



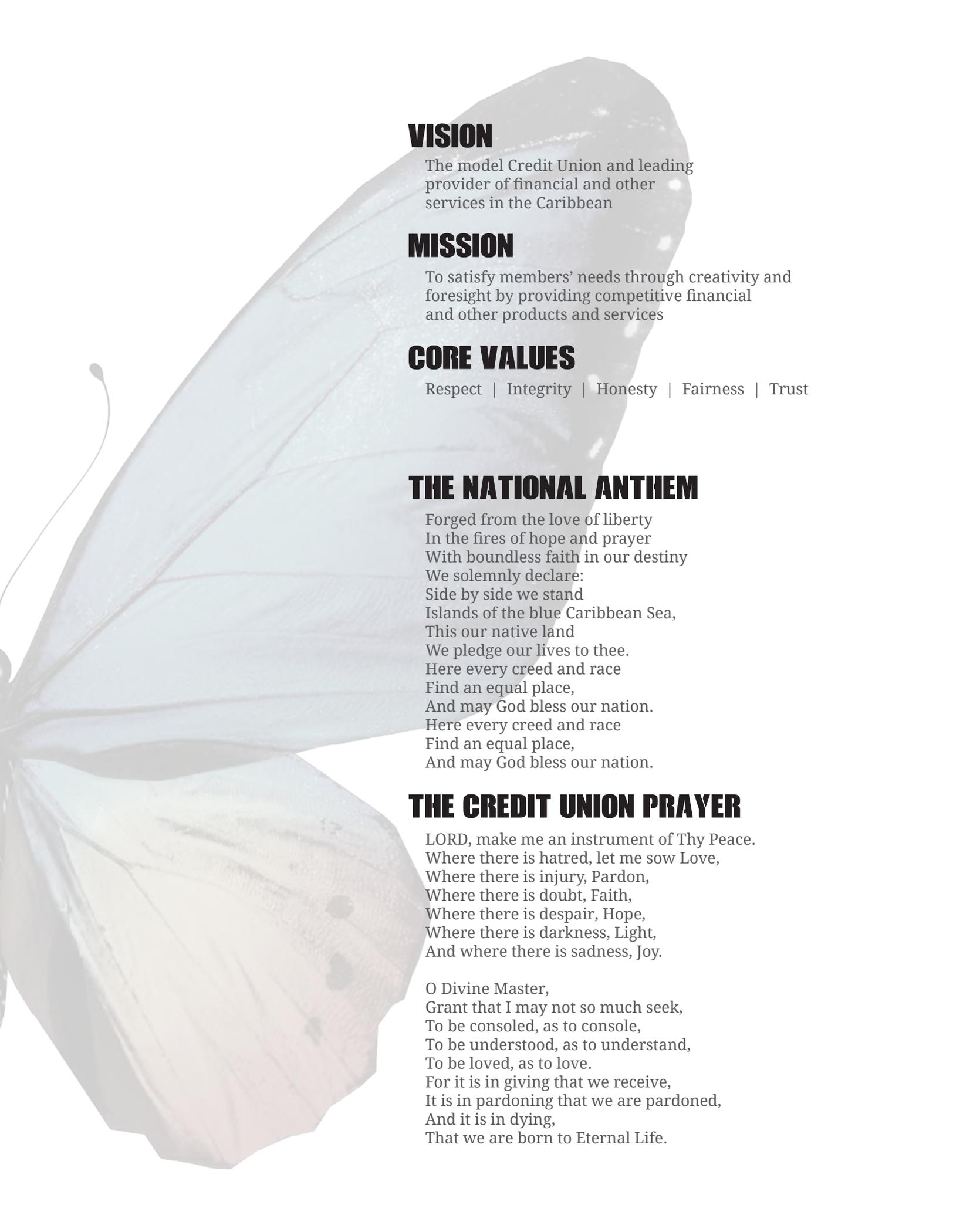
TO TAKE FLIGHT, WE ARE HARNESSING THE POWER OF  
**TRANSFORMATION**

A N N U A L   R E P O R T   2 0 1 9





*Transformation is sustained change.*



## **VISION**

The model Credit Union and leading provider of financial and other services in the Caribbean

## **MISSION**

To satisfy members' needs through creativity and foresight by providing competitive financial and other products and services

## **CORE VALUES**

Respect | Integrity | Honesty | Fairness | Trust

## **THE NATIONAL ANTHEM**

Forged from the love of liberty  
In the fires of hope and prayer  
With boundless faith in our destiny  
We solemnly declare:  
Side by side we stand  
Islands of the blue Caribbean Sea,  
This our native land  
We pledge our lives to thee.  
Here every creed and race  
Find an equal place,  
And may God bless our nation.  
Here every creed and race  
Find an equal place,  
And may God bless our nation.

## **THE CREDIT UNION PRAYER**

LORD, make me an instrument of Thy Peace.  
Where there is hatred, let me sow Love,  
Where there is injury, Pardon,  
Where there is doubt, Faith,  
Where there is despair, Hope,  
Where there is darkness, Light,  
And where there is sadness, Joy.

O Divine Master,  
Grant that I may not so much seek,  
To be consoled, as to console,  
To be understood, as to understand,  
To be loved, as to love.  
For it is in giving that we receive,  
It is in pardoning that we are pardoned,  
And it is in dying,  
That we are born to Eternal Life.



*At RHAND we embrace transformation,  
pursue progress; we are always  
finding new ways to grow.*

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A MESSAGE FROM

# THE PRESIDENT



## Our Valued Members

It is my honour to present RHAND's 72nd Annual Report and to extend greetings to you, my RHAND family, on behalf of the Board of Directors, the Supervisory and Credit Committees, other Board appointed Committees, the Management and the Staff. A special welcome our new members as we encourage you to embrace the co-operative principles and help other members (and potential members) to realize their dreams and aspirations.

We have collectively continued to ensure that RHAND excels and remains one of the top performing Credit Unions in Trinidad and Tobago and by extension the Caribbean. This is evidenced by our financial health as detailed in the financial statements herein.

In this regard, the Board continues along its transformative path to expand value creation for you our valued member, that is, providing you with appropriate products and services that meet your economic needs, and a return on your savings.

2019 upheld the domestic economic and financial landscape which challenged most financial intermediaries and especially the credit union sector. RHAND's financial performance continued

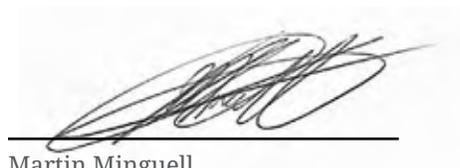
its correlation to throughput or volume transactions; interest rate on loans; and the cost of funds. It was against these variables that RHAND has been able to maintain a consistent dividend payout.

As part of our transformation path, in addition to the financial deliverables, we also continued to place focus on the strategic realignment. I am pleased to report that over the Board's 2018 – 2019 term, RHAND was engaged in significant work to synchronize the strategic plan, risk management systems and service delivery systems throughout the organization.

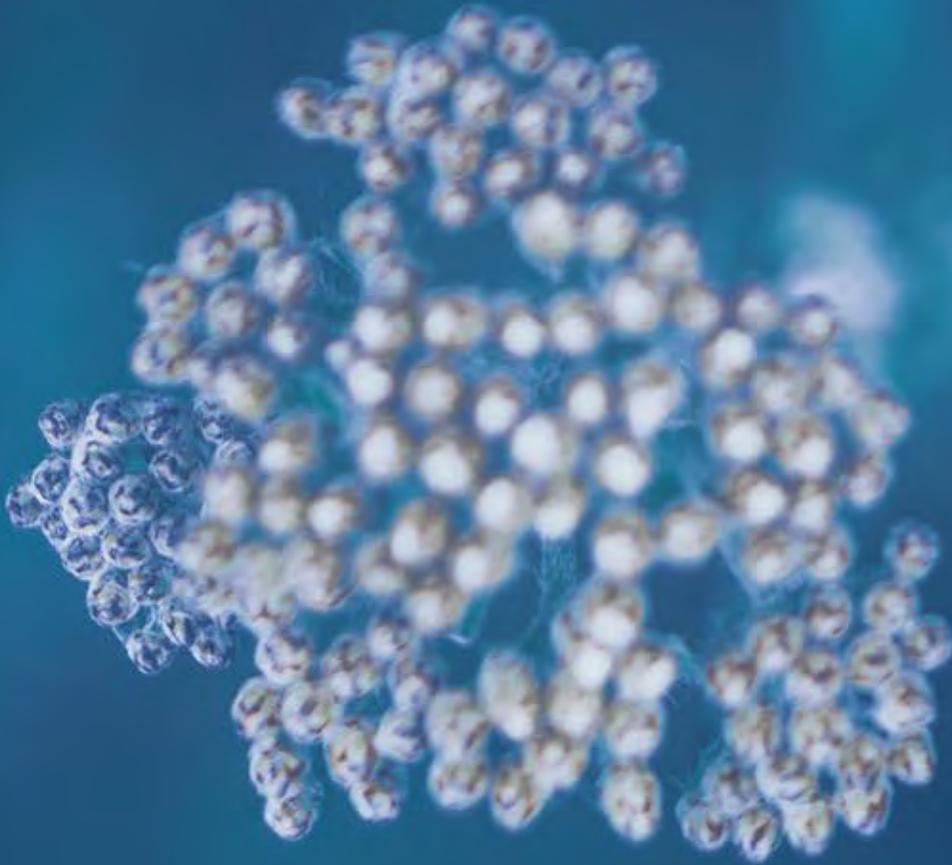
In 2019 RHAND entered a new phase of resource management as we: integrated the Strategic Plan with the Balanced Scorecard Performance Management Tool; began the expansion of our Risk Management Framework inclusive of piloting our Risk-Based Lending Framework; progressed our Human Resource restructuring and; continued to entrench the Member-Centric focus through training and coaching. Other focused accomplishments included the acquisition of new property for a new Tobago Office, the PBX upgrade, introduction of a call centre and the launch of an upgraded website.

As RHAND continues its journey to enhance your member experience, we remain cognizant of the many variables - known and unpredictable - that not only challenge our efforts but your personal lives as well. Rest assured that due diligence shall continue to be exercised in assessing and responding to every such event in a manner that safeguards the wellbeing and interests of each of you and by extension the Society.

May God continue to bless this organization, us the members and our families.

A handwritten signature in black ink, appearing to read 'Martin Minguell', is written over a horizontal line. The signature is stylized and cursive.

Martin Minguell  
**President - Board of Directors**



*The successful path to change  
is one with defined objectives  
and clear outcomes.*





# NOTICE OF THE 72<sup>ND</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 72nd Annual General Meeting of RHAND Credit Union Co-operative Society Limited will be held on Saturday, April 18, 2020 commencing at 1:00 p.m. at the following two (2) venues simultaneously

1. Trinidad - Centre of Excellence, Macoya
2. Tobago - Scarborough Library Facility, Scarborough

The Meeting will be facilitated through the linking of the two venues employing video conferencing technology.

## AGENDA

1. Adoption of the Standing Orders
2. President's Address
3. Minutes of the 71st Annual General Meeting of April 27, 2019
4. Minutes of the Special General Meeting of October 9, 2019
5. Matters Arising out of the Minutes of the General Meetings
6. Reports 2019
  - Board of Directors
  - Education Committee
  - Credit Committee
  - Supervisory Committee
  - Independent Auditors
  - Financial Statements
  - Nominating Committee
7. Election of Officers for the 2020/2021 Term
8. 2020 Quantitative Objectives, Proposed Capital Expenditure and Financial Projections
9. Amendments to the Bye Laws
10. Motions
11. Resolutions
12. Other Business

Dated this 27th day of March, 2020

BY ORDER OF THE BOARD,

Michele Rouff

**Secretary – Board of Directors**

## NOTE:

- Registration begins at 11:00 a.m.
- Only members will be allowed to enter the meeting.
- Members are required to present proper identification when registering.
- Members are asked to commit to engaging in a business meeting seeking to last no more than four (4) hours.



# STANDING ORDERS

1. A member shall stand when addressing the Chair. Speeches shall be clear and relevant to the subject before the meeting.
2. A member shall address the meeting when called upon by the Chairman to do so, after which he shall immediately take his seat.
3. No member shall address the meeting except through the Chairman.
4. A member's contribution should not exceed three (3) minutes
5. A member may not speak twice on the same subject, except:
  - (a) The mover of a motion – who has the right to reply.
  - (b) He rises to object or to explain (with the permission of the Chair).
6. No speeches shall be made after the “question” has been put and carried or negatived.
7. The mover of a “procedural motion” – (adjournment, lay on the table, motion to postpone) shall have no right to reply.
8. A member rising on a “point of order” shall state the point clearly and concisely. (A point of order must have relevance to the Standing Orders).
9. A member shall not “call” another member “to order” but may draw the attention of the Chairman to a “breach of order”. On no account can a member call the Chairman “to order”.
10. Only one amendment shall be before the meeting at one and the same time.
11. When a motion is withdrawn, any amendment to it falls.
12. The Chairman shall have the right to a “casting vote”.
13. If there is an equality of voting on an amendment and if the Chairman does not exercise his casting vote, the amendment is lost.
14. Provision shall be made for the protection of the Chairman from vilification (personal abuse).
15. No member shall impute improper motives against another.
16. No electronic recording of the proceedings shall be allowed without the permission of the Chairman.



COMPOSITION OF

# THE BOARD OF DIRECTORS AND STATUTORY COMMITTEES 2019-2020

## BOARD OF DIRECTORS



**MARTIN MINGUELL**  
PRESIDENT



**EMMANUEL WALKER**  
VICE-PRESIDENT



**MICHELE ROUFF**  
SECRETARY



**MARTIN GIBBS**  
ASSISTANT SECRETARY



**REYNOLD COOPER**  
TREASURER



**JOYCELYN HUNTE**  
DIRECTOR



**SIMONE HUGGINS**  
1ST SUBSTITUTE

# COMPOSITION OF **THE BOARD OF DIRECTORS AND STATUTORY COMMITTEES 2019-2020**



**GLEND A BRUCE**  
DIRECTOR



**PETAL-DAWN HINKSON**  
DIRECTOR



**ANDREA BORNEO-RAGOO**  
DIRECTOR



**MYRTLE PILGRIM-EDWARDS**  
DIRECTOR



**DAVID MAYNARD**  
DIRECTOR



**CHARLENE DAVIDSON**  
DIRECTOR



**DAVE WILLIAMS**  
2ND SUBSTITUTE



COMPOSITION OF

# THE BOARD OF DIRECTORS AND STATUTORY COMMITTEES 2019-2020

## CREDIT COMMITTEE



**JENNIFER JAMES**  
CHAIRPERSON



**SUSAN HINDS MORGAN**  
SECRETARY



**ESME FORDE**  
MEMBER



**LENUS JOSEPH**  
MEMBER



**PATRICIA HARRY**  
MEMBER



**VICTOR KIRTON**  
1ST SUBSTITUTE



**DON FINLEY**  
2ND SUBSTITUTE

COMPOSITION OF  
**THE BOARD OF DIRECTORS AND  
STATUTORY COMMITTEES 2019-2020**



**SUPERVISORY COMMITTEE**



**CLAUDETTE BROWN**  
CHAIRPERSON



**PAMELA OGISTE**  
SECRETARY



**PATRICIA WILLIAMS**  
MEMBER



**ERICA CHARLES**  
MEMBER



**ANCIL FORDE**  
MEMBER

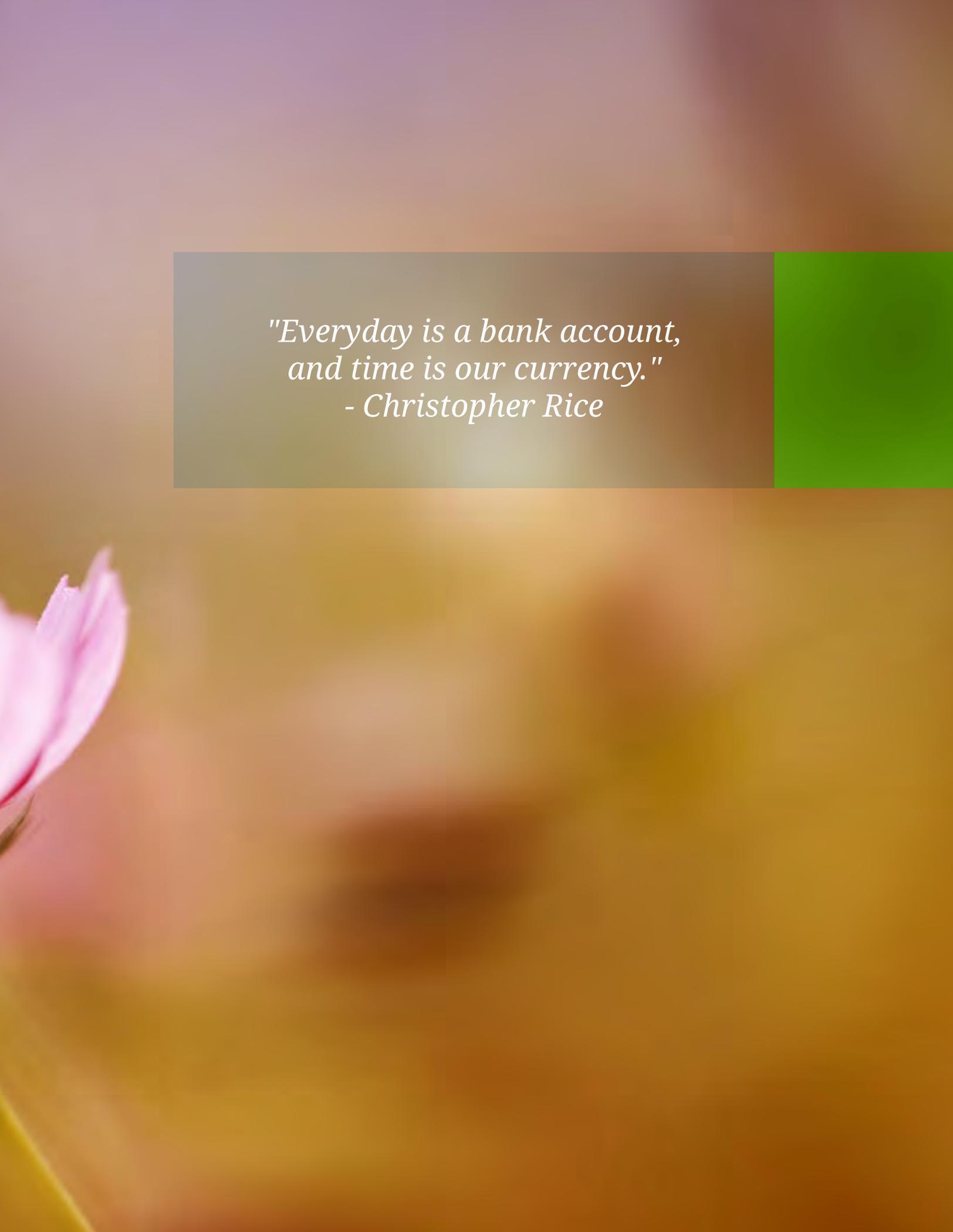


**NADINE ELLIS**  
1ST SUBSTITUTE



**LINDA RENAUD-MEDFORD**  
2ND SUBSTITUTE





*"Everyday is a bank account,  
and time is our currency."  
- Christopher Rice*



MINUTES OF  
**THE 71<sup>ST</sup> ANNUAL  
GENERAL MEETING**



# MINUTES OF **THE 71<sup>ST</sup> ANNUAL GENERAL MEETING**

Held on Saturday, April 27, 2019, simultaneously at the Centre of Excellence, Macoya, Trinidad and the Scarborough Library Facility, Scarborough, Tobago facilitated through the linking of the two venues employing video conferencing technology.

## **1. INTRODUCTION**

- 1.1 The meeting commenced at 1:15 p.m., and the Convener and Vice President, Mr. Emmanuel Walker, welcomed everyone. He noted that, through video conference, the meeting was being held at two venues simultaneously, one being at the Centre of Excellence, Macoya, Trinidad (the Trinidad Venue) and the other at the Scarborough Library Facility, Scarborough, Tobago (the Tobago Venue). He invited those in attendance to stand for the playing of the National Anthem and the recitation of the Credit Union Prayer.
- 1.2 Reverend Clifford Rawlins conducted the invocation and thereafter one minute of silence was observed for those members who departed this life since the date of the last Annual General Meeting (AGM).
- 1.3 Thereafter, the Secretary, Mr. Martin Gibbs, was invited to read the Notice convening the meeting.

## **2. NOTICE OF MEETING AND ADOPTION OF STANDING ORDERS**

- 2.1 The Secretary read the Notice convening the meeting and reported that notice was duly given and that a quorum being present, the meeting was duly constituted and could proceed to business. Members were reminded of the recent amendment to the Bye-Laws whereby a quorum for the meeting was increased to two hundred (200) persons. At this point, four hundred and ten (410) members were present at the meeting with there being three hundred and fifty-three (353) members present at the Trinidad Venue and fifty-seven (57) at the Tobago Venue.
- 2.2 The Standing Orders were duly adopted by the meeting on a motion of Ms. Erica Charles and seconded by Mr. Kingsley Hinkson. The motion was put to the vote and carried.
- 2.3 The Secretary asked members to note the contents of the Errata Sheet, after which they duly agreed to a proposal for the 2018 Annual Report to be taken as read.

## **3. PRESIDENT'S ADDRESS**

- 3.1 The Chairman, Mr. Martin Minguell, took the Chair and greeted everyone. He asked members to note his address that was printed on pages 7 and 8 of the Annual Report.
- 3.2 With respect to the Annual Report, he referred to the Errata Sheet and advised as follows:
  - In the Notice of Meeting, the following amendments were proposed:
    - In Item 3, the date "March 19" should be replaced with "March 24";
    - In Item 6, replace the words "70th Annual General Meeting" with the words "General Meetings".

# MINUTES OF **THE 71<sup>ST</sup> ANNUAL GENERAL MEETING**



- In Table 7 on page 48 of the Annual Report:
  - the figure “\$3,344,483” recorded for Investment Income for 2016 should be replaced with “\$3,586,648”;
  - the figure “\$1,793,649” recorded for Other Income for 2016 should be replaced with “\$1,551,483”, and
  - the figure “\$27,657,779” recorded for Total Expenses for 2016 should be replaced with “\$27,070,065”.
- 3.3 In addition to the Errata Sheet, the following other suggestions for amendment were acknowledged:
  - Replace, on the Balance Sheet on page 79, the head “LIABILITIES AND MEMBERS’ EQUITY” with “LIABILITIES AND INSTITUTIONAL CAPITAL”;
  - Under the head “Total Liabilities” on the Balance Sheet, delete the lower case “s” at the end of “Reserve Funds” and “Education Funds”;
  - In terms of the Budgeted figures for 2018, the figure for Total Income should be \$49,685,737 and not \$49,766,984.
- 3.4 The meeting agreed to the above amendments proposed for the Annual Report.

## **4. CONFIRMATION OF MINUTES OF:**

### **THE 70TH ANNUAL GENERAL MEETING HELD ON THE 24TH MARCH, 2018**

- 4.1 The minutes of the 70th AGM were tabled for the consideration of meeting. The meeting confirmed the above minutes after a motion of Ms. Margaret Ashby, a Retiree, which was seconded by Mr. Dave Williams, also a Retiree, without any amendments.

