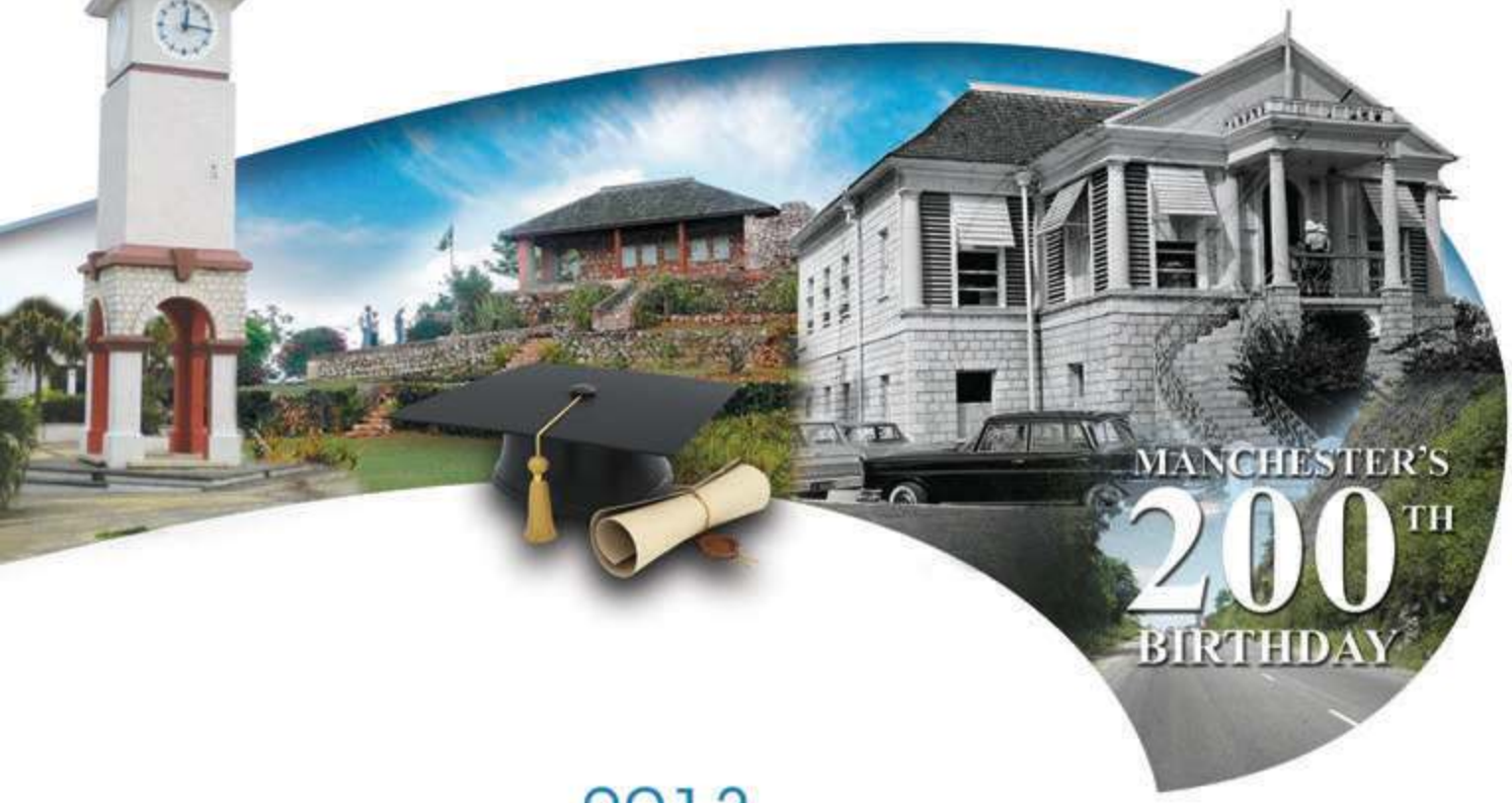
# Manchester Co-operative Credit Union (1977) Ltd.

*'Where Service Exceeds Expectation'*




# 2013 ANNUAL REPORT

## 38th Annual GENERAL MEETING

# PRODUCT & SERVICES
## Saving Options

### Permanent Shares

To become a member of the Credit Union one must have Permanent Shares! The value of a Permanent Share is J$2,000.00. Permanent Shares can only be withdrawn upon the closure of an account. Having Permanent Shares is in keeping with certain international accounting standards that govern credit unions across the globe. These shares provide a stable source of long term funds called capital for the Credit Union. Dividends will be paid on Permanent Shares subject to profitability

### Voluntary Share Account

Open a Share Savings Account and have access to loans and other products & services available. Dividend payments are made semi-anually. Requires a minimum balance of $500.00

### Sure Gain Deposit Account

Looking for an account that will provide you with easy access to your savings when you need it most? Take care of your day to day expenses with a sure gain deposit account. Access your account anytime with an Access Plus ATM card. Interest payments are made semi-anually. Requires a minimum balance of $1,000.00.

### Partner Plan Plus

Want to reach your goal within the next 12 months? Here is a flexible partner plan where your money is safe and secure plus you get a bonus on your savings at the end of the period. You don't pay the banker!

- Offers 4 fixed payment periods (12 week, 20 weeks, 32 weeks, 48 weeks)
- Member chooses payment frequency: weekly, fortnightly or monthly
- Minimum fixed payments of $500 weekly (per hand) , $1,000 fortnightly (per hand) or $2,000 monthly (per hand)
- Earn a bonus on your draw*
- Bonus is calculated as a percentage of the equivalent of a weekly throw and is paid at the end of the contractual period.

* Conditions apply

### Solid $aver Account

Make the most of your hard earned money. The Solid $aver is a savings account that works as hard as you do. This account facilitates deposits and withdrawals on a regular basis with interest being paid monthly on the minimum daily balance. Requires a minimum balance of $2,000.00

### GoldenHarvest Savings Plan

Need some help to reach your goal? Reap the benefits of a Golden Harvest Account and reach your goal with ease. Facilitates fixed monthly deposits within a specific period of 1 – 10 years in order to achieve a specific financial goal. In the event of death, or total and permanent disability before the period has ended, an insurance benefit is payable. This is equal to the difference between the savings goal and the attained savings at the time of death or permanent disability. You or your beneficiaries therefore receive the full amount that you were saving towards.

### Certificate of Deposit

Have a lump sum of money that you want to put away for the medium to long term and earn attractive returns at the same time? A Certificate of Deposit Account can do that for you. Requires a minimum balance of $20,000.00

### Wealth Accelerator

Accelerate your journey to success with a Wealth Accelerator Investment Plan. Start with a minimum of $50,000 and follow up with deposits of $10,000.00 or more at anytime. Invest for periods of 6 to 36 months and benefit from an attractive interest rate. Net interest may be withdrawn from the Wealth Accelerator without penalty. Up to 90% of the Wealth Accelerator account balance may be used as collateral for a loan at the Credit Union

# MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED

## VISION STATEMENT

The Manchester Co-operative Credit Union (1977) Limited aims to be the financial institution of choice, working in partnership with our members to provide a comprehensive range of services in an efficient environment.

## MISSION STATEMENT

The staff and volunteers are committed to maintaining a safe, visible and dynamic financial institution; providing education to our members as well as a comprehensive range of quality financial services at competitive rates in a friendly environment to enhance their economic and social well-being.

# PRAYER OF SAINT FRANCIS OF ASSISI

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 we may not

So much seek to be consoled as to console;

To be understood as to understand;

To be loved as to love;

For it is in giving that we receive;

It is in pardoning that we are pardoned;

And it is in dying that we are born to eternal life.

# TABLE OF CONTENTS


***Notice of 38th Annual General Meeting*** 4

***Agenda*** 5

***Minutes of 37th Annual General Meeting*** 6

***Reports:***

- Board of Directors 26
- Treasurer's 34
  Pictorial Review 41
- Auditor's 44
- ***Appropriation of Surplus*** 98
- Credit Committee 99
- Supervisory Committee 104
- Nominating Committee 108

***Profile of Nominees*** 113

***Resolution***

***Appendices***

- List of Staff Members 114
- List of Deceased Members 116
- Roles of the Board and Committees 117
- Parliamentary Rules of Order 119

***National Anthem*** 121

# NOTICE OF ANNUAL GENERAL MEETING

**Notice is hereby given of the**

**38th ANNUAL GENERAL MEETING**

**of the**

**MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED**

**at the**

**SACRED HEART SCHOOL AND CONVENT, MAIN STREET CHRISTIANA, MANCHESTER**

**On Saturday, May 10, 2014**

**Commencing at 11:00 a.m. sharp**

**Signed by:**

.....

**Claude Rattray**
**Secretary**

# AGENDA

## Call to Order

- Ascertaining of Quorum
- Notice of Meeting

## Minutes of Last Annual General Meeting

- Reading
- Corrections/Omissions/Amendments
- Confirmation
- Matters Arising

## Reports

- Board of Directors
- Treasurer's/Auditors'
- Appropriation of Surplus
- Credit Committee
- Supervisory Committee

## Fixing of Maximum Liabilities

## Elections

- Nominating Committee Report
- Board of Directors
- Credit Committee
- Supervisory Committee

## Resolution to Amend Rule

Article XIV, Rule 66(i)

## Any Other Business

## Announcements

## Prizes

## Vote of Thanks

## Closure

# MINUTES
# MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED

MINUTES OF THE 37TH ANNUAL GENERAL MEETING
HELD ON SATURDAY, MAY 04, 2013, AT 11:00 PM AT
THE GOLF VIEW HOTEL AUDITORIUM, MANDEVILLE, MANCHESTER

## CALL TO ORDER

The meeting was called to order by the Chairman and President, Rev. Dr. Paul Gardner, at 11:09 am.

The Assistant Secretary, Miss Venetta Swaby ascertained that the meeting was duly constituted with 163 members present. She also read the notice of the 37th Annual General Meeting of the Manchester Co-operative Credit Union (1977) Limited.

## WELCOME

The Chairman, on behalf of the Board of Directors, management, staff and other volunteers, extended a warm welcome to all who were present. Special welcome was extended to the following:

| | | |
|---|---|---|
| Mr. Charles Tam | - | Jamaica Co-operative Credit Union League |
| Mr. Horace Walters | - | Barita Investments |
| Mrs. Karlene Kelly-Reid | - | JMMB |
| Miss Marcia Kirby | - | Camile Shields, Attorney-at-Law |
| Mr. Clifton Freebourne | - | Representative – Department of Co-operatives & Friendly Societies |
| Mrs. Valerie Reid | - | Secretary/Manager – Jamaica Co-operatives Insurance Agency |
| Mr. Ivan Green | - | Past President - MCCU (1977) Limited |
| Mr. Andre Johnson | - | Jamaica Co-operative Credit Union League |
| Mr. John Spence | - | St. Elizabeth Co-operative Credit Union |
| Dr. Lindel Rose | - | St. Elizabeth Co-operative Credit Union |
| Mrs. Lisa Cousins | - | Auditor – Paul Goldson & Company |

### *Silence Observed*

Members were asked to stand in observance of a moment of silence for the members who passed on during the year under review. The Chairman then offered prayer for their lives and contribution to the Credit Union and the country, and asked for God's blessings on the day's proceedings.

## APOLOGIES

Apologies were tendered on behalf of the following persons:

| | | |
|---|---|---|
| Mr. Glenworth Francis | - | CEO - Jamaica Co-operative Credit Union League |
| Mr. Carl Francis | - | Manager – Kirkvine Co-operative Credit Union Limited |
| Miss. Jennifer Haslam | - | Supervisory Committee - MCCU (1977) Limited |
| Mrs. Helen Campbell-Wint | - | Supervisory Committee - MCCU (1977) Limited |
| Mrs. Novie Anderson | - | Sub-Credit Committee - MCCU (1977) Limited |
| Mr. Johnathan Brown | - | President – Jamaica Co-operative Credit Union League |
| Mr. Albert Smith | - | General Manager – NUCS |
| Mrs. Pauline Issacs-Cole | - | Director – MCCU (1977) Limited |
| Miss Lilieth Sutherland | - | Credit Committee – MCCU (1977) Limited |

## CORRECTIONS TO BOOKLET

The Assistant Secretary, Miss Veneta Sawby acknowledged and made corrections to some items in the Booklet as follows:

- Page 8 – The heading "Reports" to be removed
- Page 98 - Under Claude Rattray – last sentence to read "Mr Claude Rattray has been nominated to serve on the Board of Directors"

## MINUTES OF THE 36th ANNUAL GENERL MEETING

The minutes, having been previously circulated, were taken as read on a motion moved by Mrs. Margarita Barrett and seconded by Mr. Walford Goodison.

## CORRECTIONS TO THE MINUTES

Page 8: Under Permanent Shares – second line, to be read 25,381 or...." Instead of "25,381....."
Page 10: Under Social Outreach – 2nd sentence, "...in keeping with"
Page 10: Under 60th Anniversary – 7th line, figures 21 to be changed to 20

## CONFIRMATION

The Minutes were confirmed on a motion moved by Mr. Churton Douglas and seconded by Mr. Kenneth Grant.

## MATTERS ARISING

***Saturday Banking***: Mrs. Karlene Kelly-Reid asked if there were still plans to phase out Saturday banking by 2013. She said her primary reason for asking was that strong competition has come into the market which should be a differentiating factor to be considered. Rev. Gardner responded that this had been looked at and it has been differed as there was need for further analysis.

***Short Term Goals*** – Mr. Kenneth Grant asked about the status of the following:

- Employment of a Business Development Officer
- Implementation of a new operating system and
- Offering of online banking

  Miss Swaby said a Business Development Officer was employed and has been doing well. As it relates to the implementation of a new operating system, she said that was still being negotiated while the online banking should be a reality by the third quarter of 2013.

# Reports
## Board of Directors Report

### HIGHLIGHTS OF THIS REPORT WERE READ BY THE PRESIDENT (CHAIRMAN), AS FOLLOWS:

The President noted that the Board's Report was being submitted against the backdrop of a protracted negotiation between the Government and the International Monetary Fund (IMF) and within the context of unfavourable economic conditions. He said that the period was yet another challenging one for the Credit Union. He noted that the highlights for the country's activities were the celebration of the Golden Jubilee and the performances of the athletes at the London Olympics. Those two events were significant morale boasters for the country.

The Chairman stated that the Board was highly appreciative of our valued members, for their commitment to the Institution as well as the professionalism and efficiency of the management and staff. The Board's job was made easier by the efforts of an excellent staff and the commitment of the members.

The following Economic and Social issues were highlighted:

- Competitive Environment in which we operate
- Negative Economic Growth or protracted quarters
- Change of Government
- International Monetary Fund (IMF) – negotiation
- Government Measures: Reduce Debt to GDP ratio of 140% to 95%, which include: Tax increases, wage freeze (public sector) & National Debt Exchange (NDX)
- Increase in unemployment rate
- High rate of Crime, which formed part of the social problems that we were battling with as a country
- National Census showed 7% growth in Manchester over the past 10 years.

### PERFORMANCE OVERVIEW

The following highlights the key performance areas of the Credit Union for 2012:

- Voluntary Shares grew by 6% from $1,169 million in 2011 to $1,241 million
- Deposits grew by 13% from $886 million in 2011 to $1,003 million
- Net Loans grew by 32% from $1,188 million in 2011 to $1,571 million
- Total Assets grew by 11% from $2,756 million in 2011 to $3,049 million
- Net Surplus decreased by 4% down from $82 million in 2011 to $79 million

#### *Delinquency*

The delinquency rate stood at 4.58% at the end of the year. This was 0.82% less than that of 2011. The members were once again commended for honouring their obligations despite the many difficulties encountered. Special commendation was extended to the staff members who have responsibility for collections.

## PERSONNEL

During the year the staff complement increased by one and we continued the training and personal development of staff who continue to serve the Organization well.

## MARKETING ACTIVITIES

The Marketing Department carried out a number of activities throughout the year to promote the products and services offered by the Credit Union:

### *Expositions and Speaking Engagements*

The Department participated in the following expositions:

- Career Day Expos
- Denbigh Agricultural Show

### *Advertising and Promotions*

Advertising campaigns were created to highlight the revised features of the following products:

1. Dream Wheels Motor Vehicle Loan
2. Revised HOPE Loan
3. Commercial Auto Business Solutions (CABS) Loan
4. Solid Saver Account
5. Partner Plan

### *Public Relations:*

- Bursaries
- JCCUL 70th Anniversary Bursary
- Labour Day 2012
- Youth Marketing
- High School Tour

## PRODUCTS & SERVICES

### *Loan Specials*

During the year, two notable loan specials were offered to assist members with their expenses, which included the following:

- The Tuition Plus Unsecured Loans
- The Moni Max Loan Special

### *Million Dollar Mission Loan Competition*

The Million Dollar Mission Competition which started in November 2012 was introduced to assist with growing the secured (property & motor vehicle) loan portfolio.

### *Partnership*

The Credit Union brokered an alliance with Caledonia Mall Pharmacy during the year. This partnership would allow members of the Credit Union to access discounts on prescription drugs.

### *International Credit Union Week Celebration (ICU)*

International Credit Union Week was celebrated from October 14 – 20, 2012 under the theme, Members Matter Most. Our Organization participated in the celebrations through the following activities:

- Church Service at the Sacred Heart Catholic Church in Christiana on Sunday, October 14, to launch the week of activities.
- Hosting of Member Appreciation Days in Christiana, Mandeville and Porus branches on October 17, 18 and 19, respectively.

### *Mid Island Chapter Awards Banquet*

Mrs. Doreen Colquhoun and Miss Natalee Simpson were the Member of the Year and Employee of the Year for 2011 respectively. They were recognized at the Mid Island Chapter of Credit Unions Annual Awards Banquet hosted by the Manchester Co-operative Credit Union.

### *Jamaica 50th Anniversary Celebrations*

The Credit Union joined in the national activities to celebrate the country's 50th year of independence. Included in the activities were the following:

1. Decoration of offices in the national colours
2. Printing of branded exercise books for our youth savers designed in the national colours and bearing the humming bird insignia.
3. Sponsored JCDC Independence Gala & Talent Parade in Christiana
4. Sponsored Central Jamaica 50 Celebration Gleaner Feature

### *Social and Community Outreach*

Assistance was provided to a number of members, civic groups and organizations during the year. A total of $471,550 was donated to support activities in areas such as: education, health care, sports and religion.

### *Recognition and Awards*

At the Jamaica Co-operative Credit Union League's Annual Banquet and Awards function held in May 2012 our Credit Union proudly walked away with the award for the Most Outstanding Parish Credit Union for 2011 as well as recognition for the credit union with the highest return on assets.

### CHALLENGES:

The Chairman pointed out that the next four years would certainly be challenging for the country, as the Government was required to significantly lower the debt ratio to meet the stringent IMF criteria. The disposable income of the members in particular and the citizens in general could be further reduced given the rapid erosion of the purchasing power of the dollar. Despite the many challenges, the Credit Union would ensure that effective and timely actions are taken to preserve the viability and soundness of the Organization.

### *The Strategic Plan*

Under the theme ***'Embracing Change: Exploiting Opportunities'*** the Board, committee members, the management team and members of staff participated in a Strategic Planning Retreat from December 8-9, 2012. Strategies were developed to ensure the continued growth of the Credit Union.

Some of the short term goals that were set to achieve in 2013 were:

- To attain 20% growth in loans
- To achieve 13.6% savings growth
- To grow total assets by 14% to $3.5 billion
- To increase institutional capital ratio to 17.6%
- To attain 53.6% net loans/assets ratio
- To implement stationery/stock control system
- To implement delinquency management system
- To integrate loan processing
- To integrate the operations of Porus branch with the Mandeville branch
- To expand the parking lot in Christiana
- To launch Internet Banking

Some medium to long term goals were also identified as follows:

- To attain 6% of business within the Credit Union Movement by 2016
- To attain 62.5% loans to asset ratio by 2016
- To increase return on assets ratio to 4% and 5% by 2014 and 2015 respectively.

## CONCLUSION

In his closing statement, the President, on behalf of the Board of Directors, said that the Credit Union would ensure that it remains the financial institution of choice. The management, staff and the Directors would continue to listen to the members and find new ways to provide products and services that would meet their short and long-term needs.

He expressed the Board's profound appreciation to the General Manager, Mrs. Cynthia Briscoe, her management team, the staff and volunteers for ensuring the viability of the Credit Union during the challenging times. To our co-operative partners, our bankers, our auditors, the suppliers of goods and services and all others who in varied ways have contributed to the smooth running of the Credit Union during the year.

## QUESTIONS AND COMMENTS

Mr. David Powell said that he was concerned about space at the Credit Union and the fact that the Institution was growing in membership. He stated that the plant was not growing in Mandeville because it takes a long time to get in and get out. He said that since the membership was growing, the plant should be growing as well.

Mr. Powell then asked about the offering of scholarships to students by the Credit Union, as there were many of his students who have the required amount of subjects but cannot go to college because their parents cannot afford it.

The Chairman pointed Mr. Powell to the minutes of the previous meeting where it spoke to scholarships offered to students and informed him that this was something that the Credit Union takes very seriously and continued to make provision at every Annual General Meeting for funds to be set aside for scholarships.

With respect to the plant, the Chairman said that this issue is always at the forefront of the minds of the Board and management, but Mandeville is not one of the easiest place to find property for expansion. He further stated that some of the properties that were looked at were going for over $125 million just for the empty lots. Therefore, we have to make sure that when we talk about the expansion of the physical plant, we understand the cost, but we also have to look at the extent to which technology can be used to deal with the growing membership. He said we have to look at the use of technology to see how best we could mitigate those issues.

*The Chairman extended welcome to Mrs. Phueona Reynolds from Centralized Strategic Services Limited.*

Mr. Kenneth Grant asked for an update on the implementation of delinquency management system, as well as an update on the integration of the Porus operations into the Mandeville branch and the fact that an ATM was promised for the Porus area at a previous meeting.

The General Manager, Mrs. Cynthia Briscoe responded that the Porus operation was transferred to the Mandeville branch on April 02, 2013, and although there were some challenges, it was in most part good. She further informed the meeting that there was a dedicated line at the Mandeville branch for the Porus members and they have been utilizing it. As it related to the ATM, she said that we were in the process in finding a suitable location as well as carrying out surveys. Mrs. Briscoe further stated that on the matter of the delinquency management system, discussions had started with the relevant provider as there was a time-frame set in the Goal Action Plan as to when it should be done.
Mr. Grant further stated that the point was made at the meeting in Porus that in announcing the closure of the branch the members should have been told that an ATM would be put in place the next day; instead at this stage they were being told that a suitable location was being sought. He said it appeared that a very low priority was placed on that endeavour and suggested that every effort be made to see what could be done within three (3) months as the members were being inconvenienced. The Chairman, Rev. Gardner informed him that this would be looked into.

Mr. Hubert Renford said that he was glad to know that there were plans to expand the parking lot at the Christiana branch as parking there could be a challenging at times. Mr. Renford also asked if a special line could be put in place for senior citizens in Christiana, especially on the month ends.

Mrs. Briscoe, through the Chairman, informed Mr. Renford that this would be put in place by the following week.

Mr. Michael Walker commented on the alliance with the pharmacy and said that he had not gotten a discount card. Rev. Gardner informed him that cards are issued to members when they go to the branches and that the notices were posted in the Credit Union and other places. The Chairman further informed him that he would need to have an ATM card to get a discount card in order to use it at the pharmacy.

Mrs. Ruthann Smikle said that, with the age that we are in, the Credit Union Manager should encourage the members to apply for ATM cards. She said some persons have no knowledge that the cards are available if they are not approached. Mrs. Smikle said that she disagreed that only person with ATM cards should be given discount cards for the pharmacy and believed that it should be left open and be offered to all members who wish to access the facility.

Rev. Gardner responded that there are different ways and means to promote a product, but the problem was to get persons to use the Access Cards and therefore the Credit Union went into a partnership with the pharmacy. He said that other products could be developed that every member could utilize, but for this particular one, we were trying to promote the use of the ATM card in order to get more members to use the card.

Mr. Walford Goodison asked what system was in place to assist the pensioners from Porus because it was difficult for senior citizen to travel to Mandeville to access their pension. He further asked what the Credit Union was doing to assist the farmers in Manchester.

Mrs. Briscoe, through the Chairman, responded that there were plans to form alliances with bill payment entities as well as issuing ATM cards so the seniors could access their funds. Mr. Goodison said that this system should have been in place from the moment there were plans to close the Porus branch. Mrs. Briscoe said that the Credit Union was in dialogue with these entities for a while, but sometimes things do not always work the way they are planned; however, an agreement should be reached soon.

Regarding the question about the farmers, Mrs. Briscoe informed him that there is a small business loan that the Credit Union offer to members and a number of members have been utilizing the product. Rev. Gardner added that over the past two years, loans to farmers amounted to about $40 million, which means that the farmers have been accessing the facility.

Ms. Pauline Mitchell said that she was deeply concerned for the senior citizens in Porus and asked that something be put in place for them as they do not know how to use the ATM and they risk getting robbed.

Rev. Gardner assured her that we would pay particular attention to the pensioners and senior citizens at all locations and see to it that they are treated special once they entered the Credit Union.

Mrs. Ruthann Smikle suggested that a pension plan be put in place for low income earners. Rev. Gardner thanked her for the suggestion/recommendation.

Mrs. Jennifer Barrett-Green expressed thanks on behalf of members to the Board of Directors and management for the members' bathroom facility at the Mandeville branch.

*On a motion moved by Mr. Kenneth Grant and seconded by Mr. Claude Rattray, the report of the Board of Directors was adopted.*

# Credit Committee Report

## HIGHLIGHTS OF THE REPORT WERE READ BY THE CHAIRMAN, MR. CHURTON DOUGLAS AS FOLLOWS:

Despite the challenges, the Organization was able to achieve robust growth in loans during the year. Delinquency, in the meantime, was kept at manageable levels through the commendable efforts of the staff and the commitment of the members to honour their obligations.

