,476	22,036
Telephone and fax	69,037	67,602
Traveling and house allowances	81,026	63,728
Uniforms	16,339	5,850
	<b>1,239,551</b>	<b>1,521,027</b>