### **RECONVENED 70TH ANNUAL GENERAL MEETING HELD ON THE 19TH APRIL, 2018**

- 4.2 The minutes of the Reconvened 70th Annual General Meeting were tabled for the consideration of the meeting. Members confirmed the above minutes without any amendments after a motion of Ms. Donnis Bourne of the Ministry of Education which was seconded by Ms. Margaret Ashby, a Retiree.

### **1ST SPECIAL MEETING HELD ON THE 23RD AUGUST, 2018**

- 4.3 The minutes of the above Special Meeting were tabled for the consideration of the members. The members confirmed the above minutes without any amendments after a motion of Ms. Susan Hinds-Morgan of the Agricultural Development Bank and seconded by Mrs. Jennifer George-Anderson.

## **5. MATTERS ARISING OUT OF THE MINUTES OF:**

### **THE 70TH ANNUAL GENERAL MEETING**

- 5.1 There were no matters arising out of the Minutes of the above Meeting.



# MINUTES OF **THE 71<sup>ST</sup> ANNUAL GENERAL MEETING**

## **RECONVENED 70TH ANNUAL GENERAL MEETING**

5.2 There were no matters arising out of the Minutes of the above Meeting.

## **SPECIAL MEETING HELD ON THE 23RD AUGUST, 2018**

5.3 There were no matters arising out of the Minutes of the above Meeting.

5.4 Mr. David Maynard, a self-employed Management Consultant, advised that he did not attend the above meeting but he became aware of what transpired at same a few weeks ago. Being concerned about the decisions taken at the meeting, he said the he wrote a letter dated the April 9, 2019 in that regard to the Secretary, Board of Directors. He accused “a minority grouping of individuals” at the level of the Board (the minority group) of treating with his correspondence without putting same before the full Board for consideration. He was of the view that the above action of the minority group constituted a conflict of interest and, further, it was ultra vires the Society’s Bye-laws. As such, he asked the membership “to register a strong vote of no confidence” in the minority group.

5.5 Members did not express an interest in what Mr. David Maynard had to say; as such, the Chairman, after scanning the floor for interest by members in the matter so raised and not finding any, moved to the next Item on the Agenda.

## **6. REPORTS**

### **REPORT OF THE BOARD OF DIRECTORS**

6.1 The Report of the Board of Directors was tabled for the consideration of the meeting.

6.2 Members were satisfied with the above Report and they did not seek any explanation regarding its contents.

6.3 At this point, the Report of the Education Committee was considered. The Vice President invited Ms. Andrea Borneo-Ragoo to give the members an insight into the workings and goals of the Society’s Youth Committee. Ms. Borneo-Ragoo advised as follows:

- The Youth Committee was being developed at RHAND; it was seen as a source for new membership as well as for its future leaders;
- The Youth Committee will assist the Society in achieving its vision and mission by engaging and involving all of the young members in co-operative activities;
- The Youths already represent 15 percent of the Society’s membership, they are responsible for 13 percent of the loan business and their contribution to share capital is 8 percent at the present time. As such, it was felt that the Youths will present a wonderful opportunity to the Society in meeting its strategic and other financial goals.

# MINUTES OF **THE 71<sup>ST</sup> ANNUAL GENERAL MEETING**



- 6.4 The Report of the Education Committee was noted by the membership. In addition, the Report of Board of Directors was adopted by the meeting after a motion of Ms. Pamela Ogiste which was seconded by Ms. Charlene Davidson. The motion was put to the vote and carried.

## **REPORT OF THE CREDIT COMMITTEE**

- 6.5 The Report of the Credit Committee was tabled for the consideration of the meeting. Ms. Jennifer James, the Chairperson of the above Committee, was invited to present the said Report and she did so.
- 6.6 Members were satisfied with the above Report and they did not seek any explanation regarding its contents. As such, the Report of Credit Committee was adopted by the meeting after a motion of Mr. Ancil Forde which was seconded by Mr. Dave Williams. The motion was put to the vote and carried.

## **REPORT OF THE SUPERVISORY COMMITTEE**

- 6.7 The Report of the Supervisory Committee was tabled for the consideration of the meeting. Ms. Patricia Williams, the Chairperson of the above Committee, was invited to present the said Report and she did so. She asked the meeting to replace at paragraph 6.9 the heading styled “Review of the Compliance with the Proceeds of Crime Act (2000)” with “Examination of the Fixed Assets”.
- 6.8 Members were satisfied with the above Report and they did not seek any explanation regarding its contents. As such, the Report of Supervisory Committee was adopted by the membership after a motion of Ms. Esme Forde, a Retiree, and which was seconded by Ms. Joycelyn Hunte. The motion was put to the vote and carried.

## **AUDITORS’ REPORT**

- 6.9 Mr. Robert Alleyne, a Partner of Messrs. KPMG, Chartered Accountants, was invited by the Chairman to present the Auditors’ Report and he did so. In the Report, the Auditors expressed the opinion that “the financial statements presented fairly, in all material respects, the financial position of the Credit Union as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards”. As such, the above financial statements were not qualified in any way.
- 6.10 One member noted the date of the Audit Report and said that it was a little outside the two-month period of the end of a financial year within which audited financial statements were to be produced. He sought the reasons for the above delay, and, going forward, he asked what can be done by the Society to have its financial statements produced within the statutory time frame. In reply, Mr. Alleyne said that an episodic event took place in 2018 with the implementation of the Accounting Standard, IFRS 9. The implementation of IFRS 9, he said, proved to be challenging to several financial institutions because it entailed, inter alia, the building of a model to determine credit losses on members’ loans as well as looking at the investment portfolio. He expressed the view that the Society had come up with a robust model which ought to work well in its preparation of the financial statements into the future. As an example of the complexity of the model and the detailed work and other disclosures involved in same, he invited the member to have a look at the Notes to the Financial Statements contained in the Annual Report.



# MINUTES OF THE 71<sup>ST</sup> ANNUAL GENERAL MEETING

- 6.11 Thereafter, the meeting duly adopted the above Report after a motion of Mr. Al George of Trinidad and Tobago Fire Service which was seconded by Ms. Monica Richards, a Retiree. The motion was put to the vote and carried. Mr. Alleyne was excused from the meeting at this point.

## FINANCIAL STATEMENTS

- 6.12 The Financial Statements of the Society for the year ended the 31st December, 2018 were tabled for the consideration of the meeting. The Treasurer, Mr. R. Cooper, in a brief PowerPoint presentation, said that its theme was “Charting the Path to Maximized Wealth”. Here, he said, the word “wealth” referred to “wealth for RHAND’s membership”. For 2020, he said that the Credit Union intended to:

- Further develop the “RHAND Brand”. That is, the Society wanted to build and strengthen its relationship with members, especially the new ones, by offering better products and services.
- Enhance investments. In so doing, the Society intended to diversify its range of financial products. For example, the Society proposed to incorporate a subsidiary to deal primarily with Wealth Management. He expressed confidence that the said subsidiary will generate better financial returns for the Society and this will redound, ultimately, to the benefit of the membership.
- Improve the member experience while either visiting or conducting business with the Society.

- 6.13 Thereafter, he gave an overview of financial performance of the Society during the last financial year; he mentioned, inter alia, the following:

- The Credit Union has been growing at an average rate of 5.54 percent over the last five years. For the year ended the 31st December, 2018, the Society recorded growth in assets of \$24,198,165 or 3.89 percent, a slight decline when compared with the figure for the prior year.
- There was a decline in the loan portfolio; it stood at \$400m at year end compared with \$409m in the prior year.
- As at the 31st December, 2018, the delinquency ratio for all loans was 7.11 percent, compared with a ratio of 6.27 percent in the prior year.
- Total expenses stood at \$30,329,483 as at 31st December compared with \$27,004,710 in the prior year.
- Total Share Capital stood at \$395,379,647 as at 31st December, 2018; this represented an increase of \$11,825,714 over the figure of \$383,553,933 in the prior year.
- The Operating Surplus and Comprehensive Income for the period was \$21m and \$16m respectively.

- 6.14 Questions raised by members dealt with the following matters:

- Bonus shares paid to those members in attendance at the AGM;
- In light of the proposed incorporation of a Wealth Management subsidiary, whether or not the Credit Union will be trading in the United States (US) currency market and thereby making US dollars available to the membership?
- Bearing in mind the proposals made for technological upgrades by the Society, will there be an



# MINUTES OF THE 71<sup>ST</sup> ANNUAL GENERAL MEETING

attendant cost to same? Will the Credit Union have its own Automated Teller Machines (ATMs)?

In response to the question regarding ATMs, the member was informed that the Credit Union was partnering still with LINCUC and she was advised to take full advantage of the card facility.

6.15 Following upon discussions of the above-mentioned matters to the satisfaction of the membership, the Financial Statements were adopted after a motion of Ms. Monica Richards, a Retiree, and seconded by Ms. Margaret Ashby, also a Retiree. The motion was put to the vote and carried.

## 7. ELECTION OF OFFICERS FOR THE 2019/2020 TERM - REPORT OF THE NOMINATING COMMITTEE

7.1 The Report of the Nominating Committee was tabled for the consideration of the meeting. Ms. Debra D'Abreau, the Chairperson of the Committee, was invited to present the said Report and she did so. In addition, there was a presentation done by video.

7.2 The meeting adopted the said Report after a motion of Ms. Jenifer George-Anderson which was seconded by Mr. Derrick Alleyne, a Retiree. The motion was put to the vote and carried.

7.3 Following the adoption of the Report of the Nominating Committee, the Chairman vacated the Chair and the Returning Officer, Mrs. Daphne Moore, took same. The Returning Officer explained the voting process to members, the number of persons for whom one may vote regarding the Board of Directors and the Committees and advised that the ballots will be counted electronically at this meeting. She explained further to members the rules and processes involved in having the ballots processed and counted.

7.4 Ballot papers were distributed and members cast their vote.

7.5 The following persons were elected to the Board of Directors, the Credit and the Supervisory Committees:

### **Board of Directors**

Reynold Cooper

Martin Gibbs

Charlene Davidson

Joycelyn Hunte

Simone Huggins

First Substitute

Dave L. Williams

Second Substitute

### **Credit Committee**

Susan Hinds-Morgan

Patricia E. Harry

Victor Kirton

First Substitute

Don Finley

Second Substitute



# MINUTES OF **THE 71<sup>ST</sup> ANNUAL GENERAL MEETING**

## **Supervisory Committee**

Patricia Williams

Erica Charles

Nadine O. Ellis

First Substitute

Linda Renaud-Medford

Second Substitute

7.6 A motion for the destruction of the ballots, physically and electronically, was moved by Mr. Cyril Gulston and seconded by Mrs. Umilta Ingrid Roberts-Henry. It was put to the vote and carried.

7.7 The Returning Officer vacated the Chair and the Chairman assumed same once again.

## **8. 2019 QUANTITATIVE OBJECTIVES, PROPOSED CAPITAL EXPENDITURE AND FINANCIAL PROJECTIONS**

8.1 After being tabled, Mr. Cooper presented the Financial Projections and Capital Expenditure Budget of the Society for 2019. There was no discussion on the above presentation.

8.2 A motion for the approval of the Financial Projections and Proposed Capital Expenditure Budget for 2019 was moved by Ms. Esme Forde and seconded by Ms. Erica Charles of the Government Printery. The motion was put to the vote and carried.

## **9. AMENDMENT TO THE BYE-LAWS OF THE SOCIETY**

9.1 The Chairman advised that there was no business to be dealt with under the above head.

## **10. MOTIONS**

10.1 The Chairman advised that a Motion was received, pursuant to Bye-Law 16(b), from Mr. David Maynard. Upon receipt and after due consideration of same, Mr. David Maynard was advised in writing that the Motion could not be entertained at all since it was ultra vires the Bye-Laws of the Credit Union. As such, the Chairman confirmed the above ruling.

10.2 The Chairman advised further that no other matters were presented under the above head for discussion.

## **11. RESOLUTIONS**

11.1 The following Resolutions were tabled for the consideration of members:

### **RESOLUTION FOR THE ESTABLISHMENT AND REGISTRATION OF A WEALTH MANAGEMENT SUBSIDIARY**

The above Resolution, which was printed on a Hand Bill and circulated to members, was tabled for

# MINUTES OF **THE 71<sup>ST</sup> ANNUAL GENERAL MEETING**



discussion by the meeting; it was taken as read following a motion of Ms. Margaret Ashby and seconded by Mr. Dave Williams. The Resolution was concerned at this point with authorizing the Board of Directors to commence “Step One” of a four-part process to operationalize a Wealth Management Subsidiary of the Credit Union. The Resolution was read and discussed by the membership; its operative part stated, in part, as follows:

- “That this 71<sup>ST</sup> Annual General Meeting authorize the Board of Directors to commence Step One of the four-step process to operationalize the Wealth Management Subsidiary, and
- That the purpose of this Subsidiary [shall be] to engage in activities to create wealth for its parent, RHAND Credit Union”.

After discussion, a motion for the acceptance of the Resolution was moved by Mr. Reynold Cooper and seconded by Mr. Kristed Herbert. The Resolution was put to the vote and carried.

## **APPOINTMENT OF AUDITORS**

That the firm of Chartered Accountants, KPMG, be appointed as the Auditors of the Society for the financial year ending the 31<sup>st</sup> December, 2019.

The Resolution was moved by Mr. Reynold Cooper and seconded by Ms. Shirleen Williams. It was put to the vote and carried.

## **BUILDING FUND**

That, pursuant to Bye-Law 15(h)(x), the sum of \$750,000 be allocated from the surplus for the year ended December 31, 2018 to the Building Fund.

The Resolution was moved by Mr. Reynold Cooper and seconded by Ms. Shirleen Williams. It was put to the vote and carried.

## **DIVIDEND ON SHARES**

That a dividend of 3.0 percent on the average monthly share balance held by each member for the year ended December 31, 2018 be declared for the year ended December 31, 2018 and that the proceeds of this dividend be credited to the Share Savings and Savings Deposit Accounts of each member by way of credit of 30 percent and 70 percent respectively of the entitlement for each member.

The Resolution was moved by Mr. Reynold Cooper and seconded by Ms. Shirleen Williams. It was put to the vote and carried.

## **PATRONAGE REFUND**

That a Patronage Refund of 1.5 percent on the interest paid on the loans of members in 2018, where



# MINUTES OF **THE 71<sup>ST</sup> ANNUAL GENERAL MEETING**

the loans are less than 90 days past due, for the year ended December 31, 2018 be declared for the year ended December 31, 2018.

Where the loans are less than 30 days past due, the proceeds of this refund shall be credited to the Savings Deposit Accounts of each qualified member.

Where the loans are more than 30 days but less than 90 days past due, the proceeds of this refund shall be credited to the loan of each qualified member.

The Resolution was moved by Mr. Reynold Cooper and seconded by Ms. Shirleen Williams. It was put to the vote and carried.

## **HONORARIA**

That Honoraria in the gross sum of \$275,260, (being \$206,445 net of income tax liability), be declared for the year ended December 31, 2018.

The Resolution was moved by Mr. Reynold Cooper and seconded by Ms. Shirleen Williams. It was put to the vote and carried.

## **12. OTHER MATTERS**

- 12.1 One member asked whether part of the proceeds of the Building Fund can be used to reimburse the release fees paid to the Police Service by those members whose motor vehicles were wrecked by the wrecker while conducting business with the Society. The Chairman promised to look into the matter; he intimated that relief from the above issue was forthcoming.
- 12.2 Another member expressed the view that the deductible for group insurance cover for her husband and herself was pitched too high by the Insurer. The Chairman advised that the Group Insurance made available to members was receiving the attention of the Board.
- 12.3 There being no other matters, the meeting ended at 4:53 p.m. The Chairman wished everyone a safe journey home.

**Respectfully submitted,**

**Secretary - Board of Directors**

*“Success comes down to choosing the hard right  
over the easy wrong. Consistently.”  
— Rory Vaden*





MINUTES OF  
**SPECIAL GENERAL  
MEETING**



# MINUTES OF **SPECIAL GENERAL MEETING**

**Held on Wednesday, October 9, 2019, simultaneously on the Rooftop of RHAND Credit Union, 57-61 Abercromby Street, Port of Spain, Trinidad and the Scarborough Library Facility, Scarborough, Tobago, facilitated through the linking of the two venues employing video conferencing technology.**

## **1. INTRODUCTION**

1.1 The meeting commenced at 5:24 p.m., and the Convener welcomed everyone. He noted that, through video-link, the meeting was being held simultaneously at two venues, one at the Society's offices at 57-61 Abercromby Street, Port of Spain, Trinidad (the Trinidad Venue) and the other at the Scarborough Library Facility, Scarborough, Tobago (the Tobago Venue). He invited those in attendance to stand for the singing of the National Anthem. Thereafter, members recited the Credit Union Prayer.

1.2 The Secretary, Ms. Michele Rouff, was invited to read the Notice convening the meeting.

## **2. NOTICE OF MEETING AND ADOPTION OF STANDING ORDERS**

2.1 The Secretary read the Notice convening the meeting and reported that notice was duly given and that a quorum being present, the meeting was duly constituted and could proceed to business. There were two hundred and twenty-seven (227) members present at this point, with there being one hundred and fifty-seven (157) members at the Trinidad Venue and seventy (70), at the Tobago Venue.

2.2 The Standing Orders were duly adopted by the meeting on a motion of Ms. Joycelyn Hunte and seconded by Ms. Petal-Dawn Hinkson. The motion was put to the vote and carried.

## **3. PRESIDENT'S ADDRESS**

3.1 The Chairman, Mr. Martin Minguell, greeted everyone. He confirmed that the main Item on the Agenda was concerned with the appointment of Auditors for the Financial Year ending December 31, 2019. He explained the root cause for the meeting. That is, at the Annual General Meeting held earlier in the year, the membership, by Resolution, approved the appointment of Messrs. KPMG, Chartered Accountants, to be the Auditors of the Society for the financial year ending December 31, 2019. After being notified of the appointment, Messrs. KPMG, by letter dated August 19, 2019, advised that the firm was no longer interested in serving as Auditors of the Society for the said financial year. As such, the Audit Committee conducted a search and recommended that Messrs. BDO, a firm of Chartered Accountants, be appointed as Auditors to replace Messrs. KPMG for the same period. The Board of Directors considered the above recommendation and agreed with same. The Board of Directors has called this Special General Meeting, as required by the Bye-Laws, for the membership to sanction its recommendation of Messrs. BDO to serve as Auditors in the circumstances.

3.2 The Resolution for the appointment of Messrs. BDO to serve as Auditors was read. The operative part of the Resolution stated, in part, as follows:

"That this Special General Meeting rescind the decision taken at the 71st Annual General Meeting ... to appoint the firm of Chartered Accountants, KPMG, as the Auditors of the Society for the financial year ending December 31, 2019 and appoint instead the firm of Chartered Accountants, BDO, as the Auditors for the same period".

# MINUTES OF **SPECIAL GENERAL MEETING**



- 3.3 The Chairman moved the said Resolution and it was seconded by Mr. Martin Gibbs. Before putting the resolution to the vote, the Chairman opened the floor for questions by the membership.
- 3.4 One member asked for the names of the partners of Messrs. BDO to be stated and, also, what does the acronym “BDO” mean? He asked further whether or not Messrs. BDO have the capacity to complete the audit within the statutory framework.
- In response, the member was advised that the words “BDO” stood for “Binder Dijker Otte”. Messrs. BDO are a firm of Chartered Accountants; they are approved to do business in this jurisdiction by ICATT, the local governing body. The member was advised further that Messrs. BDO, in their proposal, have committed themselves to complete the audit within the time specified by the Society.
- 3.5 Another member expressed the view that the Board of Directors were discourteous to the membership, in that a proper résumé of the Auditors was not presented and the Resolution was read at the meeting.
- 3.6 Other questions raised by the membership included:
- Whether or not Messrs. BDO were on the list of Auditors approved by the Commissioner for Co-operative Development.
  - Why wasn’t the Resolution before the meeting printed and distributed to the membership in good time before the meeting?
- 3.7 Members were informed by a representative of the Co-operative Department that Messrs. BDO were vetted and screened by the Department before being placed on its List of Approved Auditors. BDO is a local firm and its place of business is located at the CIC Building, 122 -124 Frederick Street, Port of Spain. BDO has done audits for institutions including Venture Credit Union, AIC Finance Limited, the Caribbean Court of Justice and Caribbean Community Secretariat.
- 3.8 The Resolution was put to the vote and carried. Three members voted against the Resolution.
- 4.0 OTHER MATTERS**
- 4.1 There was a draw for the door prizes.
- 4.2 There being no other business, the meeting ended at 6:37 p.m. The Chairman thanked the members for attending and wished them a safe journey home.

**Respectfully submitted,**

**Secretary - Board of Directors**



REPORT OF  
**THE BOARD OF  
DIRECTORS**



# REPORT OF **THE BOARD OF DIRECTORS**

## **1. INTRODUCTION**

- 1.1 The Board of Directors is pleased to present to the general membership, its Report on the affairs of RHAND Credit Union Co-operative Society Limited for the year ended December 31, 2019.

## **2. COMPOSITION OF THE BOARD OF DIRECTORS**

- 2.1 The following Members were elected to the Board of Directors at the 71st Annual General Meeting held on Saturday, April 27, 2019.

Mr. Reynold Cooper

Mr. Martin Gibbs

Ms. Joycelyn Hunte

Ms. Charlene Davidson

- 2.2 Ms. Simone Huggins was elected as the 1st Substitute Member while Col. Dave Williams was elected as the 2nd Substitute Member.

- 2.3 The full Board comprised the following Members (listed in alphabetical order):

Andrea Borneo-Ragoo

Glenda Bruce

Reynold Cooper

Charlene Davidson

Martin Gibbs

Petal-Dawn Hinkson

Simone Huggins

Joycelyn Hunte

David Maynard

Martin Minguell

Myrtle Pilgrim-Edwards

Michele Rouff

Emmanuel Walker

Dave Williams

- 2.4 The term of office of Directors – Mrs. Michele Rouff, Ms. Glenda Bruce, Mr. Emmanuel Walker and Mrs. Andrea Borneo-Ragoo comes to an end at this 72nd Annual General Meeting.

## **3. EXECUTIVE COMMITTEE**

- 3.1 As mandated by the Byelaws, at the Inaugural Meeting the Members of the Board elected an Executive Committee. The Executive Committee for the 2019/2020 Term comprised the following:



# REPORT OF **THE BOARD OF DIRECTORS**

Martin Minguell - President  
 Emmanuel Walker - Vice President  
 Michele Rouff - Secretary  
 Martin Gibbs - Assistant Secretary  
 Reynold Cooper - Treasurer

2. In order to discharge its responsibility during the period under review, the Executive Committee met weekly and whenever necessary for a total of forty-six (46) meetings.

#### 4. MEETINGS OF THE BOARD OF DIRECTORS

4.1 The Board held twelve (12) Regular and seven (7) Special meetings during the period January 1, 2019 to December 31, 2019. Attendance of Members at Board Meetings is detailed at **Table B1**.