- There was a modest decline of 165 or 2% in the number of loans disbursed during the year. There was however a sizable $302 million or 41% increase in value of loans paid out. The amount moved from $746 million in 2011 to $1,049 million at the end of the 2012 financial year. This resulted in an overall 29% growth in the net loan portfolio that stood at $1,571 million at the end of the year.

- From the top five categories of loans disbursed during the year, home improvement loans accounted for the highest amount with $225 million disbursed in that category. This was a sizable 54% increase when compared to the $146 million paid out in 2011. There were also strong growths in the education expense and business investment categories that saw increases of just under 50% respectively.

- The ***Commercial Auto Business Solutions*** (CABS) loan product was developed especially for operators of public transport and other commercial vehicles. Members were able to apply for loans ranging from $800,000 to $2,000,000 to purchase motor vehicles up to 8 years old with a maximum repayment period of 5 years.

- The ***Monimax*** and ***Tuition Plus*** loans were introduced with the aim of providing our members more access to unsecured loans. These loans enabled members to apply for a maximum of $500,000 above shares for up to four (4) years at attractive interest rates. The Credit Union received overwhelming responses to these products as the pool of funds allocated for this purpose was fully exhausted.

- Several amendments were made to existing loan products during the year. These included the extension of repayment terms for real estate loans from 15 years to 20 years and the increasing of the amounts accessible under this category at reduced interest rates and lower share requirements. The terms of loans secured by motor vehicles were also extended by up to two (2) years based on the age of the vehicle pledged as collateral.

  Amendments were also made to the various cash secured loans in an effort to provide more attractive incentive for members to borrow against their savings as opposed to making withdrawals.

- The Credit Union took steps to improve the loan administration process during the year. In this regard, the loan approval limit for the In-house Committee was increased. This, along with the more efficient use of technology and the implementation of other initiatives resulted in a reduction in the loan turnaround time.

- The number of waivers granted for loans was ten (10) during 2012 for the following reasons:

  a. Loan Term & Debt Service Ratio
  b. Share Requirement
  c. Length of Employment

## CONCLUSION

In closing, Mr. Douglas on behalf of the Credit Committee, thanked the Board of Directors, all committees, management and staff, particularly those of the Credit Department, for your sterling support throughout the year. He took the opportunity to commend the members, who in true cooperative spirit continued to utilize the financial benefits provided, in a mature and responsible way; even in the face of these difficult economic times.

## QUESTIONS AND COMMENTS

Mr. Steve Nugent said that, in the future, he would like the value of the waivers granted been reported on.
On a motion moved by Mr Everard Harriott and seconded by Mr. Kenneth Grant, the report of the Credit Committee was adopted.

*On a motion moved by Mr Everard Harriott and seconded by Mr. Kenneth Grant, the report of the Credit Committee was adopted.*

# Supervisory Committee Report

## HIGHLIGHTS OF THIS REPORT WERE READ BY THE CHAIRMAN MR. GLENROY GRIFFITHS AS FOLLOWS:

The Supervisory Committee and the Internal Auditor reviewed various areas of the Organization as follows:

### 1. Audit of Interest on Deposits

The audit was done to verify the accuracy of interest payments and their posting to the ledger accounts. The recalculation of interest revealed no significant differences.

### 2. Audit of Receipts and Payments

The objective was to establish whether payments were properly authorized, whether there was accuracy in receiving monies as well as the appropriateness of the safeguarding of cash. The audit revealed general compliance with the established standards and procedures.

### 3. Treasury and Teller Cash Counts

No discrepancies were observed as the total cash reflected by the system's records was found to be in agreement with the cash held by the tellers.

### 4. Monthly Automated Teller Machine (ATM) Cash Count

Monthly ATM cash counts were observed and the cash counted was reconciled with the relevant system records. There were therefore no exceptions to report.

### 5. Bank Reconciliations

The audit revealed that transactions were completed in a timely manner, and were accurately recorded. No exceptions were observed.

### 6. Audit of Investments

No exceptions were uncovered in this area of audit; as investment transactions were conducted in accordance with the established policy, relevant procedures were observed and related accounting records were appropriately and accurately maintained.

### 7. Daily Security Log

The Daily Security Log was compared with the daily teller transactions to ascertain whether there were any irregularities. No exceptions were identified.

### 8. Audit of Closed Accounts

The activity aimed at establishing whether the appropriate steps were taken in the closure of the accounts and to ensure that transactions were authentic. This revealed general compliance with the established procedures.

### 9. Staff and Volunteers Loans Trial Balance

Audits were done to ascertain whether loans granted to staff and volunteers were compliant with the established Loan Policy. The accuracy of loan terms as well as adequacy of controls over securities was examined. It must be noted that there was general compliance with the policy.

### CONCLUSION

Mr. Griffiths, on behalf of the Supervisory Committee, acknowledged the contribution of the Board of Directors, who upon the submission of Audit Reports sought to ensure the recommendations are implemented, the management team who was vigilant and reliable in furnishing the relevant documents/information for the various audits; members of staff who were accommodating and conscientious when their services were requested; the Internal Auditor who was very instrumental in getting audits completed. Mr. Griffiths also thanked the members for affording them the opportunity to serve in that capacity.

*On a motion moved by Mr. Kingsley Andrews and seconded by Mr. Kenneth Grant, the report of the Supervisory Committee was adopted.*

# Treasurer's Report

## HIGHLIGHTS OF THIS REPORT WERE READ BY THE TREASURER, MR. ASTLEY SCOTT AS FOLLOWS:

### *Profitability*

Total income of $387 million was earned during the year. This was 10% above the amount earned in 2011. It cost a total of $309 million to carry out the operations of the Organization in 2012. This was 14% more than what was spent during the previous year.

The surplus for the year was $79 million. While this was 4% below what was earned in 2011, this achievement should be viewed in the context of the unfriendly economic conditions and the fierce competition.

Interest from loans contributed $234 million or 61% of total income. Income generated from investments was $102.6 million. This was $4.7 million or 4% less than the amount earned in 2011. A total of $50.3 million or 13% of the overall income was earned from other sources such as fees, commissions and service charges.

### *Asset Growth*

The Credit Union was able to increase total assets from $2.76 billion in 2011 to $3.05 billion at the end of the 2012 financial year. This represented a growth of 10.6% for the period. This was better than the 9% increase achieved the previous year.

### *Loans*

The growth in the asset base was driven by a strong increase in loans during the year. A total of $384 million or 32% was added to the net loans portfolio in 2012. This was the highest dollar amount increase in any one year and was in line with your Board's commitment to make loans more accessible to the members.

### *Loan to Asset Ratio*

The loan to asset ratio for the year under review was 52%. This was a noticeable improvement over the 43% achieved in 2011 and was closer to the minimum standard of 60% set by our League.

### *Savings*

A total of $188 million was added to the savings portfolio during the year. This resulted in an increase of 9% over the previous year. The portfolio stood at $2,244 million at year end. The Treasurer again applauded our members for this encouraging growth which came under trying economic conditions and fierce competition.

### *Institutional Capital Reserve*

One of the key achievements during the year was our Credit Union's ability to strengthen its capital base which stood at $511.3 million at the end of the period. The capital to asset ratio improved from 16.1% in 2011 to 16.8% at the end of the 2012 financial year. This was well above the minimum 8% standard prescribed by our League and surpassed the capital ratio set by the Bank of Jamaica.

### *Permanent Shares*

Permanent Shares experienced a 20% growth during the year to settle at $68.7 million. This accounted for 13% of total institutional capital. All members on record met the Permanent Shares requirement at the end of the year.

### *National Debt Exchange*

The Board of Directors approved the Credit Union's participation in the National Debt Exchange (NDX) in February 2013. A total of $535 million or 44% of investments was impacted by the NDX. This resulted in a lowering of the earnings expectations for the 2013 financial year. In addition, there was a significant extension of the maturity periods of the investments.

The effects of the NDX on the Credit Union were expected to be minimized by the Organization's strong capital base. Therefore, the Organization's participation in this crucial national effort was forecasted to have limited impact on the overall viability and soundness the Organization.

### CONCLUSION

In concluding, Mr. Scott said that the financial performance for the year 2012 was evidence that the Credit Union remained a viable entity amidst the current economic challenges. He commended the team of hardworking staff and volunteers for a job well done and also applauded the contribution that the members have made to the success of the Credit Union. Mr. Scott urged everyone to remain faithful, active members of this noble Institution. He said that the Credit Union was prepared to be responsive and supportive in any way that would be beneficial to individuals and to the corporate body. Together we can survive and even prosper during the difficult times.

# Auditor's Report

## THE AUDITOR'S REPORT WAS PRESENTED BY EXTERNAL AUDITOR, MRS. LISA COUSINS OF PAUL GOLDSON & COMPANY. THE REPORT WAS SUMMARIZED AS FOLLOWS:

Paul Goldson and Company had audited the financial statements of the Credit Union which comprised the statement of financial position as at December 31, 2012, the statement of comprehensive income, statement of changes in equity and cash flows for the year ended, together with a summary of significant accounting policies and other explanatory notes.

In the auditors' opinion, proper accounting records have been kept and the financial statements which are in agreement therewith, give a true and fair view of the Credit Union's affairs as at December 31, 2012, and of its financial performance, changes in equity and cash flows for the year that ended, in accordance with International Financial Reporting Standards (IFRS) and complied with the provisions of the Co-operative Societies Act.

### QUESTIONS AND COMMENTS

Mr. Alvin Murray asked why did return on asset move from 6.4% in 2010 to 2.9% in 2011 and 2.6% in 2012.

Mr. Allen explained that the Credit Union used to earning higher returns on investments; however, since the introduction of the JDX the Organization was forced to replace the high earning investments with low ones.

Mr. Berresford South commended the Board, management and staff for taking the initiative to make more loans accessible to members and also, although unemployment increased, the Credit Union managed to control the delinquency rate.

Mr. Claude Rattray also commended the Board, staff, the other volunteers and members for their hard work in keeping the Organization afloat. He also said that, not-with-standing the JDX and NDX, he was heartened when the Treasurer said that it would not seriously affect the Credit Union.

Mr. Rattray asked the Treasurer to explain "all members on record" under Permanent Shares on page 33 of the booklet. Mr. Scott explained that at the previous AGM a motion was put to the membership and it was voted on, that we would top-up the accounts of some members that were not active from part of the surplus. This would re-engage members and they would be encouraged to come in and the money that was used to top them up they would be asked put it back. He further explained that it is a legal requirement for members to have Permanent Shares, therefore after a while those without would have to be struck from our books. In order not to lose the significant number of inactive members, the top-up was done.

Mr. Michael Walker sought further clarification on the percentage of members with Permanent Shares. The Accounts Manager responded by saying that when permission was granted by the membership to allow for the top-up, not all members were qualified for it. Members with $500 and more were topped-up to $2,000 so they could be kept on record. Mr. Allen added that $5 million was requested for the top-up exercise but only approximately $2.8 million was used; however, when the dust was settled it was discovered that a number of persons who did not have even the $500, and having used several methods to contact them, there was no response, so without any other option, they had to be taken off the records.

Mr. Lincoln Foster asked what was the difference in interest that the Credit Union earned on the NDX versus the interest that members pay on loans. Mr. Foster said, based on what was happening with the NDX, asked if it would not be better for the Credit Union to encourage members to borrow more rather than lending it to the Government. Mr. Allen responded that interest rates are driven by market conditions. He said that there were two different rates; one which is earn from investments, which is set by the government, and the interest that is charged on loans are market driven and also by the need for the Organization to ensure that interest rates are competitive. Mr. Allen also informed him that we did not have a choice in participating in the NDX, although it was voluntary, but we needed to play our part in that very important national event.

Mr. Foster further suggested that rather than investing with government, the Credit Union should invest more in the members as the benefits of an organization should be flowing down to its members. Mr. Scott explained that there was a 32% growth in loans in 2012, which meant that the Credit Union would not refuse good loans just to put the money elsewhere as that would not make any economic sense. He said that our main purpose is to serve the members and to note that we have a well controlled delinquency rate. Mr. Foster pointed out that what he meant was that the high interest rate is a deterrent to borrowing and at the same time the Credit Union had no qualms about investing with government at low interest rates. Mr. Scott said that the Credit Union has a pool of asset and we either lend it or invest it and do not keep it in a vault. Mr. Foster claimed that the Credit Union was acting like a commercial bank where it does not take the members' circumstances into consideration. He said that he was concerned that members would be asked to pay more interest to make for the shortfall of the NDX. Mr. Scott said that he would notice in the next report for 2013 that interest rates on loans were coming down.

Mr. Hubert Renford asked what would be the consequence if the Credit Union did not sign on to the NDX. Mr. Allen explained that if we did not sign on they would have called and tried to get us to do so, as they have done with a few other institutions. If they could not persuade us then they would have paid us off; however, that would put us on a black list of entities that do not have the country's interest at heart. He said that it would also have an impact on the negotiation that the Credit Union League had with the Bank of Jamaica regarding the Regulations of credit unions and not participating in the NDX would have eroded the gains that the League had made with BOJ.

Mr. Renford commended everyone for their hard work as it was because of the hard work why the auditors could find everything in order.

Mr. Kenneth Grant commended the Board, management and staff for a job well done. He said that all the indicators were pointing in the right direction; however he had one concern about the delinquency rate. Mr. Grant said that although the rate was moving in the right direction, it would be good to set a target of 3% as this would be good for our bottom line.

Mr. Steve Nugent asked how much the Credit Union lost due to the NDX. Mr. Scott responded that to 2013 the Credit Union would have given up approximately $5 million in interest. Mr. Nugent said he hoped to see in the future, the Credit Union granting more loans to members instead of investing in government bonds. He also said that for the next report he would want to see documented, the number of bonds and the amount invested. Mr. Scott assured him that it would be seen in the next year's report.

Ms. Petisha Chambers commented that she had heard everyone commending the staff for their hard work but did not hear anyone commending them for their honesty.

Mr. Clifton Freeburn sought clarification on what exactly is charged-off loans. Mr. Scott informed him that they are charged off but we were still trying to collect on them, which included hiring a collection agency to assist with the collection. Mr. Freeburn asked if it was a part of the provisional arrangement. Mr. Scott answered affirmatively.

Ralston Madison commended the Credit Union for making the bold move by participating in the NDX programme.

Mrs. Karlene Kelly-Reid asked if the Credit Union have contemplated moving away from defined pension benefits to defined contribution, like other schemes do, in light of the NDX. Mr. Scott responded that the staff pension fund was a part of a pension plan managed by the Credit Union League so he was not sure what the direction they would take.

*On a motion moved by Mr. Stanley Skeene and seconded by Mr. Winston Ellis, the Treasurer's Auditor's Reports were adopted.*

*At this point the chairman interjected to welcome Mr. Fitz Rowe, General Manager of St. Elizabeth Co-operative Credit Union.*

**APPROPRIATION OF NET SURPLUS**

The Treasurer, Mr. Astley Scott took the meeting through the Appropriation of Surplus outlined as follows:

| | | |
|---|---|---|
| APPROPRIATIONS | | |
| INSTITUTIONAL CAPITAL | $ 45,000,000 | |
| SOCIAL OUTREACH | $ 750,000 | |
| CAPITAL EXPENDITURE RESERVES | $ 5,000,000 | |
| DIVIDENDS (10%) | $ 6,600,000 | |
| DISASTER RELIEF FUND | $ 250,000 | |
| SYDNEY CARTER SCHOLARSHIP | $ 600,000 | |
| HONARARIUM | $ 1,700,000 | |
| TOTAL | | ($ 59,900,000) |
| BALANCE C/F TO NEXT YEAR | | $ 26,524 ,066 |

*Mr. Scott moved for the acceptance of the Appropriation of Surplus as outlined earlier, which was seconded by Mr. Claude Rattray and carried.*

**FIXING OF MAXIMUM LIABILITY**

Be it resolved that the Maximum Liability for which the Board of Directors may commit Manchester Co-operative Credit Union (1977) Limited for the year 2013, shall not exceed a ratio of twelve (12) times the Capital and Reserve Fund.

Mr. Astley Scott moved for the acceptance of the Fixing of Maximum Liability, seconded by Mr. Kenneth Grant and carried.

# NOMINATING COMMITTEE REPORT

## MR. DAVID HARRIS, CHAIRMAN OF THE NOMINATING COMMITTEE, REFERRED TO THE RULES GOVERNING THE NOMINATION. THE OTHER MEMBERS OF THE COMMITTEE ARE:

- Mrs. Karlene Kelly-Reid
- Miss Marcia Kirby
- Mr. Michael Gottshalk – Staff Liaison

***Corrections:***

Under the Board of Directors Rev. Joan Smith's term should be one year and not two years, to complete term for Mrs. Paulette Stephenson-Taylor. Mr. Alfred Daley served out the term for Mr. Wilton Richards instead of retiring and was being nominated. Mrs. Paulette Stephenson-Taylor had come to the end of her term, not retiring.

***Profile of new volunteers:***

Mr. Harris read a brief profile of the new persons who were being nominated to serve as volunteers.

### *Election of the Board of Directors and Committees*

The election proceedings were handed over to Mr. Clifton Freeburn; however, due to the fact that he was unsure of the procedure, Mr. Charles Tam, Business Relations Officer at the Jamaica Co-operative Credit Union League took over the proceedings. There were no nominations from the floor; the Board and Committees were therefore accepted as presented.

The following persons were elected to serve on the Board of Directors, Credit and Supervisory Committees for the year 2013 to 2014:

| | | |
|---|---|---|
| Rev. Charles Danvers | Continuing | 1 Year |
| Miss Venetta Swaby | Continuing | 1 Year |
| Mrs. Sharon Peart | Continuing | 1 Year |
| Mrs. Lesline Thomas | Continuing | 2 Years |
| Mrs. Pauline Isaacs-Cole | Continuing | 2 Years |
| Mr. Robert Chennis | Continuing | 2 Years |
| Mr. Alfred Daley | Continuing | 1 Year |
| Mr. Claude Rattray | New | 2 Years |
| Mr. Alvin Murray | New | 2 Years |
| Rev. Joan Smith | New | 1 Year |
| Mrs. Dianna Tomlinson | New | 2 Years |

| | | |
|---|---|---|
| Mr. Churton Douglas | Continuing | 1 Year |
| Ms Lilieth Sutherland | Continuing | 1 Year |
| Mr. George Sloley | Continuing | 2 Years |
| Mrs. Vivinne Grant | New | 2 Years |
| Mrs. Thelma Vassall | New | 2 Years |

| | | |
|---|---|---|
| Mr. Everard Harriott | Continuing | 1 Year |
| Mrs. Jean Lee-Wright | Continuing | 2 Years |
| Mr. Paul Grant | New | 2 Years |

| | | |
|---|---|---|
| Mr. Kingsley Andrews | Continuing | 1 Year |
| Mr. Junior Isaacs | Continuing | 1 Year |
| Miss Tracy-Ann Allen | Continuing | 1 Year |
| Mrs. Ruthan Smile-Smikle | New | 1 Year |
| Mrs. Joan White-McDaniel | New | 1 Year |

| | | |
|---|---|---|
| Mr. Calvin Palmer | Continuing | 1 Year |
| Mrs. Claudette Gayle-Foster | New | 1 Year |
| Mrs. Barbara Chamberlain | New | 1Year |

Congratulations were extended to all the persons who elected to serve on the various committees.

The Board of Directors was given authority to select the delegates and Alternate Delegates to the Credit Union League's Annual General Meeting and other societies to, which the Credit Union may be affiliated on a motion moved by Mr. Glenroy Griffiths, seconded by Mr. Harris Senior and carried.

## ANY OTHER BUSINESS

Ms. Thelma Marshall said that some persons did not understand the booklet, therefore, she suggested that the reports be circulated at least a month before the meeting so that the members can go through them and familiarize themselves with the contents. Rev. Gardner said it would be looked into and have the booklet circulated at least two (2) weeks before.

Mr. Walford Goodison asked what new was coming on stream for members for the rest of the year. Rev. Gardner pointed out that some were mentioned in the report and said that he was sure that the new Board would be challenged by his observation.

Mr. Lincoln Foster said that he was advocating for the AGM to be held on a different day, since there are persons who worship on different days and would like to be able to attend the meeting. The Chairman thanked him for his suggestion, but informed him that it was not by accident that the meeting was being held on a Saturday as we were at a stage of embarrassment at the previous meeting because of the low turnout of members. He said that the turnout for the meeting was overwhelming.

Mr. Baldwin Smith suggested that something be worked out by the Credit Union for construction workers, higglers and taxi operators for them to have a pension plan. Rev. Gardner informed him that the League, through the Credit Union Fund Management Company had been working on something.

Mr. Steve Nugent said that the Credit Union needed to look in the direction of having a pension plan for self employed persons as it would be sad if another credit union came to Mandeville and capture our members because of a pension plan, or lack thereof. The chairman said that this was something to explore.

Miss Nicole Clarke also asked if a pension plan could be considered for early childhood teachers.

Mr. Kenneth Grant thanked the Chairman and his team for the running of a smooth meeting and wished the retiring volunteers all the best in their retirement.

The Chairman then invited the new directors to join the others on the platform.

## ANNOUNCEMENTS

The Board and the other committees were to meet within ten (10) days to elect officers for the various committees and forward the information to the Department of Co-operatives and Friendly Societies, the Credit Union League and other institutions.

The new Board of Directors was scheduled to meet on May 7, 2013 at 5:30 p.m.

## SPECIAL PRESENTATION

The General Manager, Mrs. Cynthia Briscoe presented Certificates of Appreciation to all the volunteers who were retiring. She lauded them for their many years of volunteerism, which collectively totaled eighty-five (85) years.

## PRESENTATION OF EARLY BIRD PRIZES

Mr. Lenroy Allen, Accounts Manager, assisted by the Marketing team, led the proceedings of the presentation of prizes to 30 Early Bird winners.

## VOTE OF THANKS

Mrs. Lesline Thomas congratulated everyone who remained until the end of the meeting. She said that it was one of the best AGM in a long time. She thanked the following individuals and organizations:

- The hard working Marketing team, headed by Mr. Gottshalk and the Management team for having put the wonderful function together.
- Persons visiting from other institutions
- Rev. Dr. Paul Gardner for ably conducting the general meeting.
- Mr. Charles Tam from the Jamaica Co-operative Credit Union League
- Mrs. Pheuona Reynolds from Centralized Strategic Services
- Mr. Ivan Green, Past President
- The volunteers who were retiring for giving such sterling service to the Organization
- Our Auditors from Paul Goldson & Company
- Our Photographer, Mr. Eric Steadman
- Mr. Michael Walker and his team of AVA Electronics Sales and Service
- The Golf View Hotel for hosting the meeting
- Mr. Lenroy Allen, Accounts Manager and his team for co-ordinating the presentation of prizes

## CLOSURE

There being no other business, the National Anthem was sung and the Chairman closed the meeting at 2:51 pm.

Mr. Claude Rattray
Secretary

Rev. Charles Danvers
President



# Report of the Board of Directors

## Introduction

The report from the Board of Directors is posited amidst the financial and economic challenges, the social and political uncertainties and the academic and educational achievements of our young people. Jamaica finally inked an International Monetary Fund (IMF) deal and the financial sector, along with the wider society, underwent another debt exchange.

Through all the challenges internationally, nationally and locally, our members have generally been very supportive of the Manchester Co-operative Credit Union (1977) Limited. The management and staff, through their continued high commitment to the service of our members, have again delivered a year of quality and efficient services. The Board of Directors is pleased to have reposed in the staff, the skill sets and competencies to give guidance and advice for sound decision-making on behalf of all our members. We are therefore pleased to account to our membership on the mandate given us to direct your financial affairs for the period.

During the year under review the Board met regularly to conduct the business of our Credit Union. The record of the directors' attendance is listed below.

| Board of Directors | Possible Meetings | Attended | Excused | Absent |
|---|---|---|---|---|
| Rev. Charles Danvers * | 13 | 13 | 0 | 0 |
| Miss Venetta Swaby | 13 | 10 | 3 | 0 |
| Mrs. Sharon Peart | 13 | 11 | 2 | 0 |
| Mrs. Lesline Thomas * | 13 | 12 | 1 | 0 |
| Mrs. Pauline Isaacs-Cole * | 13 | 8 | 5 | 0 |
| Mr. Robert Chennis * | 13 | 11 | 2 | 0 |

| Board of Directors | Possible Meetings | Attended | Excused | Absent |
|---|---|---|---|---|
| Mr. Alfred Daley | 13 | 13 | 0 | 0 |
| Mr. Claude Rattray * | 9 | 8 | 1 | 0 |
| Mr. Alvin Murray | 9 | 7 | 2 | 0 |
| Rev. Joan Smith * | 9 | 8 | 1 | 0 |
| Mrs. Dianna Tomlinson | 9 | 9 | 0 | 0 |
| Rev. Dr. Paul Gardner ** | 12 | 9 | 3 | 0 |
| Mr. Astley Scott * | 4 | 4 | 0 | 0 |
| Mr. David Harris | 4 | 3 | 1 | 0 |
| Mrs. Paulette Stephenson - Taylor | 4 | 4 | 0 | 0 |

* Executive Members

** Ex-officio (Rev. Dr. Paul Gardner was a member of the Executive from January to May and Ex-officio since June)

### *Condolence*

The Board of Directors, Credit & Supervisory Committees and staff extend condolence to the families of our members who passed on during the year in review.

## PERFORMANCE OVERVIEW

### *Financial Performance*

The following are the results in the key areas of operation:

| Key Areas | 2013 Millions | 2012 Millions | % Change 2013 | Target 2014 Millions |
|---|---|---|---|---|
| Volume Shares | 1335 | 1241 | 8 | 1460 |
| Deposits | 1133 | 1003 | 13 | 1280 |
| Net Loans | 1790 | 1571 | 14 | 2024 |
| Total Assets | 3362 | 3046 | 10 | 3748 |
| Surplus | 90 | 79 | 14 | 98 |

### *Membership Growth*

The Credit Union performed creditably in the area of membership growth registering an impressive number of 1,976 new members. This was above the target of 1,700 and the 5% industry standard.