**Table B1: Attendance At Board Meetings**

	REGULAR			SPECIAL			REMARKS
	P	Ex	A	P	Ex	A	
Martin Minguell	12	-	-	7	-	-	
Emmanuel Walker	12	-	-	7	-	-	
Michele Rouff	10	2	-	5	-	-	Out of the Country
Martin Gibbs	12	-	-	7	-	-	
Reynold Cooper	12	-	-	6	-	-	
Glenda Bruce	12	-	-	6	-	-	Out of the Country
Andrea Borneo-Ragoo	11	1	-	6	-	-	
Charlene Davidson	8	3	1	6	-	-	
Petal Dawn Hinkson	7	5	-	5	-	-	
Joycelyn Hunte	9	3	-	5	-	-	
David Maynard	11	1	-	6	-	-	
Myrtle Pilgrim Edwards	8	4	-	5	-	-	
Simone Huggins	8	-	-	4	-	-	Elected as 1st Alternate at 2019 AGM
Dave Williams	3	3	2	2	1	1	Elected as 2nd Alternate at 2019 AGM
Kedron Duke	4	-	-	3	-	-	End of Term in Office as a Director
Kristed Herbert	4	-	-	2	-	-	End of Term in Office as 1st Alternate

#### 5. MEMBERSHIP

5.1 During the year 2019, six hundred and fifteen (615) Adults and twenty-nine (29) Youth Applicants were admitted to Membership. A total of one hundred and three (103) members, excluding the one hundred and ten (110) Members who died (**Appendix 1**), ceased membership in 2019. As at December 31, 2019, the total membership compliment of RHAND Credit Union stood at 20,598.

5.2 The Members of the Board of Directors, Members of the Statutory Committees, Management and Staff of RHAND Credit Union, wish to extend condolences to the family and friends of the above deceased members of the extended RHAND family.



# REPORT OF **THE BOARD OF DIRECTORS**

## 6. GLOBAL MACROECONOMIC ENVIRONMENT OVERVIEW

- 6.1 Towards the end of 2019, the International Monetary Fund's (IMF) Growth forecast for global growth adjusted down to 3.0 per cent, 0.2 per cent below its mid-year estimate. Political developments in the United Kingdom and United States have added to policy uncertainty in these major countries, including on the trade front. Meanwhile, the US Federal Reserve cut the Federal funds rate by 25 basis points in October 2019, the third reduction in six months, prompting monetary easing in several Latin American countries such as Brazil, Chile, Mexico and Peru. (<https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020>)
- 6.2 The IMF echoed sentiments of global growth at an estimated 3.3% in 2020 and 3.4% in 2021 from and to the estimated 2.9% in 2019. Growth will be mainly predicated on relatively healthy emerging market economies maintaining a robust performance despite slow growth in advanced economies. Emerging markets and developing economies are expected to see a 4.4% uptick in 2020, offsetting weaker prospects in the US and European economies, 2.0% and 1.3% respectively, over the same period. The effects of substantial monetary easing across advanced and emerging market economies in 2019 are also expected to have positive economic spill overs in 2020. Investments are expected to experience a recovery alongside next year. (<https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020>)
- 6.3 Downside risks remain prominent as rising geopolitical tensions between the United States and Iran intensify. Moreover, social unrest across many countries could impede reform efforts and further deepen economic frictions. Widespread tightening of financial conditions could expose the financial vulnerabilities that have built up over years of low interest rates, resulting in renewed weakness which would spur broader economic slowdown. (<https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020>)

The potential impact of these developments on our US Dollar investments will be continuously monitored throughout the course of the year with a view to taking the necessary mitigating strategies accordingly.

## 7. DOMESTIC MACROECONOMIC ENVIRONMENT OVERVIEW

- 7.1 Initial data from the Central Bank of Trinidad and Tobago suggest modest expansions in the distribution and finance sectors in 2019. Meanwhile, Public sector infrastructural investments supported improvements in construction activity as indicated by an uptick in local cement sales. In the twelve months to November 2019, headline inflation slowed to 0.3% with core inflation decelerating to 0.6%. On the labour front, the Ministry of Labour and Small Enterprise Development reported a 27% year-on-year increase in retrenchment over the period January to October 2019. (Monetary Policy Announcement December 27, 2019)
- 7.2 Looking ahead, stronger government spending is expected to spill over into domestic demand and

# REPORT OF **THE BOARD OF DIRECTORS**



accelerate economic activity in 2020 as general election approaches. Furthermore, investment into offshore gas facilities should also support growth. The IMF forecasts that real GDP growth in 2020 should be around 1.5%.

- 7.3 According to Bourse Securities, “the local investment market is expected to improve by 3.0% in 2020 on the heels of a 12.7% advance in 2019. The introduction of several fixed income opportunities on the horizon (NIF II, VAT bonds, Government Housing bonds etc.) is uncertain, but could play some role in influencing the direction of equity markets in 2020”. (Bourse Securities Limited, article titled Will local stocks advance in 2020?)

## **8. DOMESTIC FINANCIAL SYSTEM OVERVIEW**

- 8.1 The Central Bank of Trinidad and Tobago stated that TT short-term rates fell by 24 basis points since August 2019 in the context of the excess liquidity conditions, but equivalent US rates decreased by 40 basis points during the same period. Meanwhile, foreign currency sales to authorised dealers remained consistent year on year as official international reserves stood at US\$6.93 billion at the end of November 2019, US\$640 million lower than at the start of the year. (<https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020>)

- 8.2 Private sector borrowing decelerated to 4.3% year-on-year in September 2019, compared with 4.5% in July 2019. While business credit recorded a 5.5% contraction, consumer credit experienced 5.9% growth on the back of debt consolidation and refinancing. Expansion in consumer lending continued to be spurred by intense competition among lending institutions, which encouraged a further decline in the weighted average lending rate of commercial banks. Real estate mortgage loans also improved 10.9%. (<https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020>)

- 8.3 The consumer financing market is expected to remain lucrative amidst expected improvements in local economic conditions in 2020. Notwithstanding, institutions like Island Finance, Courts and JMMB Express Finance continue to threaten market share as consumers continue to demand faster and easier access to loans.

RHAND’s loan portfolio continued to be directly and adversely impacted by the aggressive conditions in the financial services sector. However, initiatives implemented in the third quarter yielded positive results in the last quarter, stabilizing the portfolio’s performance. We intend to maintain the year-end momentum with a view to returning growth trends to our primary asset.

## **9. REGULATORY DEVELOPMENTS**

- 9.1. In the 2020 Budget Statement presented in October 2019, the Honourable Minister of Finance expressed the need to implement a new independent authority to govern the co-operative sector. Akin to the Central Bank of Trinidad and Tobago, this new entity will act as the regulator of financial co-operatives and report to the Ministry of Finance. The establishment of this new regulator promises to add value in



# REPORT OF THE BOARD OF DIRECTORS

areas such as banking or quasi-banking services, encashment of cheques and teller services. However, the potential for the implementation of new operational constraints by the proposed authority looms amidst the ominous effects of the recently adopted IFRS 9 requirements, which weighed on the performance of some credit unions in 2019.

Additionally, credit unions will be expected to make financial contributions, not only to the establishment and sustenance of the new authority, but to a mandatory Deposit Insurance Corporation fund to meet any emerging liabilities of the sector.

- 9.2. RHAND shall continue to be a sector leader in ensuring the necessary financial positioning, controls and governance infrastructure are implemented, in the face of any challenges, with a view to maintaining our reputation as a solid financial institution and a model credit union.

## 10. ASSET BASE GROWTH FOR 2019 AND PROJECTED GROWTH FOR 2020

- 10.1 According to the Ministry of Finance (Review of the Economy 2018 publication), the domestic economy is projected to expand by 1.9% for 2018, following two (2) consecutive years of contraction. The outlook from the IMF and World Bank restricts 2020 growth projections to 1.5%. It is against this backdrop that RHAND Credit Union has been growing at an average rate of 5.30% over the past five (5) years and recorded an increase in its asset base of \$39,272,820 (6.08%) for the year ended December 31, 2019 (**Table B2**).

**Table B2: Total Assets – 2015 - 2019**

Year	Total Assets (\$)	Increase/(Decrease) (\$)	(%)
2015	564,677,191	35,455,448	6.70
2016	590,786,432	26,109,241	4.62
2017	621,309,195	30,522,763	5.17
2018	645,507,360	24,198,165	3.89
2019	684,780,180	39,272,820	6.08

**The projected asset base growth for 2020 is \$42,129,000 (6.15%)**

## 11. LOANS PORTFOLIO

- 11.1 The conditions in the consumer credit environment remained similar to that in 2018 with high liquidity, consistent demand for consumer credit products and a very aggressive competitor behavior. The Credit Union's marketing efforts in 2019 resulted in only an incremental fall of \$884K in the portfolio size compared with a \$9.2M reduction the previous year (**Table B3**). The necessary infrastructure and strategies have been put in place to ensure 2020 sees a return to positive trending in the portfolio's performance.



# REPORT OF **THE BOARD OF DIRECTORS**

**Table B3: Gross Loan Principal Balances Outstanding 2015 – 2019**

Year	Total Balances Outstanding (\$)	Increase/(Decrease) (\$)	(%)
2015	369,747,410	21,927,091	6.30
2016	398,829,324	29,081,914	7.87
2017	409,952,626	11,123,302	2.79
2018	400,666,277	(9,286,349)	(2.27)
2019	399,781,916	(884,361)	(0.22)

## 12. NON-PERFORMING LOANS

12.1 As at December 31, 2019, the delinquency ratio for all loans improved incrementally to 6.99%, compared with a delinquency ratio of 7.11% as at December 31, 2018. Of the five hundred and nine (509) loans in arrears with a value of \$27,926,494, on the books of the Society as at December 31, 2019 (**Table B4**), three hundred and seventy-one (371) of these loans were ninety (90) days or more in arrears and classified as non-performing (WOCCU Standard). Thus, the delinquency ratio according to the WOCCU Standard was 4.99% compared with 5.63% in 2018.

**Table B4: Delinquency Statistics (RHAND and WOCCU Standards)**

Year	Number of Delinquent Loans (\$)	Total of Delinquent Loan Balances (\$)	Delinquency Ratios	
			Total	WOCCU
2015	397	18,141,453	4.91	3.58
2016	462	22,691,139	5.69	4.52
2017	352	25,711,592	6.27	5.34
2018	408	28,476,864	7.11	5.63
2019	509	27,926,494	6.99	4.99

12.2 The Methodology for determining Allowance for Loan Losses was revamped in 2018 to take into consideration the influence of IFRS 9 which dictates that allowances must be made for both delinquent loans and loans with no history of delinquency. As a result of the new Expected Credit Loss (ECL) model an allowance (expense) of \$984,262 was made, which remained within budget.

## 13. SHARE CAPITAL PORTFOLIO

13.1 The total share capital of the Credit Union stood at \$411,696,995 as at December 31, 2019, representing an increase of \$16,317,348 (4.13%), over the previous year. (**Table B5**).



# REPORT OF THE BOARD OF DIRECTORS

**Table B5: Share Capital 2015 – 2019**

Year	Total Share Capital (\$)	Increase/(Decrease) (\$)	(%)
2015	353,483,959	29,253,056	9.02
2016	371,303,066	17,819,107	5.04
2017	383,553,933	12,250,867	3.30
2018	395,379,647	11,825,714	3.08
2019	411,696,995	16,317,348	4.13

## 14. EARNINGS PERFORMANCE AND OPERATING EFFICIENCY PROFILE

14.1 For the financial year ended December 31, 2019, RHAND Credit Union realized an operating surplus of \$22,636,156 (**Table B6**), which represents a Net Profit Margin of 43.19% for the financial year, compared with a Net Profit Margin of 41.07% for the year 2018 financial year.

**Table B6: Operating Surplus And Net Profit Margin 2015 – 2019**

Income/Expenses Captions	2015 (\$)	2016 (\$)	2017 (\$)	2018 (\$)	2019 (\$)
Interest on Loans	36,384,961	38,483,380	41,504,714	43,432,734	41,177,963
Investment Income	2,746,092	3,586,648	4,798,086	5,903,511	9,221,595
Other Income	1,357,626	1,551,483	1,429,183	2,127,062	2,014,575
Total Income	40,488,679	43,621,511	47,731,983	51,463,307	52,414,133
Total Expenses	28,721,817	27,070,065	27,004,710	30,329,483	29,924,609
Operating Surplus	11,766,862	16,551,446	20,727,273	21,133,824	22,489,524
Net Profit Margin	29.06%	37.94%	43.42%	41.07%	42.91%
Expenses to Income Ratio	70.94%	62.06%	56.58%	58.93%	57.09%

**Table B7: Comprehensive Income And Return On Assets 2015 - 2019**

Income /Assets/Return Captions	2015 (\$)	2016 (\$)	2017 (\$)	2018 (\$)	2019 (\$)
Operating Surplus	11,766,862	16,551,446	20,727,273	21,133,824	22,489,524
Unrealized/Actuarial Gain (Loss)	(3,119,583)	(796,237)	3,078,101	(4,416,137)	7,293,325
Comprehensive Income	8,647,279	15,755,209	23,805,374	16,717,687	29,782,849
Average Assets	546,949,467	577,731,819	606,047,814	633,408,278	665,143,770
Return On Assets	1.58%	2.73%	3.93%	2.64%	4.44%



# REPORT OF THE BOARD OF DIRECTORS

- 14.2 The more significant cost variances incurred for the year 2019 under the expense items of Personnel Costs and Loan Protection expenses which totaled \$14,361,766 compared with \$13,676,176 for 2018. **Table B8** details these and other major cost items.

The restructuring programme did result in the rationalizing of some positions and the introduction of new positions which came with an expecting increase in personnel expenses. The returns of the additional cost expected over the short to medium term are through efficiency and revenue generation improvements.

Loan loss expense, though experiencing a significant change, was expected and within budget.

**Table B8: Expenses Highlighting Major Cost Items 2015 – 2019**

Expenses Captions	2015 (\$)	2016 (\$)	2017 (\$)	2018 (\$)	2019 (\$)
Personnel Costs	12,021,494	12,399,092	11,463,827	11,475,555	12,464,320
Interest on Savings and Time Deposits	2,316,242	2,312,649	2,255,688	2,225,231	2,107,835
Credit life and savings insurance expenses	854,762	811,226	915,057	987,889	746,257
Loan protection expense	2,110,565	895,625	1,092,306	2,200,621	1,800,946
Education Committee expenses	1,305,645	1,125,294	987,081	1,048,243	1,005,005
Legal and Professional Services	1,085,821	1,125,317	887,905	1,277,005	122,755
Loan loss expense/Expected Credit Loss	919,012	916,600	1,000,000	346,116	1,225,595
Depreciation expense	1,133,615	1,032,472	996,817	1,111,845	967,061
Stationery, supplies and postage expenses	443,266	592,572	803,441	1,232,248	769,922
Other expenses	6,531,395	5,859,218	6,602,588	8,424,730	8,714,913
<b>Total Expenses</b>	<b>28,721,817</b>	<b>27,070,065</b>	<b>27,004,710</b>	<b>30,329,483</b>	<b>29,924,609</b>

## 15. EFFICIENCY, PROFITABILITY AND FINANCIAL STRENGTH AND SOUNDNESS REVIEW

- 15.1 As a guide for assessing the strength of the Credit Union's balance sheet, the safety and soundness of the Credit Union's financial structure and the efficiency and profitability of the Credit Union's operations, the following ratios are presented in **Table B9**.



# REPORT OF THE BOARD OF DIRECTORS

**Table B9: PEARLS and EFFICIENCY RATIOS**

	RHAND Value		Standard	COMMENT
	2018	2019	of Excellence	
<b>1) Net Institutional Capital Ratio</b>				
$\frac{\text{Fund * + Undivided Balances + Earnings}}{\text{Total Assets}} = \frac{\$ 83,210,151}{\$ 684,780,180}$	11.31%	12.15%	Minimum of 8.00%	RHAND value more favourable than standard
*Reserve, Education & Building Funds				
<b>2) Liquidity Adequacy Ratio</b>				
$\frac{\text{Cash and Cash Equivalents + Inv. Securities < 2 yrs}}{\text{Total Assets}} = \frac{\$ 114,634,064}{\$ 684,780,180}$	16.11%	16.74%	Maximum of 20.00%	RHAND value more favourable than standard
<b>3) Asset Quality Ratio</b>				
$\frac{\text{Total Delinquent Loans}}{\text{Gross Loans}} = \frac{\$ 27,926,494}{\$ 399,781,916}$	7.11%	6.99%	Maximum of 5.00%	RHAND value less favourable than standard
<b>4) Total Operating Expenses To Average Asset Ratio</b>				
$\frac{\text{Total Operating Expenses}}{\text{Average Assets}} = \frac{\$ 29,924,609}{\$ 665,143,770}$	4.79%	4.50%	Maximum of 5.00%	RHAND value more favourable than standard
<b>5) Efficiency Ratio</b>				
$\frac{\text{Non-Interest Expenses - IFRS9 Expenses}}{\text{Total Income - Interest Expenses}} = \frac{\$ 27,816,774 - \$ 1,225,595}{\$ 52,414,133 - \$ 2,107,835}$	53.07%	52.86%	Maximum of 55.00%	RHAND value more favourable than standard
<b>6) Return On Average Members' Equity</b>				
$\frac{\text{Comprehensive Income}}{\text{Ave. Institutional Capital + Ave. Share Savings}} = \frac{\$ 29,782,849}{\$ 97,424,842 + \$ 404,038,321}$	3.52%	5.94%	Maximum of 5.00%	RHAND value more favourable than standard

# REPORT OF **THE BOARD OF DIRECTORS**



## **16. WORK ACTIVITIES IN WHICH THE BOARD OF DIRECTORS WAS ENGAGED**

### **16.1 POLICY FORMULATION**

The Board continued its work of policy review and formulation of new policies for the effective governance of the Credit Union. Five (5) new policies were developed and approved:

- (i) Dividend Policy
- (ii) Policy on Loans to Employees
- (iii) Computer Replacement
- (iv) Internet Use
- (v) Password Policy

The three (3) ICT-related policies form part of a broader ICT Management Framework.

Additionally, the Donations Policy, Honoraria and Treasury Management Policy were reviewed and updated.

### **16.2 OTHER SIGNIFICANT ACCOMPLISHMENTS**

- 1. Adoption of IFRS 9 Accounting Standard with a passing grade by the External Auditors.
- 2. Acquisition of property for our new Tobago branch home.
- 3. Completion of all major facets of our operation restructuring project.
- 4. Acquiring approval of updated Bye-Laws.

## **17. RECOGNITION AND BEST WISHES**

17.1 The Board of Directors wishes to recognize all the individuals who contributed to the many successes achieved by RHAND Credit Union in the Year 2019 – members of the Joint Management Team (Board of Directors and Statutory Committees), members of Staff and most importantly you, our members. A special thank you to our five (5) retired employees who each served the membership for over twenty (20) years with distinction – Joseph Badal, Mervyn Sambrano, Theresa Noel-James, Jenifer Roberts-St. Cyr and Stephen Pantin.

**Best wishes and God's blessings to everyone for the New Term 2020-2021.**

Martin Minguell  
**President – Board of Directors**

Michele Rouff  
**Secretary – Board of Directors**



REPORT OF  
**THE EDUCATION  
COMMITTEE**



# REPORT OF **THE EDUCATION COMMITTEE**

## **1. INTRODUCTION**

The Education Committee is pleased to report to the membership on the various activities in which it was engaged for the period January to December 2019.

## **2. OBJECTIVE OF THE COMMITTEE**

The Education Committee is a feature of all organizations operating under the Co-operative Society business model. The Committee enables the Co-operative Principle through Education, Training and Information to its members, members' children, employees and the general public, promoting self-development, development of the Credit Union and the values and benefits of co-operation.

The Education Committee is a Board-appointed Committee as stipulated in RHAND Credit Union's Bye-Law 21(a); which states, "This Committee shall be in charge of publicity and education and shall supply strategic support to the Board of Directors in achieving the objectives of the Society;" consequently, its strategic role is inextricably linked to the Mission, Vision and Strategic Direction of RHAND Credit Union.

## **3. FORMATION DETAILS**

The following members were appointed by the Board of Directors to the Education Committee 2019:

- Emmanuel Walker - Chairperson
- Michele Rouff - Secretary
- Petal-Dawn Hinkson - Board Member
- Marlene Felix - Past Board Member
- Gerard Sampson - Manager, Marketing
- Andrea Borneo-Ragoo - Board Member

The Education Committee performs its function through the establishment of a number of sub-committees namely: the Social Events Sub-Committee, the Education Assistance Sub-Committee, and Membership Skills Development Programme (MSDP) Sub-Committee and the Youth Sub-Committee. All work to achieve the mandate of the overarching Committee - the Education Committee - through the development and approval by the Board of an Action Plan. The projects and activities of all the sub-committees are guided by the Action plan. The Youth Sub-Committee, formerly a work in progress has been fully established. Detailed below are the activities in which the respective sub-committees were engaged:

### **3.1 Social Events Sub-Committee**

This sub-committee comprised Mrs. Michele Rouff (Convenor) Mrs. Heather Bobb-Wallace (Operations), Ms. Marva Simon, Mrs. Chenice Peniston-Williams and Corporal Anthony Wallace. This committee planned the All Fours competition which was executed by the Marketing Department. There was wide participation in the event with keen competition and rivalry. This event was a huge success.

The signature events, namely, the Children's Christmas parties held in Trinidad and in Tobago were planned by the Social Events Committee and executed by the Marketing Department. One thousand, seven hundred and seventy-two (1772) children were registered in Trinidad and seven hundred and twelve (712) in Tobago. Everyone enjoyed the parties.

### **3.2 Education Assistance Sub-Committee**

Ms. Marlene Felix continued as Convenor from the previous year, and was joined by members, Ms.

# REPORT OF **THE EDUCATION COMMITTEE**



Simone Huggins and Ms. Shelly Slater in June 2019. Projects undertaken by this committee were the SEA and May Cherrie Award Programmes and the Youth Leadership Workshops. Eighteen (18) children received SEA awards, fourteen (14) from Trinidad and four (4) from Tobago. There were three (3) awardees under the May Cherrie Scholarship Programme.

### **3.3 Membership Skills Development Programme Sub-Committee**

Ms. Petal-Dawn Hinkson (Convenor) led this sub-committee and was ably assisted by the members of the Marketing Department.

During the period under review two (2) modules delivered over a period of eight (8) weeks duration were conducted under the programme.

They were well subscribed and participants proudly displayed some of their handiwork.

### **3.4 Youth Sub-Committee**

Mrs. Andrea Borneo-Ragoo (Convenor) led this sub-committee. Ms. Simone Huggins, another Board member, was appointed as secretary. The committee was formed by way of nine (9) volunteers who worked with the committee throughout the period.

Two projects of an environmental nature were undertaken by the Youth Sub-Committee for 2019 under the banner of the 'green' initiative. They were (1) the beach clean-up, where the sub-committee assisted by a number of volunteers cleaned up the beach on the Foreshore and (2) the proper disposal of plastics in conjunction with iCare. The second project was very much in evidence at the Children's Christmas parties with the use of the iCare bins.

The Youth Sub-Committee also visited St. Crispin's Home For The Elderly during the Christmas period and shared the warmth and cheer of the season.

## **4. Other Activities Of The Education Committee**

The Education Committee developed the theme for the 2020 calendars.

The Committee also planned the Credit Union Month activities and the initiative - Retirement Planning and Will Preparation - which was delivered for the development of the membership. This initiative continues to form part of the yearly calendar of the Committee.

## **5. Conclusion**

The Committee expresses its gratitude to: (1) The Manager and staff of the Marketing Department for the diligence and efficiency with which all the planned projects were executed and (2) The Members who participated in the programmes and congratulates all awardees. May the Almighty God continue to shower his blessings on our Credit Union.

Emmanuel Walker  
**Chairman-Education Committee**

Michele Rouff  
**Secretary-Education Committee**



REPORT OF  
**THE CREDIT  
COMMITTEE**



# REPORT OF **THE CREDIT COMMITTEE**

## 1. INTRODUCTION

- 1.1 For the financial year ended December 31, 2019, the Credit Committee is pleased to report on its statutory role as outlined in Regulation 34 of the Co-operative Society Act and Section 23 (a) of the Bye-Laws of the Society, that is, the Supervision of Credit.

## 2. COMPOSITION OF THE CREDIT COMMITTEE

- 2.1 At the 71st Annual General Meeting held on Saturday, April 27, 2019, the following members were elected to serve on the Credit Committee.

- Ms. Patricia E Harry - Member
- Mrs. Susan Hinds Morgan - Member
- Mr. Victor Kirton - 1st Substitute
- Mr. Don Finley - 2nd Substitute

Ms. Patricia E Harry and Mrs. Susan Hinds Morgan were elected to serve for a period of two (2) years consistent with the provisions of Section 23(b) (ii) of the Bye-Laws of the Society.

- 2.2 At the first meeting of the Credit Committee, Ms. Jennifer James and Mrs. Susan Hinds Morgan were elected as Chairman and Secretary respectively.

- 2.3 The full Committee for the 2019/2020 Term comprised the following members:

- |                         |             |
|-------------------------|-------------|
| Ms. Jennifer James      | - Chairman  |
| Mrs. Susan Hinds Morgan | - Secretary |
| Mrs. Esme Forde         | - Member    |
| Mr. Lenus Joseph        | - Member    |
| Ms. Patricia E Harry    | - Member    |

- 2.4 The term of office of the following three (3) members of the Credit Committee comes to an end at this 72nd Annual General Meeting:

Ms. Jennifer James  
Mrs. Esme Forde  
Mr. Lenus Joseph

## 3. ATTENDANCE AT MEETINGS

- 3.1 The members of the Credit Committee attended one hundred and two (102) Regular and four (4) Joint Management Committee Meetings. The attendance of members of the Credit Committee at Meetings is detailed at **Table C1**.



# REPORT OF **THE CREDIT COMMITTEE**

**TABLE C1: Attendance at Credit Committee Meetings**

NAMES OF MEMBERS	REGULAR			SPECIAL			REMARKS
	P	Ex	A	P	Ex	A	
Jennifer James	94	8	-	4	0	-	Out of the country
Susan Hinds Morgan	94	8	-	4	0	-	Out of the country / Job related
Esme Forde	96	6	-	4	0	-	Out of the country
Lenus Joseph	100	2	-	3	1	-	Ill
Patricia E Harry	99	3	-	4	0	-	Out of the country / Bereavement

#### 4. CREDIT SUPERVISION

- 4.1 One hundred and forty-one (141) loan applications were processed by the Credit Committee. Eighty-four (84) of the said applications were approved. Sixteen (16) members were interviewed in order to conclude the processing of their applications. One (1) property was inspected during the period under review.
- 4.2 Of the eighty-four (84) applications approved by the Credit Committee, twelve (12) required sanctioning by the Executive of the Board of Directors, as the loans were not fully secured.
- 4.3 Sixty-four (64) loan applications recommended by the Internal Risk Review Committee were approved by the Credit Committee.
- 4.4 Three hundred and forty-nine (349) applications for share savings withdrawals were processed by the Credit Committee. Of the said applications, two hundred and thirty-two (232) applications totaling eight hundred and fifty-two thousand, nine hundred and twelve dollars and ten cents (\$852,912.10) were approved. One hundred and seventeen (117) applications totaling two hundred and ninety-one thousand, and ninety-five dollars and ten cents (\$291,095.10) were denied. Fifteen (15) members were interviewed in order to facilitate the processing of their applications.
- 4.5 Generally, files were monitored with the relevant notes outlining the concerns of the Credit Committee being affixed thereon.
- 4.6 For the financial year, four thousand, seven hundred and seventy-six (4,776) loan applications were approved by the other approving agents namely: General Manager; Credit Manager; Branch Manager, Tobago; Branch Manager, Arima; Senior Supervisor; Credit Officer Tobago; Supervisor I; Senior Clerk-Lending; and Clerk-Lending. When added to the loan applications approved by the Credit Committee, the total loans granted in 2019 was four thousand, nine hundred and seventeen (4,917).
- 4.7 **Table C2** captures the level at which loan approvals were granted, while **Tables C3, C4a** and **C4b** profile the classification of loans disbursed.



# REPORT OF THE CREDIT COMMITTEE

- 4.8 The Credit Committee paid its annual visits to the Tobago and Arima Branch Offices of the Society. In addition to the files being monitored, discussions were held with the Branch Managers with respect to the Loans Portfolio. The members of the Credit Committee are satisfied that the credit approval and disbursement responsibilities at both the Tobago and Arima Branch Offices are being discharged satisfactorily.

## C2: Approving Authority for Loans Granted

AUTHORITY	NUMBER OF LOANS	(%) OF LOANS	APPROVAL LIMIT (\$)
Credit Committee	141	2.9	1,000,000
General Manager	97	2.0	500,000
Credit Manager	671	13.6	500,000
Branch Manager - Tobago	656	13.3	200,000
Branch Manager - Arima	652	13.3	200,000
Senior Supervisor	458	9.3	200,000
Credit Officer - Tobago	298	6.0	100,000
Supervisor I	796	16.2	100,000
Senior Clerk-Lending	1,105	22.5	75,000
Clerk-Lending	43	0.9	50,000
<b>Total</b>	<b>4,917</b>	<b>100</b>	

Table C3: Particulars of All Loans Approved and Disbursed by Credit Union

Class of Loan	2019		2018	
	Number of Loans	\$ Value	Number of Loans	\$ Value
Consumer Expenses	3,694	67,361,965	3,379	51,769,929
Debt Consolidation	156	7,126,948	164	7,862,750
Disaster Recovery Fund	0	0	0	0
Disaster Relief	0	0	1	5,000
Education & Training Financing	88	2,161,095	246	4,144,617
Home Improvement	649	23,849,515	706	25,182,336
Investment Financing	22	559,600	31	1,177,862
Medical Expenses Financing	127	2,166,218	155	2,808,805
Motor Vehicle Financing	138	13,733,574	73	8,765,250
Real Estate Financing	39	9,919,837	29	7,881,827
RHAND Retirees Cruise	1	20,000	19	464,325
SME & Other Entrepreneurial Venture	3	143,300	9	214,864
<b>Total</b>	<b>4,917</b>	<b>127,042,050</b>	<b>4,812</b>	<b>110,277,565</b>

# REPORT OF THE CREDIT COMMITTEE



**Table C4a: Particulars of Loans Disbursed by the Tobago Branch Office**

Class of Loan	2019		2018	
	Number of Loans	\$ Value	Number of Loans	\$ Value
Consumer Expenses	729	17,718,220	432	6,291,740
Debt Consolidation	59	2,852,248	59	3,208,330
Education and Training Financing	17	237,707	66	783,564
Enterprise/Business Financing	0	0	0	0
Home Improvement	137	5,112,550	167	6,339,028
Investment In Financial Assets	1	12,000	11	303,000
Medical Expenses Financing	13	465,136	27	381,970
Motor Vehicle Financing	20	1,314,785	15	917,061
Real Estate Financing	4	853,580	5	1,261,529
RHAND Retirees Cruise Financing	0	0	0	0
SME & Other Entrepreneurial Venture	12	179,447	4	113,000
<b>Total</b>	<b>992</b>	<b>28,745,673</b>	<b>786</b>	<b>19,599,222</b>

**Table C4b: Particulars of Loans Disbursed by Arima Branch Office**

Class of Loan	2019		2018	
	Number of Loans	\$ Value	Number of Loans	\$ Value
Consumer Expenses	838	11,980,650	601	7,431,736
Debt Consolidation	62	2,178,468	88	3,881,649
Education and Training Financing	31	618,200	88	1,006,147
Enterprise/Business Financing	0	0	0	0
Home Improvement	225	7,424,209	261	7,770,558
Investment Financial Assets Financing	7	260,000	16	644,260
Medical Expenses Financing	55	723,012	81	1,284,523
Motor Vehicle Financing	34	2,955,637	49	3,566,539
Real Estate Financing	5	669,380	6	1,389,281
RHAND Retirees Cruise Financing	1	20,000	4	135,138
SME & Other Entrepreneurial Venture	2	20,639	6	56,900
<b>Total</b>	<b>1,260</b>	<b>26,850,195</b>	<b>1,200</b>	<b>27,166,730</b>

## 5. NON-PERFORMING LOAN

- 5.1. There were five hundred and nine (509) non-performing loans, with a value of \$27,926,494 on the books of the Society as at December 31, 2019 resulting in a delinquency ratio of 6.99% (WOCCU std - 4.99%). Of the 509 non-performing loans, ninety-five (95) loans (totaling \$4,599,131) were loans which were one (1) month in arrears as a result of the late remittance of December 2019 salary deductions and standing order payments.



# REPORT OF **THE CREDIT COMMITTEE**

## **6. ADMINISTRATION OF LOAN PROTECTION BENEFITS**

- 6.1 The Credit Committee advised the Board of Directors on the settlement of forty-two (42) Death Benefit Claims with a dollar value of one million, six hundred and five thousand, and sixty-five dollars and thirty-two cents (\$1,605,065).
- 6.2 The Board of Directors was also advised on the settlement of two (2) Disability Benefit Claims with a dollar value of One hundred and twelve thousand, three hundred and forty dollars and forty-one cents (\$112,341.41).

## **7. PARTICIPATION ON BOARD-APPOINTED COMMITTEES**

- 7.1 During the period under review, one member of the Credit Committee served on the Annual General Meeting Planning Committee.

## **8. TRAINING**

- 8.1 During the period under review, members of the Credit Committee also participated in the following workshops:
- Flex Computing
  - AML/CFT Training
  - Thought Leadership

## **9. CONCLUDING REMARKS**

- 9.1 Fellow members, under the IFRS 9 Accounting Standard the Credit Union must make provision for all loans. Based on our loan policy, members' funds up to Fifty Thousand Dollars (\$50,000.00) are tripled. The members of the Credit Committee are concerned with the increasing requests for share withdrawals. It is our intention to forward correspondence to the Executive of the Board of Directors in respect to amending our policy regarding share withdrawals.
- 9.2 The Credit Committee wishes to recognize those who have contributed to the Credit Union's achievements during the period under review. In this regard, special mention is made of the Board of Directors; Supervisory Committees; General Manager and his Management Team; members of Staff; and you, our valued members.

Jennifer James  
**Chairman-Credit Committee**

Susan Hinds Morgan  
**Secretary- Credit Committee**



*Knowledge is the most  
lucrative currency in  
the journey of change.*



REPORT OF  
**THE SUPERVISORY  
COMMITTEE**



# REPORT OF **THE SUPERVISORY COMMITTEE**

## **1. INTRODUCTION**

Greetings to the Membership of RHAND Credit Union. In accordance with the Co-operatives Societies Act Chapter 81:03 (Act No.22 of 1971) and Bye-laws of RHAND Credit Union Co-operative Society Ltd, the Supervisory Committee is pleased to present a report of activities done within the Administrative period May 2019 to April 2020 and the financial year January 1, to December 31, 2019.

## **2. COMPOSITION OF THE SUPERVISORY COMMITTEE**

At the 71st Annual General Meeting held on Saturday, April 27, 2019 the following members were elected to serve on the Supervisory Committee:

- Mrs. Patricia Williams
- Ms. Erica Charles

Ms. Nadine Ellis and Mrs. Linda Renaud-Medford were elected as 1st and 2nd Substitutes, respectively.

In accordance with Bye-Law 24(c)(iii), the inaugural meeting of the Committee was held on May 1, 2019. Ms. Claudette Brown and Ms. Pamela Ogiste were elected in the positions of Chairperson and Secretary, respectively.

Further, in accordance with Bye-Law 24(c)(i), the five (5) members who comprised the Supervisory Committee for the 2019/2020 term were as follows:

- Ms. Claudette Brown - Chairperson
- Ms. Pamela Ogiste - Secretary
- Mr. Ancil Forde - Member
- Mrs. Patricia Williams - Member
- Ms. Erica Charles - Member

Member Ancil Forde resigned from the Committee effective August 19, 2019 and 1st substitute Nadine Ellis accepted the invitation to serve as a member to the end of the term.

At this 72nd Annual General Meeting of 2020 the term of office of the following members comes to an end:

- Ms. Claudette Brown
- Ms. Pamela Ogiste
- Ms. Nadine Ellis

## **3. THE AUTHORITY OF THE SUPERVISORY COMMITTEE**

- 3.1 Bye-Law 24 (a) states that the Supervisory Committee is the Statutory Internal Auditors of the Credit Union and as such, have the following powers and duties:



# REPORT OF THE SUPERVISORY COMMITTEE

- Make an examination of the affairs of the Society, including an examination of its books, at least semi-annually and, if the Committee thinks it necessary, make a report of its findings to the Commissioner for Co-operative Development.
- Make an annual report of its audit and submit same to the Annual General Meeting of the members.
- Attest (at least one (1) member) the monthly statement prepared by the General Manager of the Society.

## 4. ATTENDANCE AT MEETINGS OF THE SUPERVISORY COMMITTEE

### 4.1 Statutory and Special Meetings

The Supervisory Committee held twelve (12) Statutory and four (4) Special meetings up to the time of reporting.

Attendance at Supervisory Committee Meetings is as follows:

	STATUTORY				SPECIAL				REMARKS
	P	V	Ex	Ab	P	V	Ex	Ab	
Claudette Brown	9	-	-	-	3	-	-	-	
Pamela Ogiste	9	-	-	-	3	-	-	-	
Patricia Williams	11	-	1	-	3	-	-	-	
Erica Charles	7	1	1	-	3	-	-	1	Work-related
Nadine Ellis	8	-	1	-	2	-	1	-	
Linda Renaud-Medford	9	-	-	1	3	-	-	-	
Ancil Forde	2	-	1	1	1	-	-	-	

### 4.2 Macro Committee Meetings

The Board of Directors invited the Supervisory Committee to attend Macro Committee Meetings to discuss the following:

- Review of Financial Performance 2019
- Insight into 2020 - Strategic Business Plan
- Corporate Scorecard 2020
- Marketing Plan 2020
- Budget for 2020



# REPORT OF **THE SUPERVISORY COMMITTEE**

## **4.3 Other Meetings**

Members of the Supervisory Committee participated in the work of the following Board-Appointed Committees:

- AGM Planning Committee
- AGM Brochure Committee

## **5. WORK PROGRAMME OF THE COMMITTEE FOR THE PERIOD MAY 2019 TO DECEMBER 2019.**

5.1 For the period under review the following key areas of the operations of the Credit Union were examined and reports and recommendations were submitted to the Board of Directors:

- Attestation of the monthly Financial Statements
- Credit Administration Review
- Review of the Delinquency Portfolio
- Review of Minutes of Meetings of the Board of Directors
- Cash Counts
- Review of Branch Operations
- Review of the Education Committee Activities
- Review of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Compliance Minutes
- Review of the Verbatim Notes of the 2019 Annual General Meeting
- Review of the Occupational Safety and Health Act Compliance

## **6. OBSERVATIONS ON AREAS OF EXAMINATION**

### **6.1 Examination of the Financial Records and Attestation of the Monthly Statements**

Arising out of our duties as the Statutory Internal Auditors of the Society, Bye-law 24 (a) (iv) requires the Committee to: *“Attest (at least one (1) member) the monthly statement prepared by the Treasurer or Manager of the Society”*.

The monthly Financial Statements were examined to ensure that:

- a. Expenditure was supported by adequate and relevant documentation
- b. Expenditure incurred was for the benefit of the operations of the Credit Union

Observations arising out of our examination were discussed with the General Manager and the Manager, Finance and Accounting.

From our examination expenditure incurred was for the benefit of the operations of the Credit Union and was properly supported by relevant documents.

# REPORT OF **THE SUPERVISORY COMMITTEE**



## **6.2 Credit Administration Review**

Audits were conducted on the Loan Portfolio with an objective to determine whether:

- There was adherence to the Co-operative Societies Act and its supporting Regulations, RHAND's Bye-Laws and the Credit Administration Policy Manual.
- Securities held for Mortgage Loans were valid and adequate.

### **Methodology**

A random sample of approved loans was selected for auditing in accordance with the provisions of Bye-Law 24(b) and the Programme of Work of the Supervisory Committee.

Satisfactory compliance was observed in the granting and disbursement of loans in keeping with RHAND's Bye-Laws and Credit Administration Policy Manual. Observations were brought to the attention of the Supervisor of Loans and the Manager, Credit Administration for review.

## **6.3 Review of the Delinquency Portfolio**

Audits were conducted on the delinquency portfolio in order to determine the success of implemented measures to reduce the number of non-performing loans.

As at December 31, 2019 there were five hundred and nine (509) non-performing loans with a value of \$27,926,494.00 on the books of RHAND Credit Union. This represents a Delinquency Ratio of 6.99 % which is above the PEARLS Ratio of 5%. The corresponding period of 2018 showed a figure of four hundred and eight (408) non-performing loans with a value of \$28,476,864.00 and a delinquency ratio of 7.11%. This is a decrease of 0.12 % over last year's delinquency ratio and warrants continued close monitoring by the Committee.

## **6.4 Review of Minutes of Meetings of the Board of Directors**

During the period under review the Supervisory Committee reviewed minutes of meetings of the Board of Directors. The decisions taken by the Board were in the main implemented in a timely manner.

## **6.5 Conduct of Cash Counts**

Statutory and mid-year Cash Counts were conducted at Head Office and Branch Offices. No excesses or shortages of cash was revealed in the conduct of these exercises.

## **6.6 Audit of Branch Operations**

In our review of the operations at the Branches, the focus remained with Credit Administration and Cash Counts. The continuous efforts of management for compliance with the Occupational Safety and Health



# REPORT OF **THE SUPERVISORY COMMITTEE**

Act is evident. The challenges faced by the membership as it relates to parking continues to haunt the organization. Nevertheless, the operations at both branch offices were in accordance with the policies and guidelines as established by RHAND and the Co-operative Society Act.

## **6.7 Review of the Education Committee Activities**

Section 21 (a) of the Bye-Laws of RHAND Credit Union states the role of the Education Committee is as follows:

“This Committee shall be in charge of publicity and education and shall supply strategic support to the Board of Directors in achieving the objectives of the Society...”.

The Committee held monthly and special meetings to plan activities which, based on reported feedback, redounded to the further education and appreciation of the membership.

As is customary, the Children’s Christmas Party was well attended. However, the Masters and Youth Calypso Competition did not attract the anticipated turnout. Commendation is due to the Committee for their effective planning and execution of these and other events despite financial challenges to keep within budgetary allocations.

The following were the events hosted by the Committee:

- All Fours Competition
- Masters and Youth Calypso Competition
- Children’s Christmas Party
- Youth Leadership Workshops
- Credit Union Month celebrations
- Member Outreach: Investing for Retirement & Will and Estate Planning MSDP Classes (2 Modules)
- Publication of the annual RHAND Calendar
- SEA and May Cherrie Awards
- Youth Sub-Committee Activity – Participation in Beach Clean-up 2019

## **6.8 Review of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Compliance**

A review was undertaken of RHAND’s compliance with the law and regulations governing Anti- Money Laundering and Combating the Financing of Terrorism.

### **Methodology**

The methodology included:

- Review of the Proceeds of Crime Act and supporting regulations
- Meeting with the Compliance Officer to view documents and hold discussions

# REPORT OF **THE SUPERVISORY COMMITTEE**



- Submissions of findings to the Compliance Officer and the Manager Human Resources
- Review of responses from the Compliance Officer and the Manager Human Resources

From the review undertaken the Committee is satisfied that RHAND is taking the necessary steps to ensure compliance with the law and regulations.

## **6.9 Review of the Verbatim Minutes of the 2019 Annual General Meeting**

The verbatim notes of the proceedings of the 2019 Annual General Meeting were reviewed in the context of questions raised on matters of concerns by the membership, who are the owners of RHAND Credit Union Co-operative Society Limited. The review also focused on feedback and promised follow-up actions to be taken by the Board of Directors.

## **6.10 Review of the Occupational Safety and Health Act Compliance**

Included in the Supervisory Committee's Work Programme for the 2019/2020 term was a review of the organization's compliance with the main areas of the Occupational Safety Health (OSH) Act, Chapter 88:08. The exercise commenced at Head Office to ensure that RHAND continues to operate within the scope of the OSH Act. Further, being compliant also demonstrates RHAND's willingness to fulfil its obligations by ensuring the well-being and safety of its staff and members. This review is ongoing and will be expanded to include the Branch offices.

## **7. TRAINING**

7.1 Members of the Supervisory Committee participated in several trainings and workshops conducted by both internal and external providers. These sessions were aimed at enhancing the capability and knowledge of members in the execution of their duties.

Internal:

- Use of the Flex/Juice System
- Office 365
- Network Security Awareness
- Anti-Money Laundering/Combating the Financing of Terrorism
- Strategic Business Planning

External:

- Caribbean Workers' Forum 2019 - Cipriani College of Labour and Co-operative Studies
- Credit Union Month Thought Leadership Session – "Local Service, Global Reach" - Central Finance Facility Co-operative Society of Trinidad and Tobago Limited

## **8. INTERNAL AUDIT DEPARTMENT**

8.1 Inherent in our duties as the Statutory Internal Auditors of the Society, the Committee is required to



# REPORT OF **THE SUPERVISORY COMMITTEE**

ensure that the System of Internal Controls is effective and forms a reliable basis for the preparation of the Financial Statements. In this regard discussions were held with the Internal Auditor and copies of the Internal Auditor's Reports were made available. The relationship with the Internal Auditor was facilitated through the Audit Committee who ensured that copies of the reports and plans of the Internal Auditor were readily submitted to the Committee.

The Committee is of the opinion that a continued effective working relationship with the Internal Auditor would:

- a. Assist in enabling the Committee to carry out its duties as required under Bye-Law 24
- b. Avoid unnecessary duplication of effort

## 9. **APPRECIATION**

The Management of RHAND Credit Union Co-operative Societies Ltd continues to adopt a proactive approach to new ways in doing business, not only with its members, but also with other financial institutions for the creation of income for the benefit of its membership.

In spite of financial constraints in the economy, Management continues to set strategic goals to increase business for the membership with a focus on viable marketing strategies to achieve financial gains.

The Supervisory Committee supports the Board of Directors, Management and Staff for the work done to achieve the success of RHAND Credit Union Co-operative Society Limited.

Respectfully submitted,

**Claudette Brown** - Chairperson

**Pamela Ogiste** - Secretary

**Patricia Williams**

**Erica Charles**

**Nadine Ellis**

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Claudette Brown  
**Chairman – Supervisory Committee**

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Pamela Ogiste  
**Secretary – Supervisory Committee**

*Financial growth is slow,  
detailed, managed - and a  
pursuit in persistence.*





REPORT OF  
**THE NOMINATING  
COMMITTEE**



# REPORT OF THE NOMINATING COMMITTEE

## 1. INTRODUCTION

In accordance with Bye-Law # 17 of RHAND Credit Union Cooperative Society Limited, the Board of Directors appointed this Nominating Committee. Our inaugural meeting was held on July 4, 2019. The Committee comprised of the following persons:

- Avelon Perry - Chairperson
- Jeneece Isaac - Secretary
- Liseli Benjamin - Member
- Cherisse Nixon - Member

## 2. ACHIEVEMENTS

During our term of service, the Nominating Committee accomplished the following targets:

- Revision of the Nominating Committee Terms of Reference** – The Committee engaged in a review of the Terms of Reference dated October 2017, in accordance with the recommendations of the previous Committee. A report outlining recommendations was submitted to the Board of Directors and the amended Terms of Reference was subsequently approved. Some of the amendments included: the insertion of nomination procedures; the inclusion of criteria for selection of suitably qualified persons in the nomination packages and; provisions for the electronic submission of nominations.
- Selection of suitably qualified persons** – The nominations process officially started on December 30, 2019 with the publication of the “Call to Serve” in the print media, RHAND’s website and its social media pages. At the end of the nominating period, thirty-three (33) nominations were received and twenty-five (25) persons are now recommended to the Annual General Meeting as members suitably qualified to serve. The Nominating Committee took the necessary steps to ensure the nominees presented satisfy the requirements for election, as per the Credit Union’s Bye-Laws.
- Engage the youth membership** – The Nominating Committee recognizes the importance of engagement with the youth membership to provide awareness on the benefits of service to their Credit Union and the significance of the contribution toward its development and transformation. As such, a meeting was held with the Youth Sub-Committee on February 12, 2020 where the discourse surrounded role and value of serving as a Credit Union Officer and how to attract young members.