### *Delinquency*

The Board is aware of the challenges that our members are faced with each year. We are however pleased to report that despite the hardship the delinquency rate for the year 2013 was 5.30% slightly above the industry of 5% and 0.42% above that of 2012. Special thanks to our members who consistently honour their obligations in a timely manner. The hardworking staff members in the Credit Department as well as the members of the Credit Committee are also being commended.

## PERSONNEL

The staff complement remained unchanged during the year, however there were two promotions. Plans are in place to strengthen the Risk & Compliance and Internal Audit Units during the upcoming year.

### *Training & Personal Development*

The Board is cognizant of the very important role that our staff and volunteers play in the smooth running of the Organization. Therefore, we continue to facilitate personal development of both groups during the year. The following are some areas of focus: ***Member/Customer Service, POCA/Anti-Money Laundering, Micro-insurance Financing, Enterprise Risk Management, Marketing and Growth & Project Management & Techniques*** We also had greater involvement in many courses offered on CPD Online training module and are pleased to report that we are reaping some benefits from staff members who participated in that aspect of the training. Staff members also continued with their own personal development and the Credit Union has offered financial assistance to them as well.

### *Parking Facilities*

The parking lot at the Christiana branch was expanded to accommodate an additional (9) nine vehicles. Also, in order to address the parking challenges at the Mandeville branch the municipal parking lot on Hargreaves Avenue in Mandeville was leased from the Manchester Parish Council. This has created another (20) twenty spaces and is shared by staff and other members.

## MARKETING ACTIVITIES

### *Expositions and Speaking Engagements*

The Marketing Department participated in the following expositions:

1. Career Day Expos for Knox Community College and Christiana High School.
2. Catholic College of Mandeville's Spring Conference Expo
3. "Bring It" Car Show
4. Mandeville Wedding Show
5. RJR Cross Country Invasion – Central Region
6. Manchester Chamber of Commerce's Biz Clinic
7. Spring Ground Missionary Church's Health Fair

### *Advertising and Promotions*

Advertisements were placed with some of the major media houses to include the RJR Communications Group, CVM TV, Irie FM, Kool 97 FM, Mello FM, NCU FM, the Gleaner, The Jamaica Observer and the social media Facebook.

### *Million Dollar Mission Loan Competition*

The Million Dollar Mission Competition continued into 2013 with eight monthly drawings being conducted from January to August. The grand draw was conducted subsequently with Mrs Sherene Burris-Williamson emerging the winner. She received a total of $508,430.01 which represented her loan balance at the time.

## *PUBLIC RELATIONS*

### *Sydney Carter Scholarship and Bursaries*

In the 25th year of offering the Sydney Carter Scholarship, five (5) students were selected to receive financial assistance at the tertiary level. The table below outlines the breakdown of the awards:

| | INSTITUTION | AWARD |
|---|---|---|
| Roshelle Mendez | UWI | SCHOLARSHIP |
| Omoi McKenzie | UWI | BURSARY |
| Davia Dwyer | NCU | BURSARY |
| Sheneika Tomlin | NCU | BURSARY |
| Shantoy King | UWI | BURSARY |

A total of $610,000.00 was paid on behalf of these students.

### *GSAT Bursaries*

A total of fourteen (14) students at the primary level received GSAT Bursaries valued at $10,000.00 each to assist with the start of their secondary level education. These students were all active Treasure Chest Youth Savers with commendable results in the GSAT Examinations.

### *Youth Marketing*

The Credit Union hosted a number of competitions targeting the youth to aid in their mental and physical development. These included:

- The 9th season of the Under 15 Netball Competition and the 2nd staging of the Under 12 Netball Competition. The respective leagues were won by New Forest Primary & Junior High and Bethabara Primary & Junior High School.

- The Essay Competition at the primary level which was won by Ravija Ramsamugh of Mount St. Joseph Prep School.
- The Poster Competition which was won by A-Aliyah Newell of Sacred Heart Academy.

### *Porus Branch Transfer*

With the imminent closure and transfer of the Porus Branch operations, a communications and public relations plan was developed and executed. This ensured consistency in the message going out to members and the general public and also sought to effectively address members' concerns and provide a road map for the transitional process.
During the sensitization period approximately 1,500 letters were mailed to members and text messages totaling 4,875sent. Meetings were also held in the Porus Community on March 7 and 13 followed by notices being published in the Daily Gleaner on the 15th and 24th of March. A member's appreciation day was held on March 28, the branch's final business day, where members were treated to refreshment and introduced to the Access Plus ATM card and plans for the launch of internet banking.

### *Expanded Technology Platforms*

During the year, the Credit Union made further investments in technology resulting in the following achievements:

1. A redeveloped website with direct links to Internet Banking (I-Bank) and E-Payment services (JCUES)
2. Internet Banking Portal allowing members to view their account balances, make loan payments and transfer funds.
3. JCUES portal which gives members the freedom to pay bills, buy credit and check their account balances online or through their mobile phones.
4. New Youtube Video Commercial
5. Facebook Advertisements
6. Automated Text messaging

## PRODUCTS & SERVICES

### *Product Development and Special Promotions*

During the year, new products were developed and launched supported by special sales promotions. These included the Wealth Accelerator Investment Plan, the Prosperity Loan Special, Back to School Loan Specials and the Triple Treat Savings Spree.

### *Wealth Accelerator Investment Plan*

This investment product gave members the opportunity to invest amounts of $50,000 and over for periods of 6 to 36 months at a rate of 6% per annum.

### *Prosperity Loan Special*

This Loan Special meant that members could access loan amounts of up to 10 times their shares (maximum $300,000.00). Interest was charged at a rate of 19.95% per annum with up to 3 years to repay.

### *Triple Treat Savings Spree*

This saving campaign involved the active promotion of three savings products (Fixed

Deposit, Golden Harvest and Partner Plan) and the offering of incentives to members for having accessed these products.

### *Back to School Loan Special*

The Tuition Plus and Special Education Loans were jointly promoted during the summer back to school period. This meant that members could borrow up to 10 times their shares (maximum $500,000.00) to cover school related expenses. Interest rate was set at 19.5% per annum with up to 3 years to repay.
The various offerings were greatly supported by the members resulting in a positive impact on the Organization's performance. For this we say thanks.

### *International Credit Union Week 2013*

International Credit Union (ICU) Week was celebrated from October 13-19, 2013, under the theme "Credit Unions: Unite for Good. A Better Way." The Credit Union participated in the celebrations through the following activities:

1. Church Service at the Trinity Baptist Church, Porus on October 13.
2. Soup & Soap Outreach Programme at the Ebenezer Home for the Mentally Challenged on October 15.
3. Member Appreciation Day treat and expo at the Christiana and Mandeville Branches on October 16 and 17, respectively.
4. Treasure Chest Fun Day at the Kirkvine Sports Club on October 18.

### *Mid Island Chapter Awards Banquet*

The awards for member of the year and employee of the Year 2012 were presented to Mr. Eric Swaby and Mr. Omar Greene, respectively at the Mid Island Chapter of Credit Unions Annual Awards Banquet. The banquet was hosted by St. Elizabeth Co-op. Credit Union.

### *Awards & Recognition*

The Manchester Co-operative Credit Union once again received top awards from the Jamaica Co-operative Credit Union League for its performance in the 2012 financial year. These awards included the Most Outstanding Parish Credit Union, Runner –up for Mega Credit Union and Parish Credit Union with the Highest Loans Growth. Thanks to you our members who all made this possible.

### *Representations (Credit Union League AGM, CCCU Convention & AGM and JCIA AGM)*

Our Credit Union was represented and participated in the meetings convened by the affiliate bodies during the year.

### *Social and Community Outreach*

During the year a number of individuals and organizations benefited from our Social Outreach donations. The beneficiaries are listed below:

| | $ | | $ |
|---|---|---|---|
| ANDREWS UNITED CHURCH | 5,000.00 | MANDEVILLE PRIMARY & JUNIOR HIGH | 1,800.00 |
| AREA 3 POLICE SPORTS CLUB | 5,000.00 | MANDEVILLE REGIONAL HOSPITAL | 4,000.00 |
| ASSEMBLY OF GOD TABERNACLE | 3,000.00 | MARSHALLS PEN CITIZENS' ASSN | 5,000.00 |
| ASSN.OF PAST MEMBERS JCF | 5,000.00 | MAY DAY HIGH SCHOOL | 9,000.00 |
| EDUCATIONAL EXPENSE | 45,500.00 | BETHABARA PRIMARY & JUNIOR HIGH | 5,000.00 |
| MOUNT OLIVET BOYS' HOME | 5,000.00 | BISHOP GIBSON HIGH SCHOOL | 5,000.00 |
| EYE VIEW BASIC SCHOOL | 10,000.00 | MT ST JOSEPH PREP.SCHOOL | 5,000.00 |
| BROOKS PARK SRC. | 25,000.00 | NEW GREEN PRIMARY & JNR. HIGH | 4,000.00 |
| BRYCE UNITED CHURCH | 4,000.00 | OPTIMIST CLUB OF CHRISTIANA | 5,000.00 |
| C.C.C.EBENEZER HOME | 5,000.00 | PATRICK TOWN PRIMARY SCHOOL | 5,000.00 |
| CHRISTIANA MORAVIAN PRIMARY | 7,400.00 | PERCY JUNOR HOSPITAL | 9,000.00 |
| CHRISTIANA S.D.A. CHURCH | 3,000.00 | TRINITY BAPTIST CHURCH PORUS | 3,500.00 |
| PORUS INFANT SCHOOL | 2,500.00 | DECARTERET COLLEGE | 5,000.00 |
| RED FLAMES SPORTS CLUB (JFB) | 5,000.00 | DEVON ALL AGE SCHOOL | 5,000.00 |
| RICHMOND-CLANDON CITIZENS'ASSN | 4,800.00 | GROVE PLACE LITCHFIELD PROGRESSOR | 5,000.00 |
| ROYAL FLAT S.D.A. CHURCH | 7,000.00 | MEDICAL EXPENSE | 20,000.00 |
| RUSSELL PLACE MEADOWS CITIZENS | 4,000.00 | HOLINESS BORN-AGAIN CHURCH | 3,500.00 |
| SACRED HEART ACADEMY | 1,750.00 | HOLMWOOD TECHNICAL HIGH SCHOOL | 55,000.00 |
| SHILOH APOSTOLIC CHURCH | 4,500.00 | S. REGION HEALTH AUTHORITY | 5,000.00 |
| JA.GOVERNMENT PENSIONERS ASSN | 2,500.00 | SPRING GARDEN PRIMARY & INFANT | 5,000.00 |
| JAMAICA ASSN.OF PUBLIC HEALTH | 5,000.00 | ST AUGUSTINE'S CHURCH-PORUS | 10,000.00 |
| JAMAICA RED CROSS | 5,000.00 | STJAGO PRIMARY SCHOOL | 3,000.00 |
| KENDAL ALL AGE SCHOOL | 3,000.00 | ST JAMES ANGLICAN CHURCH -CRAIG HEAD | 4,000.00 |
| MANDEVILLE NEW TEST CHUR | 6,000.00 | THE JAMAICA LEGION | 3,000.00 |
| MANCHESTER CHAMBER OF COMM. | 4,000.00 | LAY MAGISTRATES ASSN OF JA | 5,000.00 |
| MANCHESTER HIGH SCHOOL | 10,000.00 | UNIPEN EARLY CHILDHOOD INSTITUTIO | 2,500.00 |
| MANCHESTER PARISH COUNCIL | 10,000.00 | WINSTON JONES HIGH SCHOOL | 5,000.00 |
| MANDEVILLE BAPTIST CHURCH | 3,000.00 | FUNERAL EXPENSE | 20,000.00 |
| MANDEVILLE PARISH CHURCH | 4,800.00 | WOODLAWN SCHOOL OF SPECIAL EDU | 4,500.00 |

TOTAL $ 447,550.00

### *The Strategic Plan*

***'Innovate to Navigate'*** was the theme for the 2013 Management Retreat. Members of the Board, Credit & Supervisory Committees, Management and staff retreated from December 6-8, 2013. The operations for 2013 were reviewed; the financial performance was assessed and strategic plan for 2014 and beyond was developed.

Some of the short term objectives are as follows:

- To grow the loan portfolio by 15%
- To grow the savings portfolio by 13%
- To grow the assets by 12% to $3.75 billion
- To attain surplus of $98 million
- To maintain delinquency at most 5.5% of the loan portfolio
- To increase Institutional Capital to 18.6% of assets

- To maintain operating expenses at 7% of assets
- To attain loan: asset ratio of 55.6%
- To grow membership by 5%
- To increase youth savers by 15%

### *Conclusion*

The achievements tabulated above were made possible through the continued strong support from the membership of the Manchester Co-operative Credit Union (1977) Limited. An even wider base- support would make us still a stronger financial institution with a social and moral commitment to our client communities. Our aim, as a Board, is to continue the upward trajectory and maximize the potential benefits financially, socially and educationally of all members and clients. Your continued support as members is not taken for granted, but valued highly, and we thank you for remaining as important 'family' members.

The Board recognizes and thanks the General Manager, Mrs. Cynthia Briscoe, her management team and the general staff for the diligent and 'hands-on' conduct of business. Thanks to all the volunteers for their commitment to the assigned tasks and the co-operative spirit displayed. To all other partners in the co-operative movement, our Auditors, bankers, providers of various goods and services and all who have helped to keep the Credit Union 'ship' afloat, we express our heartfelt thanks.

The challenges behind us were many and varied, yet together and with God's guiding hands we stayed the course. May we, with the steely resolve and that unflinching and unwavering faith, venture into the next phase of our journey united, strong and committed.  God's blessings.



Rev. Charles Danvers
PRESIDENT



# Treasurer's Report
## For Financial Year Ended December 31, 2013

## Introduction

### Exchange Rate Movement in 2013




The Government took decisive steps to turnaround the struggling economy when it entered into an Extended Fund Facility (EFF) with the IMF during the year. Over the four-year period of the programme, the country must achieve crucial tax reform, control the cost of the public sector, reduce the debt and balance the budget. Various legislations have been passed to ensure that the country maintain strict discipline in its spending habits and consequently live within its means.

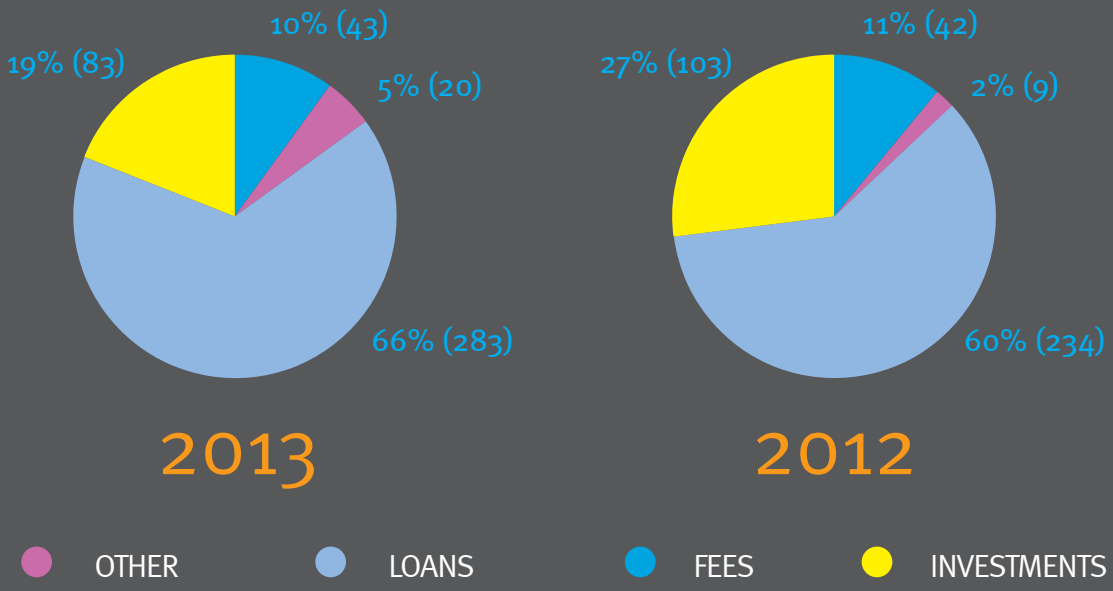
The country successfully passed the first three IMF reviews and has obtained marginal but well needed growth in GDP for the last two quarters of 2013. Notwithstanding these positive developments, the exchange rate continued to decline as shown on the following Graph. The rate of devaluation of the local currency was a sharp 14% for the calendar year. The worrying slide in the Dollar; the rise in unemployment as well as the relatively low investor confidence are firm indicators that the road to sustainable economic recovery has been a bumpy one.

The Manchester Co-operative Credit Union, amidst the economic challenges and fierce competition, was once again able to produce favourable results during the financial year, as outlined in this report. Of note was the achievement of adequate surplus to meet the

relevant regulatory standards. This was attained despite the income foregone from our Organization's participation in the National Debt Exchange (NDX). The Credit Union also experienced commendable growth in loans and a steady inflow of savings. There was also further strengthening of the institutional capital base during the year and a consequent shoring-up of the Credit Union's ability to withstand the prevailing economic pressures.

## Income in JMD $ Millions

Table 2




### *Profitability*

Total income of $429.5 million was earned during the year. This was 11% above the amount earned in 2012. It cost a total of $339.6 million to carry out the operations of the Organization in 2013. This was 14% more than what was spent during the previous year.
The surplus for the year was $90 million. This was 10% above the amount earned in 2012. Interest from loans contributed $283 million or 66% of total income, as is indicated in Table 2. Income generated from investments was $85 million. This was $18 million or 19% less than the amount earned in 2012. The decline in investment income was as a result of our Credit Union's participation in the National Debt Exchange (NDX) during the financial year. Income from fees contributed 10% of total revenues for the year. This was a reduction from 11% in the previous year.

### *Key Profitability Trends*

Table 3 below shows the trends in key profitability ratios over the past five (5) years. The income to asset ratio measures the extent to which our Credit Union was able to use its assets to earn revenues. A ratio of 12.8% was achieved in 2013. This was an increase over the 12.7% achieved in the 2012. The improvement in the income to asset ratio was as a result of the 21% increase in interest earned on loans during the year. The Credit Union's return on assets ratio was 2.7% at the end of the financial year. This was a welcomed improvement over the ratio of 2.6% a year ago. Every effort will be made to ensure that sustainable growth in this key earning indicator is achieved.

## Table 3

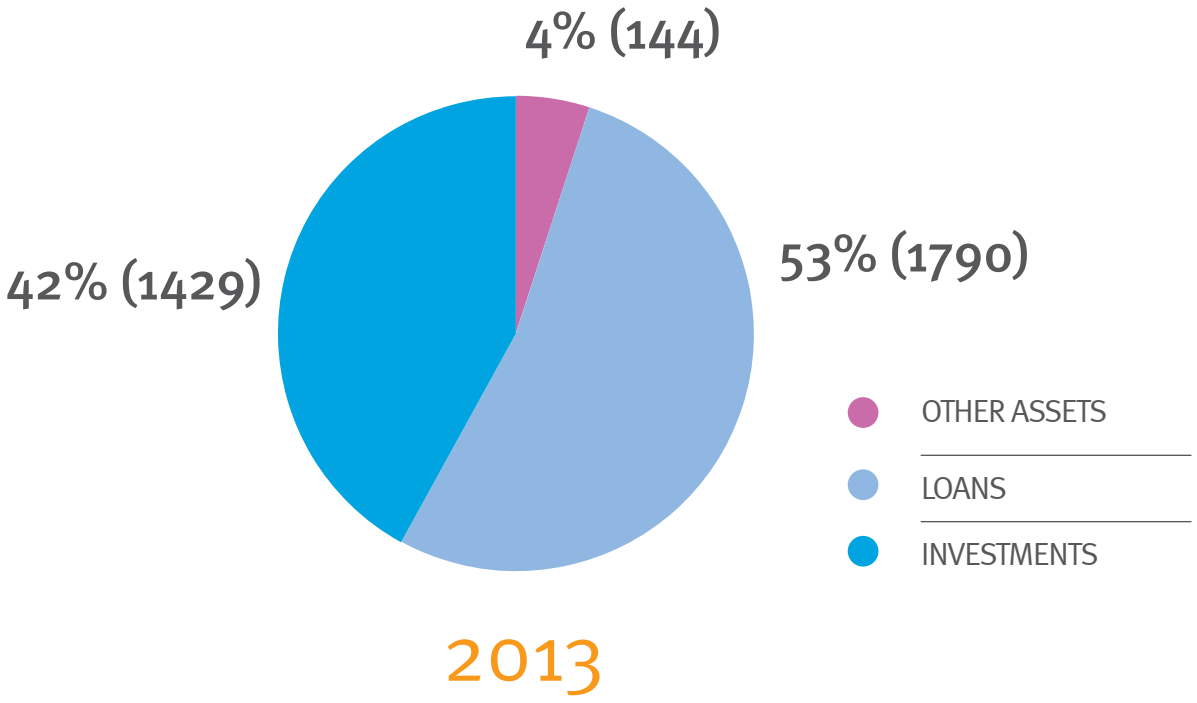
| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Total Income to Assets | 17.8 | 14.4 | 12.8 | 12.7 | 12.8 |
| Operating Exp. to Assets | 7.4 | 6.9 | 7.3 | 7.5 | 6.8 |
| Return on Assets | 6.4 | 3.2 | 2.9 | 2.6 | 2.7 |

***Asset Growth***

Our Organization was able to increase total assets from $3.05 billion in 2012 to $3.36 billion at the end of the 2013 financial year. This represented a growth of 10.4% for the period. This was above the average 7.9% total asset growth for the Credit Union Movement.

## Assets in JMD $ Millions

## Table 4

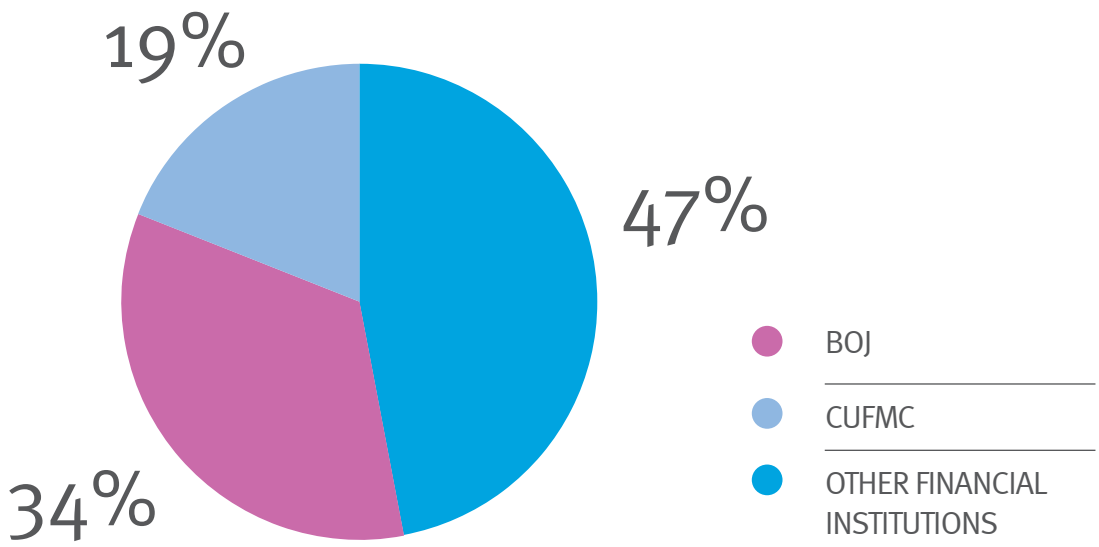



***Loans***

The growth in the asset base was driven by a noticeable increase in loans during the year. A total of $219 million or 14% was added to the net loans portfolio in 2013. The portfolio, after provisions, stood at $1.79 billion at the end of the year. The increase in the portfolio was aided by a robust 37% growth in real estate loans. There was, however, a lower than expected growth in the motor vehicle loan category. Your Board will continue to ensure that loans remain accessible to you the members, as we aim to maintain buoyant growth in this core business area.

## Investment Portfolio Summary

Table 5




***Investments and Cash Reserves***

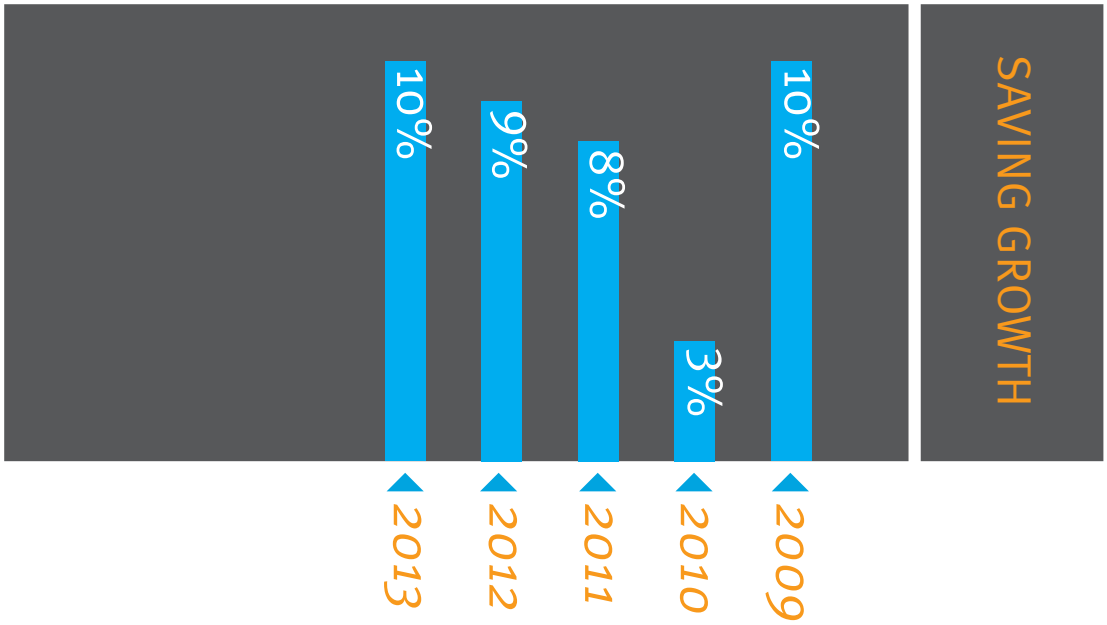
The investment portfolio closed the year at $1.43 billion. This accounted for 42% of total assets. Table 5 shows that 34% of the portfolio was held at the Bank of Jamaica on the National Debt Exchange. A further 19% was held at the Credit Union Fund Management Company. Most of this included short term cash reserves that were adequate to meet the day-to-day cash flow requirements of our Credit Union. Investments placed through other financial institutions were all secured by Government of Jamaica securities.