# REPORT OF THE NOMINATING COMMITTEE



## Vacancies and Nominees Received for the Board of Directors and Statutory Committees

Statutory Committee	No of Vacancies[1]	No of Nominees	REMARKS
Board of Directors	4	14	
Credit Committee	3	5	
Supervisory Committee	3	6	

**[1] This does not include the two (2) alternate positions for the Board of Directors, Credit and Supervisory Committees. Persons are elected to these positions annually at the Annual General Meeting.**

### 3. RECOMMENDATIONS

The Nominating Committee recognises the changes, those made and those to come, in the Credit Union movement. Those developments include the use of new technology; introduction of additional legislative obligations; robust competition in the industry, and financial sector; at large, complicated by an unpredictable economy. This shifting landscape requires much talent, dedication and commitment from Officers who voluntarily serve the Credit Union. As such, it is imperative that the nomination process attracts nominees with the competencies and capacity to take RHAND forward.

In this regard, the Nominating Committee recommends as follows:

- i. Implementation of a mentoring programme for young professionals and continued collaboration with the Youth Sub-Committee.
- ii. Development of strategies, using social media, to educate and enlighten the membership on the benefits of service to Credit Union.

### 4. CLOSING

The Nominating Committee thanks the Board of Directors for its support during this term of service and for its confidence and trust in our ability to complete this task. Special thanks also to the Management and Staff for their professionalism and dedication.

\_\_\_\_\_  
Avelon Perry  
Chairperson – Nominating Committee

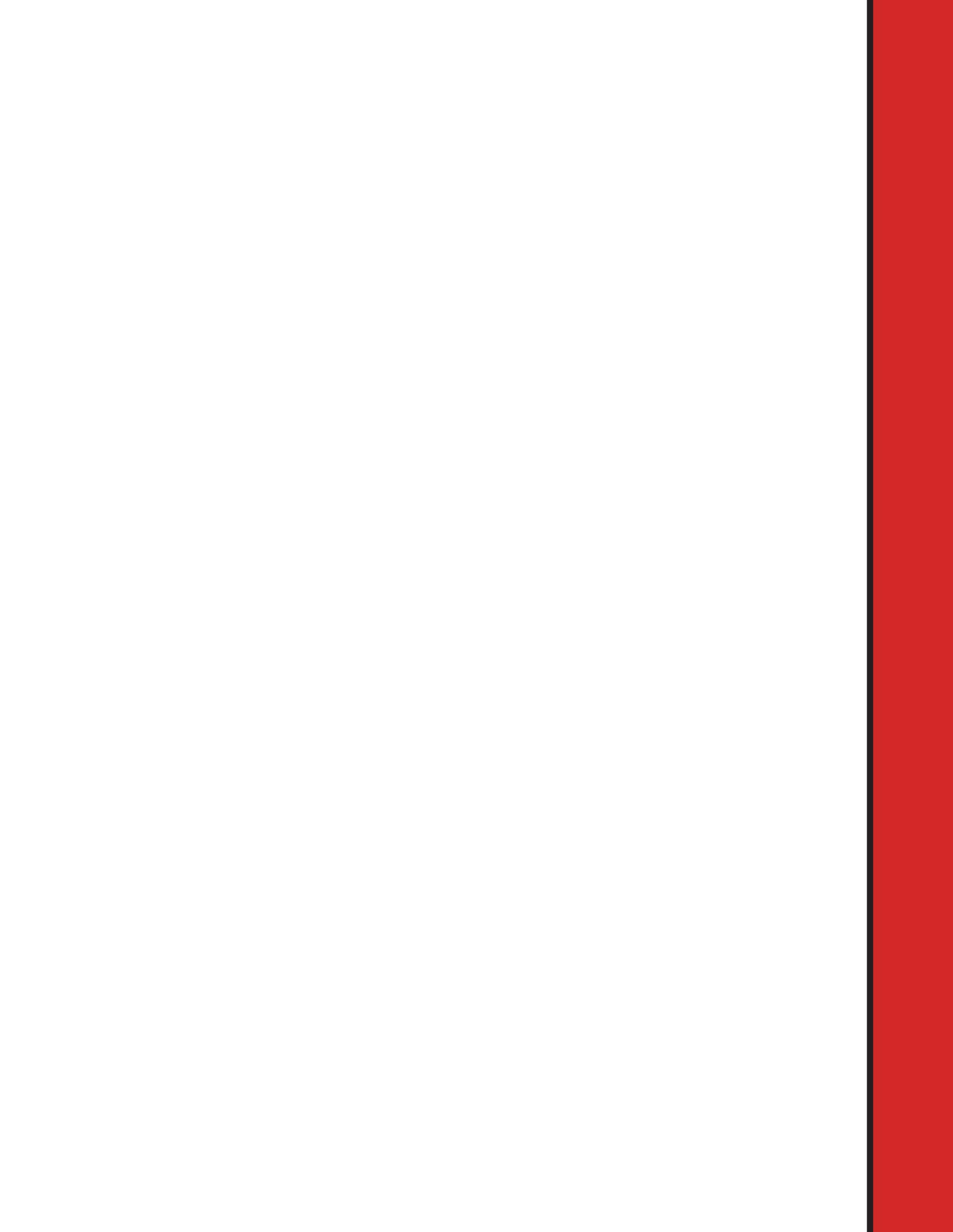
\_\_\_\_\_  
Jenece Isaac  
Secretary – Nominating Committee



# **FINANCIAL STATEMENTS**

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# STATEMENT OF **MANAGEMENT'S RESPONSIBILITY**

For the year ended December 31, 2019  
(Expressed in Trinidad and Tobago Dollars)

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of RHAND Credit Union Co-operative Society Limited (the "Credit Union") which comprise the statement of financial position as at December 31, 2019, the statement of comprehensive income, statement of changes in institutional capital, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
- Ensuring that the Credit Union keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures the security of the Credit Union's assets, detection/prevention of fraud, and the achievement of the Credit Union's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Credit Union will not remain a going concern for the next twelve (12) months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Ainsley Andrews  
**General Manager**

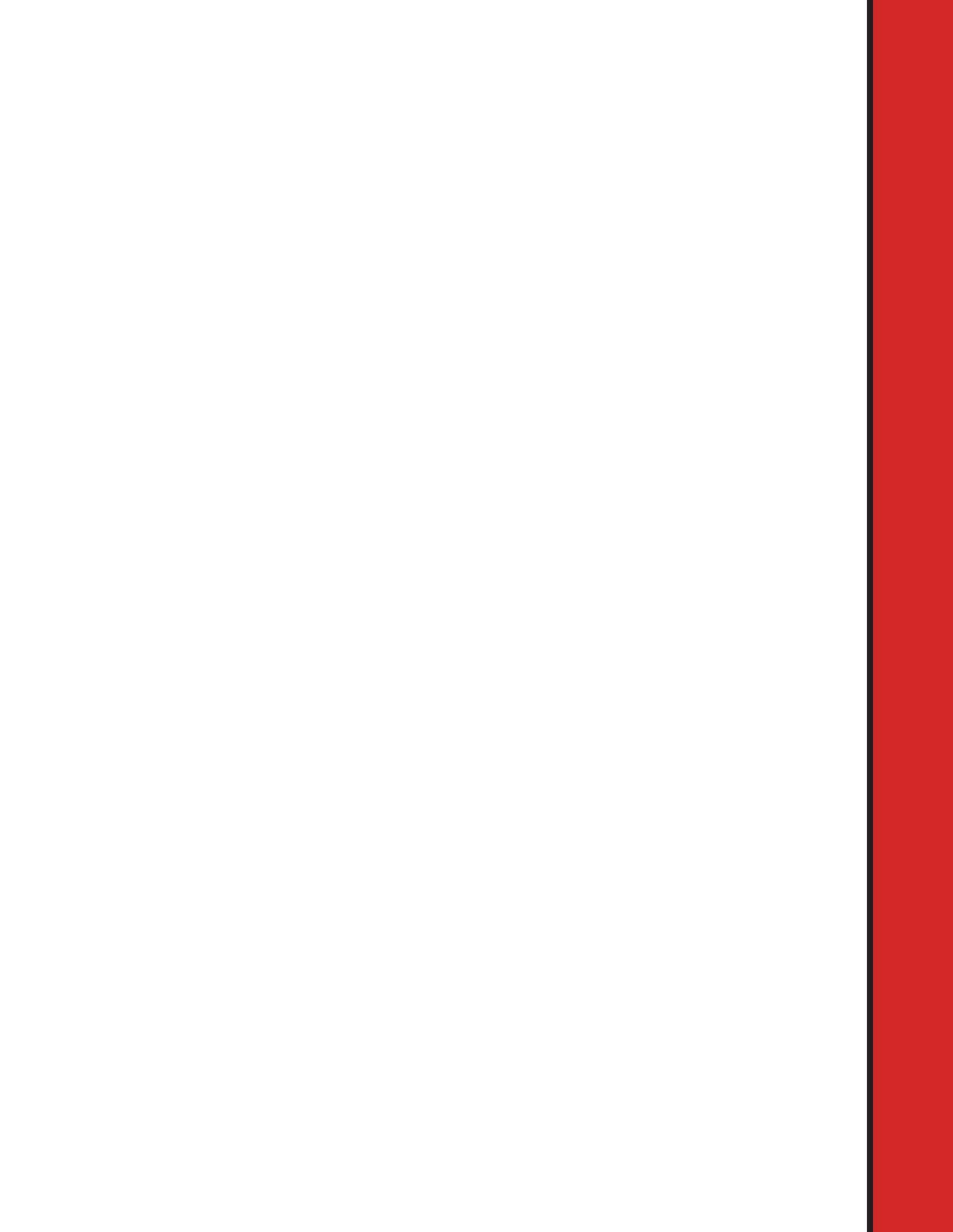
Lister Puckerin  
**Manager, Finance**

March 25, 2020

**Date**

March 25, 2020

**Date**





# INDEPENDENT AUDITORS' REPORT



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2<sup>nd</sup> Floor CIC Building  
122-124 Frederick Street  
Port of Spain  
Trinidad and Tobago

## Independent Auditors' Report

To the Members of  
RHAND Credit Union Co-operative Society Limited

### Opinion

We have audited the financial statements of RHAND Credit Union Co-operative Society Limited (the "Credit Union"), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in institutional capital, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### Basis for Opinion

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

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

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

# INDEPENDENT AUDITORS' REPORT



## Independent Auditor's Report (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

March 25, 2020

Port of Spain,  
Trinidad, West Indies

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BDO is the brand name for the BDO network and for each of the BDO Member Firms.



# STATEMENT OF FINANCIAL POSITION

(Expressed in Trinidad and Tobago Dollars)

As at December 31, 2019	Notes	2019	2018
<b>ASSETS</b>			
Cash and cash equivalents	7	55,990,776	50,018,220
Investment securities	8	193,041,343	163,472,742
Accounts receivable and prepayments	9	5,870,132	6,592,543
Net loans to members	10	391,695,935	393,833,295
Property and equipment	11	38,181,994	31,590,560
<b>TOTAL ASSETS</b>		<b>\$684,780,180</b>	<b>\$645,507,360</b>
<b>INSTITUTIONAL CAPITAL AND LIABILITIES</b>			
<b>INSTITUTIONAL CAPITAL</b>			
Reserve fund		32,309,246	29,920,261
Education fund		2,806,354	2,665,253
Loan protection fund	15	2,736,941	2,245,675
Building fund		16,000,000	15,250,000
Investment re-measurement reserve		20,271,466	13,410,741
Undivided earnings		32,094,551	25,139,196
<b>TOTAL INSTITUTIONAL CAPITAL</b>		<b>106,218,558</b>	<b>88,631,126</b>
<b>LIABILITIES</b>			
Accounts payable & accruals	12	13,364,786	10,853,332
Members' deposit savings		65,087,905	58,711,954
Members' time deposits		86,790,336	89,780,601
Retirement benefit obligation	13	1,621,600	2,150,700
Members' share savings	14	411,696,995	395,379,647
<b>TOTAL LIABILITIES</b>		<b>578,561,622</b>	<b>556,876,234</b>
<b>TOTAL INSTITUTIONAL CAPITAL AND LIABILITIES</b>		<b>\$684,780,180</b>	<b>\$645,507,360</b>

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

On March 25, 2020, the Board of Directors of RHAND Credit Union Co-operative Society Limited authorised these financial statements for issue.

President

Treasurer

Member, Supervisory Committee

# STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Trinidad and Tobago Dollars)



As at December 31, 2019	Notes	2019	2018
<b>Income</b>			
<i>Interest income calculated using the effective interest rate method:</i>			
- Loans		41,177,963	43,432,734
- Investment securities		5,395,013	4,383,225
Unrealised gain on FVTPL		3,826,582	-
Other (loss)/income	19	(109,783)	1,520,286
Other income	20	2,124,358	2,127,062
<b>Total income</b>		<b>52,414,133</b>	<b>51,463,307</b>
<b>Expenditure</b>			
Administrative expenses	21	(8,865,898)	(9,258,200)
Board and committees' expenses	22	(1,017,867)	(1,158,245)
Life savings insurance expense		(746,257)	(987,889)
Loan protection expense	15	(1,800,946)	(2,200,621)
Expected credit loss on loans to members	10	(1,159,794)	(346,116)
Expected credit loss on investment securities		(65,801)	-
Unrealised loss on FVTPL		-	(1,629,383)
Interest on members' deposits		(2,107,835)	(2,225,231)
Member education, training and development expenses		(1,005,005)	(1,048,243)
Salaries and benefits	23	(12,464,320)	(11,475,555)
Green fund levy		(690,886)	-
<b>Total expenditure</b>		<b>(29,924,609)</b>	<b>(30,329,483)</b>
<b>Net surplus for the year</b>		<b>22,489,524</b>	<b>21,133,824</b>
<b>Other comprehensive income</b>			
Unrealised gain/(loss) on FVOCI investment securities		6,860,725	(3,136,537)
Net actuarial gain/(loss) on retirement benefit obligation	13	432,600	(1,279,600)
<b>Total other comprehensive income /(loss)</b>		<b>7,293,325</b>	<b>(4,416,137)</b>
<b>Total comprehensive income for the year</b>		<b>\$29,782,849</b>	<b>\$16,717,687</b>

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



# STATEMENT OF CHANGES IN INSTITUTIONAL CAPITAL

(Expressed in Trinidad and Tobago Dollars)

As at December 31, 2019	Reserve Fund	Education Fund	Loan Protection Fund	Building Fund	Investment Re-measurement Reserve	Undivided Earnings	Total
<b>Year ended December 31, 2019</b>							
Balance as at January 1, 2019	29,920,261	2,665,253	2,245,675	15,250,000	13,410,741	25,139,196	88,631,126
Total comprehensive income for the year	-	-	-	-	6,860,725	22,922,124	29,782,849
<b>Appropriation for the year:</b>							
- 10% to the Reserve Fund	2,292,212	-	-	-	-	(2,222,841)	-
- 5% to the Education Fund	-	1,146,106	-	-	-	(1,111,421)	-
- 10% to the Loan Protection Fund	-	-	2,292,212	-	-	(2,222,841)	-
- Transfer to Building Fund	-	-	-	750,000	-	(750,000)	-
	<b>32,212,473</b>	<b>3,811,359</b>	<b>4,537,887</b>	<b>16,000,000</b>	<b>20,271,466</b>	<b>41,580,790</b>	<b>118,413,975</b>
Dividends	-	-	-	-	-	(12,195,417)	(12,195,417)
Entrance fees	96,773	-	-	-	-	(96,773)	-
Member education, training and development expenses	-	(1,005,005)	-	-	-	1,005,005	-
Loan protection expense	-	-	(1,800,946)	-	-	1,800,946	-
<b>Balance as at December 31, 2019</b>	<b>\$32,309,246</b>	<b>\$2,806,354</b>	<b>\$2,736,941</b>	<b>\$16,000,000</b>	<b>\$20,271,466</b>	<b>\$32,094,551</b>	<b>\$106,218,558</b>
<b>Year ended December 31, 2018</b>							
Balance as at January 1, 2018	27,855,499	2,720,785	2,460,874	14,500,000	16,547,278	19,100,463	83,184,899
Total comprehensive income for the year	-	-	-	-	(3,136,537)	19,854,224	16,717,687
<b>Appropriation for the year:</b>							
- 10% to the Reserve Fund	1,985,422	-	-	-	-	(1,985,422)	-
- 5% to the Education Fund	-	992,711	-	-	-	(992,711)	-
- 10% to the Loan Protection Fund	-	-	1,985,422	-	-	(1,985,422)	-
- Transfer to Building Fund	-	-	-	750,000	-	(750,000)	-
	<b>29,840,921</b>	<b>3,713,496</b>	<b>4,446,296</b>	<b>15,250,000</b>	<b>13,410,741</b>	<b>33,241,132</b>	<b>99,902,586</b>
- Dividends	-	-	-	-	-	(11,271,460)	(11,271,460)
- Entrance fees	79,340	-	-	-	-	(79,340)	-
- Member education, training and development expenses	-	(1,048,243)	-	-	-	1,048,243	-
- Loan protection expense	-	-	(2,200,621)	-	-	2,200,621	-
<b>Balance as at December 31, 2018</b>	<b>\$29,920,261</b>	<b>\$2,665,253</b>	<b>\$2,245,675</b>	<b>\$15,250,000</b>	<b>\$13,410,741</b>	<b>\$25,139,196</b>	<b>\$88,631,126</b>

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

# STATEMENT OF CASH FLOWS

(Expressed in Trinidad and Tobago Dollars)



As at December 31, 2019	2019	2018
<b>Cash flows from operating activities</b>		
Net surplus for the year	22,489,524	21,133,824
Adjustments for:		
Depreciation	967,062	1,111,845
Expected credit loss on loans to members	1,159,794	346,116
Expected credit loss on investment securities	65,801	-
Loss on disposal of property and equipment	22,488	80,701
Unrealised (gain)/loss on investment securities measured at FVTPL	(3,826,582)	1,629,383
Retirement benefits asset - IAS 19 adjustment	(96,500)	(253,400)
Operating surplus before working capital changes:	<b>20,781,587</b>	<b>24,048,469</b>
Decrease/(increase) in accounts receivable and prepayments	722,411	(2,284,494)
Decrease in net loans to members	977,566	9,438,669
Increase in accounts payable and accruals	2,511,454	2,002,712
Increase in members' deposit savings	6,375,951	7,144,607
Decrease in members' time deposits	(2,990,265)	(3,247,295)
Increase in members' share savings	16,317,348	11,825,714
<b>Net cash generated from operating activities</b>	<b>44,696,052</b>	<b>48,928,382</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property and equipment	24,538	1,490
Purchase of property and equipment	(7,605,522)	(4,027,124)
Proceeds on disposal and maturity of investments	(18,947,095)	(4,914,155)
<b>Net cash used in investing activities</b>	<b>(26,528,079)</b>	<b>(8,939,789)</b>
<b>Cash flows from financing activities</b>		
Dividends distribution	(12,195,417)	(11,271,459)
<b>Net cash used in financing activities</b>	<b>(12,195,417)</b>	<b>(11,271,459)</b>
<b>Increase in cash and cash equivalents</b>	<b>5,972,556</b>	<b>28,717,134</b>
Cash and cash equivalents, beginning of year	50,018,220	21,301,086
<b>Cash and cash equivalents, end of year</b>	<b>\$55,990,776</b>	<b>\$50,018,220</b>

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



# NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended December 31, 2019  
(Expressed in Trinidad and Tobago Dollars)

## 1. Incorporation and Business Activities

RHAND Credit Union Co-operative Society Limited (the Society) was registered under the Co-operative Societies Act of Trinidad and Tobago Ch: 81:03 on March 27, 1947. The registered office of the Credit Union is located at 57-61 Abercromby Street, Port of Spain, with branch operations in Arima and Scarborough, Tobago. Its objectives are to promote the economic and social welfare of its members, to encourage the spirit and practice of thrift, self-help and co-operation among members and to promote the development of co-operative ideas.

## 2. Basis of Accounting

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in Trinidad and Tobago dollars. These financial statements are stated on the historical cost basis, except for the measurement at fair value of investments securities and certain other financial instruments.

## 3. Use of Judgements and Estimates

The preparation of the financial statements in conformity with IFRS 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 results 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.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 6.

## 4. Significant accounting policies

### (a) *Property and equipment*

Property and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided using both the reducing balance method and the straight-line method. Land is not depreciated.

The following rates, which are considered appropriate to write-off the assets over their estimated useful lives, are applied:

Building	2%	Straight line
Car park	10%	Straight line
Furniture, fixtures and fittings	10%	Reducing balance
Office equipment	20%	Reducing balance
Telephone facilities	33 $\frac{1}{3}$ %	Reducing balance

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
(Expressed in Trinidad and Tobago Dollars)



## 4. Significant accounting policies (continued)

### (a) Property and equipment (continued)

Other equipment	12 $\frac{1}{2}$ %, 33 $\frac{1}{3}$ %	Reducing balance
Motor vehicles	25%	Reducing balance
Computer facilities	20%	Reducing balance

The assets' residual values and useful lives are reviewed at each reporting date and adjusted as appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in surplus or deficit.

### (b) Financial instruments

Financial instruments carried on the statement of financial position include cash and cash equivalents, investments securities, loans to members, accounts receivable, accounts payable, member deposits, and members share savings. The standard treatment for recognition, derecognition, classification and measurement of financial instruments is described in notes (i) – (vii) below.

#### i. Recognition and initial measurement

The Society initially recognises financial instruments on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at Fair Value through Profit or Loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

#### ii. Classification

The Society classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair Value through Other Comprehensive Income ("FVOCI")
- FVTPL

The Society only measures cash and cash equivalents and loans to members and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows



# NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

## 4. Significant accounting policies (continued)

### (b) Financial instruments (continued)

#### ii. Classification (continued)

that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The details of these conditions are outlined below.

#### *Business model assessment*

The Society determines its business model at the level that best reflects how the Society manages its financial assets to achieve its business objective.

The Society's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Society's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- The expected frequency, value and timing of sales are also important aspects of the Society's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Society's original expectations, the Society does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

#### *The SPPI test*

As the second step of its classification process, the Society assesses the contractual terms of financial instruments to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
(Expressed in Trinidad and Tobago Dollars)



4. **Significant accounting policies (continued)**  
**(b) Financial instruments (continued)**  
**ii. Classification (continued)**

*Financial assets or financial liabilities held for trading*

The Society classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit-taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in the statement of comprehensive income. Interest and dividend income or expense are recorded in the statement of comprehensive income according to the terms of the contract, or when the right to payment has been established.

iii. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Society has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Society measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Society uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Society determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the



# NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

## 4. Significant accounting policies (continued)

### (b) Financial instruments (continued)

#### iii. Fair value measurement (continued)

Society measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Society recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

#### iv. Impairment

The Society recognises loss allowances for Expected Credit Loss (“ECL”) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Society measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

#### *Measurement of ECL*

ECL is a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Society expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Society if the commitment is drawn down and the cash flows that the Society expects to receive.

#### *Restructured financial assets*

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
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## 4. Significant accounting policies (continued)

### (b) Financial instruments (continued)

#### iv. Impairment (continued)

##### Restructured financial assets (continued)

made of whether the financial asset should be derecognised (see (iv)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

##### *Credit-impaired financial assets*

At each reporting date, the Society assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are creditimpaired. A financial asset is 'creditimpaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contracts such as a default or past due event;
- the restructuring of a loan or advance by the Society on terms that the Society would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

##### *Presentation of allowance for ECL in the statement of financial position*

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;



# NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended December 31, 2019

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## 4. Significant accounting policies (continued)

### (b) Financial instruments (continued)

#### iv. Impairment (continued)

##### **Presentation of allowance for ECL in the statement of financial position (continued)**

- loan commitments: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Society cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Society presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the investment remeasurement reserve.

##### *Write-off*

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Society determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Society's procedures for recovery of amounts due.

### (c) *Dividends payable to members*

Dividends are computed on the basis of the average value of shares held throughout the year, the average being determined on the basis of the value of shares held at the end of each month.

### (d) *Foreign currency*

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling at the statement of financial position date. All revenue and expenditure transactions denominated in foreign currencies are translated at the average rate and the resulting profits and losses on exchange from these trading activities are recorded in the statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
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## 4. Significant accounting policies (continued)

### (e) Provision

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### (f) Retirement benefit

The Society operates a defined benefit plan for all employees who have completed at least three months of continuous service with the Credit Union and have attained the age of eighteen (18) years but are not yet sixty (60) years at the time of enrolment. Provision is made for pension benefits based on employees' salaries. Pension benefits are based upon contributions made by employees and the Credit Union during employment and determined by actuarial valuations of the Pension Fund Plan. International Accounting Standard 19 – Employee Benefits, requires the use of actuarial techniques on an annual basis to measure the present value of the defined benefit obligation, the related current service cost and the actuarial gains and losses that are recognised in the financial statements.

The Plan was established by Trust Deed dated August 18, 1988, made between the RHAND Credit Union Co-operative Society Limited and Republic Bank Limited and is approved by the Board of Inland Revenue and registered with the Inspector of Financial Institutions. Its operations are governed by the aforementioned Trust Deed, Rules and the applicable laws of Republic of Trinidad and Tobago. The Trustee, Republic Bank Limited has elected to fund the benefits by way of a Deposit Administration Contract with the Pan-American Life Insurance Company Limited.

### (g) Taxation

The profits arising from the Society are exempt from income tax, as per the Co-operative Societies Act Chapter 81:03 sections 76-77. The Society pays Green Fund Levy at 0.3% of its gross receipts.

### (h) Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risks of change in value. These are shown at cost, which is equivalent to fair value.

Cash and cash equivalents also comprise cash balances which are payable on demand and deposits with maturities of three months or less from the date of acquisition. Bank overdrafts are disclosed as current liabilities.



# NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

## 4. Significant accounting policies (continued)

### (i) *Members' deposit savings and time deposits*

Members' deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument. Members' deposits are subsequently measured at amortised cost, using the effective interest rate method.

### (j) *Members' shares*

Upon opening an account at the Society, new members are required to subscribe for a minimum of one share. Subsequently, every member subscribes at least twelve shares per annum to his/her share capital in the Society. Members can withdraw all or any portion of their unencumbered shares from the Society at any time.

Members' shares are classified as other financial liabilities under the International Accounting Standard (IAS) 32 Financial Instruments: Disclosure and Presentation and are measured at par value.

### (k) *Accounts payable and accruals*

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

### (l) *Funds and reserves*

Included within this financial statement caption are the following funds and reserves:

#### i) *Reserve Fund*

In accordance with the Act (Section 47(2)) and Bye-Law 58 of the Society, at least 10% of the net surplus of each year is transferred to the Reserve Fund. The reserve fund is indivisible, and no member is entitled to any specific share thereof.

Under Regulation 47 of the Co-operative Society Act 1971, the Reserve Fund of a society may, with the approval of the Commissioner, be applied to meet bad debts or losses sustained through extraordinary circumstances over which the Society has no control.

#### ii) *Education Fund*

In accordance with Bye-Law 12 (A) (v.) of the Credit Union, an amount of 5% of the net surplus for the year, is transferred to the education fund. This fund is to be used for educational purposes.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
(Expressed in Trinidad and Tobago Dollars)



## 4. Significant accounting policies (continued)

### (l) Funds and reserves (continued)

#### iii) *Loan Protection Fund*

The Loan Protection Fund provides loan protection coverage for members, which allows the loan balance, up to a maximum of \$100,000, to be liquidated in the event of the death of the member before his/her indebtedness to the Credit Union has been repaid.

#### iv) *Building Fund*

In accordance with Bye-Law 12 (A) (v.) of the Credit Union, an amount of \$750,000 of the net surplus for the year is transferred to Building Fund. The building fund was established for the construction and or expansion of the Society's offices.

#### v) *Investment measurement reserve*

The society created an investment measurement reserve to include unrealised gain/ losses on investments recorded as fair value through other comprehensive income.

### (m) *Revenue recognition*

Revenue comprises interest on loans to members as well as income from investments.

The interest charged on loans to members is calculated at rates varying between 0.5% and 1.5% per month on the reducing balance and is recognised on the accrual basis net of provisions for expected credit losses.

All other income is recognised on an accrual basis.

### (n) *New, revised and amended standards and interpretations not yet effective*

#### (i) *New and amended standards adopted by the Society*

The Society adopted IFRS 16 with a transition date of January 1, 2019. There were no material changes to these financial statements resulting from the adoption of this new standard.

#### (ii) *New standards, amendments and interpretations issued but not effective and not early adopted*

There are a number of standards, amendments to standards and interpretations which have been issued by the IASB that are effective in future accounting periods but are not considered relevant to the Society and have not been disclosed.

#### (iii) *Standards and amendments to published standards early adopted by the Society*

The Society did not early adopt any new, revised or amended standards.



# NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

## 4. Significant accounting policies (continued)

### (o) Comparative figures

Certain changes in presentation have been made during the year and comparative figures have been restated accordingly.

### (p) Leases

The Society accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- There is an identified asset;
- The Society obtains substantially all the economic benefits from the use of the asset; and
- The Society has the right to direct use of the asset.

The Society considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Society obtains substantially all the economic benefits from the use of the asset, the Society considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Society has the right to direct use of the asset, the Society considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Society considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Society applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low-value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted January 1, 2019, without restatement of comparative figures. The Society has one lease which is considered a short-term lease and as such has been exempted from IFRS 16 requirements.

## 5. Financial Risk Management

The Society is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the Society to manage these risks are discussed below:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
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## 5. Financial Risk Management (continued)

### (a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Society is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest-bearing financial assets and liabilities, including investments in bonds, loans, customer deposits and other funding instruments.

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

#### (i) Investment securities

The Society invests mainly in medium-term bonds consisting of fixed-rate instruments. The market values of the fixed-rate bonds are not very sensitive to changes in interest rates. The market values of the floating rate bonds are sensitive to changes in interest rates. The longer the maturity of the bonds, the greater is the sensitivity to changes in interest rates. Because these assets are not traded, any changes in market values will not impact the statement of comprehensive income.

#### (ii) Loans to members

The Society generally invests in fixed-rate loans for terms not exceeding five years. These are funded mainly from member deposits and shares.

### (b) Credit risk

Credit exposures arise principally in lending activities that lead to loans. Credit risk relates to the failure by counterparties to discharge their obligations and could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. All lending activities are conducted with various counterparties and it is in pursuing these activities that the Society becomes exposed to credit risk.

It is expected that this area of business will continue to be the principal one for the Society in the future and with loans currently comprising a significant portion of the Society's assets and being responsible for a substantial portion of the revenue generated, it is anticipated that the Society will continue to be exposed to credit risk well into the future. The management of credit risk is therefore of utmost importance to the Society and an appropriate organizational structure has been put in place to ensure that this function is effectively discharged; management therefore carefully manages its exposure to credit risk. Exposure to credit risk is managed through appropriate credit policies, procedures, practices and audit functions, together with approved limits. Exposure is also managed by obtaining tangible collateral.



# NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

## 5. **Financial Risk Management (continued)**

### **(b) Credit risk (continued)**

#### *(i) Credit risk management*

In its management of credit risks, the Society has established an organizational structure which supports its lending philosophy. This structure comprises the Board of Directors, the Credit Committee, the Internal Risk Review Committee (IRRC), the General Manager, the Credit Administration Department, the Internal Audit Department, and the Supervisory Committee. The Board of Directors maintains general oversight to ensure that policies and procedures are consistent with the strategic direction and credit philosophy of the Society and that they serve to bring the required level of protection over assets that are exposed to credit risks. The Board also sanctions amendments to credit policies, the delegation of lending authority to senior management and credit requests exceeding the authority of management.

The Credit Committee, the statutory body appointed by the membership to approve loans and to provide oversight of the loan portfolio, has delegated authority for specific areas to the General Manager, with an appropriate reporting system, to facilitate day to day decision making and timely implementation of decisions. The IRRC reviews all credit requests exceeding the authority of the General Manager. The major focus of the Manager, Credit Administration Department is to formulate credit policies, monitor compliance with them and on a continuous basis to assess their relevance to the changing business environment. Most of these policies and procedures are established and communicated through the Society's written Credit Policy Manual and Credit Procedures & Guidelines Manual. These documents set out in detail the current policies governing the lending function and provide a comprehensive framework for prudent risk management of the credit function. Major areas of focus are general credit criteria and control risk mitigants over the Credit Portfolio among others. The Internal Audit Department monitors the effectiveness of credit procedures and policies and may recommend changes to strategies to improve the effectiveness of policies.

#### *(ii) Credit risk measurement*

As part of the on-going process of prudent risk management, the Society's policy is to perform Credit Bureau credit checks at the time of approval in addition to a preset ranking (Credit Classification System). The ranking is guided by a model developed for the Society for this purpose. The model utilizes a scale incorporating rating of 0 to 15 with 0 being too new to rate. These have been consolidated into five (5) rating bands which have been set in relation to the total credit portfolio. The rating process is exercised at the discretion of the Delinquency Control Unit of the Credit Administration Department.

#### *(iii) Credit classification system*

The Society's Credit Classification System is outlined as follows:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
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## 5. Financial Risk Management (continued)

### (b) Credit risk (continued)

#### (iii) Credit classification system (continued)

<u>Classification</u>	<u>Description</u>	<u>Rating</u>
Pass	Standard/Pass	1,2,3
SM	Special mention	0,4,5,6,12
SS	Substandard	7,8,13,14
D	Doubtful	9, 10
L	Loss	11, 15

#### (iv) Risk limit control and mitigation policy

The Society structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. The Society monitors its concentration of credit exposure so that no single borrower default will have a material impact on the Society. These limits are implemented and monitored by the Manager, Credit Administration via the stipulations of the Society's Credit Policy Manual. In instances where it is strategically beneficial and adequately documented, the Society would seek approval on an exception basis for variation to its standard approved limits from the Board of Directors.

#### *Collateral*

The principal collateral types for loans and advances are:

- Cash deposits;
- Cash equivalents such as cash surrender values of life insurance policies and shares listed on the TTSE;
- Mortgage Bills of Sale over motor vehicles; and
- Mortgages over residential properties.

The Society does not take a second or inferior collateral position to any other lender on advances outside the lending value calculated as per the Society's stipulated guidelines. The Society recognizes that the value of items held as collateral may diminish over time resulting in loans being less protected than initially intended. To mitigate the effect of this, margins are applied to security items in evaluating coverage. The Society assesses the collateral value of credits at the point of inception and monitors the market value of collateral during periodic review of loan accounts in arrears as per the Credit Policy.

#### (v) Impairment and provisioning policies

The Society's impairment policy is covered in detail in Note 4(b).

The Society's impairment provisioning model was developed using a multi-criteria decision-making model for determining Expected Credit Loss. The data used to develop this model are based on records and data of the Society backed by economic and financial estimates



# NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

## 5. **Financial Risk Management (continued)**

### **(b) Credit risk (continued)**

#### **(v) Impairment and provisioning policies (continued)**

based on management's experience and professional judgment.

The model calculates an unbiased and probability-weighted estimation of Expected Credit Loss utilizing the following approach:

Expected Credit Losses (ECL) =  $EAD \times LGD \times PD$

Where,

- EAD – Exposure at Default
- LDG - Loss Given Default
- PD – Probability of Default

The model utilized the following inputs:

1. The paper from the World Council of Credit Unions (WOCCU) on IFRS 9 Loan Loss Accounting for Cooperative Financial Institutions;
2. Expert judgment - As provided by the internal (and MBA qualified) IFRS 9 Project team comprising the General Manager (former Credit Manager), Finance Manager, the senior supervisor in charge of delinquency management and the acting senior ICT administrator.
3. The implementation of IFRS 9 impairment requirements by banks, detailed by the Global Public Policy Committee of representatives of the six largest accounting networks (GPPC).

#### **Exposure at Default (EAD)**

The Exposure at Default is the principal amount that is estimated to be at risk of non-recoverability at default. This is reflective of the carrying value of the asset adjusted for the expected changes in the exposure after the reporting date. These changes are influenced by various factors given that each loan type has unique features and equally unique credit exposures. RHAND's Exposure at Default (EAD) factors these variables by firstly stratifying the portfolio of assets by type.

In assessing RHAND's loan portfolio it was determined that all loans fall into three broad categories/ types based on the interest rate, contractual period, collateral, and purpose. These types are:

- Instalment - for which loans are typically partially secured by the assignment and typically experience reducing exposures over the life of the loan.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
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## 5. Financial Risk Management (continued)

### (b) Credit risk (continued)

#### (v) Impairment and provisioning policies (continued) Exposure at Default (EAD) (continued)

- Motor Vehicles - for which loans are typically fully secured by the assignment and typically remain with coverage at par or with small exposures over the life of the loan.
- Real Property (Mortgages) - for which loans are typically fully secured by the assignment and typically remain with a buffer of coverage during the life of the loan.

#### Adjusting for value of member shares held

The Society's standing policy on loans requires the drawdown on shareholdings (cash) associated with a given loan upon delinquency (30 days past due). Further to this, once encumbered, members are not permitted to withdraw shares which are held against borrowings.

As such, according to policy and operating practice, the credit loss exposure is reduced by the carrying value of the encumbered shares being that encumbered shares would be liquidated by the time default occurs.

As at December 31, 2019				
Stage	Type	Balance	Shares held	EAD
Stage 1 - Performing Loans	Consumer	202,452,835	149,061,507	53,391,328
	Motor Vehicle	34,386,184	15,846,844	18,539,340
	Mortgage	131,652,292	45,898,946	85,753,346
	<b>Total Performing Loans</b>	<b>368,491,311</b>	<b>210,807,297</b>	<b>157,684,014</b>
Stage 2 - Under Performing Loans	Consumer	5,034,051	3,078,002	1,956,049
	Motor Vehicle	585,022	534,698	50,324
	Mortgage	5,480,184	973,238	4,506,946
	<b>Total Under Performing Loans</b>	<b>11,099,257</b>	<b>4,585,938</b>	<b>6,513,319</b>
Stage 3 - Non-Performing Loans	Consumer	10,877,498	1,656,310	9,221,188
	Motor Vehicle	2,009,060	76,184	1,932,876
	Mortgage	7,304,790	308,696	6,996,094
	<b>Total Non-Performing Loans</b>	<b>20,191,348</b>	<b>2,041,190</b>	<b>18,150,158</b>
	<b>TOTAL</b>	<b>\$399,781,916</b>	<b>\$217,434,425</b>	<b>\$182,347,491</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

## 5. Financial Risk Management (continued)

### (b) Credit risk (continued)

#### (v) Impairment and provisioning policies (continued)

#### Adjusting for value of member shares held (continued)

As at December 31, 2018				
Stage	Type	Balance	Shares held	EAD
Stage 1 - Performing Loans	Consumer	198,233,650	147,848,670	50,384,914
	Motor Vehicle	37,656,394	17,273,182	20,383,212
	Mortgage	130,008,714	42,653,557	87,355,157
<b>Total Performing Loans</b>		<b>365,898,692</b>	<b>207,775,409</b>	<b>158,123,283</b>
Stage 2 - Under Performing Loans	Consumer	6,686,999	3,640,123	3,046,876
	Motor Vehicle	1,945,145	700,975	1,244,170
	Mortgage	3,313,148	710,215	2,602,933
<b>Total Under Performing Loans</b>		<b>11,945,292</b>	<b>5,051,313</b>	<b>6,893,979</b>
Stage 3 - Non-Performing Loans	Consumer	6,271,401	772,691	5,498,710
	Motor Vehicle	1,341,374	156,738	1,184,636
	Mortgage	15,209,518	163,926	15,045,592
<b>Total Non-Performing Loans</b>		<b>22,822,293</b>	<b>1,093,355</b>	<b>21,728,938</b>
<b>TOTAL</b>		<b>\$400,666,277</b>	<b>\$213,920,077</b>	<b>\$186,746,200</b>

### Probability at Default (PD)

This is the likelihood of a member defaulting (90 days past due). In estimating the likelihood of a borrower's default (PD), the Society used an internal benchmark which examined the delinquency rate of each loan type portfolio stratified by stages for period 2015-2019.

An average rate for stage 1 and 2 was calculated using delinquency data over a five-year period and adjusted utilizing forward-looking assumption which historically had a material impact on the Society's credit quality. For stage 3, 100% probability of default was used on the basis that default criteria are achieved by all loans at this stage.

Probability of default was calculated as follows:

$$PD = AR \times (1 + WF1)$$

Where,

- AR = Average Delinquency Rate (Over a 5-year period)
- W = Weighting by correlation
- F = Economic Factor (average unemployment rate over a four-year period)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
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## 5. Financial Risk Management (continued)

### (b) Credit risk (continued)

#### (v) Impairment and provisioning policies (continued)

##### Loss Given Default (LGD)

This is the share of a member's loan principal that is expected to be unrecoverable if a borrower defaults, expressed as a percentage (or expected loss percentage). The Default is defined as 90 days or more past due.

LGD was determined for each of the 9 sub-buckets based on a different rationale applied to each of the 3 primary buckets. The respective details follow:

##### Calculation of Loss Given Default (LGD)

Using WOCCU's guidelines for establishing expected loss percentages, the option of a 2-Year Weighted Average approach was determined to be best. The formula was expressed as:

$$ex = (2L0 + L1)/3$$

Where:

- ex = the expected loss percentage for each Sub-bucket.
- L0 = losses as a percentage of face value incurred on similar loans over the previous 12 months.
- L1 = losses as a percentage of face value incurred on similar loans 12-24 months ago

Note 6(b)(vii)(c)-Individually Impaired of the Notes to the Financial Statements in the Society's Annual Report for the year ended December 31, 2018, provided the data to calculate this.

L0 for the respective sub-bucket was calculated as the 2018 Impairment allowance / Loans to members.

L1 for the respective sub-bucket was calculated as the 2017 Impairment allowance / Loans to members.

##### **Expected Credit Loss**

The final ECL is measured in a way that reflects the time value of money. This meant that cash shortfalls associated with default are discounted back to the statement of financial position date, using the effective interest rate (EIR) (i.e. the same rate used to recognize interest income) or an approximation and the average time to maturity on the portfolio.

The ECL for Stage 1 of the portfolio (12 Month ECL) was calculated by dividing the average ECL (ECLA) balance for these assets by the portfolio. Stage 2 incorporated the average portfolio time to maturity as its time factor. (3.02 years) While Stage 3 no discounting is needed for these accounts as the default technically occurred already.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

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## 5. Financial Risk Management (continued)

### (b) Credit risk (continued)

#### (v) Impairment and provisioning policies (continued)

##### Expected Credit Loss (continued)

Thus  $ECL = ECL / (1+EIR)^t$

The ECL provision for the loan portfolio of the Society for the year ended December 31, 2019, is estimated to be \$8,085,980 (2018: \$6,832,981).

#### (vi) Maximum exposure to credit risk before collateral held or other credit enhancement

Cash balances are held with high credit quality financial institutions and the Society has policies to limit the amount of exposure to any single financial institution.

The Society also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

	2019	2018
Due from banks and other financial institutions	203,814,062	173,367,236
Accounts receivable	5,483,654	6,022,758
Loans to members (Gross)	399,781,916	400,666,277
	<b>\$609,079,632</b>	<b>\$580,056,271</b>

The above table represents a worst-case scenario of credit risk exposure to the Society without taking account of any collateral held or other credit enhancements attached.

Financial assets that are neither past due nor impaired

	2019	2018
Cash and cash equivalents	55,232,363	49,362,496
Investment securities	148,581,701	124,004,740
Accounts receivable with full repayment expected	5,483,654	6,022,758
Loans to members	368,104,736	364,332,777
	<b>\$577,402,454</b>	<b>\$543,722,771</b>

#### (vii) Loans to members and other financial assets

Financial assets that are neither past due nor impaired

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
(Expressed in Trinidad and Tobago Dollars)



## 5. Financial Risk Management (continued)

### (b) Credit risk (continued)

#### (vii) Loans to members and other financial assets (continued)

#### Financial assets that are neither past due nor impaired (continued)

##### (a) Neither past due nor impaired

The composition of the portfolio of loans to members that were neither past due nor impaired on an individual basis is illustrated below by loan type.

	2019	2018
Instalment loans	202,167,965	244,102,989
Motor vehicles	34,284,479	33,256,113
Mortgages	131,652,292	86,973,675
<b>Total</b>	<b>\$368,104,736</b>	<b>\$364,332,777</b>

##### (b) Past due but not impaired

Loans to members less than 90 days past due are not considered impaired unless other information is available to indicate the contrary. Gross amount of loans to customers that were past due but not impaired on an individual basis are as follows:

As at December 31, 2019	Up to 31 days	32 to 61 days	62 to 90 days	Total
Instalment loans	3,757,883	1,561,039	-	5,318,922
Motor vehicles	480,557	206,170	-	686,727
Mortgages	4,231,513	1,994,527	-	6,226,040
<b>Sub-total</b>	<b>\$8,469,953</b>	<b>\$3,761,736</b>	<b>\$-</b>	<b>\$12,231,689</b>
<b>Fair value of collateral</b>	<b>\$13,004,558</b>	<b>\$4,134,761</b>	<b>\$-</b>	<b>\$17,139,319</b>
As at December 31, 2018	Up to 31 days	32 to 61 days	62 to 90 days	Total
Instalment loans	6,302,282	3,515,301	153,914	9,971,497
Motor vehicles	1,049,416	270,430	85,288	1,405,134
Mortgages	2,023,048	1,253,823	-	3,276,871
<b>Sub-total</b>	<b>\$9,374,746</b>	<b>\$5,039,554</b>	<b>\$239,202</b>	<b>\$14,653,502</b>
<b>Fair value of collateral</b>	<b>\$11,580,481</b>	<b>\$3,114,782</b>	<b>\$94,273</b>	<b>\$14,789,536</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

## 5. Financial Risk Management (continued)

### (b) Credit risk (continued)

#### (vii) Loans to members and other financial assets (continued)

#### Financial assets that are neither past due nor impaired (continued)

#### (c) Individually impaired

As at December 31, 2019	Up to 31 days	32 to 61 days	62 to 90 days	Total
Loan to members	10,877,498	2,009,060	7,304,790	20,191,348
Fair value of collateral	184,166	956,854	8,832,833	9,973,853
Impairment allowance	(7,283,583)	(639,759)	(1,293,423)	(9,216,765)
As at December 31, 2018	Up to 31 days	32 to 61 days	62 to 90 days	Total
Loan to members	10,597,543	1,913,687	11,747,577	24,258,807
Fair value of collateral	837,327	731,524	15,239,542	16,808,393
Impairment allowance	(7,647,187)	(590,755)	(355,952)	8,593,894

Upon initial recognition of loans to customers, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In the subsequent periods, the fair values are referenced by marked values for cash and cash equivalents; written down market value for motor vehicles based on annual discounting, and written down market value (at initial assignment) as outlined in the Credit Policy for real property.