***Savings***

A total of $224 million was added to the savings portfolio during the year. This resulted in an

## Savings Growth Trend

Table 6



increase of 10% over the previous year, as indicated in the Table 6. This was above the average growth of 7% for the Credit Union Movement. The portfolio stood at $2,468 million at year end. We commend you the members for this achievement and assure you that our Credit Union will continue to offer very competitive returns on its range of savings products. You are therefore urged to make the Manchester Co-operative Credit Union your choice for savings and investment.

### *Institutional Capital Reserve*

Our Credit Union was able to strengthen its capital base during the year. Total Institutional Capital stood at $582 million at the end of the period. This represented a $71 million or 14% growth. The capital to asset ratio improved from 16.8% in 2012 to 17.3% at the end of the 2013 financial year. This was well above the minimum 8% standard prescribed by our League and surpassed the capital ratio set by the Bank of Jamaica. This crucial reserve will be further strengthened with an additional allocation from the surplus of the 2013 financial year.

### *Key Financial Indicators*

Our organization produced improved results in most of the key financial indicators. An excerpt of these indicators is outlined in Table 7.

TABLE 7

| | Target Standard | 2013 Actual | 2012 Actual |
|---|---|---|---|
| Provision for Loan Loss | 100 | 157 | 175 |
| Institutional Capital: Total Assets | 8 | 17.3 | 16.8 |
| Net Loans: Total Assets | 60-80 | 53.2 | 51.5 |
| Delinquent Loans: Total Loans | < or = 5 | 5.3 | 4.58 |
| Non-Earning Assets: Total Assets | 7 | 6 | 6.5 |
| Operating Expense: Total Assets | 8 | 7.3 | 7.5 |
| Membership Growth | 5 | 5.1 | 3.9 |
| Asset Growth | 11 | 10.4 | 10.6 |
| Institutional Capital Growth | 20 | 14.3 | 14.5 |

### *Loan to Asset Ratio*

The loan to asset ratio for the year under review was 53.2%. This was an improvement over the 51.5% achieved in 2012 and was closer to the minimum standard of 60% set by our League. Your Credit Union will continue to carry out regular reviews of the relevant polices to ensure that the desirable growth in loans is achieved while bearing in mind prevailing market conditions.

Other key indicators such as the provisions for loan loss, operating expenses and non-earning assets ratios were ahead of the League's standards.

## SUMMARY OF INCOME & EXPENSES

TABLE 8

| | 2013 | 2012 | Increase/ Decrease | % Change |
|---|---|---|---|---|
| Total Income | 429,509,151 | 387,232,839 | 42,276,312 | 10.9 |
| Total Expenses | -339,653,624 | -308,508,538 | -31,145,086 | 10.1 |
| Surplus | 89,855,527 | 78,724,301 | 11,131,226 | 14.1 |
| Add Undistributed Surplus | 86,424,066 | 91,548,613 | -5,124,547 | -5.6 |
| Less Transfers | -76,205,602 | -83,848,848 | 7,643,246 | -9.1 |
| Available for Appropriation | 100,073,991 | 86,424,066 | 13,649,925 | 15.8 |

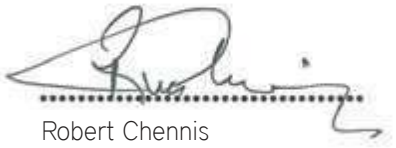
## SUMMARY OF BALANCE SHEET

TABLE 9

| | 2013 | 2012 | Increase/ Decrease | % Change |
|---|---|---|---|---|
| WE THE MEMBERS | | | | |
| Institutional Capital | 505,957,737 | 442,646,632 | 63,311,105 | 14.3 |
| Permanent Shares | 76,664,752 | 68,667,011 | 7,997,741 | 11.6 |
| Other Reserves | 179,016,488 | 171,239,944 | 7,776,544 | 4.5 |
| Undistributed Surplus | 100,073,991 | 86,424,066 | 13,649,925 | 15.8 |
| TOTAL | 861,712,968 | 768,977,653 | 92,735,315 | 12.1 |
| THE MONEY WAS USED FOR | | | | |
| Net Loans to Members | 1,790,208,729 | 1,571,436,133 | 218,772,596 | 13.9 |
| Cash & Investment | 1,429,769,965 | 1,321,928,710 | 107,841,255 | 8.2 |
| Fixed Assets | 61,530,227 | 62,749,772 | -1,219,545 | -1.9 |
| Other Assets | 80,809,266 | 89,757,373 | -8,948,107 | -10 |
| TOTAL | 3,362,318,187 | 3,045,871,988 | 316,446,199 | 10.4 |
| Less Savings & Other Liabilities | 2,500,605,219 | 2,276,894,335 | 223,710,884 | 9.8 |
| OUR CREDIT UNIONS NET WORTH | 861,712,968 | 768,977,653 | 92,735 ,315 | 12.1% |

## CONCLUSION

As Treasurer, I must commend you the members, our hardworking staff and volunteers for your concerted effort in ensuring that our Credit Union enjoy a successful 2013. The growth in loans and savings is testament to your continued faith in this Organization. As our nation push towards economic recovery under the new IMF Programme, we must be mindful of the challenges that are before us. To this end, your Board is committed to ensuring that innovative measures are employed to assist you the members to navigate these rocky economic times.



Robert Chennis
TREASURER












37th Annual General Meeting



Mr. Michael Gottshalk, Marketing Manager, presents the winning trophy to the New Forest Primary & Junior High School team.



Mr. Michael Gottshalk, Marketing Manager (left) poses with the winner, Ravija Ramsamugh, her teacher, Ms. Althea Tomlinson and the principal, Mrs. Jem Stanley



# Pictorial Review



Programs to promote Youth Development










RJR Cross Country




Mrs. Cynthia Briscoe, General Manager, receives one of the awards from the Jamaica Co-operative Credit Union League's General Manager, Mr. Glenworth Francis.

Awards




Mrs. Sherene Burris-Williamson receives her prize from Mrs. Cynthia Briscoe - General Manager. Her prize went towards paying off her loan.

Million Dollar Mission Winner



Left: Mr. Eric D. Swaby, Member of the year 2012 an
Right: Mr. Omar Greene, Employee of the Year 201

Mid-Island Chapter of Credit Unions Annual Awards Banquet




Highlights of ICU Week 2013
Treasure Chest Fun Day














Highlights of ICU Week 2013
Soup & Soap Project
- Ebenezer Home








Mandeville Hotel
Bridal Show






Computer Donation At
Grove Town Primary School

# DEPARTMENT OF CO-OPERATIVES & FRIENDLY SOCIETIES

(An agency of the Ministry of Industry, Investment, and Commerce)

ANY REPLY OR SUBSEQUENT REFERENCE TO THIS COMMUNICATION SHOULD BE ADDRESSED TO THE PERMANENT SECRETARY AND THE FOLLOWING REFERENCE QUOTED:-

2 MUSGRAVE AVENUE
KINGSTON 10

TEL: 927-4912/927-6572
or 978-1946
Fax: 927-5832

E-mail: dcfs@cwjamaica.com

S1
R459/-706/03/14

March 31, 2014

The Secretary
Manchester Co-operative Credit Union Limited
2 Main Street
Mandeville P.O.
MANCHESTER

Dear Sir/Madam,

I forward herewith the Financial Statements of your Society for the year ended December 31, 2013.

You must now hold the Annual General Meeting convened under **Regulation 19** of the Co-operative Societies Regulations, 1950. At least seven (7) days notice shall be given before the meeting is held.

A copy of your report, which you intend to present to the Annual General Meeting on the year's working of the Society as set forth in **Regulation 35** of the Co-operative Societies Regulations should be forwarded to this office.

Kindly advise me of the date of the Annual General Meeting, so that arrangements may be made for the Department to be represented.

Yours sincerely,

.....

**Lavern Gibson-Eccleston (Mrs.)**
**FOR REGISTRAR OF CO-OPERATIVE SOCIETIES**
**AND FRIENDLY SOCIETIES**

**LE/kd**

**Enc.**

# Financials

UHY Dawgen
Chartered Accountants

Incorporating Paul Goldson & Co.

Corporate Head-Office
Unit 34
Winchester Business Centre
15 Hope Road
Kingston 10
Jamaica, W.I.

Phone +876-9084007
Fax +876-7540380
Email info@uhy-ja.com
Web www.uhy-ja.com

# REPORT OF THE INDEPENDENT AUDITORS TO THE REGISTRAR OF CO-OPERATIVES AND FRIENDLY SOCIETIES

## RE MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED (A SOCIETY REGISTERED UNDER THE CO-OPERATIVE SOCIETIES ACT)

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Manchester Co-operative Credit Union (1977) Limited which comprise the statement of financial position as at 31st December 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and the Co-operative Societies Act, 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.

**Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

LOCATIONS:

Oxford House
2nd Floor
6 Oxford Road
Kingston 5

T: +876-9263562
F: +876-9291300
E: infobranch@uhy-ja.com

Shop L1K1
Grove Court Plaza
16 Park Crescent
Mandeville, Manchester

T: +876-9626369
F: +876-7540380
E: infobranch@uhy-ja.com

Shop EU6
Whitter Village
Montego Bay
St James

T: +876-9533793/9538486
F: +876-9533058
E: infobranch@uhy-ja.com

Shop C1
101B Main Street
Ocho Rios
St. Ann

T: +876-9748772
F: +876-9745373
E: infobranch@uhy-ja.com

**REPORT OF THE INDEPENDENT AUDITORS**
**TO THE REGISTRAR OF CO-OPERATIVES**
**AND FRIENDLY SOCIETIES**
**RE MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED**
**(A SOCIETY REGISTERED UNDER THE CO-OPERATIVE SOCIETIES ACT)**

**Auditors' Responsibility - Cont'd**
An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**
In our opinion, the financial statements, give a true and fair view of the financial position of Manchester Co-operative Credit Union (1977) Limited and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Co-operative Societies Act.

**Report on additional matters as required by the Co-operative Societies Act**
We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements which are in agreement therewith, give the information required by the Co-operative Societies Act, in the manner required.

UHY Dawgen

**UHY DAWGEN CHARTERED ACCOUNTANTS**
**(INCORPORATING PAUL GOLDSON & CO.)**

25th March 2014

## MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED

## STATEMENT OF FINANCIAL POSITION - 31ST DECEMBER 2013

| | Note | 2013 | RESTATED 2012 | RESTATED 2011 |
|---|---|---|---|---|
| **ASSETS:** | | $ | $ | $ |
| **EARNING ASSETS:** | | | | |
| Liquid Assets | 4 | 783,590,567 | 634,247,938 | 769,269,129 |
| Loans to Members after Provision for Impairment | 5 | 1,790,208,729 | 1,571,436,133 | 1,187,638,487 |
| Financial Investments | 7 | 585,726,681 | 644,501,939 | 594,653,711 |
| **Total Earning Assets** | | 3,159,525,977 | 2,850,186,010 | 2,551,561,327 |
| **NON-EARNING ASSETS:** | | | | |
| Liquid Assets | 8 | 60,452,717 | 43,178,833 | 52,614,343 |
| Other Assets | 9 | 26,973,266 | 37,489,373 | 39,282,713 |
| Property, Plant & Equipment | 10 | 61,530,227 | 62,749,772 | 61,799,697 |
| Retirement Benefit Asset | 11 | 53,836,000 | 52,268,000 * | 37,495,000 * |
| **Total Non-Earning Assets** | | 202,792,210 | 195,685,978 | 191,191,753 |
| **TOTAL ASSETS** | | 3,362,318,187 | 3,045,871,988 | 2,742,753,080 |
| **LIABILITIES :** | | | | |
| **INTEREST BEARING LIABILITIES:** | | | | |
| Members' Voluntary Share Capital | 12 | 1,335,126,053 | 1,240,806,081 | 1,169,292,535 |
| Savings Deposits | 13 | 1,132,537,532 | 1,003,447,538 | 886,316,554 |
| **Total Interest Bearing Liabilities** | | 2,467,663,585 | 2,244,253,619 | 2,055,609,089 |
| **NON-INTEREST BEARING LIABILITIES:** | | | | |
| Accruals | | 12,583,905 | 14,294,055 | 9,656,977 |
| Payables | 14 | 15,190,212 | 12,339,701 | 17,425,829 |
| Others | 15 | 5,167,517 | 6,006,960 | 6,544,669 |
| **Total Non-Interest Bearing Liabilities** | | 32,941,634 | 32,640,716 | 33,627,475 |
| **TOTAL LIABILITIES** | | 2,500,605,219 | 2,276,894,335 | 2,089,236,564 |
| **EQUITY:** | | | | |
| Members' Permanent Share Capital | 16 | 76,664,752 | 68,667,011 | 57,198,000 |
| Non-Institutional Capital | 17 | 279,090,479 | 257,664,010 * | 209,761,276 * |
| Institutional Capital | 18 | 505,957,737 | 442,646,632 | 386,557,240 |
| **Total Capital** | | 861,712,968 | 768,977,653 | 653,516,516 |
| **TOTAL LIABILITIES AND EQUITY** | | 3,362,318,187 | 3,045,871,988 | 2,742,753,080 |

*** RESTATEMENT**

These items have been restated to comply with the amendments of IAS 19 - *Employee Benefits* which require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur. The amendments require all actuarial gains and losses to be recognised immediately. (See note 33).

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

**APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON** 25-03-2014 **AND SIGNED ON ITS BEHALF BY:**

**REV. CHARLES DANVERS**
**PRESIDENT**

**MR. ROBERT CHENNIS**
**TREASURER**

## MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

## YEAR ENDED 31ST DECEMBER 2013

| | Note | 2013 $ | 2012 $ | |
|---|---|---|---|---|
| **INTEREST INCOME:** | | | | |
| Liquid Assets | | 38,671,746 | 42,362,385 | |
| Loans to Members | | 282,799,260 | 234,284,646 | |
| Financial Investments | | 44,452,603 | 60,250,298 | |
| | | 365,923,609 | 336,897,329 | |
| **INTEREST EXPENSE:** | | | | |
| Interest Expense on Members' Voluntary Shares | | 30,776,056 | 25,421,766 | |
| Savings Deposits | | 36,120,015 | 34,635,721 | |
| Other Financial Costs | 19 | 11,077,826 | 10,164,983 | |
| | | 77,973,897 | 70,222,470 | |
| **NET INTEREST INCOME** | | 287,949,712 | 266,674,859 | |
| Provision for Loan Impairment | | 17,821,954 | 7,170,385 | |
| **NET INTEREST INCOME AFTER PROVISION** | | 270,127,758 | 259,504,474 | |
| **NON - INTEREST INCOME** | | | | |
| Other Income | 20 | 63,585,542 | 50,335,510 | |
| | | 63,585,542 | 50,335,510 | |
| **GROSS INCOME** | | 333,713,300 | 309,839,984 | |
| **Less Operating Expenses** | 21 | 242,157,773 | 229,515,683 | |
| **NET INCOME BEFORE HONORARIA** | | 91,555,527 | 80,324,301 | |
| Honoraria Payment | | ( 1,700,000) | ( 1,600,000) | |
| **NET INCOME AFTER HONORARIA** | | 89,855,527 | 78,724,301 | |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| Revaluation- Available for Sale Investments | | 758,219 | ( 294,858) | |
| Pension Income | 11 | 1,568,000 | 14,773,000 | * |
| **TOTAL COMPREHENSIVE INCOME AFTER HONORARIA** | | 92,181,746 | 93,202,443 | |

*** RESTATEMENT**

These items have been restated to comply with the amendments of IAS 19 - *Employee Benefits* which require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur. The amendments require all actuarial gains and losses to be recognised immediately.

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

**MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**YEAR ENDED 31ST DECEMBER 2013**

**SUMMARY**

| | Members' Permanent Share Capital | Non-Institutional Capital | Institutional Capital | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance at 31st December 2011 (As previously reported )** | 57,198,000 | 223,167,276 | 386,557,240 | 666,922,516 |
| **Pension Remeasurement** | - | ( 13,406,000) | - | ( 13,406,000) |
| **Balance at 31st December 2011 as restated** | 57,198,000 | 209,761,276 | 386,557,240 | 653,516,516 |
| **Total Surplus for the Year** | - | 78,724,301 | - | 78,724,301 |
| **Other Comprehensive Income** | | | | |
| Revaluation- Available for Sale Investments | - | ( 294,858) | - | ( 294,858) |
| Pension Income | - | 14,773,000 | - | 14,773,000 |
| | - | 14,478,142 | - | 14,478,142 |
| **Total Comprehensive Income for the Year after Honoraria** | - | 93,202,443 | - | 93,202,443 |
| **Transactions with Owners** | | | | |
| Entrance Fees | - | - | 24,532 | 24,532 |
| Permanent Share Capital Subscribed | 11,469,011 | - | - | 11,469,011 |
| Appropriations of Net Surplus for 2011 | | | | |
| Dividends on Permanent Shares | | ( 3,983,988) | | ( 3,983,988) |
| Institutional Capital | - | ( 40,000,000) | 40,000,000 | - |
| Social Outreach Programme | - | ( 600,000) | - | ( 600,000) |
| Sydney Carter Scholarship | - | ( 450,000) | - | ( 450,000) |
| Disaster Relief Fund | - | ( 250,000) | - | ( 250,000) |
| Unsecured Loan Reserve | - | ( 12,500,000) | - | ( 12,500,000) |
| Transfer to Social Outreach Programme | - | 600,000 | - | 600,000 |
| Transfer to Sydney Carter Scholarship | - | 450,000 | - | 450,000 |
| Transfer to Disaster Relief Fund | - | 250,000 | - | 250,000 |
| Transfer to Unsecured Loan Reserve | - | 30,000,000 | - | 30,000,000 |
| Redemption of Permanent Shares | - | 1,059,410 | - | 1,059,410 |
| Payments made from Other Non-Qualifying Reserves | - | ( 3,810,271) | - | ( 3,810,271) |
| Transfer to Statutory Reserve | - | ( 16,064,860) | 16,064,860 | - |
| | 11,469,011 | ( 45,299,709) | 56,089,392 | 22,258,694 |
| **Balance at 31st December 2012 carried forward as restated** | 68,667,011 | 257,664,010 | 442,646,632 | 768,977,653 |

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

## MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED

## STATEMENT OF CHANGES IN EQUITY

## YEAR ENDED 31ST DECEMBER 2013

## SUMMARY (CONT'D)

| | Members' Permanent Share Capital | Non-Institutional Capital | Institutional Capital | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance at 31st December 2012 brought forward as restated** | 68,667,011 | 257,664,010 | 442,646,632 | 768,977,653 |
| **Total Surplus for the Year** | - | 89,855,527 | - | 89,855,527 |
| **Other Comprehensive Income** | | | | |
| Revaluation - Available for Sale Investments | - | 758,219 | - | 758,219 |
| Pension Income | - | 1,568,000 | - | 1,568,000 |
| | - | 2,326,219 | - | 2,326,219 |
| **Total Comprehensive Income for the Year after Honoraria** | - | 92,181,746 | - | 92,181,746 |
| **Transactions with Owners** | | | | |
| Entrance Fees | - | - | - | - |
| Permanent Share Capital Subscribed | 7,997,741 | - | - | 7,997,741 |
| Appropriations of Net Surplus for 2012 | | | | |
| Dividends on Permanent Shares | - | ( 6,294,497) | - | ( 6,294,497) |
| Institutional Capital | - | ( 45,000,000) | 45,000,000 | - |
| Social Outreach Programme | - | ( 750,000) | - | ( 750,000) |
| Sydney Carter Scholarship | - | ( 600,000) | - | ( 600,000) |
| Disaster Relief Fund | - | ( 250,000) | - | ( 250,000) |
| Transfer to Social Outreach Programme | - | 750,000 | - | 750,000 |
| Transfer to Sydney Carter Scholarship | - | 600,000 | - | 600,000 |
| Transfer to Disaster Relief Fund | - | 250,000 | - | 250,000 |
| Redemption of Permanent Shares | - | ( 75,249) | - | ( 75,249) |
| Payments made from Other Non-Qualifying Reserves | - | ( 1,074,426) | - | ( 1,074,426) |
| Transfer to Statutory Reserve | - | ( 18,311,105) | 18,311,105 | - |
| | 7,997,741 | ( 70,755,277) | 63,311,105 | 553,569 |
| **Balance at 31st December 2013** | 76,664,752 | 279,090,479 | 505,957,737 | 861,712,968 |

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

## MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED

## STATEMENT OF CHANGES IN EQUITY

## YEAR ENDED 31ST DECEMBER 2013

### NON-INSTITUTIONAL CAPITAL

| | (i) Capital Reserves | Other Reserves | (ii) Capital Development Reserves | Retirement Benefit Reserves | Other Non - Qualifying Reserves | Permanent Share Transfer Fund | Undistributed Net Income | Total |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **Balance at 31st December 2011 (As previously reported )** | 8,725,445 | 294,977 | 60,000,000 | 50,901,000 | 7,861,241 | 3,836,000 | 91,548,613 | 223,167,276 |
| **Pension Remeasurement** | - | - | - | ( 13,406,000) | - | - | - | ( 13,406,000) |
| **Balance at 31st December 2011 as restated** | 8,725,445 | 294,977 | 60,000,000 | 37,495,000 | 7,861,241 | 3,836,000 | 91,548,613 | 209,761,276 |
| **Total Surplus for the Year** | - | - | - | - | - | - | 78,724,301 | 78,724,301 |
| **Other Comprehensive Income** | | | | | | | | |
| Revaluation- Available for Sale Investments | - | ( 294,858) | - | - | - | - | - | ( 294,858) |
| Pension Income | - | - | - | 14,773,000 | - | - | - | 14,773,000 |
| | - | ( 294,858) | - | 14,773,000 | - | - | - | 14,478,142 |
| **Total Comprehensive Income for the Year after Honoraria as restated** | - | ( 294,858) | - | 14,773,000 | - | - | 78,724,301 | 93,202,443 |
| **Transactions with Owners** | | | | | | | | |
| Appropriations of Net Surplus for 2011 | | | | | | | | |
| Dividends on Permanent Shares | - | - | - | - | - | - | ( 3,983,988) | ( 3,983,988) |
| Transfer to Institutional Capital | - | - | - | - | - | - | ( 40,000,000) | ( 40,000,000) |
| Capital Development Reserves | - | - | 5,000,000 | - | - | - | ( 5,000,000) | - |
| Social Outreach Programme | - | - | - | - | 600,000 | - | ( 600,000) | - |
| Sydney Carter Scholarship | - | - | - | - | 450,000 | - | ( 450,000) | - |
| Disaster Relief Fund | - | - | - | - | 250,000 | - | ( 250,000) | - |
| Share Building Fund | - | - | - | - | 5,000,000 | - | ( 5,000,000) | - |
| Unsecured Loan Reserve | - | 30,000,000 | - | - | - | - | ( 12,500,000) | 17,500,000 |
| Transfer of 20 % of Net Income for the Year before Honoraria | - | - | - | - | - | - | ( 16,064,860) | ( 16,064,860) |
| Transfer to Permanent Share Transfer Fund | - | - | - | - | - | 1,059,410 | - | 1,059,410 |
| Payments made from Non-Qualifying Reserves | - | - | - | - | ( 3,810,271) | - | - | ( 3,810,271) |
| **Transactions with Owners** | - | 30,000,000 | 5,000,000 | - | 2,489,729 | 1,059,410 | ( 83,848,848) | ( 45,299,709) |
| **Balance at 31st December 2012 carried forward as restated** | 8,725,445 | 30,000,119 | 65,000,000 | 52,268,000 | 10,350,970 | 4,895,410 | 86,424,066 | 257,664,010 |

**MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)**

**YEAR ENDED 31ST DECEMBER 2013**

**NON-INSTITUTIONAL CAPITAL (CONT'D)**

| | (i) | | (ii) | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Capital Reserves | Other Reserves | Capital Development Reserves | Retirement Benefit Reserves | Other Non - Qualifying Reserves | Permanent Share Transfer Fund | Undistributed Net Income | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **Balance at 31st December 2012 brought forward as restated** | 8,725,445 | 30,000,119 | 65,000,000 | 52,268,000 | 10,350,970 | 4,895,410 | 86,424,066 | 257,664,010 |
| **Total Surplus for the Year** | - | - | - | - | - | - | 89,855,527 | 89,855,527 |
| **Other Comprehensive Income** | | | | | | | | |
| Revaluation - Available for Sale Investments | - | 758,219 | - | - | - | - | - | 758,219 |
| Pension Income | - | - | - | 1,568,000 | - | - | - | 1,568,000 |
| | - | 758,219 | - | 1,568,000 | - | - | - | 2,326,219 |
| **Total Comprehensive Income for the Year after Honoraria** | - | 758,219 | - | 1,568,000 | - | - | 89,855,527 | 92,181,746 |
| **Transactions with Owners** | | | | | | | | |
| Appropriations of Net Surplus for 2012 | | | | | | | | |
| Dividends on Permanent Shares | - | - | - | - | - | - | ( 6,294,497) | ( 6,294,497) |
| Transfer to Institutional Capital | - | - | - | - | - | - | ( 45,000,000) | ( 45,000,000) |
| Capital Development Reserves | - | - | 5,000,000 | - | - | - | ( 5,000,000) | - |
| Social Outreach Programme | - | - | - | - | 750,000 | - | ( 750,000) | - |
| Sydney Carter Scholarship | - | - | - | - | 600,000 | - | ( 600,000) | - |
| Disaster Relief Fund | - | - | - | - | 250,000 | - | ( 250,000) | - |
| Transfer of 20 % of Net Income for the Year before Honoraria | - | - | - | - | - | - | ( 18,311,105) | ( 18,311,105) |
| Redemption of Permanent Shares | - | - | - | - | - | ( 75,249) | - | ( 75,249) |
| Payments made from Non-Qualifying Reserve | - | - | - | - | ( 1,074,426) | - | - | ( 1,074,426) |
| **Transactions with Owners** | - | - | 5,000,000 | - | 525,574 | ( 75,249) | ( 76,205,602) | ( 70,755,277) |
| **Balance at 31st December 2013** | 8,725,445 | 30,758,338 | 70,000,000 | 53,836,000 | 10,876,544 | 4,820,161 | 100,073,991 | 279,090,479 |

(i) Capital Reserves represent unrealised gain on revaluation of the Co-operative's building.