#### (d) Loans to customers restructured

Restructuring activities include extended payment arrangements and modification of payment. Restructuring policies and practices are based on indicators or criteria that, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to instalment loans. In some cases, restructuring results in the assets continuing to be impaired but in most cases, restructuring is geared to facilitate correction of the root cause of impairment which eventually improves collectability of the assets.

	2019	2018
	\$	\$
Number of loans restructured	50	77
<b>Value of restructured</b>	<b>\$5,474,695</b>	<b>\$5,070,410</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
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## 5. Financial Risk Management (continued)

### (b) Credit risk (continued)

- (vii) Loans to members and other financial assets (continued)  
Financial assets that are neither past due nor impaired (continued)

### (c) Liquidity risk

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Society has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The Society can make daily calls on its available cash resources to settle financial and other liabilities.

#### *Risk management*

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Society. The Society employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of the Society's assets as well as generating sufficient cash from new and renewed members' deposits and shares. To manage and reduce liquidity risk the Society's management actively seeks to match cash inflows with liability requirements.

#### *Liquidity gap*

The Society's exposure to liquidity risk is summarized in the table below which analyses the discounted cash flow of financial assets and liabilities based on the remaining period from the Statement of Financial Position date to the contractual maturity date.

As at December 31, 2019	Up to 1	1 to 5 Years	Over 5 years	Total
<b>Financial Assets</b>				
Cash and cash equivalents	55,232,362	-	-	55,232,362
Investment securities	123,086,977	18,383,580	7,111,145	148,581,702
Investment interest receivable	1,719,578	-	-	1,719,578
Loan interest receivable	1,499,884	-	-	1,499,884
Loans to members (gross)	14,300,448	266,057,998	119,423,470	399,781,916
<b>Total financial assets</b>	<b>195,839,249</b>	<b>284,441,578</b>	<b>126,534,615</b>	<b>606,815,442</b>
<b>Financial liabilities</b>				
Members' savings and time deposits	151,878,241	-	-	151,878,241
Members' shares	411,696,995	-	-	411,696,995
Accrued interest payable	10,392,968	-	-	10,392,968
<b>Total financial liabilities</b>	<b>573,968,204</b>	<b>-</b>	<b>-</b>	<b>573,968,204</b>
<b>Net position</b>	<b>(\$378,128,955)</b>	<b>\$284,441,578</b>	<b>\$126,534,615</b>	<b>\$32,847,238</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

## 5. Financial Risk Management (continued)

### (c) Liquidity risk (continued)

#### Liquidity gap (continued)

As at December 31, 2018	Up to 1	1 to 5 Years	Over 5 years	Total
<b>Financial Assets</b>				
Cash and cash equivalents	4,780,467	-	-	4,780,467
Investment securities	123,853,442	24,454,371	20,278,957	168,586,770
Investment interest receivable	1,842,558	-	-	1,842,558
Loan interest receivable	1,696,323	-	-	1,696,323
Loans to members	91,455,626	235,424,574	73,786,076	400,666,276
<b>Total financial assets</b>	<b>223,628,416</b>	<b>259,878,945</b>	<b>94,065,033</b>	<b>577,572,394</b>
<b>Financial liabilities</b>				
Members' savings and time deposits	148,492,555	-	-	148,492,555
Members' shares	395,379,647	-	-	395,379,647
Accounts payable	8,836,523	-	-	8,836,523
<b>Total financial liabilities</b>	<b>552,708,725</b>	<b>-</b>	<b>-</b>	<b>552,708,725</b>
<b>Net position</b>	<b>(\$329,080,309)</b>	<b>\$259,878,945</b>	<b>\$94,065,033</b>	<b>\$24,863,669</b>

### (d) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Society's measurement currency. The Society is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The Society's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

### (e) Operational risk

Operational risk is the risk derived from deficiencies relating to the Society's information technology and control systems, as well as the risk of human error and natural disasters. The Society's systems are evaluated, maintained and upgraded continuously. Supervisory controls are also installed to minimise human error.

### (f) Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
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## 5. Financial Risk Management (continued)

### (f) Compliance risk (continued)

due to the supervision applied by the Commissioner of Co-operative Development in the Ministry of Labour and Small and Micro Enterprise Development, as well as by the monitoring controls applied by the Society.

### (g) Reputation risk

The risk of loss of reputation arising from the negative publicity relating to the Society's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Society. The Society engages in public social endeavours to engender trust and minimize this risk.

### (h) Fair value

The following table summarizes the carrying amounts and fair values of the Society's financial assets and liabilities:

As at December 31, 2019	Carrying Value	Fair Value
<b>Financial assets</b>		
Cash at bank	55,232,362	55,232,362
Investment securities	148,581,703	148,581,703
Investment interest receivable	1,719,578	1,719,578
Loan interest receivable	1,499,884	1,499,884
Other accounts receivable	2,650,670	2,650,670
Loans to members	391,695,935	391,695,935
	<b>\$601,380,132</b>	<b>\$601,380,132</b>
<b>Financial liabilities</b>		
Members' savings and time deposits	151,878,241	151,878,241
Members' shares	411,696,995	411,696,995
Other accounts payable	13,364,786	13,364,786
	<b>\$576,940,022</b>	<b>\$576,940,022</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

## 5. Financial Risk Management (continued) (h) Fair value (continued)

As at December 31, 2018	Carrying Value	Fair Value
<b>Financial assets</b>		
Cash at bank	49,362,496	49,362,496
Investment securities	124,004,740	124,004,740
Investment interest receivable	1,842,558	1,842,558
Loan interest receivable	1,696,323	1,696,323
Other accounts receivable	3,053,662	3,053,662
Loans to members	393,833,295	393,833,295
	<b>\$573,793,075</b>	<b>\$573,793,075</b>
<b>Financial liabilities</b>		
Members' savings and time deposits	148,492,555	148,492,555
Members' shares	395,379,647	395,379,647
Other accounts payable	8,836,523	8,836,523
	<b>\$552,708,725</b>	<b>\$552,708,725</b>

## 6. Significant Accounting Estimates and Judgements

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in the process of applying the Society's accounting policies. See Note 4.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Society makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Changes in accounting estimates are recognised in the statement of comprehensive income in the period in which the estimate is changed if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The significant judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
(Expressed in Trinidad and Tobago Dollars)



## 6. Significant Accounting Estimates and Judgements (continued)

- (i) Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- (ii) Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward looking information into the measurement of ECL and selection and approval of modes used to measure ECL.
- (iii) Impairment of financial instruments: determining inputs into the ECL measurement model, including the incorporation of forward-looking information. Determination of fair value of financial instruments with significant unobservable inputs.
- (iv) Measurement of defined benefit obligation: key actuarial assumptions
- (v) Impairment of financial instruments: key assumptions used in estimating recoverable cash flows.
- (vi) Which depreciation method for property and equipment is used.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

### (i) Impairment of assets

IFRS 9 dictates that entities are to develop an impairment model that would reflect the general pattern of deterioration in the credit quality of financial instruments and in which the amount of expected credit losses recognized as a loss allowance or provision would depend on the level of deterioration in the credit quality of financial instruments since initial recognition. As such, RHAND has developed a three-stage model for its loan portfolio stratified (as defined by Note 4)

### (ii) Property and equipment

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and in estimating the useful lives and residual values of these assets.

## 7. Cash and cash equivalents

	2019	2018
Cash in hand and at bank	6,866,828	5,436,190
Mutual Fund	46,781,789	42,710,585
Cash at broker	2,342,159	1,871,445
	<b>\$55,990,776</b>	<b>\$50,018,220</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

## 8. Investment Securities

	2019	2018
Investment securities measured at FVTPL	73,377,634	67,703,990
Investment securities measured as at FVOCI	88,277,254	79,672,060
Investment securities at amortised cost	31,386,455	16,096,692
	<b>\$193,041,343</b>	<b>\$163,472,742</b>

<b>Investment securities measured at FVTPL</b>		
First Citizens Investment Services Limited Medium-Term Fixed Rate Notes	8,500,000	8,500,000
Guardian Asset Management and Investment Services Limited - Fixed Rate Note	3,036,083	5,000,000
Bourse Securities Limited - Repurchase Agreement	19,558,940	16,231,698
KCL Capital Market Brokers Limited - Assets Under Management	11,214,782	3,960,922
KCL Capital Market Brokers Limited - Participation Investment Certificate	4,991,323	13,475,156
Firstline Securities Limited - Commercial Paper Secured Notes	6,538,042	6,233,334
Central Bank - Open Market Operation	785,368	-
KSBM Asset Management Limited - Equities	14,734,346	14,302,880
Caribbean Finance Company Limited - Certificate of Deposit	4,018,750	-
<b>Total investment securities measure at FVTPL</b>	<b>\$73,377,634</b>	<b>\$67,703,990</b>
<b>Investment securities measured at FVOCI</b>		
<b>Quoted equities</b>		
Republic Bank Limited	1,915,025	1,565,352
Prestige Holdings Limited	1,636,074	1,332,491
Grace Kennedy Company Limited	592,500	435,000
Guardian Holdings Limited	411,350	343,900
Massy Holdings Limited	964,715	743,305
West Indian Tobacco Company Limited	964,853	2,221,189
One Caribbean Media Limited	306,000	370,440
Sagicor Financial Corporation	572,250	472,500
Jamaica Money Market Brokers Limited	585,189	398,475
Ansa Mc Al Limited	804,264	801,350
Scotiabank Trinidad and Tobago Limited	951,600	1,002,300
Royal Bank of Canada	169,488	146,632
National Commercial Bank of Jamaica	543,000	426,500
Angostura Holdings Limited	324,000	317,200
CLICO Investment Fund	669,750	470,705
First Citizens Bank Limited	12,691,133	9,688,040
Trinidad and Tobago NGL Limited	1,988,800	2,415,446
Exchange Traded Funds (ETF):		
First Citizens Investment Services Limited	3,633,287	2,570,861
<b>Unquoted Equity</b>		
The Central Finance Facility Co-operative Society of Trinidad and Tobago Limited	-	100,000
<b>Mutual Fund Units</b>		
Trinidad and Tobago Unit Trust Corporation		
- Calypso Macro Index Fund	3,136,676	2,987,310
- Growth and Income Fund	55,417,300	50,532,239
First Citizens Investment Services Limited	-	330,825
<b>Total investment securities measured at FVOCI</b>	<b>\$88,277,254</b>	<b>\$79,672,060</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
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## 8. Investment Securities (continued)

<b>Investment securities measured at Amortised cost:</b>		
<b>Bonds:</b>		
Government of the Republic of Trinidad and Tobago	6,130,106	811,100
Government of St. Lucia	362,948	362,948
Housing Development Corporation	189,000	189,000
National Insurance Property Development Company	1,153,596	1,153,595
Neal and Massy Holdings Limited	500,000	500,000
National Infrastructure Development Company Limited	138,065	156,565
Phoenix Park Gas Processors Limited	76,074	121,015
Trinidad and Tobago Mortgage Finance Company Limited	497,500	497,500
Republic Bank of Trinidad & Tobago	1,967,480	1,967,480
First Citizens Bank Limited	805,488	805,488
National Investment Fund	9,632,000	9,632,000
Methanol Holding Limited	5,000,000	-
Guardian Holdings Limited	4,976,011	-
Less: Provision on ECL	(41,814)	(99,999)
<b>Total investments securities measured at amortised cost</b>	<b>\$31,386,455</b>	<b>\$16,096,692</b>

## 9. Accounts Receivable and Prepayments

	2019	2018
Interest receivable on investments	1,719,578	1,842,558
Interest receivable on loans	1,499,884	1,696,323
Other receivables and prepayments	1,208,423	1,303,862
Staff members' loans	709,847	349,836
LINCU settlement advance & reserve	450,000	450,000
CUNA Payment Protector & FIP Claims & FIP Payable	282,400	949,965
	<b>\$5,870,132</b>	<b>\$6,592,543</b>

## 10. Net Loans to Members

### (a) Loans to Members

Member loans are initially measured at cost, net of loan origination fees and inclusive of transaction costs incurred. They are subsequently measured at amortised cost, using the effective interest rate method, less any impairment losses. Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans.

Impairment provisions for loans to members are recognised based on the three-stage approach within IFRS 9 as follow:



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
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## 10. Net Loans to Members (continued)

### (a) Loans to Members (continued)

Stage 1 represents 12 months expected credit losses

- Applicable when no significant increase in credit risk;
- Entities continue to recognise 12-month expected losses that are updated at each reporting date;
- Presentation of interest on a gross basis.

Stage 2 represents lifetime expected credit losses

- Applicable in case of a significant increase in credit risk;
- Recognition of lifetime expected losses;
- Presentation of interest on a gross basis.

Stage 3 represents - lifetime expected credit losses (net interest)

- Applicable in case of credit impairment;
- Recognition of lifetime expected losses;
- Presentation of interest on a net basis.

*Analysis of movement in expected credit loss*

	2019	2018
Expected credit loss at beginning of the year	6,832,981	6,334,545
ECL adjustment	93,206	152,320
Expected credit loss for the year	1,159,794	346,116
<b>Expected credit loss at end of the year</b>	<b>\$8,085,981</b>	<b>\$6,832,981</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
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## 10. Net Loans to Members (continued)

### (a) Loans to Members (continued)

The table below shows the staging of loans to members and the related expected credit losses based on the Company's adoption of IFRS 9.

*Analysis of movement in provision for loan losses*

As at December 31, 2019	Stage 1 0-90 days in arrears	Stage 2 91-120 days in arrears	Stage 3 >120 days in arrears	Sum Total
Principal	368,491,311	11,099,257	20,191,348	399,781,916
Credit losses	(2,167,541)	(63,182)	(5,855,258)	(8,085,981)

As at December 31, 2018	Stage 1 0-90 days in arrears	Stage 2 91-120 days in arrears	Stage 3 >120 days in arrears	Sum Total
Principal	365,898,692	11,945,292	22,822,293	400,666,277
Credit losses	(1,920,812)	(92,009)	(4,809,160)	(6,821,981)

**(b) Loans to members are stated at principal outstanding net of expected credit losses.**

	2019	2018
Loans to members	399,781,916	400,666,277
Less: Expected Credit loss	(8,085,981)	(6,832,981)
	<b>\$391,695,935</b>	<b>\$393,833,296</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

## 11. Property & Equipment

	Land	Car Park	Building	Work-in-Progress
<b>Cost</b>				
Balance as at January 1, 2019	19,356,907	186,868	10,143,049	3,072,746
Additions	6,157,901	-	-	1,176,861
Disposals	-	-	(2,961)	(19,953)
Reclassification	630,000	-	26,798	(1,334,813)
<b>Balance as at December 31, 2019</b>	<b>26,144,808</b>	<b>186,868</b>	<b>10,166,886</b>	<b>2,894,841</b>
<b>Accumulated Depreciation</b>				
Balance as at January 1, 2019	-	(186,868)	(5,457,440)	-
Charges for the year	-	-	(203,345)	-
Disposals	-	-	997	-
<b>Balance as at December 31, 2019</b>	<b>-</b>	<b>(186,868)</b>	<b>(5,659,788)</b>	<b>-</b>
<b>Net book value</b>	<b>\$26,144,808</b>	<b>\$-</b>	<b>\$4,507,098</b>	<b>\$2,894,841</b>
<b>Cost</b>				
Balance as at January 1, 2018	15,493,608	186,868	10,143,049	3,780,320
Additions	261,095	-	-	3,695,224
Disposals	-	-	-	(52,427)
Reclassification	3,602,204	-	-	(4,350,371)
<b>Balance as at December 31, 2018</b>	<b>19,356,907</b>	<b>186,868</b>	<b>10,143,049</b>	<b>3,072,746</b>
<b>Accumulated Depreciation</b>				
Balance as at January 1, 2018	-	(186,868)	(5,254,579)	-
Charges for the year	-	-	(202,861)	-
Disposals	-	-	-	-
<b>Balance as at December 31, 2018</b>	<b>-</b>	<b>(186,868)</b>	<b>(5,457,440)</b>	<b>-</b>
<b>Net book value</b>	<b>\$19,356,907</b>	<b>\$-</b>	<b>\$4,685,609</b>	<b>\$3,072,746</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
(Expressed in Trinidad and Tobago Dollars)



## 11. Property & Equipment (continued)

Furniture Fixtures and Fittings	Office Equipment	Telephone Facilities	Other Equipment	Motor Vehicle	Computer Facilities	Total
3,375,260	764,731	338,000	2,768,243	467,627	8,526,502	48,999,933
51,085	10,828	-	3,720	-	205,127	7,605,522
(3,372)	(1,944)	-	(53,105)	-	(50,559)	(131,894)
179,185	-	-	211,683	-	287,147	-
<b>3,602,158</b>	<b>773,615</b>	<b>338,000</b>	<b>2,930,541</b>	<b>467,627</b>	<b>8,968,217</b>	<b>56,473,561</b>
(2,332,888)	(569,013)	(296,900)	(1,917,701)	(363,130)	(6,285,433)	(17,409,373)
(141,306)	(36,410)	(11,789)	(123,300)	(23,329)	(427,583)	(967,062)
1,523	1,638	-	43,919	-	36,791	84,868
<b>(2,472,671)</b>	<b>(603,785)</b>	<b>(308,689)</b>	<b>(1,997,082)</b>	<b>(386,459)</b>	<b>(6,676,225)</b>	<b>(18,291,567)</b>
<b>\$1,129,487</b>	<b>\$169,830</b>	<b>\$29,311</b>	<b>\$933,459</b>	<b>\$81,168</b>	<b>\$2,291,992</b>	<b>\$38,181,994</b>
3,374,683	753,228	331,281	2,706,452	467,627	8,727,052	45,964,168
13,262	11,503	12,166	42,457	-	43,844	4,079,551
(12,685)	-	(5,447)	(3,105)	-	(970,122)	(1,043,786)
-	-	-	22,439	-	725,728	-
<b>3,375,260</b>	<b>764,731</b>	<b>338,000</b>	<b>2,768,243</b>	<b>467,627</b>	<b>8,526,502</b>	<b>48,999,933</b>
(2,231,097)	(527,552)	(283,344)	(1,795,956)	(333,096)	(6,594,200)	(17,206,692)
(109,826)	(41,461)	(15,462)	(124,289)	(30,034)	(587,912)	(1,111,845)
8,035	-	1,906	2,544	-	896,679	909,164
<b>(2,332,888)</b>	<b>(569,013)</b>	<b>(296,900)</b>	<b>(1,917,701)</b>	<b>(363,130)</b>	<b>(6,285,435)</b>	<b>(17,409,373)</b>
<b>\$1,042,372</b>	<b>\$195,718</b>	<b>\$41,100</b>	<b>\$850,542</b>	<b>\$104,497</b>	<b>\$2,241,069</b>	<b>\$31,590,560</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

## 12. Accounts Payable and Accruals

	2019	2018
Death/disability claims payable	7,316,644	5,961,856
Other payables and accruals	3,819,071	2,538,752
Interest payable on members' time deposits	862,659	979,887
Cummings/ Fraser Foundation Account	760,000	770,000
Unclaimed members' deposits	547,730	547,730
Non-members receipts	33,860	30,285
Unclaimed members' share savings	24,595	24,595
Sharon FYFE "Coopers" Account	227	227
	<b>\$13,364,786</b>	<b>\$10,853,332</b>

## 13. Retirement Benefit Obligations

### (a) Change in Present Value of Defined Benefit Obligations

	2019	2018
Opening Present Value of Defined Benefit Obligation	20,134,400	17,162,700
Current service cost	792,700	731,100
Interest cost	1,017,300	906,600
Plan participant contributions	252,800	254,800
Actuarial (gain) loss on obligation	(604,600)	1,111,100
Benefit paid	(1,666,700)	(31,900)
	<b>\$19,925,900</b>	<b>\$20,134,400</b>

### (b) Change in Fair Value of Plan Assets

	2019	2018
Opening fair value of plan assets	17,983,700	16,038,200
Administrative expenses	(54,800)	(23,100)
Expected return on plan assets	889,300	833,900
Actuarial loss on Plan Assets	(172,000)	(168,500)
Employer contributions	1,072,000	1,080,300
Plan participant contributions	252,800	254,800
Benefit paid and administrative expenses	(1,666,700)	(31,900)
	<b>\$18,304,300</b>	<b>\$17,983,700</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
(Expressed in Trinidad and Tobago Dollars)



## 13. Retirement Benefit Obligations (continued)

### (c) Items for Inclusion in Statement of Financial Position

	2019	2018
Defined benefit obligation	19,925,900	20,134,400
Fair value of plan assets	(18,304,300)	(17,983,700)
	<b>\$1,621,600</b>	<b>\$2,150,700</b>

### (d) Items for Inclusion in Statement of Comprehensive Income

	2019	2018
Current service cost	792,700	731,100
Interest cost	128,000	72,700
Administrative expenses	54,800	23,100
	<b>\$975,500</b>	<b>\$826,900</b>

### (e) Reconciliation of Opening and Closing Statement of Financial Position Entries

	2019	2018
Opening defined benefit asset	2,150,700	1,124,500
Net pension cost	975,500	826,900
Actuarial (gain) loss on obligation	(432,600)	1,279,600
Company contributions paid	(1,072,000)	(1,080,300)
	<b>\$1,621,600</b>	<b>\$2,150,700</b>

### (f) Actual Return on Plan Assets

	2019	2018
Expected return on plan assets	889,300	833,900
Actuarial loss on plan assets	(172,000)	(168,500)
	<b>\$717,300</b>	<b>\$665,400</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
(Expressed in Trinidad and Tobago Dollars)

## 13. Retirement Benefit Obligations (continued)

### (g) Expected Society Contributions

Expected Society Contributions	\$1,147,000	\$1,362,000
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### (H) Summary of Principal Assumptions

Discount rate at start of year	5%	5%
Discount rate at end of year	5%	5%
Future salary increase	5%	5%
Expected return on assets	5%	5%

### (i) Major Categories of Plan Assets

Deposit Administration Contract	100%	100%
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### Sensitivity of Present Value of Defined Benefit Obligation

Should the discount rate increase by 1%, the obligation will decrease by \$3,295,300 and should the rate decrease by 1%, the obligation will increase by \$4,305,900. Should there be a 1% increase in expected salary growth, the obligation will increase by \$1,687,400 and should there be a 1% decrease, the obligation will decrease by \$1,438,300. The weighted average duration of the obligation in 22 years (2018: 20 years).

## 14. Member' Share Savings

The Bye-Laws of RHAND Credit Union Co-operative Society Limited allows for the issue of an unlimited number of shares valued at \$5.00 each. In accordance with International Financial Reporting Interpretation Committee (IFRIC) Interpretation #2 redeemable shares have been treated as liabilities.

## 15. Loan Protection Fund

The Loan Protection Fund provides loan protection coverage for members, which allows the loan balance, up to a maximum of \$100,000, to be liquidated in the event of the death of the member before his/her indebtedness to the credit union has been repaid. For the year ended December 31, 2019, \$1,800,946 (2018: \$2,200,621) was expensed from the Fund and \$2,292,212 (2018: \$1,985,422) was allocated to the Fund. As at December 31, 2019, the balance stood at \$2,736,941 (2018: \$2,245,675).

## 16. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial decisions. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Society. A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms at market rates.

Balances and transaction with related parties and key management personnel during the year were as follows:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
(Expressed in Trinidad and Tobago Dollars)



## 16. Related Party Transactions (continued)

	2019	2018
<b>Assets, Liabilities and Members' Equity</b>		
<b>Loans and other receivables</b>		
Due from directors, committee members, key management personnel	5,813,955	5,484,528
Due from LINCJ Limited	450,000	450,000
<b>Shares, deposits and other liabilities</b>		
Directors, committee members, key management personnel	5,026,040	4,939,252
Cummings/Fraser Foundation Account	760,000	770,000
<b>Interest and other income</b>		
Directors, committee members, key management personnel	476,437	482,765
<b>Interest and other expenses</b>		
Directors, committee members, key management personnel	124,038	105,051
<b>Key management compensation</b>		
Short-term benefits	2,334,450	2,549,259

## 17. Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, the current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

The following methods have been used to estimate the fair values of various classes of financial assets and liabilities:

### (a) *Accounts receivable and Accounts payable*

The carrying amounts of accounts receivable and accounts payable are a reasonable approximation of the fair values because of their short-term nature.

### (b) *Members' loans*

Loans are net of specific allowances for losses. These assets result from transactions conducted under typical market conditions and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values which are substantially in accordance with financial statement amounts.



# NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

## 17. Fair Values (continued)

### (c) *Investment securities*

The fair values of investments are determined on the basis of market prices available at December 31, 2019.

### (d) *Members' deposits*

Members' deposits bear interest at rates that are not significantly different from current rates and are assumed to have discounted cash flow values which approximate carrying values.

### (e) *Members' share savings*

The carrying amounts of members' share savings are a reasonable approximation of the fair values because they are due on demand.

### (f) *Classification of financial instruments at fair value*

The Society measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

There were no transfers of financial instruments between levels during the year, neither were there any changes in the categorization from the prior year.

The following table shows the fair values of financial assets and financial liabilities, including their level in the fair value hierarchy. It does not include the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
(Expressed in Trinidad and Tobago Dollars)



## 17. Fair Values (continued) (f) Classification of financial instruments at fair value (continued)

As at December 31, 2019	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Investment securities	26,089,990	135,564,898	-	161,654,888
<b>Financial assets not measured at fair value</b>				
Investment securities	-	-	31,386,455	31,386,455
Loans to members	-	-	391,695,935	391,695,935
<b>Financial liabilities not measured at fair value</b>				
Members' deposits	-	-	(151,878,241)	(151,878,241)
Members' savings	-	-	(411,696,995)	(411,696,995)
	<b>\$26,089,990</b>	<b>\$135,564,898</b>	<b>(\$140,492,846)</b>	<b>\$21,162,042</b>
As at December 31, 2018	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Investment securities	23,150,825	124,125,226	-	147,276,051
<b>Financial assets not measured at fair value</b>				
Investment securities	-	-	16,096,692	16,096,692
Loans to members	-	-	393,833,295	393,833,295
<b>Financial liabilities not measured at fair value</b>				
Members' deposits	-	-	(148,492,555)	(148,492,555)
Members' savings	-	-	(395,379,647)	(395,379,647)
	<b>\$23,150,825</b>	<b>\$124,125,325</b>	<b>(\$133,942,215)</b>	<b>\$13,433,835</b>

## 18. Capital Risk Management

The Society manages its capital to ensure that it will be able to continue as a going concern while maximising the return to members, whilst providing value to its members by offering loan and savings facilities. The Society's overall strategy remains unchanged from previous years.

The capital structure of the Society consists of equity attributable to members, which comprises reserves and undivided earnings.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

## 19. Investment Income

	2019	2018
Foreign exchange gain/loss on investments	(109,783)	1,270,287
Net gain on sale of investments	-	249,999
	<b>(\$109,783)</b>	<b>\$1,520,286</b>

## 20. Other Income

	2019	2018
CUNA commissions	907,258	995,759
Rental income	478,213	348,070
MSDP registration and education	375,941	340,700
Miscellaneous income	188,064	272,300
Entrance fees	96,773	79,340
Other commissions	66,627	63,346
Service charges	11,482	27,547
	<b>\$2,124,358</b>	<b>\$2,127,062</b>

## 21. Administrative Expenses

	2019	2018
Repairs, maintenance and cleaning	2,130,195	1,182,984
Depreciation	967,062	1,111,845
Stationery, computer supplies, printing and postage	769,922	1,232,248
Legal and professional services	722,755	1,277,005
Property rental	720,000	720,000
Telephone	678,436	679,326
Advertising & promotions	527,363	671,758
Annual and special general meetings	502,689	631,449
Electricity	372,062	428,476
Bank charges	332,583	278,692
Miscellaneous expenses	277,193	294,889
Security	260,807	219,947
Insurances	209,133	204,250
LINCU Debit Card expenses	162,000	161,956
Cummings Fraser Foundation	100,000	-
Debt collector's commissions	42,535	22,626
Donations	49,675	41,020
Loss on disposal of fixed assets	22,488	80,701
Rates and taxes	19,000	19,028
	<b>\$8,865,898</b>	<b>\$9,258,200</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019  
(Expressed in Trinidad and Tobago Dollars)



## 22. Board and Committees' Expenses

	2019	2018
Meeting	337,684	270,350
Subsistence	282,335	318,800
Honoraria	275,260	291,767
Entertainment and duty allowance	43,200	39,200
Conferences	32,875	163,398
Supervisory committee	25,213	32,780
Training	15,350	39,850
Travelling	5,950	2,100
	<b>\$1,017,867</b>	<b>\$1,158,245</b>

## 23. Salaries and Benefits

	2019	2018
Salaries and other staff benefits	12,353,253	11,475,309
Retirement Benefit Asset - IAS 19 adjustment	(96,500)	(253,400)
Training and subsistence	207,567	253,646
	<b>\$12,464,320</b>	<b>\$11,475,555</b>

## 24. Contingent Liabilities

The Company is involved in various claims and litigations arising in the normal course of its business, and there are legal proceedings to which the Company is a party that, in the Company's opinion, would not have a significant effect on the Company's financial position or results of operations. No provision has been made in these financial statements as the Company's management do not consider that there is any probable loss.

## 25. Subsequent Events

There were no events occurring after the reporting date and before the date of approval of the financial statements by the Board of Directors that require adjustment to or disclosure in these financial statements. With the exception that dividends are proposed and declared after the Statement of Financial Position date are not shown as a liability in accordance with IFRS 10 – Events after the Reporting Period.



## 2018 QUANTITATIVE OBJECTIVES

# PROPOSED CAPITAL EXPENDITURE AND FINANCIAL PROJECTIONS

### 2020 Quantitative Objectives

Key Results Area	Budgeted 2020	Actual 2019	Increase/(Decrease)	
	(\$)	(\$)	(\$)	%
Share savings portfolio	428,196,995	411,696,995	16,500,000	4.00
Time deposits portfolio	87,990,336	86,790,336	1,200,000	1.38
Deposit savings portfolio	65,087,905	65,087,905	0	-
Loans portfolio (Gross)	435,959,016	399,781,916	36,177,100	9.00
Non-performing loans (Gross)	25,103,831	27,926,494	(2,822,663)	(10.11)
Investment Securities under 2 years	107,767,234	107,767,234	0	-
Investment Securities over 2 years	136,010,834	134,398,057	1,554,837	1.20%

During the year 2020, the key initiatives for the Credit Union will be:-

- the adoption of risk-based lending for the granting of loans;
- attractive loan promotions focused on debt consolidation, investments and other member needs while targeting members who are good credit risks;
- establishment of network payment services solution depositing of funds from across the country without visiting a branch;
- completion of operational restructuring exercise geared toward improving efficiency and our members' experience;
- completion of the relocation of our Tobago branch to interim office (more member-friendly location) completion of Head Office first floor remodeling
- completion of our Business Intelligence system
- marketing campaigns and outreach programs targeting both existing and potential members;
- marketing campaigns specifically targeting existing and potential millennial members;

### 2020 Proposed Capital Expenditure with 2019 Comparisons

Project/Item Of Expenditure	Proposed 2019	Actual 2019	Proposed 2020
	(\$)	(\$)	(\$)
Land Improvement Works	10,000,000	6,300,000	0.00
Buildings	2,393,100	13,129	2,650,000
Computer facilities	1,672,740	285,160	945,397
Furniture, fixtures and fittings	883,300	156,502	2,571,500
Office equipment	81,500	8,764	20,700
Other equipment	39,530	237,537	52,000
<b>Total</b>	<b>15,070,170</b>	<b>7,585,468</b>	<b>6,239,597</b>

# 2018 QUANTITATIVE OBJECTIVES PROPOSED CAPITAL EXPENDITURE AND FINANCIAL PROJECTIONS



## 2020 Financial Projections with Budgeted and Actual Results for 2018 and 2019

Income Interest Income Calculated using the effective Interest Method	2018		2019		2020
	BUDGETED \$	ACTUAL \$	BUDGETED \$	ACTUAL \$	BUDGETED \$
. Interest on loans	43,659,183	43,432,734	43,445,304	41,177,963	45,914,969
. Investment Securities	4,071,554	4,383,225	4,784,650	5,395,013	6,420,174
Unrealised Gain on FVTPL	-	-	840,000	3,826,582	533,719
Investment income (net)	-	1,520,286	-	(109,783)	300,000
Other income *	1,955,000	2,127,062	2,866,856	2,124,358	1,885,551
<b>Total Income</b>	<b>49,685,737</b>	<b>51,463,307</b>	<b>51,936,810</b>	<b>52,414,133</b>	<b>55,054,413</b>

## Expenditure

Administrative expenses **	8,696,000	9,358,198	9,417,000	8,865,897	10,471,799
Board and committees' expenses	1,294,000	1,158,245	1,244,461	1,017,867	1,285,000
Life savings insurance expense	1,080,000	987,889	1,200,000	746,257	840,000
Loan protection expense	1,200,000	2,200,621	1,200,000	1,800,946	1,200,000
Expected credit loss - loans	1,000,000	346,116	1,000,000	1,159,794	600,000
Expected credit loss - investments	6,000	-	1,000,000	65,801	120,000
Unrealised loss on FVTPL	-	1,629,383	-	-	-
Interest on members' deposits	2,128,665	2,225,231	2,343,228	2,107,835	2,276,235
Member education, training and development expenses	900,000	948,243	1,440,905	1,005,005	1,084,000
Salaries and benefits	14,473,700	11,475,555	12,414,500	12,464,320	16,054,763
Green Fund Levy	-	-	-	690,886	150,000
<b>Total expenditure</b>	<b>30,778,365</b>	<b>30,329,481</b>	<b>31,260,094</b>	<b>29,924,609</b>	<b>34,081,797</b>
<b>Net surplus for the year</b>	<b>18,907,372</b>	<b>21,133,824</b>	<b>20,676,716</b>	<b>22,489,524</b>	<b>20,972,616</b>



## 2018 QUANTITATIVE OBJECTIVES

# PROPOSED CAPITAL EXPENDITURE AND FINANCIAL PROJECTIONS

### \*OTHER INCOME DETAILS

OTHER INCOME	2018		2019		2020
	BUDGETED \$	ACTUAL \$	BUDGETED \$	ACTUAL \$	BUDGETED \$
Rental Income	480,000	348,070	522,105	478,213	528,000
CUNA Commissions	720,000	995,759	1,057,063	907,258	900,000
Other Commissions	40,000	63,346	55,000	66,627	57,840
Service Charges	-	27,547	5,000	11,482	7,500
Entrance Fees	50,000	79,340	60,000	96,773	80,400
MSDP registration and education	295,000	340,700	352,172	375,941	282,500
Miscellaneous Income	370,000	272,300	815,516	188,064	29,311
<b>TOTAL</b>	<b>1,955,000</b>	<b>2,127,062</b>	<b>2,866,856</b>	<b>2,124,358</b>	<b>1,885,551</b>

### \*\*ADMINISTRATIVE EXPENSES DETAILS

ADMINISTRATIVE EXPENSES	2018		2019		2020
	BUDGETED \$	ACTUAL \$	BUDGETED \$	ACTUAL \$	BUDGETED \$
Advertising and promotion	600,000	671,758	900,000	527,363	1,221,388
Annual and Special general meetings	550,000	631,449	610,000	502,689	633,900
Bank charges	96,000	278,692	240,000	332,583	322,160
Debt collector's commissions	120,000	22,623	100,000	42,535	123,000
Depreciation	1,128,000	1,111,845	1,128,000	967,061	1,064,088
Donations	48,000	41,020	48,000	49,675	50,000
Electricity	420,000	428,476	420,000	372,062	466,000
Insurances	108,000	204,250	180,000	209,133	174,532
Legal and professional services	660,000	1,277,005	600,000	722,755	793,500
LINCUB Debit Card expenses	162,000	161,956	162,000	162,000	162,000
Loss on disposal of fixed assets	24,000	80,703	60,000	22,488	60,000
Miscellaneous expenses	528,000	294,888	461,000	277,192	222,600
Rates and taxes	36,000	19,028	36,000	19,000	25,520
Property rental	720,000	720,000	720,000	720,000	888,000
Repairs, maintenance and cleaning	1,596,000	1,182,984	1,548,000	2,130,196	2,398,041
Security	216,000	219,947	300,000	260,807	305,200
Stationery, computer supplies, printing and postage	864,000	1,232,248	1,204,000	769,922	853,938
Telephone	720,000	679,326	600,000	678,436	607,932
Cummings Fraser Foundation	100,000	100,000	100,000	100,000	100,000
<b>TOTAL</b>	<b>8,696,000</b>	<b>9,358,198</b>	<b>9,417,000</b>	<b>8,865,897</b>	<b>10,471,799</b>



# RESOLUTIONS

**1. APPOINTMENT OF AUDITORS**

Be it resolved, that the firm of Chartered Accountants – BDO, be appointed as the Auditors of the Society for the financial year ending December 31, 2020.

**2. BUILDING FUND**

Be it resolved, that pursuant to Bye-Law 15 (h) (ix), that the sum of \$750,000 be allocated from the surplus for the year ended December 31, 2019 to the Building Fund.

**3. DIVIDEND ON SHAREHOLDINGS**

Be it resolved, that a dividend of 3.00% on the average monthly share balance held by each member for the year ended December 31, 2019 be declared for the year ended December 31, 2019 and that the proceeds of this dividend distribution be credited to the Savings Deposit Accounts of each member respectively.

**4. PATRONAGE REFUND**

Be it resolved, that a Patronage Refund of 1.50% on the interest paid on the loans of members in 2019, where the loans are less than 90 days past due, for the year ended December 31, 2019 be declared for the year ended December 31, 2019.

Where the loans are less than 30 days past due, the proceeds of this refund shall be credited to the Savings Deposit Accounts of each qualified member.

Where the loans are more than 30 days but less than 90 days past due, the proceeds of this refund shall be credited to the loan of each qualified member.

**5. HONORARIA**

Be it resolved, that honoraria in the gross sum of \$306,667 (\$230,000 net of income tax liability), be declared for the year ended December 31, 2019.

**6. MAXIMUM LIABILITY**

Be it resolved, that the Maximum Liability be increased from \$150,000,000 to \$200,000,000 with immediate effect.



# APPENDICES

## Members Who Died In 2019

<b>1</b>	11333	Rosemarie Charlerie	January 01, 2019
<b>2</b>	1793	Cynthia Xavier	January 04, 2019
<b>3</b>	15329	Jacqueline Henderson	January 14, 2019
<b>4</b>	5536	Ann Pierre	January 15, 2019
<b>5</b>	17863	Aldwyn Reece	January 16, 2019
<b>6</b>	2636	Patricia Boyce-Diaz	January 18, 2019
<b>7</b>	19370	Prince Sealy	January 19, 2019
<b>8</b>	14281	Anthony Le Maitre	January 21, 2019
<b>9</b>	20472	Daniel Harry	January 25, 2019
<b>10</b>	6600	Patsy Coggins	February 03, 2019
<b>11</b>	24703	Shaun Henry	February 03, 2019
<b>12</b>	10369	Wilbur Hislop	February 04, 2019
<b>13</b>	26828	Isaiah Rampersad	February 09, 2019
<b>14</b>	1286	Cewill Denoon	February 13, 2019
<b>15</b>	3509	Irma Dore	February 13, 2019
<b>16</b>	2514	Cynthia Howard	February 13, 2019
<b>17</b>	5861	Francis Watty	February 13, 2019
<b>18</b>	13888	Royette Robinson	February 18, 2019
<b>19</b>	10535	Angela Potts	February 20, 2019
<b>20</b>	26618	Cheryl-Ann Edwards	February 24, 2019
<b>21</b>	8847	Eugene Ray	March 02, 2019
<b>22</b>	16952	Mark Anthony St. Cyr	March 05, 2019
<b>23</b>	13863	Zilmar Taylor	March 12, 2019
<b>24</b>	5948	Glorietta Jarvis	March 16, 2019
<b>25</b>	2923	Adina Greene	March 21, 2019
<b>26</b>	4252	Michael Barry	March 22, 2019
<b>27</b>	22261	Sean Rivas	March 24, 2019
<b>28</b>	22953	Dawood Ali	March 26, 2019
<b>29</b>	3975	Sundar Reemaul	March 31, 2019
<b>30</b>	11112	Dave Arthur	April 05, 2019
<b>31</b>	392	Lucille O'Brady	April 08, 2019
<b>32</b>	10432	Lennox Pierre	April 09, 2019
<b>33</b>	18273	Anthony Springer	April 10, 2019
<b>34</b>	3656	Cecelia Bascombe-Noel	April 23, 2019
<b>35</b>	1344	Anthony Drayton	April 26, 2019
<b>36</b>	6943	Patricia Guada	April 26, 2019
<b>37</b>	15492	Glenn Cumberbatch	April 30, 2019
<b>38</b>	4054	Bernice Thomas	May 02, 2019
<b>39</b>	5211	Sheila Huggins	May 02, 2019
<b>40</b>	25608	Norma Duke	May 04, 2019
<b>41</b>	25379	Kenneth Superville	May 12, 2019
<b>42</b>	10707	Kishore Persad	May 17, 2019
<b>43</b>	11055	Helen Glenn	May 28, 2019
<b>44</b>	6057	Marie Walters	May 29, 2019
<b>45</b>	20871	Barbara Mc Kenzie-George	May 31, 2019
<b>46</b>	4938	Yvonne Kelly-Grell	June 07, 2019
<b>47</b>	14095	Judith Gittens	June 11, 2019
<b>48</b>	18610	Antonio Huggins	June 15, 2019
<b>49</b>	5941	Ronald Batson	June 22, 2019
<b>50</b>	6334	Patricia Ferrier	June 24, 2019
<b>51</b>	16104	Merleanna John	June 24, 2019
<b>52</b>	7095	Uma Seerattansingh	June 25, 2019
<b>53</b>	12000	Sybil Valerie-Abraham	June 27, 2019
<b>54</b>	4503	Emanuel Reece	June 30, 2019
<b>55</b>	2331	Annette Wood	July 02, 2019

<b>56</b>	15323	Jeniffer Cox	July 08, 2019
<b>57</b>	20660	Kenneth Bynoe	July 11, 2019
<b>58</b>	3845	Augustine Raymond	July 12, 2019
<b>59</b>	2093	Ancil Pontiflet	July 15, 2019
<b>60</b>	23632	Wendy Andrews-Charles	July 17, 2019
<b>61</b>	26370	Horace Francois	July 18, 2019
<b>62</b>	20956	Lynette Clement	July 19, 2019
<b>63</b>	20205	Roderick Squires	July 19, 2019
<b>64</b>	13936	Claudius Augustine	July 24, 2019
<b>65</b>	7322	Yvonne Wilson-Moore	July 26, 2019
<b>66</b>	3987	Marcia Mason	August 01, 2019
<b>67</b>	10965	Veronica Browne	August 05, 2019
<b>68</b>	2410	Yvonne Brown	August 06, 2019
<b>69</b>	14008	Felicia Burris-Howard	August 11, 2019
<b>70</b>	18992	Harry O'Brady	August 15, 2019
<b>71</b>	5739	Chandra Bissessar	August 17, 2019
<b>72</b>	8992	Winston Rennie	August 20, 2019
<b>73</b>	9028	Hermina Doughty	August 24, 2019
<b>74</b>	864	Vilma Wint	August 26, 2019
<b>75</b>	2550	Mahadaye Aknath	August 29, 2019
<b>76</b>	11558	Lauren Ash	August 30, 2019
<b>77</b>	16408	Foncelia Davis-Gordon	August 30, 2019
<b>78</b>	6823	Gregory Drakes	August 30, 2019
<b>79</b>	9589	Larry Seifert	August 30, 2019
<b>80</b>	5310	Umlita Brathwaite	September 03, 2019
<b>81</b>	8639	Michael Harper	September 03, 2019
<b>82</b>	5190	Deokie Rambhajan	September 04, 2019
<b>83</b>	13600	Kenneth Thomas	September 07, 2019
<b>84</b>	19682	Joan Walcott	September 09, 2019
<b>85</b>	10402	Ingrid Charles-James	September 17, 2019
<b>86</b>	3043	Clyde Small	September 20, 2019
<b>87</b>	16972	Annie Edwards	September 21, 2019
<b>88</b>	9058	Julius De Sormeaux	September 26, 2019
<b>89</b>	22778	Christal Blackman	October 02, 2019
<b>90</b>	23671	Shurla Alexander	October 04, 2019
<b>91</b>	107	James John	October 11, 2019
<b>92</b>	11924	Judith Rennie	October 23, 2019
<b>93</b>	2705	John Burris	October 26, 2019
<b>94</b>	7518	Jerome Jones	October 27, 2019
<b>95</b>	8653	Frankie Lewis	November 05, 2019
<b>96</b>	15743	Preston Brown	November 09, 2019
<b>97</b>	1795	Jeanette Solomon-Davis	November 13, 2019
<b>98</b>	15100	Hazel Kirton-Lewis	November 14, 2019
<b>99</b>	22537	Maureen Johnson	November 27, 2019
<b>100</b>	6737	Ramdeo Maharaj	November 29, 2019
<b>101</b>	18003	Gwendy Ann Clinton	November 30, 2019
<b>102</b>	11756	Roger Williams	November 30, 2019
<b>103</b>	15027	Sabita Rambaran	December 01, 2019
<b>104</b>	20176	Karen Walters	December 02, 2019
<b>105</b>	3554	Eve James	December 05, 2019
<b>106</b>	21883	Anthony Roberts	December 07, 2019
<b>107</b>	5783	Janet Fanan-Thompson	December 11, 2019
<b>108</b>	310	Marilyn Trim-Carter	December 19, 2019
<b>109</b>	7242	Myrna Colthrust	December 23, 2019
<b>110</b>	3645	Viventius Richards	December 25, 2019