(ii) Capital Development Reserves are being set aside for the future acquisition of Computer Equipment and Software.

**MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**YEAR ENDED 31ST DECEMBER 2013**

**Institutional Capital**

| | Statutory & Legal Reserves | Revenue Reserves | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Balance at 31st December 2011** | 179,609,985 | 206,947,255 | 386,557,240 |
| Transfer of 20 % of Net Income for the Year before Honoraria | 16,064,860 | - | 16,064,860 |
| Entrance Fees | 24,532 | - | 24,532 |
| Transfer from Undistributed Net Income to Institutional Capital | - | 40,000,000 | 40,000,000 |
| **Balance at 31st December 2012** | 195,699,377 | 246,947,255 | 442,646,632 |
| Transfer of 20 % of Net Income for the Year before Honoraria | 18,311,105 | - | 18,311,105 |
| Transfer from Undistributed Net Income to Institutional Capital | - | 45,000,000 | 45,000,000 |
| **Balance at 31st December 2013** | 214,010,482 | 291,947,255 | 505,957,737 |

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

## MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED

## STATEMENT OF CASH FLOWS

## YEAR ENDED 31ST DECEMBER 2013

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Cash flows from Operating Activities | | |
| **TOTAL COMPREHENSIVE INCOME AFTER HONORARIA** | 92,181,746 | 93,202,443 |
| **Non- cash items included in income** | | |
| Depreciation - Property, Plant and Equipment | 7,685,288 | 6,650,869 |
| Loss on Asset Disposal | 583,709 | - |
| Pension Income | ( 1,568,000) | ( 14,773,000) |
| (Gain)/Loss on Revaluation of Investments | ( 758,219) | 294,858 |
| Provision for Loan Impairment | 17,821,954 | 7,170,385 |
| | 115,946,478 | 92,545,555 |
| **Decrease / (Increase) in Operating Assets** | | |
| Other Assets | 10,516,107 | 1,793,340 |
| **Increase / (decrease) in Operating Liabilities** | | |
| Accruals | ( 1,710,150) | 4,637,078 |
| Payables | 2,850,511 | ( 5,086,128) |
| Others | ( 839,443) | ( 537,709) |
| **Net Cash Provided by Operating Activities** | **126,763,503** | **93,352,136** |
| **Cash Flows from Investing Activities:** | | |
| Addition to Property, Plant & Equipment | ( 7,049,452) | ( 7,600,944) |
| Financial Investments | 59,533,477 | ( 50,143,086) |
| Loans advanced to Members | ( 1,007,203,487) | ( 1,061,160,131) |
| Repayment of Loans by Members | 770,608,937 | 687,692,099 |
| **Net Cash Used in Investing Activities** | **( 184,110,525)** | **( 431,212,062)** |
| **Cash Flows from Financing Activities:** | | |
| Voluntary Share Capital | 94,319,972 | 71,513,546 |
| Permanent Share Capital | 7,997,741 | 11,469,011 |
| Entrance Fees | - | 24,532 |
| Savings Deposits | 129,089,994 | 117,130,984 |
| Social Outreach | ( 447,550) | ( 471,550) |
| Permanent Share Redemption | ( 75,249) | 1,059,410 |
| Dividend on Permanent Shares | ( 6,294,498) | ( 3,983,988) |
| Share Building Reserves | 78,954 | ( 2,838,720) |
| Disaster Relief Fund | ( 105,830) | ( 50,000) |
| Sydney Carter Scholarship Fund | ( 600,000) | ( 450,000) |
| **Net Cash Provided by Financing Activities** | **223,963,534** | **193,403,225** |
| Increase/(Decrease) in Liquid Assets | 166,616,512 | ( 144,456,701) |
| Liquid Assets at Beginning of Year | 677,426,771 | 821,883,472 |
| Liquid Assets at End of Year | **844,043,283** | **677,426,771** |
| **Liquid Assets - Earning** | 783,590,567 | 634,247,938 |
| **Liquid Assets - Non - Earning** | 60,452,717 | 43,178,833 |
| | **844,043,284** | **677,426,771** |

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

**MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31ST DECEMBER 2013**

1. **Identification:**

The Co-operative is registered under the Co-operative Societies Act. Membership is limited to persons working, living or born in the parish of Manchester, residents within a twenty-mile radius of Christiana and spouses, parents, brothers, sisters, children and grandchildren of members. The Co-operative's main activities are:

(a) the promotion of thrift;

(b) the provision of loans to members exclusively for provident and productive purposes; and

(c) to receive the savings of its members either as payment on shares or as deposits.

The Co-operative is exempt from Income Tax under Section 59 (1) of the Co-operative Societies Act and Section 12 of the Income Tax Act.

2. **Adoption of Standards, Interpretation and Amendments:**

a) The following are Standards and Interpretations in respect of published standards which are in effect and are relevant to the Credit Union:

The International Accounting Standards Board (IASB) issued certain new standards and interpretations as well as amendments to existing standards, which became effective during the year under review. Management has accessed the relevance of these new standards, interpretations and amendments and has adopted and applied in these financial statements, those standards which are considered relevant to its operations. The new standards which became effective during the year and considered relevant to the Credit Union were:

**IAS 1: Presentation of Items of Other Comprehensive Income (Effective July 2012)**

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statements or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section, such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met.

2. **Adoption of Standards, Interpretation and Amendments (cont'd):**

a) The following are Standards and Interpretations in respect of published standards which are in effect and are relevant to the Credit Union cont'd:

**IAS 27: Separate Financial Statements (effective January 2013)**

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9: Financial Instruments.

The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

**IFRS 7: Financial Instruments: Disclosures (effective January 2013)**

Amends the disclosure requirements in IFRS 7 Financial Instruments: Disclosures to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The IASB believes that these disclosures allow users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

**IFRS 13: Fair Value Measurement (Effective January 2013 with earlier application permitted)**

IFRS 13 establishes a single source of guidance for fair value measurements; and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The application of the new Standard has resulted in more extensive disclosures in the financial statements.

2. **Adoption of Standards, Interpretation and Amendments (cont'd):**

a) The following are Standards and Interpretations in respect of published standards which are in effect and are relevant to the Credit Union cont'd:

**Annual Improvements to IFRS 2009-2011 cycle -** contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after 1st January 2013. The main amendments applicable to the credit union are as follows:

*IAS 1, Presentation of Financial Statements,* is amended to clarify that only one comparative period, which is the preceding period, is required for a complete set of financial statements. IAS 1 requires the presentation of an opening statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification. IAS 1 has been amended to clarify that (a) the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or a reclassification has a material effect upon the information in that statement of financial position; (b) except for the disclosures required under IAS 8, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented.

*IAS 16, Property, Plant and Equipment* , has been amended to clarify that the definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether spare parts, stand-by equipment and servicing equipment should be accounted for under the standard. If these items do not meet the definition, then they are accounted for using IAS 2, Inventories.

*IAS 32, Financial Instruments : Presentation,* has been amended to clarify that IAS 12, Income Taxes, applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.

**IAS 19: (Amendments) Employee Benefits (Effective January 2013)**

The amendment to IAS 19 changes the accounting for the defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability to be recognised in the statement of financial position to reflect the full value of the plan deficit or surplus.

These will affect the financial statements for accounting periods beginning on or after the first day of the months stated. The adoption of these Standards and amendments are not expected to have a material impact on the Credit Union's financial statements.

2. **Adoption of Standards, Interpretation and Amendments (cont'd):**

b) At the date of the approval of the financial statements, the following Standards and Interpretations which are considered relevant to the Credit Union were issued but not yet effective:

**IFRS 9: Financial Instruments - Part 1: Classification and Measurement and Classification of Financial Instruments (Effective January 2015)**

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value through profit or loss. For all other equity investment, an irrecoverable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss as long as they represent a return on investment.

Management has determined that the standard is relevant to existing policies for current operations, but has not yet assessed the impact on adoption.

**IAS 32 Financial Instruments: Presentation (Amendments) (Effective January 2014)**

The objective of this amendment to IAS 32 is to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: i) the meaning of 'currently has a legally enforceable right of set-off'; ii) the application of simultaneous realisation and settlement; iii) the offsetting of collateral amounts; and iv) the unit of account for applying the offsetting requirements.

**IAS 36: Impairment of Assets (Effective January 2014)** - Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

These will affect the financial statements for accounting periods beginning on or after the first day of the months stated. The adoption of these standards and amendments is not expected to have a material impact on these financial statements.

3. **Statement of Compliance, Basis of Preparation and Significant Accounting Policies:**

(a) **Statement of Compliance and Basis of Preparation -**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB), and comply with the requirements of the Co-operative Societies Act. They have been prepared under the historical cost convention and are represented in Jamaican Dollars which is the functional currency of the Credit Union.

(b) **Use of Estimates -**

The preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) requires directors and management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on historical experience and directors and management's best knowledge of current events and actions and are reviewed on an ongoing basis. Actual results could differ from those estimates.

(c) **Loans to Members and Provisions for Loan Impairment -**

Loans are recognized when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any transaction costs and subsequently measured at amortized cost using the effective interest rate method.

A provision for loan impairment is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan is identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to write down the loan to its estimated recoverable amount which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

The provision for loan impairment also covers situations where there is objective evidence that probable losses are present in components of the loan portfolio at the date of the statement of financial position. These have been estimated based on historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

Specific provisions are established as a result of a review of the carrying value of loans in arrears and are derived based on the regulator's provisions in accordance with the policy of making a full provision for loans in arrears over twelve (12) months. General provisions of ten percent (10%) to one hundred percent (100%) are established in respect of loans in arrears for two (2) to twelve (12) months and one hundred percent (100%) for those over twelve (12) months.

3. **Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):**

(c) **Loans to Members and Provisions for Loan Impairment (cont'd) -**

Regulatory loan loss reserve requirements that exceed the provision required under International Financial Reporting Standards - IAS 39 "Financial Instruments" are dealt with in a non-distributable loan loss reserve as a transfer from unappropriated surplus.

(d) **Investments -**

Investments are classified as available-for-sale or held-to-maturity securities. Management determines the appropriate classification of investments at the time of purchase.

Available-for-sale securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates or market prices. They are initially recognized at cost, which includes transaction costs, and subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealised gains or losses arising from changes in fair value of available-for-sale securities are recognized in members' equity. When the securities are disposed of or impaired, the related accumulated unrealised gains or losses included in members' equity are transferred to the statement of comprehensive income.

Held to maturity securities are those with fixed or determinable payments and fixed maturity. A positive intent and ability to hold to maturity must be demonstrated.

All purchases and sales of investment securities are recognised at settlement date.

(e) **Property, Plant and Equipment -**

Land and Buildings are shown at deemed cost less subsequent depreciation for building. Under IFRS 1, a first time adopter may elect to use a previous GAAP revaluation of an item of property, plant and equipment as its deemed cost. The Credit Union has elected to apply this provision. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment if any.

3. **Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):**

(e) **Property, Plant and Equipment (cont'd) -**

Depreciation is provided on the straight-line basis by reference to cost or valuation, calculated at rates estimated to write-off the relevant assets over their useful lives. The annual rates used are as follows:

| | |
|---|---|
| Buildings | 2 % |
| Furniture, Fixtures & Equipment | 10% |
| Computer Equipment & Software | 20% |

Land is not depreciated.

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of Property, Plant and equipment are determined by their carrying amount and are taken into account in determining operating profit.

(f) **Impairment -**

The carrying amount of the Credit Union's assets, other than loans to members (which are dealt with at note 3(c), are reviewed at the date of each statement of financial position to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at that date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of theCredit Union's held-to-maturity investments and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

In respect of held-to-maturity investments and receivables, the impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

3. **Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):**

(g) **Employee Benefits -**

**Pension assets**

The Credit Union participates in a multi-employer defined benefit pension scheme. The pension scheme is generally funded by payments from employees and the Credit Union, taking into account the recommendation of independent qualified actuaries. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The asset or liability in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of plan assets, together with adjustments for actuarial gains/losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of Government securities which have terms to maturity approximating the terms of the related liability.

Remeasurement of the net defined benefit

- Actuarial gains and losses
- Return on plan assets ( interest exclusive)
- Any asset ceiling effects ( interest

Service costs are recognised in the profit or loss, and include current and past service costs as well as gains or losses on curtailment.

Net interest expense/(income) is recognised in the statement of comprehensive income, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset), at the beginning of the annual reporting period, to the balance of the net defined benefit obligation (asset). The calculation also takes into consideration the effects of contributions and benefit payments during the year. Gains or losses arising from the changes to the plan benefits or plan curtailment are recognised immediately in the statement of comprehensive income.

Settlement of the defined benefit plan is recognised in the year in which the settlement occur.

(h) **Provisions -**

Provisions are recognized when the Credit Union has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the statement of financial position.

3. **Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):**

(i) **Permanent Shares -**

Under International Financial Reporting Standards, Voluntary Shares in the Credit Union can no longer be regarded as Share Capital but should be treated as a liability. The Credit Union has therefore established Permanent Shares in order to strengthen its capital base. Special Bye-Laws were passed at the Annual General Meeting held on 7th May 2009, in accordance with the Co-operative Societies Act and approved by the Registrar. All new applicants for membership and existing members of the Credit Union are required to subscribe a minimum of one Permanent Share. These shares are issued at par value of $2,000 each and are referred to as Permanent Shares.

Monies paid for Permanent Shares may not be withdrawn in whole or in part and may not be pledged to secure credit facilities with the Credit Union.

Permanent Shares are redeemable only upon transfer to another member. An individual ceasing to be a member of the Credit Union, may have any amount held as Permanent Shares transferred to the Credit Union for subsequent disposal to any new or existing member. To facilitate this, the Credit Union has established a Permanent Share Transfer Fund.

(j) **Foreign Currency Transactions -**

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Foreign currencies at the date of the statement of the financial position are converted at the rates ruling on that date. Gains or losses arising from fluctuations in exchange rates are included in the statement of comprehensive income.

(k) **Institutional Capital -**

Institutional Capital includes Revenue Reserves and the Statutory and Legal Reserves as set out in Article XIV Rule 66. These reserves are set aside in order to strengthen the capital base of the Credit Union and are not available for distribution.

(l) **Statutory Reserve -**

The Co-operative Societies Act provides that at least twenty percent (20%) of the annual net income should be carried to a Statutory Reserve Fund.

(m) **Revenue Recognition -**

Interest income earned from investments and fees are recorded on the accrual basis.

3. **Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):**

(n) **Liquid Assets -**

For the purpose of the statement of cash flows, liquid assets include cash and cash equivalents which consists of cash on hand, foreign and local savings accounts and current accounts held at banks.

(o) **League fees and stabilisation dues -**

JCCUL has fixed the rate of league fees at 0.20% (2012 - 0.25%) of total assets. Stabilisation dues are fixed at a rate of 0.35% (2012 - 0.35%) of total savings.

(p) **Comparative Information -**

Where necessary, comparative figures have been re-classified to conform to changes in presentation in the current year. In particular, comparatives have been adjusted to take into account the requirements of IFRS.

(q) **Risk Management -**

The Board of Directors have overall responsibility for the implementation and monitoring of the Credit Union's management of risk. Its policies have been devised to identify and analyse the risks faced by the Credit Union. The Board, through its executive officers and various committees, is responsible for monitoring compliance with those policies and for reviewing their adequacy. All committees report periodically to the Board.

(r) **Capital Management -**

The Credit Union's objectives when managing capital are to safeguard it's ability to continue as a going concern, to provide returns to its members, to provide benefits for other stakeholders, and to maintain a strong capital base in order to support the development of its business. The Credit Union defines its capital as members' permanent share capital, institutional capital and other eligible reserves. Its dividend payout is made taking into account maintenance of an adequate capital base. At least twenty percent (20%) of net income before honoraria must be transferred to reserves each year.

The Credit Union is required by the Jamaica Co-operative Credit Union League to maintain its institutional capital at a minimum of eight percent (8%) of total assets. At the date of the statement of financial position, the ratio of institutional and permanent share capital to total assets was 17.32% (2012 - 16.77%) which is in compliance with the requirements.

There were no changes in the Credit Union's approach to capital management during the year.

3. **Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):**

(s) **Related Party Balances and Transactions:**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, *Related Party Disclosures* as the "reporting entity").

(a) A person or a close member of that person's family is related to the reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to the reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

**4. Earning Assets - Liquid Assets:**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Savings Account Balances | 149,131 | 140,849 |
| Foreign Currency Savings Accounts | 22,657,148 | 19,649,884 |
| Placement with JCCUL | 259,887,520 | 150,174,791 |
| Held to Maturity | | |
| Placement with Other Financial Institutions | 500,896,768 | 464,282,414 |
| | 783,590,567 | 634,247,938 |

**5. Loans To Members:**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Balance at Beginning of Year | 1,604,519,131 | 1,243,032,868 |
| Loans Granted | 1,001,822,946 | 1,049,178,362 |
| | 2,606,342,077 | 2,292,211,230 |
| Less Repayments and Transfers | 770,608,937 | 687,692,099 |
| | 1,835,733,140 | 1,604,519,131 |
| Less Provision for Loan Impairment | ( 45,524,411) | ( 33,082,998) |
| Balance at End of Year | 1,790,208,729 | 1,571,436,133 |

**6. Provision for Loan Impairment:**

**(a)** The movement in the provision for loan impairment determined under the requirements of IFRS is as follows:

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Total Non-Performing Loans | 452 | 338 |
| Balance, January 1 | 33,082,998 | 55,394,381 |
| Provision for the Year | 17,821,954 | 7,170,385 |
| | 50,904,952 | 62,564,766 |
| Recoveries During the Year | 1,009,302 | 820,780 |
| Charged off during the year | ( 6,389,843) | ( 12,802,548) |
| Transfer to Other Reserves | - | ( 17,500,000) |
| Balance, 31 December | 45,524,411 | 33,082,998 |
| Regulatory loan loss provision | 29,051,290 | 18,871,891 |
| Less: Provision based on IAS 39 | ( 45,524,411) | ( 33,082,998) |
| Excess of IFRS Loan Impairment over JCCUL regulatory requirement. | ( 16,473,121) | ( 14,211,107) |

As the provision determined in accordance with the IFRS rules exceeds the JCCUL requirements, no adjustment to the IFRS amount is deemed necessary.

**(b)** The following is a summary of delinquent loans at 31st December determined under JCCUL regulatory requirements:

| | DELINQUENT LOANS<br>$ | RATE<br>% | 2013<br>PROVISION FOR LOAN LOSSES<br>$ | 2012<br>PROVISION FOR LOAN LOSSES<br>$ |
|---|---|---|---|---|
| 1 Month | 33,886,808 | - | - | - |
| 2 - 3 Months | 14,477,219 | 10 | 1,447,722 | 979,758 |
| 3 - 6 Months | 19,449,192 | 30 | 5,834,758 | 4,621,632 |
| 6 - 12 Months | 19,200,218 | 60 | 11,520,131 | 6,081,835 |
| Over 12 Months | 10,248,680 | 100 | 10,248,680 | 7,188,666 |
| | 97,262,117 | | 29,051,290 | 18,871,891 |

**6. Provision for Loan Impairment (cont'd):**

**(c) Delinquent Loans:**

| MONTHS IN ARREARS | NO. OF LOANS IN ARREARS | DELINQUENT LOANS | SAVINGS HELD AGAINST LOANS | PORTION NOT COVERED BY / (IN EXCESS OF) SAVINGS |
|---|---|---|---|---|
| | # | $ | $ | $ |
| 1 month | 161 | 33,886,808 | 17,137,639 | 16,749,169 |
| 2 to 3 months | 65 | 14,477,219 | 8,062,155 | 6,415,064 |
| 3 to 6 months | 105 | 19,449,192 | 11,774,993 | 7,674,199 |
| 6 to 12 months | 76 | 19,200,218 | 14,326,194 | 4,874,024 |
| Over 12 months | 45 | 10,248,680 | 8,007,274 | 2,241,406 |
| | 452 | 97,262,117 | 59,308,255 | 37,953,862 |

(d) The Directors estimate the value of the chattels held as security against the outstanding loans to be $40,298,246 (2012 - $32,796,657). At 31st December 2013 there were 452 delinquent loans (2012 - 338).

**7. Earning Assets - Financial Investments:**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Available for Sale | | |
| Placement with JCCUL | 12,651,443 | 8,964,047 |
| Placement with Other Financial Institutions | 545,026,357 | 609,239,011 |
| | 557,677,800 | 618,203,058 |
| Un-quoted Equity Securities | 29,798,881 | 29,798,881 |
| Provision for losses on unquoted shares | (1,750,000) | (3,500,000) |
| | 28,048,881 | 26,298,881 |
| | 585,726,681 | 644,501,939 |

**8. Non Earning - Liquid Assets:**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Cash and Bank | 60,452,717 | 43,178,833 |

**9. Non Earning - Other Assets:**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Accrued Income | 22,751,700 | 30,513,521 |
| Receivables | 4,221,566 | 6,975,852 |
| | 26,973,266 | 37,489,373 |

**10. Property, Plant & Equipment:**

| | Land | Buildings | Furniture, Fixtures & Equipment | Construction Work in Progress | Computer Equipment | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| At Cost or Valuation: | | | | | | |
| 1st January 2012 | 9,807,997 | 37,471,967 | 38,282,819 | 1,760,592 | 18,746,218 | 106,069,593 |
| Additions | - | 2,439,159 | 2,407,345 | - | 4,147,176 | 8,993,680 |
| Disposals | | | (32,630) | | (169,785) | (202,415) |
| Adjustments/Transfers | - | - | ( 16,444) | ( 1,376,292) | - | ( 1,392,736) |
| 31st December 2012 | 9,807,997 | 39,911,126 | 40,641,090 | 384,300 | 22,723,609 | 113,468,122 |
| Additions | 1,301,486 | - | 2,260,019 | - | 3,415,214 | 6,976,719 |
| Disposals | - | - | ( 1,522,669) | ( 384,300) | ( 2,427,409) | ( 4,334,378) |
| Adjustments/Transfers | - | - | - | - | 72,733 | 72,733 |
| 31st December 2013 | 11,109,483 | 39,911,126 | 41,378,440 | - | 23,784,147 | 116,183,196 |
| Depreciation: | | | | | | |
| 1st January 2012 | - | 9,320,573 | 21,703,389 | - | 13,245,934 | 44,269,896 |
| Charge for year | - | 762,860 | 3,841,359 | - | 2,046,650 | 6,650,869 |
| Released on Write-Off | - | - | ( 32,630) | - | ( 169,785) | ( 202,415) |
| 31st December 2012 | - | 10,083,433 | 25,512,118 | - | 15,122,799 | 50,718,350 |
| Charge for year | - | 833,471 | 4,279,977 | - | 2,571,840 | 7,685,288 |
| Released on Write-Off | - | - | ( 1,425,901) | - | ( 2,324,768) | ( 3,750,669) |
| 31st December 2013 | - | 10,916,904 | 28,366,194 | - | 15,369,871 | 54,652,969 |
| Net Book Values: | | | | | | |
| 31st December 2013 | 11,109,483 | 28,994,222 | 13,012,246 | - | 8,414,276 | 61,530,227 |
| 31st December 2012 | 9,807,997 | 29,827,693 | 15,128,972 | 384,300 | 7,600,810 | 62,749,772 |
| 31st December 2011 | 9,807,997 | 28,151,394 | 16,579,430 | 1,760,592 | 5,500,284 | 61,799,697 |

Freehold land and buildings were revalued in December 2007 by Thomas, Forbes & Associates Limited, independent valuers, at an amount of $115,500,000.

**11. Retirement Benefit Asset:**

The Credit Union participates in a multi-employer pension scheme. The pension scheme is a defined benefit plan and is funded. The assets of the funded plan are held independently of the Credit Union's assets in separate trustee administered funds. Independent actuaries value the scheme annually using the projected unit credit method. The latest actuarial valuation was carried out as at 31st December 2013.

The amounts recognised in the statement of financial position are determined as follows:

| | 2013 | 2012 | |
|---|---|---|---|
| | $ | $ | |
| Present Value of funded obligations | 116,318,000 | 103,114,000 | |
| Fair Value of plan assets | ( 170,154,000) | ( 155,382,000) | |
| | ( 53,836,000) | ( 52,268,000) | |
| **Asset in the Statement of Financial Position** | ( 53,836,000) | ( 52,268,000) | |

The amounts recognised in the statement of comprehensive income are as follows:

| | 2013 | 2012 | |
|---|---|---|---|
| | $ | $ | |
| Current service cost | 3,185,000 | 3,332,000 | |
| Interest cost on Obligation | 11,034,000 | 10,313,000 | |
| Interest Income on Plan assets | ( 16,824,000) | ( 14,269,000) | |
| Administrative Expenses | 797,000 | 721,000 | |
| **Pension (Income)/Expense** | ( 1,808,000) | 97,000 | * |

The actual return on plan assets was $14,269,000 (2012- $ 13,310,000)

Movements in the amounts recognised in the statement of financial position:

| | 2013 | 2012 | |
|---|---|---|---|
| | $ | $ | |
| Net Asset at beginning of year | ( 52,268,000) | ( 37,495,000) | |
| Pension (Income)/Expense | ( 1,808,000) | 97,000 | |
| Remeasurement | 5,988,000 | ( 9,592,000) | |
| Contributions Paid | ( 5,748,000) | ( 5,278,000) | |
| Closing Net Asset at End of Year | ( 53,836,000) | ( 52,268,000) | * |

*** RESTATEMENT**

These items have been restated to comply with the amendments of IAS 19 - *Employee Benefits* which require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur. The amendments require all actuarial gains and losses to be recognised immediately.

**11. Retirement Benefit Asset - (cont'd):**

The principal actuarial assumptions used in valuing the plan were as follows:

| | 2013 | 2012 |
|---|---|---|
| Discount Rate | 9.50% | 10.50% |
| Expected rate of return on plan assets | N/A | 8.00% |
| Future salary increases | 6.50% | 8.00% |

The five year trend for the fair value of plan assets, the defined benefit obligations, the surplus in the pension plan, and experience adjustments for plan assets and liabilities were as follows:

| | 2009 $'000 | 2010 $'000 | 2011 $'000 | 2012 $'000 | 2013 $'000 |
|---|---|---|---|---|---|
| Fair Value of plan assets | 87,352 | 106,146 | 133,194 | 155,382 | 170,154 |
| Defined benefit obligation | 49,194 | 70,190 | 95,699 | 103,114 | 116,318 |
| Surplus | 38,158 | 35,956 | 37,495 | 52,268 | 53,836 |
| Experience adjustments- | | | | | |
| Fair value of plan assets | 14,123 | 3,725 | 8,326 | 468 | ( 10,956) |
| Defined benefit obligation | 2,056 | ( 1,025) | 3,444 | 2,559 | ( 3,850) |

**12. Members' Voluntary Share Capital:**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Balance at Beginning of Year | 1,240,806,081 | 1,169,292,535 |
| Add Amount Subscribed | 1,158,990,202 | 1,148,997,733 |
| | 2,399,796,283 | 2,318,290,268 |
| Less Withdrawals & Transfers | 1,064,670,230 | 1,077,484,187 |
| Balance at End of Year | 1,335,126,053 | 1,240,806,081 |

**13. Savings Deposits:**

| | | 2013 | 2012 |
|---|---|---|---|
| | | $ | $ |
| i. | Term Deposits | 541,128,845 | 567,455,132 |
| ii. | Members' Regular Deposits | 312,460,378 | 262,058,814 |
| iii. | Golden Harvest Deposits | 49,962,719 | 45,260,732 |
| iv. | Insurance Savings Club | 5,778,708 | 5,958,747 |
| v. | Youth Savings | 28,297,059 | 22,490,100 |
| vi. | Partner Plan Plus Deposits | 37,370,643 | 33,040,749 |
| vii. | Solid Saver Deposits | 77,614,424 | 64,269,060 |
| viii. | Horizon 55 | 3,010,550 | 2,914,204 |
| ix. | Wealth Accelerator Savings | 76,914,206 | - |
| | | 1,132,537,532 | 1,003,447,538 |

i. Term Deposits

Term Deposits are for varying periods up to 365 days on which interest was paid at rates of between 2.50% and 4.40% per annum. Interest is paid on maturity.

ii. Members' Regular Deposits

Regular Deposits are savings accounts on which interest was paid at rates of between 1.00% to 2.00% per annum.

iii. Golden Harvest Deposits

Golden Harvest Deposits are for varying periods up to and over five (5) years on which interest was paid at rates of 4.00% per annum.

**13. Savings Deposits (cont'd):**

iv. Insurance Savings Club

Insurance Club Deposits are savings accounts on which interest was paid at rates ranging from 1.2% to 2.20% per annum.

vii. Solid Saver Deposits

Solid Saver Deposits are savings accounts on which interest was paid at rates of between 1.2% and 2.2% per annum.

v. Youth Savings

Youth Savings are accounts on which interest was paid at rates of between 1% to 2.0% per annum.

vi. Partner Plan Plus Deposits

This represents deposits made in equal monthly instalments for varying periods of between 12 weeks and 48 weeks on which bonuses between one-fifth to two and a half times the weekly throw were paid at the end of the contractual period.

viii. Horizon 55

This represents long-term savings accounts on which interest was paid at rates of between 2.64% and 4.35% per annum.

ix. Wealth Accelerator Savings

This represents deposits for periods between 6 and 36 months on which interest was paid at 6% per annum.

**14. Payables:**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Collector of Taxes | 5,687,267 | 4,610,839 |
| Salary Deductions Payable | 4,892,839 | 4,631,365 |
| Other Payables | 4,610,106 | 3,097,497 |
| | 15,190,212 | 12,339,701 |

**15. Non - Interest Bearing Liabilities - Others:**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Estate Accounts | 5,167,517 | 6,006,960 |
| | 5,167,517 | 6,006,960 |

This amount represents unsettled claims in respect of deceased members.

**16. Members' Permanent Share Capital:**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Balance at Beginning of Year | 68,667,011 | 57,198,000 |
| Add Permanent Share Capital Subscribed | 7,997,741 | 11,469,011 |
| Balance at End of Year | 76,664,752 | 68,667,011 |

Under the International Financial Reporting Standards, Voluntary Shares in the Credit Union can no longer be regarded as Share Capital but should now be treated as a liability. The Credit Union established a new category of shares termed "Permanent Shares" in order to maintain its capital base. Special Bye-Laws were passed at the Annual General Meeting held on 7th May 2009, in accordance with the Co-operative Societies Act and approved by the Registrar. All new applicants for membership and existing members of the Credit Union are required to subscribe for a minimum of one Permanent Share. These shares are issued at a par value of $2,000 each.

**17. Non-Institutional Capital:**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Capital Reserves (Unrealised) (Note 23) | 8,725,445 | 8,725,445 |
| Other Reserves | 30,758,338 | 30,000,119 |
| Capital Development Reserves | 70,000,000 | 65,000,000 |
| Retirement Benefit Reserves (Note 11) | 53,836,000 | 52,268,000 |
| Other Non-qualifying Reserves (Note 25) | 10,876,544 | 10,350,970 |
| Permanent Share Transfer Fund | 4,820,161 | 4,895,410 |
| Undistributed Net Income | 100,073,991 | 86,424,066 |
| | 279,090,479 | 257,664,010 |

**18. Institutional Capital:**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Retained Earnings Reserves at Beginning of Year | 246,947,255 | 206,947,255 |
| Appropriation of Net Surplus | 45,000,000 | 40,000,000 |
| Retained Earnings Reserves at End of Year | 291,947,255 | 246,947,255 |
| Statutory & Legal Reserves (Note 24) | 214,010,482 | 195,699,377 |
| | 505,957,737 | 442,646,632 |

**19. Other Financial Costs:**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Life Savings Insurance | 5,737,492 | 5,660,647 |
| Loan Protection Insurance | 4,129,378 | 3,891,127 |
| Bank Charges and Interest | 1,210,956 | 613,209 |
| | 11,077,826 | 10,164,983 |

**20. Other Income:**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Inspection & Arbitration Fees | 161,854 | 193,798 |
| Commitment Fees - Service Charge on Loans | 21,773,157 | 20,636,720 |
| Mortgage Charges | 1,659,439 | 1,276,258 |
| Miscellaneous | 3,026,408 | 3,693,592 |
| Gain on Foreign Exchange | 19,083,942 | 8,560,073 |
| FIP Administration Fee | 1,547,670 | 1,383,120 |
| ABM Fees | 837,118 | 847,510 |
| Standing Order Fees | 540,141 | 523,065 |
| Reduction in provision for losses on unquoted shares | 1,750,000 | - |
| Account User Fee | 13,205,813 | 13,221,374 |
| | 63,585,542 | 50,335,510 |

**21. Operating Expenses:**

| **Personnel Expenses:** | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Employee Salaries & Allowances | 131,813,078 | 124,396,674 |
| Employee Benefits | 18,034,782 | 17,678,286 |
| Education & Training | 908,002 | 1,301,132 |
| Staff Travel & Related Expenses | 2,343,124 | 2,325,568 |
| Others | 1,322,722 | 1,067,895 |
| | 154,421,708 | 146,769,555 |
| **Administrative Expenses:** | | |
| Rental | 380,339 | 471,678 |
| Utilities | 7,838,227 | 7,403,930 |
| Depreciation and Impairment | 7,685,288 | 6,650,869 |
| Audit and Supervision - Current Year | 2,505,000 | 2,520,000 |
| Repairs & Maintenance (Office) | 8,115,728 | 8,344,531 |
| Telecommunications | 3,483,436 | 3,585,017 |
| Printing, Stationery & Supplies | 3,783,590 | 4,587,762 |
| Insurance Premiums | 2,576,954 | 2,488,742 |
| Professional & Consulting Fees | 135,660 | 1,260,967 |
| Subscriptions & Other Administrative Expenses | 16,490,511 | 13,576,959 |
| | 52,994,733 | 50,890,455 |
| **Marketing & Promotion:** | | |
| Publicity & Promotion | 12,051,053 | 11,091,242 |
| Public Relations | 818,274 | 513,063 |
| | 12,869,327 | 11,604,305 |
| **Representation & Affiliation:** | | |
| League and Other Dues | 13,824,645 | 13,261,830 |
| Seminars & Meetings | 2,469,886 | 1,659,180 |
| Board of Directors & Committees | 3,442,914 | 3,017,409 |
| Annual General Meetings | 2,087,010 | 2,312,949 |
| Meeting/ Special Functions | 47,550 | - |
| | 21,872,005 | 20,251,368 |
| **TOTAL OPERATING EXPENSES** | 242,157,773 | 229,515,683 |

## 22. Appropriations:

| | 2013 $ | 2012 $ |
|---|---|---|
| Dividend on Permanent Shares | 6,294,497 | 3,983,988 |
| Social Outreach Programme | 750,000 | 600,000 |
| Sydney Carter Scholarship | 600,000 | 450,000 |
| Disaster Relief Fund | 250,000 | 250,000 |
| Share Building Fund | - | 5,000,000 |
| Capital Development Reserves | 5,000,000 | 5,000,000 |
| Institutional Capital | 45,000,000 | 40,000,000 |
| | 57,894,497 | 55,283,988 |

## 23. Capital Reserves:

| | 2013 $ | 2012 $ |
|---|---|---|
| Balance at Beginning of Year | 8,725,445 | 8,725,445 |
| Balance at End of Year | 8,725,445 | 8,725,445 |

This represents unrealised gain on the revaluation of the Co-operative's building.

## 24. Statutory & Legal Reserves:

| | 2013 $ | 2012 $ |
|---|---|---|
| Balance at End of Year | 195,699,377 | 179,609,985 |
| 20% transfer from Net Income | 18,311,105 | 16,064,860 |
| Entrance fees | - | 24,532 |
| Balance at End of Year | 214,010,482 | 195,699,377 |

Statutory and Legal Reserves are maintained in accordance with the provisions of the Co-operative Societies Act which requires that a minimum of 20% of Net Income be carried to a reserve fund. Upon application by a Registered Society, the Registrar may allow the required percentage to be reduced but not below 10%.

## 25. Other Non-Qualifying Reserves:

| | 2013 $ | 2012 $ |
|---|---|---|
| Special Reserve | 57,587 | 57,587 |
| Sydney Carter Scholarship Fund | 4,191 | 4,191 |
| Social Outreach Programme | 657,749 | 355,299 |
| Disaster Relief Fund | 1,706,670 | 1,562,500 |
| Share Building Fund | 2,240,233 | 2,161,279 |
| Stabilization Fund Reserves | 1,210,114 | 1,210,114 |
| Business Development Fund | 5,000,000 | 5,000,000 |
| | 10,876,544 | 10,350,970 |

**26. Staff Costs:**

Staff costs for the year amounted to $154,421,708 (2012 : $146,769,555).

**27. Comparison of Ledger Balances:**

| | Permanent Shares | Voluntary Shares | Deposits | Loans |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| General Ledger | 76,664,752 | 1,335,126,053 | 1,132,537,532 | 1,835,733,140 |
| Personal Ledger Listing | 76,664,752 | 1,335,126,053 | 1,132,537,310 | 1,835,733,139 |
| Differences as at 31st December 2013 | - | - | 222 | 1 |
| Differences as at 31st December 2012 | - | - | - | - |

**28. Related Party Transactions:**

At 31st December 2013, the twelve (12) members of the Credit Union's Board of Directors had savings totalling $6,581,948. Of these twelve Directors, nine (9) had loans totalling $4,023,148. Sixteen (16) Committee Members had savings totalling $13,911,385. Of these sixteen Committee Members, fifteen (15) had loans totalling $9,207,005.

Credit Union Staff of fifty-two (52) members had savings of $32,242,352 and loans including interest totalling $148,621,451. During the year three staff members received loans which necessitated waiver of the loan policy. One Volunteer received a loan which necessitated a waiver of the loan policy. At 31st December 2013, loans owing by all Committee Members were being repaid in accordance with their loan agreements.

**29. Life Savings and Loan Protection Insurance:**

There were life savings and loan protection insurance in force during the year.

**30. Fidelity Insurance:**

Fidelity Insurance Coverage was adequately maintained during the year.

**31. Financial Instruments and Financial Instruments Risk Management:**

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include investments, cash and cash equivalents and receivables. Financial liabilities have been determined to be saving deposits, external credits, payables and accruals.

The Credit Union is exposed to credit risk, liquidity risk, market risk and operational risk from its use of financial instruments. Market risk includes interest rate risk and currency risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Credit Union's risk management framework. The Credit Union's risk management policies are established to identify and analyse the risks faced by the Credit Union, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Board through its various committees is responsible for monitoring compliance with the Credit Union's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Credit Union. All committees report monthly to the Board on their activities.

The Supervisory Committee is directly responsible for monitoring compliance with the Credit Union's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Credit Union. The Supervisory Committee is assisted in these functions by the Internal Audit Department which undertakes periodic reviews of risk management controls and procedures, the results of which are reported to the Supervisory Committee.

**a) Credit Risk**

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This risk arises primarily from the Credit Union's loans to members, deposits with other institutions and investment securities. There is also credit risk exposure in respect of "off-balance sheet" financial instruments such as loan commitments and guarantees. These expose the Credit Union to similar risks as loans and are managed in the same manner.

**31. Financial Instruments and Financial Instruments Risk Management (cont'd):**

**a) Credit Risk- (Cont'd)**

Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risks before collaterals held. At the date of the statement of financial position, these amounts were:

| | 2013 $ | 2012 $ |
|---|---|---|
| Loans to members (net) | 1,790,208,729 | 1,571,436,133 |
| Liquid assets - earning | 783,590,567 | 634,247,938 |
| Financial investments | 585,726,681 | 644,501,939 |
| Liquid assets - non-earning | 60,452,717 | 43,178,833 |
| Non earning assets - other | 26,973,266 | 37,489,373 |
| | 3,246,951,960 | 2,930,854,216 |

i) Loans to members and guarantees

The Board of Directors is responsible for formulating the Credit Union's credit policies, establishing the authorisation structure for the approval of credit facilities, limiting concentration of exposure to counterparties and developing and maintaining the Credit Union's risk ratings. The management of credit risk in respect of loans to members and guarantees is delegated to the Credit Committee. The Credit Committee has oversight responsibility for the Credit Union's credit risk management process, including reviewing and assessing credit risk. There is a documented credit policy in place which guides the Credit Union's credit review process.

*Credit Review Process*

The credit review process establishes loan policy and loan interest rates that manage risk and provide the best possible rate based on the member's credit worthiness at the time of the loan; protects saver interests by managing risk; provides competitive interest rates and prompt service to borrowers; complies with all applicable laws and regulations.

Risk Based Lending provides different rates for different borrowers based on their financial circumstances and credit history. Members applying for loans are evaluated against a pre-determined set of factors in determining and assigning their appropriate risk category.

*Collateral*

The Credit Union holds collateral against loans to members in the form of mortgage interests over property, lien over motor vehicles, other registered charges over assets, hypothecation of shares held in the Credit Union and guarantees. Estimates of fair values are based on the values of collateral assessed at the time of borrowing and are generally not updated until a loan is individually assessed as impaired.

**31. Financial Instruments and Financial Instruments Risk Management (cont'd):**

**a) Credit Risk- (Cont'd)**

i) Loans to members and guarantees - (cont'd)

*Collateral cont'd.*

Collateral is not generally held against deposits and investment securities, except when securities are held as part of reverse repurchase agreements. At December 31, 2013, an estimate of the fair values of collateral held against loans to members are as follows:

| | 2013 | 2012 |
|---|---|---|
| Type of Collateral | $ | $ |
| Motor Vehicles | 343,317,969 | 352,511,067 |
| Real Estate | 518,528,333 | 379,442,848 |
| | 861,846,302 | 731,953,915 |

*Impaired loans*

Impaired loans are loans for which the Credit Union determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

*Past due but not impaired loans*

These are loans where contractual interest or principal payments are past due but the Credit Union believes that impairment is not appropriate on the basis of the level of security available or the stage of collection of amounts owed to the Credit Union.

*Loans with renegotiated terms*

Loans with renegotiated terms are loans that have been restructured due to deterioration in the member's financial position and where the Credit Union has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

*Allowances for impairment*

The Credit Union established an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established on a group basis in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment. Additional regulatory allowance is made based on the aging of the delinquency portfolio where this exceeds the standard computation. This additional allowance is treated as an appropriation and taken to reserves.

**31. Financial Instruments and Financial Instruments Risk Management (cont'd):**

**a) Credit Risk- (Cont'd)**

i) Loans to members and guarantees - (cont'd)

*Write-off policy*

The Credit Union writes off loans and any related allowances for impairment losses when it is determined that the loans are uncollectible. This determination is usually made after considering information such as changes in the borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

ii) Deposits and investment securities

The Credit Union limits its exposure to credit risk by investing mainly in liquid assets. These investments are held only with counterparties that have high credit quality and Government of Jamaica securities. The management therefore does not expect any counterparty to fail to meet its obligations.

iii) Non-Earning Asset

*Liquid Assets*

Liquid assets on which the Credit Union faces credit risks comprise its current accounts held with financial institutions. The Credit Union limits its exposure to credit risk by placing its liquid assets with counter-parties that have high credit quality.

*Others*

Credit risks on other non-earning assets are managed by performing reconciliation of significant balances on a daily basis and submission of settlement reports or returns at least monthly. Balances are normally settled within a month, however, there is no specific settlement schedule for withholding taxes receivable.

Accordingly, management does not expect any counter-party to fail to meet its obligation.

There has been no change to the Credit Union's exposure to credit risk or the manner in which it manages and measures the risk.

**31. Financial Instruments and Financial Instruments Risk Management (cont'd):**

**b) Liquidity Risk**

Liquidity risk is the risk that the credit union will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Credit Union is exposed to daily calls on its available cash resources from loan draw-downs, withdrawal of savings, overnight and maturing deposits. The approach to managing liquidity is to ensure, as far as possible, that there is always sufficient cash and marketable securities to meet obligations when due, under normal as well as stressed conditions. The Board of Directors has delegated responsibility for the management of liquidity risk to the General Manager. On a monthly basis, the Manager reviews the ratios and gap reports in order to assess and manage liquidity risk and to ensure compliance with internal policies and regulatory guidelines. There is also the monitoring of future cash flows and maintenance of an adequate amount of committed facilities. Liquidity is monitored on a daily basis.

The Credit Union is subject to a liquidity limit imposed by the Jamaica Co-operative Credit Union League (JCCUL) and compliance is regularly monitored. This limit requires that the Credit Union maintain liquid assets amounting to at least 10% of savings and deposits and member's voluntary share capital. The key measure used by the Credit Union for managing liquidity risk is the ratio of liquid assets to total savings deposits. For this purpose, liquid assets include cash and bank balances, deposits held with JCCUL and highly liquid investments which are readily convertible into cash within nine months. The liquid asset ratio at the end of the year was 34.2% (2012: 30.18%) which is in compliance with the liquidity limit.

There has been no change to the Credit Union’s exposure to liquidity risk or the manner in which it manages and measures this risk.

Members Voluntary Shares have no contractual maturity. The amounts included in the analysis are based on management’s estimate of expected cash flows on these instruments as determined by retention history. These may vary significantly from actual cash flows which are generally expected to maintain a stable or increasing balance.

**MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)**
**YEAR ENDED 31ST DECEMBER 2013**

**31. Financial Instruments and Financial Instruments Risk Management - (cont'd):**

**(b) Liquidity Risk (Cont'd) :**

The Credit Union maintains sufficient maturing instruments to meet its daily needs. The matching and controlled mismatching of maturities and interest rates of assets and liabilities are fundamental to the management of the Co -operative.

The following tables summarises the net liquidity gap and the cumulative liquidity gap of the Credit Union by analysing its assets and liabilities into periodic maturity categories :

| | Within 3 Months | 3 to 12 Months | 1 to 5 Years | Over 5 Years | No Specific Maturity | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **ASSETS:** | | | | | | |
| **EARNING ASSETS:** | | | | | | |
| Liquid Assets | 747,800,000 | 35,790,567 | - | - | - | 783,590,567 |
| Loans | 110,400,000 | 333,700,000 | 902,700,000 | 443,408,729 | - | 1,790,208,729 |
| Financial Investments | - | | 465,500,000 | 77,000,000 | 43,226,681 | 585,726,681 |
| **NON-EARNING ASSETS:** | | | | | | |
| Liquid Assets | 60,452,717 | - | - | - | - | 60,452,717 |
| Other Assets | - | - | - | - | 26,973,266 | 26,973,266 |
| Property, Plant & Equipment | - | - | - | - | 61,530,227 | 61,530,227 |
| Retirement Benefit Asset | - | - | - | - | 53,836,000 | 53,836,000 |
| Total Assets | 918,652,717 | 369,490,567 | 1,368,200,000 | 520,408,729 | 185,566,174 | 3,362,318,187 |

**31. Financial Instruments and Financial Instruments Risk Management - (cont'd):**

**(b) Liquidity Risk (Cont'd) :**

| | Within 3 Months | 3 to 12 Months | 1 to 5 Years | Over 5 Years | No Specific Maturity | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **LIABILITIES :** | | | | | | |
| **INTEREST BEARING LIABILITIES:** | | | | | | |
| Members' Voluntary Share Capital | - | - | - | - | 1,335,126,053 | 1,335,126,053 |
| Savings Deposits | 707,500,000 | 359,600,000 | 65,437,532 | - | - | 1,132,537,532 |
| **NON-INTEREST BEARING LIABILITIES & CAPITAL:** | | | | | | |
| Accruals | 12,583,905 | - | - | - | - | 12,583,905 |
| Payables | 15,190,212 | - | - | - | - | 15,190,212 |
| Others | 5,167,517 | - | - | - | - | 5,167,517 |
| Capital and Reserves | - | - | - | - | 861,712,968 | 861,712,968 |
| Total Liabilities & Capital | 740,441,634 | 359,600,000 | 65,437,532 | - | 2,196,839,021 | 3,362,318,187 |
| **Net Liquidity Gap** | 178,211,083 | 9,890,567 | 1,302,762,468 | 520,408,729 | (2,011,272,847) | - |
| **Cumulative Liquidity Gap** | 178,211,083 | 188,101,650 | 1,490,864,118 | 2,011,272,847 | - | - |
| | | | **2012** | | | |
| **Net Liquidity Gap** | 63,324,084 | 105,558,000 | 1,159,258,962 | 410,110,644 | (1,738,251,690) | - |
| **Cumulative Liquidity Gap** | 63,324,084 | 168,882,084 | 1,328,141,046 | 1,738,251,690 | - | |

**31. Financial Instruments and Financial Instruments Risk Management (cont'd):**

**c) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. These arise mainly from changes in interest rates, foreign currency rates and equity prices and will affect the Credit Union's income or the value of its holdings of financial instruments. The objective of market risk management is to monitor and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk exposures are measured using sensitivity analyses.

There has been no change to the Credit Union's exposure to market risks or the manner in which it manages and measures these risks.

The foreign currency exchange rates have steadily stabilised over the preceding eight months. The co-operative's exposure to market risks has therefore fluctuated as a consequence.

i) Foreign currency risk

Foreign currency risk is the risk that the market value of, or the cash flows from financial instruments will vary because of exchange rate fluctuations. The Credit Union is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaican dollar. The credit union manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring foreign currency positions and by buying or selling currencies at spot rates when necessary to address short-term imbalances.

The Credit Union's foreign currency exposure consists mainly of deposit accounts which at the date of the statement of financial position were as follows:

| | | 2013 | | 2012 |
|---|---|---|---|---|
| Liquid Assets - earning | | | | |
| United States dollar | $ | 129,537 | $ | 563,730 |
| Canadian dollar | $ | 66,701 | $ | 32,764 |
| Pound Sterling | £ | 13,563 | £ | 31,145 |
| Financial Investments | | | | |
| United States dollar | $ | 1,044,610 | $ | 676,050 |

***Sensitivity analysis***

Exchange rates in terms of Jamaican Dollars which is the Credit Union's principal intervening currency, were as follows:

| | US $ | CAD $ | UK £ |
|---|---|---|---|
| 14th March 2014 | 108.74 | 97.84 | 181.16 |
| 31st December 2013 | 105.93 | 98.82 | 174.38 |
| 31st December 2012 | 92.15 | 91.41 | 148.29 |

**31. Financial Instruments and Financial Instruments Risk Management (cont'd):**

**c) Market Risk (cont'd.)**

i) Foreign currency risk (cont'd)

There were significant foreign exchange rate movements in the three major currencies during the period December 2012 to December 2013. Over the twelve months ended 31st December 2013, the exchange rate movement for the Canadian dollar, Pound Sterling and United States dollar have shown overall increases of 8.12%, 17.60% and 14.95% respectively. The Credit Union's assets held in these currencies are minimal in comparison to total assets and therefore consequential adjustments would not be considered significant.

The strengthening/weakening of the Jamaican dollar to the extent shown against each currency would have reduced/increased income and equity by the amounts shown.

| | Movement | | | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | % | % | J$ | J$ |
| Liquid Assets - earning | | | | |
| United States dollar | 3 | 3 | 411,637 | 1,558,428 |
| Canadian dollar | -1 | 2 | (65,917) | 59,896 |
| Pound Sterling | 4 | -3 | 94,607 | (138,553) |
| Financial Investments | | | | |
| United States dollar | 3 | 3 | 3,319,519 | 1,868,936 |

The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for 2012.

**31. Financial Instruments and Financial Instruments Risk Management (cont'd):**

**c) Market Risk (cont'd.)**

ii) Interest rate risk

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments due to a change in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustments within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values. Interest rate risk is managed principally through monitoring interest rate gaps and by setting pre-approved gap ratios. The General Manager has oversight responsibility for the daily management and monitoring of interest rate risk and reports monthly to the Board of Directors on its strategies and position.

At the date of the statement of financial position the Interest Profile of the Credit Union's interest bearing financial instruments was:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Interest Rate % | $ | Interest Rate % | $ |
| ***Financial Assets*** | | | | |
| Liquid Assets | | | | |
| Local Savings Accounts | 1.0 | 149,131 | 1.0 | 140,849 |
| Foreign Savings Accounts | 0.2 - 1.0 | 22,657,148 | 0.2 - 1.0 | 19,649,884 |
| Foreign Currency Investments | 3.2 - 7.00 | 30,937,276 | 2.25 - 7.25 | 37,118,137 |
| Held-to-Maturity Investments | 6.7 - 7.5 | 469,959,492 | 7.34 - 12.5 | 427,164,277 |
| Loans to Members | 4.0 - 30.0 | 1,790,208,729 | 4.0 - 30.0 | 1,571,436,133 |
| Financial Investments | 6.7 - 7.5 | 555,927,800 | 5.5 - 6.75 | 618,203,058 |
| | | 2,869,839,576 | | 2,673,712,338 |
| ***Financial Liabilities*** | | | | |
| Members' Voluntary Share Capital | 2.0 - 3 | 1,335,126,053 | 2.0 - 2.5 | 1,240,806,081 |
| Savings Deposits | 1.0 - 6 | 1,132,537,532 | 1.0 - 5.1 | 1,003,447,538 |
| | | 2,467,663,585 | | 2,244,253,619 |
| | | 402,175,991 | | 429,458,719 |

**31. Financial Instruments and Financial Instruments Risk Management cont'd:**

**c) Market Risk (cont'd.)**

ii) Interest rate risk - (Cont'd)

The following table summarises the interest rate gap and the cumulative interest rate gap of the Credit Union analysing its assets and liabilities into periodical interest rate movements.

| | Within 3 Months $ | 3 to 12 Months $ | 1 to 5 Years $ | Over 5 Years $ | Non-rate Sensitive $ | Total $ |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| *Earning Assets* | | | | | | |
| Liquid Assets | 946,892,294 | - | - | - | - | 946,892,294 |
| Loans to Members | 64,421,510 | 29,325,064 | 859,981,135 | 617,708,424 | - | 1,571,436,133 |
| Financial Investments | - | 185,762,047 | 116,296,655 | - | 29,798,881 | 331,857,583 |
| | 1,011,313,804 | 215,087,111 | 976,277,790 | 617,708,424 | 29,798,881 | 2,850,186,010 |
| *Non-Earning Assets* | | | | | | |
| Liquid Assets | - | - | - | - | 60,452,717 | 60,452,717 |
| Other Assets | - | - | - | - | 26,973,266 | 26,973,266 |
| Property, Plant & Equipment | - | - | - | - | 61,530,227 | 61,530,227 |
| Retirement Benefit Asset | - | - | - | - | 53,836,000 | 53,836,000 |
| | - | - | - | - | 202,792,210 | 202,792,210 |
| | 1,011,313,804 | 215,087,111 | 976,277,790 | 617,708,424 | 232,591,091 | 3,052,978,220 |

**MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)**

**YEAR ENDED 31ST DECEMBER 2013**

**31. Financial Instruments and Financial Instruments Risk Management cont'd:**

**c) Market Risk (cont'd.)**

ii) Interest rate risk - (Cont'd)

| | Within 3 Months $ | 3 to 12 Months $ | 1 to 5 Years $ | Over 5 Years $ | Non-rate Sensitive $ | Total $ |
|---|---|---|---|---|---|---|
| **LIABILITIES & EQUITY** | | | | | | |
| *Interest-Bearing Liabilities* | | | | | | |
| Members' Voluntary Share Capital | 1,335,126,053 | - | - | - | - | 1,335,126,053 |
| Savings Deposits | 232,304,642 | 369,538,242 | 448,799,120 | 31,307,609 | - | 1,081,949,613 |
| | 1,567,430,695 | 369,538,242 | 448,799,120 | 31,307,609 | - | 2,417,075,666 |
| *Non Interest-Bearing Liabilities* | | | | | | |
| Accruals | - | - | - | - | 12,583,905 | 12,583,905 |
| Payables | - | - | - | - | 15,190,212 | 15,190,212 |
| Others | - | - | - | - | 5,167,517 | 5,167,517 |
| | - | - | - | - | 32,941,634 | 32,941,634 |
| *Equity* | | | | | | |
| Members' Permanent Share Capital | - | - | - | - | 76,664,752 | 76,664,752 |
| Non-Institutional Capital | - | - | - | - | 279,090,479 | 279,090,479 |
| Institutional Capital | - | - | - | - | 505,957,737 | 505,957,737 |
| | - | - | - | - | 861,712,968 | 861,712,968 |
| | 1,567,430,695 | 369,538,242 | 448,799,120 | 31,307,609 | 894,654,602 | 3,311,730,268 |
| **Net Interest Rate Gap** | ( 556,116,891) | ( 154,451,131) | 527,478,670 | 586,400,815 | ( 662,063,511) | (258,752,048) |
| **Cumulative Interest Rate Gap** | ( 556,116,891) | ( 710,568,022) | ( 183,089,352) | 403,311,463 | (258,752,048) | - |

<----------2012---------->

| | Within 3 Months $ | 3 to 12 Months $ | 1 to 5 Years $ | Over 5 Years $ | Non-rate Sensitive $ | Total $ |
|---|---|---|---|---|---|---|
| **Net Interest Rate Gap** | ( 461,796,919) | ( 150,121,237) | 595,747,546 | 592,304,120 | ( 576,133,510) | - |
| **Cumulative Interest Rate Gap** | ( 461,796,919) | ( 611,918,156) | (16,170,610) | 576,133,510 | - | |

**31. Financial Instruments and Financial Instruments Risk Management (cont'd):**

**c) Market Risk (cont'd.)**

ii) Interest rate risk (cont'd)

***Sensitivity Analysis***

During the period December 2012 to February 2013, interest rates continued to trend downward, with the BOJ 3-6 months deposit rates moving by approximately 140 basis points from 6.9% to 5.5% as a result of GOJ's continuing its policies of lowering interest rates.

The downward movement in interest rates is expected to continue as a result of the National Debt Exchange (NDX) agreement instituted by the Government of Jamaica in February 2013.

Assuming interest rate movements as set out below these would affect surplus and equity as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Interest Rate % | $ | Interest Rate % | $ |
| ***Financial Assets*** | | | | |
| Liquid Assets | | | | |
| Local Savings Accounts | 0.08 | 119 | 0.08 | 113 |
| Foreign Savings Accounts | 0.2 | 45,314 | 0.2 | 39,300 |
| Held-to-Maturity Investments | 2.0 | 9,399,190 | 2.0 | 8,543,286 |
| Loans to Members | 0.2 | 3,580,417 | 0.2 | 3,142,872 |
| Financial Investments | 1.25 | 6,949,098 | 1.25 | 7,883,788 |
| | | 19,974,138 | | 19,609,359 |
| ***Financial Liabilities*** | | | | |
| Members' Voluntary Share Capital | | | | |
| | 0.05 | 667,563 | 0.05 | 620,403 |
| Savings Deposits | 0.1 | 1,132,538 | 0.1 | 1,003,448 |
| | | 1,800,101 | | 1,623,851 |
| | | 18,174,038 | | 17,985,508 |

This analysis assumes that all other variables, in particular exchange rates, remain constant.

**32. Financial Instruments and Financial Instruments Risk Management (cont'd):**

d) **Operational risk**

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

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

The primary responsibility for the development and implementation of controls to identify operational risk is assigned to Senior Management. This responsibility is supported by overall Credit Union standards for the management of operational risk in the following areas:

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

Compliance with Credit Union policies is supported by a programme of periodic reviews undertaken by an Internal Audit Unit and the Credit Union's regulatory body. The results of Internal Audit and other reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Supervisory Committee, senior management and the Board of Directors.

**32. Financial Instruments and Financial Instruments Risk Management (cont'd):**

**e) Fair value**

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The following table provides an analysis of financial instruments held as at 31st December 2013 that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

There were no transfers between levels during the year.

| | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| Available-for-sale Investments - | | | | |
| Unquoted Investments at Fair Value | - | - | 585,726,681 | 585,726,681 |
| Quoted Investments at Fair Value | - | - | - | - |
| | - | - | 585,726,681 | 585,726,681 |

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Many of the Credit Union's financial instruments lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

The fair values of cash resources, securities purchased under resale agreements, other assets, other liabilities, are assumed to approximate their carrying values due to their short-term nature.

**32. Financial Instruments and Financial Instruments Risk Management (cont'd):**

**e) Fair Value (cont'd)**

The fair value of the quoted equities is determined based on their quoted bid price at the date of the statement of financial position. The fair value of Government of Jamaica securities is estimated by discounting the future cash flows of the securities at the estimated yields at the date of the statement of financial position for similar securities. The estimated fair values of loans to members are assumed to be the principal receivable less any allowance for loan losses.

The fair value of external credits, deposits payable on demand or after notice, and deposits with a variable or floating rate payable on a fixed date are assumed to be equal to their carrying values. The estimated fair values of fixed rate deposits payable within a year are assumed to approximate their carrying values, due to their short-term nature.

Fair values were estimated a follows:

The fair values of Liquid Assets, cash and bank balances, interest and other receivables; interest-bearing and non interest-bearing liabilities are assumed to approximate their carrying values due to their short-term nature;

Financial Investments and Liquid Assets classified as available for sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing or other recognised valuation techniques;

Loans and long term liabilities are carried at amortised cost, which is deemed to approximate their fair values as these balances attract rates and terms comparable to market rates and terms for similar transactions;

The fair values of deposits which are payable on demand or notice are assumed to be equal to their carrying values due to their short term nature.

| | Carrying Value | Fair Value | Carrying Value | Fair Value |
|---|---|---|---|---|
| | 2013 $ | 2013 $ | 2012 $ | 2012 $ |
| **Assets** | | | | |
| **Earning Assets** | | | | |
| Liquid Assets | 783,590,567 | 783,590,567 | 634,247,938 | 634,247,938 |
| Loans to Members (net) | 1,790,208,729 | 1,790,208,729 | 1,571,436,133 | 1,571,436,133 |
| Financial Investments | 585,726,681 | 585,726,681 | 644,501,939 | 644,501,939 |
| **Non Earning Assets** | | | | |
| Liquid Assets | 60,452,717 | 60,452,717 | 43,178,833 | 43,178,833 |
| Other Assets | 26,973,266 | 26,973,266 | 37,489,373 | 37,489,373 |
| **Liabilities** | | | | |
| **Interest Bearing Liabilities** | | | | |
| Members' Vol. Share Capital | 1,335,126,053 | 1,335,126,053 | 1,240,806,081 | 1,240,806,081 |
| Member's Deposits | 1,132,537,532 | 1,132,537,532 | 1,003,447,538 | 1,003,447,538 |
| **Non-Interest Bearing Liabilities** | | | | |
| Accruals | 12,583,905 | 12,583,905 | 14,294,055 | 14,294,055 |
| Payables | 15,190,212 | 15,190,212 | 12,339,701 | 12,339,701 |
| Others | 5,167,517 | 5,167,517 | 6,006,960 | 6,006,960 |

**33. Effects of Changes in Accounting Policies:**

(i) Adoption of IAS 19 (Revised 2011)

The adoption of IAS 19 (Revised 2011) have resulted in changes to:

(a) The way income or expenses is determined in relation to the Credit Union's defined benefit pension plan.

(ii) Quantitative effects of change in accounting policy.

The table below presents a summary of the quantitative effects of the above change in accounting policy.

Effects on statement of financial of position

1st January 2012

| | Previously Reported $ | IAS 19 Adjustments $ | Restated Financial Position $ |
|---|---|---|---|
| **ASSETS:** | | | |
| **EARNING ASSETS:** | | | |
| Liquid Assets | 769,269,129 | - | 769,269,129 |
| Loans to Members after Provision for Impairment | 1,187,638,487 | - | 1,187,638,487 |
| Financial Investments | 594,653,711 | - | 594,653,711 |
| **Total Earning Assets** | 2,551,561,327 | - | 2,551,561,327 |
| **NON-EARNING ASSETS:** | | | |
| Liquid Assets | 52,614,343 | - | 52,614,343 |
| Other Assets | 39,282,713 | - | 39,282,713 |
| Property, Plant & Equipment | 61,799,697 | - | 61,799,697 |
| Retirement Benefit Asset | 50,901,000 | (13,406,000) | 37,495,000 |
| **Total Non-Earning Assets** | 204,597,753 | (13,406,000) | 191,191,753 |
| **TOTAL ASSETS** | 2,756,159,080 | (13,406,000) | 2,742,753,080 |
| **LIABILITIES :** | | | |
| **INTEREST BEARING LIABILITIES:** | | | |
| Members' Voluntary Share Capital | 1,169,292,535 | - | 1,169,292,535 |
| Savings Deposits | 886,316,554 | - | 886,316,554 |
| **Total Interest Bearing Liabilities** | 2,055,609,089 | - | 2,055,609,089 |
| **NON-INTEREST BEARING LIABILITIES:** | | | |
| Accruals | 9,656,977 | - | 9,656,977 |
| Payables | 17,425,829 | - | 17,425,829 |
| Others | 6,544,669 | - | 6,544,669 |
| **Total Non-Interest Bearing Liabilities** | 33,627,475 | - | 33,627,475 |
| **TOTAL LIABILITIES** | 2,089,236,564 | - | 2,089,236,564 |
| **EQUITY:** | | | - |
| Members' Permanent Share Capital | 57,198,000 | - | 57,198,000 |
| Non-Institutional Capital | 223,167,276 | (13,406,000) | 209,761,276 |
| Institutional Capital | 386,557,240 | - | 386,557,240 |
| **Total Capital** | 666,922,516 | (13,406,000) | 653,516,516 |
| **TOTAL LIABILITIES AND EQUITY** | 2,756,159,080 | (13,406,000) | 2,742,753,080 |

**33. Effects of Changes in Accounting Policies (Cont'd):**

(ii) Quantitative effects of change in accounting policy (cont'd).

Effects on statement of financial of position

31st December 2012

| | Previously Reported $ | IAS 19 Adjustments $ | Restated Financial Position $ |
|---|---|---|---|
| **ASSETS:** | | | |
| **EARNING ASSETS:** | | | |
| Liquid Assets | 634,247,938 | - | 634,247,938 |
| Loans to Members after Provision for Impairment | 1,571,436,133 | - | 1,571,436,133 |
| Financial Investments | 644,501,939 | - | 644,501,939 |
| **Total Earning Assets** | 2,850,186,010 | - | 2,850,186,010 |
| **NON-EARNING ASSETS:** | | | |
| Liquid Assets | 43,178,833 | - | 43,178,833 |
| Other Assets | 37,489,373 | - | 37,489,373 |
| Property, Plant & Equipment | 62,749,772 | - | 62,749,772 |
| Retirement Benefit Asset | 55,374,000 | (3,106,000) | 52,268,000 |
| **Total Non-Earning Assets** | 198,791,978 | (3,106,000) | 195,685,978 |
| **TOTAL ASSETS** | 3,048,977,988 | (3,106,000) | 3,045,871,988 |
| **LIABILITIES :** | | | |
| **INTEREST BEARING LIABILITIES:** | | | |
| Members' Voluntary Share Capital | 1,240,806,081 | - | 1,240,806,081 |
| Savings Deposits | 1,003,447,538 | - | 1,003,447,538 |
| **Total Interest Bearing Liabilities** | 2,244,253,619 | - | 2,244,253,619 |
| **NON-INTEREST BEARING LIABILITIES:** | | | |
| Accruals | 14,294,055 | - | 14,294,055 |
| Payables | 12,339,701 | - | 12,339,701 |
| Others | 6,006,960 | - | 6,006,960 |
| **Total Non-Interest Bearing Liabilities** | 32,640,716 | - | 32,640,716 |
| **TOTAL LIABILITIES** | 2,276,894,335 | - | 2,276,894,335 |
| **EQUITY:** | | | |
| Members' Permanent Share Capital | 68,667,011 | - | 68,667,011 |
| Non-Institutional Capital | 260,770,010 | (3,106,000) | 257,664,010 |
| Institutional Capital | 442,646,632 | - | 442,646,632 |
| **Total Capital** | 772,083,653 | (3,106,000) | 768,977,653 |
| **TOTAL LIABILITIES AND EQUITY** | 3,048,977,988 | (3,106,000) | 3,045,871,988 |

**33. Effects of Changes in Accounting Policies (Cont'd):**

(ii) Quantitative effects of change in accounting policy (cont'd).

Effects on statement of comprehensive income
(For the year ended 31st December 2012)

**31st December 2012**

| | Previously Reported $ | IAS 19 Adjustments $ | Restated Comprehensive Income $ |
|---|---|---|---|
| **INTEREST INCOME:** | | | |
| Liquid Assets | 42,362,385 | - | 42,362,385 |
| Loans to Members | 234,284,646 | - | 234,284,646 |
| Financial Investments | 60,250,298 | - | 60,250,298 |
| | 336,897,329 | - | 336,897,329 |
| **INTEREST EXPENSE:** | | | |
| Interest Expense on Members' Voluntary Shares | 25,421,766 | - | 25,421,766 |
| Savings Deposits | 34,635,721 | - | 34,635,721 |
| Other Financial Costs | 10,164,983 | - | 10,164,983 |
| | 70,222,470 | - | 70,222,470 |
| **NET INTEREST INCOME** | 266,674,859 | - | 266,674,859 |
| Provision for Loan Impairment | 7,170,385 | - | 7,170,385 |
| **NET INTEREST INCOME AFTER PROVISION** | 259,504,474 | - | 259,504,474 |
| **NON - INTEREST INCOME** | | | |
| Other Income | 50,335,510 | - | 50,335,510 |
| | 50,335,510 | | 50,335,510 |
| **GROSS INCOME** | 309,839,984 | - | 309,839,984 |
| **Less Operating Expenses** | 229,515,683 | - | 229,515,683 |
| **NET INCOME BEFORE HONORARIA** | 80,324,301 | - | 80,324,301 |
| Honoraria Payment | (1,600,000) | - | (1,600,000) |
| **NET INCOME AFTER HONORARIA** | 78,724,301 | - | 78,724,301 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Items that will or may be reclassified to profit or loss:** | | | |
| Revaluation- Available for Sale Investments | (294,858) | - | (294,858) |
| **Items that will not be reclassified to profit or loss:** | | | |
| Remeasurement of retirement benefit asset | 4,473,000 | 10,300,000 | 14,773,000 |
| **TOTAL COMPREHENSIVE INCOME AFTER HONORARIA** | 82,902,443 | 10,300,000 | 93,202,443 |

# APPROPRIATION OF NET SURPLUS

As Treasurer, I find it a pleasure to present to you the following proposal for distribution of surplus accumulated by the Credit Union as at December 31, 2013.

| | | |
|---|---|---|
| UNDISTRIBUTED NET SURPLUS | | $ 100,073,991.00 |
| APPROPRIATIONS | | |
| INSTITUTIONAL CAPITAL | $ 45,000,000 | |
| SOCIAL OUTREACH | $ 750,000 | |
| CAPITAL EXPENDITURE RESERVES | $ 5,000,000 | |
| DIVIDENDS (10%) | $ 7,300,000 | |
| GENERAL LOAN LOSS RESERVES | $ 10,000,000 | |
| DISASTER RELIEF FUND | $ 300,000 | |
| SYDNEY CARTER SCHOLARSHIP | $ 800,000 | |
| HONARARIUM | $ 1,800,000 | |
| TOTAL | | ($ 70,950,000) |
| BALANCE C/F TO NEXT YEAR | | $ 29,123,991 |

**FIXING OF MAXIMUM LIABILITY**

Be it resolved that the Maximum Liability for which the Board of Directors may commit Manchester Co-operative Credit Union (1977) Limited for the year 2014, shall not exceed a ratio of twelve (12) times the Capital and Reserve Fund.



# Credit Committee Report

## Introduction

The weakening economy generated by instability in the foreign exchange market and declining consumer confidence were factors affecting the financial sector during the year. The Credit Union was affected as competition was heightened as all the players from the traditional financial institutions as well as those in the micro-finance sector jostled to maintain and ultimately increase their share in the market.

Manchester Co-operative Credit Union (1977) Limited took proactive measures by adjusting the existing products and services in order to make them more attractive and affordable to our members. These measures were welcomed by our members as they were able to utilize the loan products towards home improvement, wealth creation and personal development.

Notwithstanding the challenges the Credit Union was able to achieve a growth in the loan portfolio of 14.40% just below the target of 15%; while managing to control the delinquency rate with the combined efforts of the committed staff and members.

# Comparison of Loans Disbursed 2013 & 2012

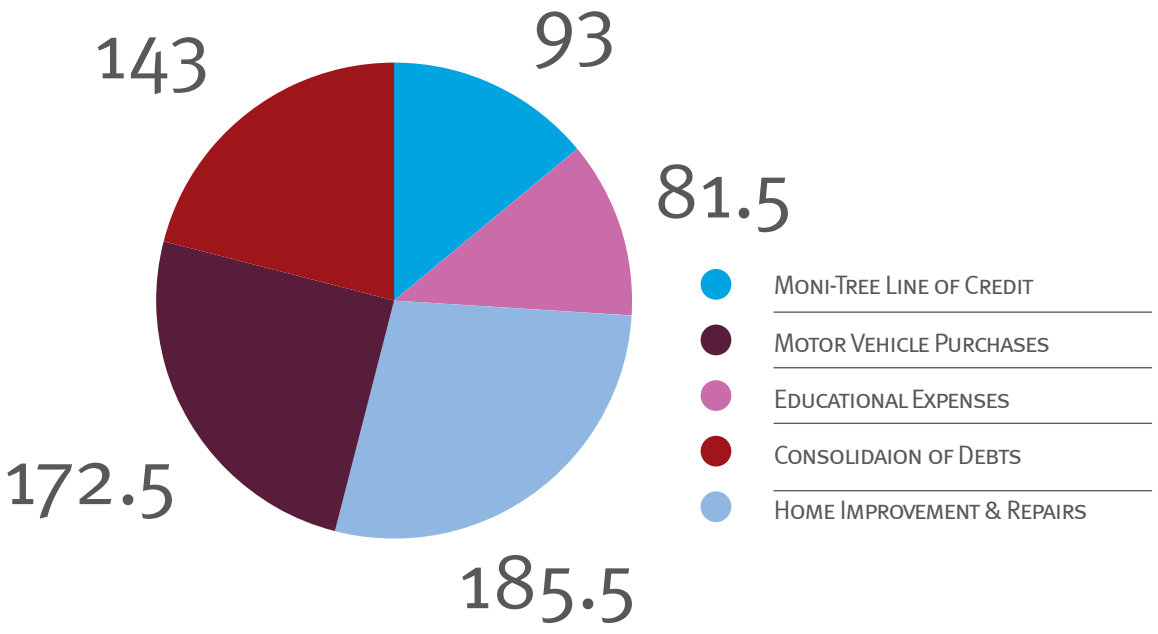
| | Number of Borrowers | | | Amount Disbursed ($) | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | Change | 2013 | 2012 | Change |
| Consolidation of Debts | 558 | 545 | 13 | 143,072,887.21 | 134,623,440.29 | 8,449,446.92 |
| Purchases of Land & Builadings | 39 | 60 | (21) | 55,02,700.27 | 42,399,646.64 | 12,903,053.63 |
| Home Improvement & Repairs | 851 | 1101 | (250) | 185,578,967.23 | 225,297,914.19 | (39,718,946.96) |
| Agriculture | 103 | 224 | (121) | 10,741,662.00 | 19,997,716.77 | (9,256,054.77) |
| Medical Expenses | 106 | 104 | 2 | 12,207,961.80 | 8,203,575.34 | 4,004,386.46 |
| Motor Vehicle Repairs | 298 | 370 | (72) | 34,741,414.69 | 37,087,435.55 | (2,346,020.86) |
| Motor Vehicle Purchases | 220 | 265 | (45) | 172,513,095.51 | 194,692,685.53 | (22,179,590.02) |
| Educational Expenses | 617 | 711 | (94) | 81,507,836.43 | 94,255,387.62 | (12,747,551.19) |
| Vacation & Travel | 7a5 | 78 | (3) | 10,481,668.52 | 9,339,454.67 | 1,142,213.85 |
| Household Appliance Purchase & Repairs | 218 | 241 | (23) | 24,690,872.74 | 23,182,271.48 | 1,508,601.26 |
| Businessa Investment | 588 | 620 | (32) | 24,690,872.74 | 101,582,167.88 | 1,760,357.18 |
| Miscellaneous Expensesa | 242 | 740 | (498) | 23,733,142.36 | 39,257,285.73 | (15,524,143.37) |
| Wedding Expenses | 17 | 24 | (7) | 2,762,970.89 | 3,527,571.83 | (764,600.04) |
| Funeral Expenses | 40 | 63 | (23) | 5,292,807.22 | 6,736,180.63 | 1,443,373.41 |
| Legal Expenses | 28 | 31 | (3) | 4,708,322.62 | 5,069,674.19 | (361,351.57) |
| Special Education Loan | 165 | 140 | 25 | 22,990,048.40 | 25,792,247.42 | (2,802,199.02) |
| Special Home Loan - HOPE | 1 | 3 | (2) | 1,500,000.00 | 5,340,566.11 | (3,840,566.11) |
| Moni-Tree Line of Credit | 3539 | 1818 | 1721 | 93,034,510.79 | 66,166,302.11 | 26,868,208.68 |
| Small Business Loan | 52 | 71 | (19) | 4,501,549.29 | 6,626,838.02 | (2,125,288.73) |
| Prosperity Loan | 62 | 0 | 62 | 9,118,000.00 | 0.00 | 9,118,000.00 |
| TOTAL | 7819 | 7209 | 610 | 1,001,822,943.03 | 1,049,178,362.00 | (47,355,418.97) |

When compared with 2012; loans increased in numbers by 610 or 8.46% from 7209 to 7819, however there was a decrease in the dollar value by $47 million or 4.51% from $1.049 billion to $1.001 billion. The overall loan portfolio increased from $1.604 billion in 2012 to $1.835 billion in 2013 representing a growth of 14.40%.

### *Profile of Loans Disbursed*

The following chart displays the top five categories of loans disbursed during the year. Home Improvement accounted for the largest category disbursed during the year; however, compared to 2012 there was a decline of 17.63% from $225 million to $185.5 million. Debt Consolidation and Moni-Tree Line of Credit were the only categories in the top five to record increases for the years in comparison.

## Major Loan Categories in JMD $ Millions




**AMENDMENTS**

During the year amendments were made to the Regular Unsecured, Special Education, Tuition Plus and Monimax Loan products allowing members to access loans up to a maximum of $900,000 above their shares. A ceiling was established for loans secured by motor vehicles and real estate in an effort to limit the Credit Union's exposure in the event of impairment. The HOPE Loan product was discontinued; the maximum repayment term for loans secured by real estate and motor vehicles were increased while interest rates were reduced in order to make loans more affordable to you our members.

Adjustments were made to the Delinquency Policy, to allow our members who may have had minor challenges in servicing their loans secured by cash held at the Credit Union, to maintain the loan but transfers could be done from the share security to clear the arrears. This is a win-win situation has your funds are still in intact and your arrears are cleared.

### *Loan Administration*

Technology was used to enhance the loan administration process and ensure that the overall processing time was further reduced. The Credit Union will continue to monitor this area to ensure we continue to provide efficient service in an effective manner.

## WAIVERS

The following waivers were granted for eleven (11) loans during 2013:

| | Number of Loans | Dollar Value ($) |
|---|---|---|
| Extend Loan Term | 9 | 25,391,601.84 |
| Increase % of cash surrender value of insurance policy | 1 | 5,909,902.94 |
| Reduce Share Requirement | 1 | 7,850,000.00 |
| **TOTAL** | **11** | **39,151,504.78** |

### *Credit Committee Members Attendance for 2013*

The Credit Committee and Sub-Credit Committee held Twenty (20) and Fifteen (15) meetings respectively during the year under review and the attendance of the members are listed below:

| | Possible Meetings | Attended | Excused | Absent |
|---|---|---|---|---|
| Mr. Churton Douglas | 20 | 19 | 1 | 0 |
| Mrs. Lilieth Sutherland | 20 | 17 | 3 | 0 |
| Mr. George Sloley | 20 | 18 | 2 | 0 |
| Mrs. Vivinne Grant | 12 | 10 | 2 | 0 |
| Mrs. Thelma Vassall | 12 | 8 | 4 | 0 |
| Mr. Harris Senior | 8 | 8 | 0 | 0 |
| Mrs. Doreen Daley-Grant | 8 | 7 | 1 | 0 |

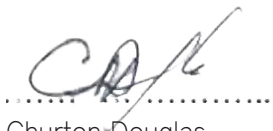
| | Possible Meetings | Attended | Excused | Absent |
|---|---|---|---|---|
| Mr. Everard Harriott | 15 | 15 | 0 | 0 |
| Mrs. Jean Lee-Wright | 8 | 7 | 1* | 0 |
| Mr. Paul Grant | 8 | 8 | 0 | 0 |
| Mrs. Margarita Barrett | 7 | 6 | 1 | 0 |
| Mrs. Novie Anderson | 7 | 7 | 0 | 0 |

*Note: A member of the Credit Committee was a part of the meeting.

## CONCLUSION

The Credit Committee wishes to thank the Board of Directors, all committees, management and staff, particularly those of the Credit Department, for your tremendous support throughout the year. Your contribution has enabled the Credit Union to continue to offer superior quality products and services to the membership at competitive and affordable rates. We take this opportunity to commend our members, who despite the harsh economic climate continue to support the organization; we value your business and pledge to always provide you with service that exceeds your expectation.
We look forward to serving you in 2014 and beyond with God's guidance, wisdom and the abiding presence of his spirit.

Thank you.



Churton Douglas
CHAIRMAN



# Supervisory Committee Report

The credit unions across the globe face enormous challenges in the current marketplace and economic environment. Although some have defined the challenges as insurmountable, Manchester Co-operative Credit Union envisions a brighter future. We believe that our Credit Union can continue to make a significant difference in the lives of our members.

The Supervisory Committee has been entrusted with the responsibility of ensuring that the assets of the Credit Union are being managed prudently and in the interest of the members. It is on this premise that the Committee, supported by the Internal Auditor, dedicated quality time and resources in examining the financial records and operations of the Credit Union. The general objectives were to ensure efficiency and effectiveness, accuracy of financial records, as well as establishing whether the control environment was adequate to reduce the risk for impropriety. As mandated, the Committee reported on its audit activities to the Board of Directors on a monthly basis. This facilitated the communication of appropriate recommendations to strengthen the internal controls where necessary.

During the financial year, January to December 2013, fourteen (14) committee meetings were held. The attendance of the members is outlined in the following table:

| | Possible Meetings | Attended | Excused | Absent |
|---|---|---|---|---|
| Glenroy Griffiths | 7 | 7 | 0 | 0 |
| Kingsley Andrews | 14 | 13 | 1 | 0 |
| Junior Isaacs | 14 | 13 | 1 | 0 |
| Calvin Palmer | 14 | 11 | 3 | 0 |
| Jennifer Haslam | 7 | 7 | 0 | 0 |
| Tracey-Ann Allen | 14 | 10 | 4 | 0 |
| Helen Campbell-Wint** | 7 | 2 | 5 | 0 |
| Jean Lee-Wright | 7 | 6 | 1 | 0 |
| Ruthan Smile-Smikle | 7 | 5 | 2 | 0 |
| Joan White-McDaniel | 7 | 6 | 1 | 0 |
| Claudette Gayle-Foster | 7 | 7 | 0 | 0 |
| Barbara Chamberlain | 7 | 5 | 2 | 0 |

** The member was ill during the review period and subsequently retired from the committee

***The activities conducted during the year are summarized below:***

***New Members' Accounts***

The audit of New Members' Accounts was conducted during the review period to establish whether there was adherence with the Credit Union's established policy and procedures as well as external regulations, such as the Proceeds of Crime Act. The audit established that there was the need for improvement in a few areas. In light of this, appropriate recommendations were made to aid in strengthening the controls or areas of weakness.

***Audit of Salaries***

The objectives for the examination of salaries were to ensure that the salary rates were appropriately approved, payments were bona-fide and accurate. Checks were also made to ascertain whether the necessary postings to the related ledger accounts were done and that there was compliance with internal procedures as well as external regulations. One exception was observed, however it was seen where the matter was resolved subsequent to the audited period.

***ATM Cash Counts***

ATM cash counts were done to ascertain whether adequate controls were in place to safeguard cash and whether cash was properly accounted for. No material exceptions were revealed from these audit activities.

### *Bank Reconciliations*

The Bank Reconciliation Statements for the current accounts were audited to ascertain the timeliness and accuracy of these reconciliations. The audit also sought to ensure that there were no un-reconciled differences, and to establish whether the reconciliations received the appropriate review and approval. No exceptions were revealed.

### *Staff and Volunteers Loan*

The examination of Staff and Volunteers Loans was carried out to determine whether the loans granted were in accordance with the stipulations of the Credit Union's Loan Policy and applicable procedures. The aim was also to ensure that the loan accounts were in good standing, the loans were adequately secured, and the related securities files were properly maintained. The audit exercise revealed strong internal controls in the lending process. Review of the loans approval process revealed consistency in action as it relates to Credit Committee approval, which was defined and consistent. The securities functions were on point as it regards the monitoring process. No major findings were observed. Recommendations were made where opportunities for improvement were seen.

### *Fixed Assets*

An audit was carried out to ascertain whether the internal controls of the Credit Union were adequate to ensure the proper management of its fixed assets. This relates to the procedures for acquisition, physical safeguards, accounting and record keeping as well as disposal. Steps were also taken to verify compliance with the applicable policies and procedures. The procedures undertaken revealed that the Credit Union employed a systematic approach in the management of its fixed assets from the budgeting stage to disposal/discard. In general, there were appropriate safeguards over the assets, which promoted efficiency in the control system. Areas of weakness were however identified and appropriate recommendations were made for improvement. Corrective actions were subsequently taken to resolve majority of the issues.

### *Treasury Cash Counts*

No material exceptions were observed from the cash counts conducted in this area during the review period. There were adequate safeguards over cash and the funds were properly accounted for.

### *Daily Security Log Reports*

In light of the risk for manipulation of dormant and inactive accounts, the audit of the Daily Security Log Reports was done to determine if the Credit Union's policy for the handling of these accounts were complied with. Steps were also taken to ascertain whether transactions in the accounts were authentic and properly authorized, and to verify adjustments to other system information such as loan terms, interests and payment amounts, and other details. Some areas of weakness were revealed by the audit. Recommendations were made for improvement in those areas.

### *Audit of Interest Paid on Deposit Accounts*

The examination of a sample of deposit accounts was done to determine the accuracy of the interest rates applied and the amounts paid as interest. The amounts for withholding tax were tested to verify that they were correct and checks were made to ensure that the amounts were posted to the related ledger accounts. The audit revealed no weakness in this area. The interest and tax rates applied were found to be in keeping with the rates stipulated by the Credit Union and the Government respectively and the amounts were appropriately accounted for in the records of the Credit Union.

### *Teller Cash Counts*

The teller cash counts were performed to ascertain whether the cash on hand reconciled with the Teller Closing Listings and whether there were adequate safeguards over cash. In some instances, differences were observed between the results of the physical cash counts and the cash amount on the Teller Closing Listings, however, the amounts were not significant.

## ACKNOWLEDGEMENT

The Committee's achievement would not have been attained without the invaluable support of the Board of Directors, Management, Staff, and the Internal Auditor. We wish to convey to them our sincere gratitude for their cooperation and camaraderie. We also take this opportunity to express our gratitude to all our members for having allowed us the opportunity to serve in the capacity as stewards of their investments.

In spite of the challenges ahead, with your cooperation, Manchester Co-operative Credit Union will remain the institution "Where Service Exceeds Expectation".



Kingsley Andrews
CHAIRMAN



# Nominating Committee Report

In accordance with Article XII, Rule 62 (i), of the Rules of Manchester Co-operative Credit Union (1977) Limited, which states in part,

"Not less than thirty (30) days prior to each Annual General Meeting, the Board of Directors shall appoint a Nominating Committee of three (3) members, of which not more than one may be a member of the existing Board of Directors." The Board of Directors appointed said Committee, which comprised of the following persons:

Mrs. Lesline Nelson-Thomas – Director/Chairma
Mr. Christopher Tyme – Member
Mr. Harris Senior–Member
Mrs. Vasiana Miller-Hewitt – Staff Liaison

The Nominating Committee hereby recommends the following nominees for the vacant positions:

## BOARD OF DIRECTORS

| | Retiring (Position Vacant) | Nominated |
|---|---|---|
| Mrs. Dianna Tomlinson | | |
| Mrs. Pauline Isaacs-Cole | | |
| Rev. Joan Smith | Retiring | Rev. Joan Smith |
| Mrs. Lesline Thomas | | |
| Rev. Charles Danvers | Retiring | Rev. Charles Danvers |
| Mr. Robert Chennis | | |
| Miss Venetta Swaby | (Retiring) End of Term | Rev. Dr. Paul Gardner |
| Mr. Alvin Murray | Retired | Mrs. Darcia Roache ( to complete term for Alvin Murray) |
| Mr. Claude Rattray | | |
| Mrs. Sharon Peart | Retiring | Mrs. Sharon Peart |
| Mr. Alfred Daley | Retiring | Mr. Alfred Daley |

## CREDIT COMMITTEE

| | Retiring (Position Vacant) | Nominated |
|---|---|---|
| Mr. Churton Douglas | Retiring | Mr. Churton Douglas |
| Mr. George Sloley | | |
| Mrs. Thelma Vassall | | |
| Ms. Lilieth Sutherland | Retiring | Ms. Lilieth Sutherland |
| Mrs. Vivinne Grant | | |

## SUB-CREDIT COMMITTEE

| | Retiring (Position Vacant) | Nominated |
|---|---|---|
| Mrs. Jean Lee-Wright | | |
| Mr. Everard Harriott | Retiring | Mr Everard Harriott |
| Mr. Paul Grant | | |

## SUPERVISORY COMMITTEE

| | Retiring Position Vacant | Nominated |
|---|---|---|
| Mrs. Joan White-McDaniel | Retiring | Miss Ann Rowe |
| Miss Tracey-Ann Allen | Retiring | Mrs. Claudette Griffiths-McKenzie |
| Mrs. Ruthan Smile-Smikle | Retiring | Mrs. Ruthan Smile-Smikle |
| Mr. Junior Issacs | Retiring | Mr. Junior Issacs |
| Mr. Kingsley Andrews | Retiring | Mr. Kingsley Andrews |

## SUB-SUPERVISORY COMMITTEE

| | Retiring Position Vacant | Nominated |
|---|---|---|
| Mrs. Claudette Gayle-Foster | Retiring | Mrs. Claudette Gayle-Foster |
| Mrs. Barbara Chamberlain | Retiring | Mrs. Barbara Chamberlain |
| Mr. Calvin Palmer | Retiring | Mr. Calvin Palmer |

**APPENDIX**

If elected as recommended the new cadre of volunteers will serve as follows:

BOARD OF DIRECTORS

| | Status | Term |
|---|---|---|
| Rev. Charles Danvers | Continuing | 2 Years |
| Mrs. Sharon Peart | Continuing | 2 Years |
| Mrs. Lesline Thomas | Continuing | 1 Year |
| Mrs. Pauline Isaacs-Cole | Continuing | 1 Year |
| Mr. Robert Chennis | Continuing | 1 Year |
| Mr. Alfred Daley | Continuing | 2 Years |
| Mr. Claude Rattray | Continuing | 1 Year |
| Rev. Joan Smith | Continuing | 2 Years |
| Mrs. Dianna Tomlinson | Continuing | 1 Year |
| Rev. Dr. Paul Gardner | New | 2 Years |
| Mrs. Darcia Roache | New | 1 Year |

## CREDIT COMMITTEE

| | Status | Term |
|---|---|---|
| Mr. Churton Douglas | Continuing | 2 Years |
| Ms. Lilieth Sutherland | Continuing | 2 Years |
| Mr. George Sloley | Continuing | 1 Year |
| Mrs. Vivinne Grant | Continuing | 1 Year |
| Mrs. Thelma Vassall | Continuing | 1 Year |

## SUB-CREDIT COMMITTEE

| | Status | Term |
|---|---|---|
| Mr. EverardHarriott | Continuing | 2 Years |
| Mrs. Jean Lee-Wright | Continuing | 1 Year |
| Mr. Paul Grant | Continuing | 1 Year |

## SUPERVISORY COMMITTEE

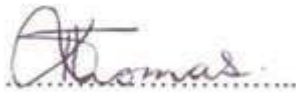
| | Status | Term |
|---|---|---|
| Mr. Kingsley Andrews | Continuing | 1 Year |
| Mr. Junior Isaacs | Continuing | 1 Year |
| Mrs. Ruthan Smile-Smikle | Continuing | 1 Year |
| Ms. Ann Rowe | New | 1 Year |
| Mrs. Claudette Griffiths-McKenzie | New | 1 Year |

SUB-SUPERVISORY COMMITTEE

| | Status | Term |
|---|---|---|
| Mr. Calvin Palmer | Continuing | 1 Year |
| Mrs. Claudette Gayle-Foster | Continuing | 1 Year |
| Mrs. Barbara Chamberlain | Continuing | 1 Year |

## DELEGATES TO THE CREDIT UNION LEAGUE & OTHER CO-OPERATIVE SOCIETIES

The Nominating Committee is recommending that the authority be given to the Board of Directors to elect representatives to the Jamaica Co-operative Credit Union League Limited and other Co-operatives Societies to which the Credit Union may be affiliated.



Lesline Thomas (Mrs.)
Chairman

# Profile of Nominees

## *Mrs. Darcia Roache*

Mrs. Darcia Roache has been a member of the Manchester Co-operative Credit Union for the past eighteen (18) years. She is currently the Director of Administration at the Manchester Parish Council and received her education at the Northern Caribbean University, Nova Southeastern University and the University of Phoenix from which she currently holds a Doctorate in Business Administration.

Mrs. Roache has also lectured at the University College of the Caribbean and the Management Institute of National Development at the undergraduate and post graduate levels. She is an active member of her community with membership in the Manchester Chamber of Commerce and the Lay Magistrate Association.

Mrs. Roache has been nominated to serve on the Board of Directors.

## *Miss Ann Rowe*

Miss Ann Rowe is presently a senior lecturer and head of department at the Knox Community College. Her wealth of knowledge and experience was gained from the College of Arts, Science and Technology, University of Technology, Church Teachers' College and the Northern Caribbean University. She is currently the holder of a Masters of Education Degree and ACCA Level 2.

She has been a member of the Manchester Co-operative Credit Union since November 17, 1989 and has utilized a number of products and services for the past twenty five (25) years. Miss Rowe has served on a number of committees at the college which include: Graduation Committee, Member of Curriculum Committee, Quality Assurance Committee-responsible for Accreditation, Coordination of Association of Accounting Technicians (AAT) and Association of Chartered Certified Accountants (ACCA) programs.

Miss Rowe has been nominated to serve on the Supervisory Committee.

## *Mrs. Claudette Griffiths-McKenzie*

Mrs. Claudette Griffiths-McKenzie is presently a senior teacher at the Christiana Leased Primary and Infant School in Christiana, Manchester. She received her education at the Bethlehem Teachers' College and is currently pursuing a Masters in Education at the Temple University.

Mrs. McKenzie is also the Librarian at the Christiana Leased Primary school. She volunteers for many programmes such as the Manchester Co-op Credit Union's School Savings Programme, the Red Cross, School Safety among others.

Mrs. Claudette Griffiths-McKenzie has been nominated to serve on the Supervisory Committee.

## *Rev. Dr. Paul Gardner*

Rev. Dr. Paul Gardner has been a member of the Manchester Co-operative Credit Union for over sixteen (16) years.

He has previously served as President of the Board of Directors for over twelve (12) years and recently as ex-officio officer to the Board. He received his education from the Columbia Theological Seminary, Church Teachers' College and the University of the West Indies.

Rev. Dr. Gardner is currently the president of the Moravian Church in Jamaica and the Cayman Islands, and has served on numerous school, church boards and committees. These include: World Council of Churches Central Committee, Jamaica Council of Churches, Jamaica Co-operative Credit Union League, Cairn Curran All Age School, Alston All Age School, Christiana High School.

Rev. Dr. Paul Gardner has been nominated to serve on the Board of Directors.

# STAFF LIST

## ADMINISTRATION DEPARTMENT

| | | |
|---|---|---|
| Mrs. Cynthia Briscoe | - | General Manager |
| Miss Carol Bowen | - | Executive Secretary |
| Mrs. Caroline Green | - | Telephone Operator Receptionist |
| Mrs. Lorette Ffrench - Francis | - | Risk & Compliance Officer |
| Miss Sherylee Duricka | - | Risk & Compliance Assistant |
| Mrs. Salome Ford-Brooks | - | Internal Auditor |
| Miss Maureen Peterkin | - | Registry Clerk |
| Miss Claudette McFarquhar | - | Office Attendant |
| Mr. William Allen | - | Messenger |
| Mr. Hicksford Robinson | - | Parking Attendant |

## ACCOUNTS DEPARTMENT

| | | |
|---|---|---|
| Mr. Lenroy Allen | - | Accounts Manager |
| Mr. Omar Greene | - | Information Technology Manager |
| Mrs. Delrose James | - | Senior Accounting Officer |
| Mrs. Jacqueline Kennedy | - | Systems Administrator |
| Mrs. Shelly Ann Daley-Broomfield | - | Accounting Clerk |
| Mr. Oliver Harrison | - | Accounting Clerk |

## MARKETING DEPARTMENT

| | | |
|---|---|---|
| Mr. Michael Gottshalk | - | Marketing Manager |
| Mrs. Nordia Banton-Reynolds | - | Marketing Officer |
| Mr. Greggory Mulgrave (Christiana) | - | Marketing Representative |

## MANDEVILLE BRANCH

| | | |
|---|---|---|
| Mrs. Wendy Hamm-McLean | - | Branch Manager |
| Mrs. Barbara Pitter-Reid | - | Assistant Branch Manager – Business Development & Sales |
| Miss Debbie Barrett | - | Utility Officer |
| Mrs. Deon Daley-White | - | Credit Officer |
| Miss Nadine Ricketts | - | Credit Officer |
| Mr. Richard Barrett | - | Credit Officer |
| Mrs. Ruth Anderson-Burnett | - | Securities Officer |
| Mrs. Ashieka Ebanks-Newell | - | Member Service Officer |
| Mr. Andrew Richards | - | Field Officer |
| Mrs. Loye Richards | - | Junior Credit Officer |
| Mrs. Donna Bent-White | - | Senior Member Service Representative |
| Miss Jenice Green | - | Member Service Representative |
| Miss Chantal Jamieson | - | Member Service Representative |
| Mrs. Jenese Ricketts-Whyte | - | Member Service Representative |
| Miss Lavene Gyles | - | Member Service Representative |
| Miss Kerry-Ann Gavin | - | Member Service Representative |
| Miss Neleasia Lambert | - | Member Service Representative |
| Miss Keniesha Pennant | - | Member Service Representative |
| Mr. Rajeve Stewart | - | H.E.A.R.T. Trainee |

## CHRISTIANA BRANCH

| | | |
|---|---|---|
| Mrs. Janice Gayle | - | Branch Manager |
| Mrs. Karen Christie-Riley | - | Secretary (Christiana) |
| Mrs. Gennevieve Minzie-Allen | - | Credit Officer |
| Mr. Floyd McConnell | - | Member Service Officer |
| Mrs Vasiana Miller-Hewitt | - | Senior Member Service Representative |
| Mrs. Sharon Williams | - | Member Service Representative |
| Mr. Mark Brown | - | Assistant Field Officer |
| Miss Samantha Johnson | - | Credit Officer |
| Miss Claudia Pitter | - | Credit Clerk |
| Mrs. Terryann Gayle-Birthwright | - | Member Service Representative |
| Miss Jholein Marshall | - | Member Service Representative |
| Miss Natalee Simpson | - | Member Service Representative |
| Mrs. Sonia White | - | Office Attendant |

# Condolences

ACENTO BROWN

AGATHA HYLTON

AUDREY REBHAN

BERESFORD MCLEOD

BEVERLY BROWN

BEVERLY HYPOLITE

CARL WILLIAMS

CARLTON SMITH

CARON CHAMBERS

CECIL HAWTHORNE

CLARENCE DUNWELL

CLARICE CLARKE FOSTER

CLAUDETTE PLUMMER

CONSTANTINE MORRIS

DAISY MCKENZIE

DAWN RAPLEY

DELROSY WALLACE

ELIZA ROWE

ENA MORGAN

ERIC BAKER

ERNEL CLARKE

EULA MILLER

EVELYN LAMBERT

FAITHLYN SMITH

GEORGE FARQUHARSON

GLEN SMITH

HERBERT LOVEJOY

HERBERT STANLEY

HUGH MORRISON

IRENE ELLIS

ISAIAH SPENCER

IVY SIMMONDS

JASMINE WILLIAMS

JENNIFER WHYTE

JEREMIAH ROBINSON

JOSEPH REID

LENEVE SCARLETT

LERA PRYCE

LINFORD PINNOCK

LOUIS LINDON

MARY PAGE

MILTON FFRENCH

MYRTLE ROBINSON

NELLIE DAYE

OLIVE NATION

PAUL LEWIS

PAULETTE DWYER

PHYLLIS BROWN

ROBERT DAVIS

RONA MYERS-PANCHO

ROSETTA RICKETTS

RUPERT EASY

SYLVESTER CLAYTON

VERONA FRITZ

VERONICA MASON-MCKENZIE

VICTOR RAYMOND HENRY

WORRELL FRANCIS

# Roles of the Board of Directors & Committees

## Board of Directors

- The business of the Credit Union shall be conducted by the Board of Directors, which shall be elected at the Annual General Meeting of the Credit Union. The major functions of the Board of Directors are as follows:
- Overall leadership, direction and control of the affairs of the Credit Union.
- Development of policies to guide the successful operations of the Organization.
- Deciding on the long-term goals and objectives of the Organization and planning for its achievement.
- Reporting to members at Annual General Meetings.
- Ensuring that the Credit Union's Rules, the Co-operative Societies Act and Regulations, the rules of the League and other relevant legislation are complied with.
- Recommending amendments to Rules.
- Ensuring the provision of competent and adequate personnel and facilities for efficient operation of the Credit Union.
- Monitoring and evaluating the performance of the Credit Union.
- Ensuring that members' funds and the assets of the Credit Union are adequately protected.
- Appointing relevant committees to assist the Board's functioning
- Equipping themselves with the requisite skills and knowledge to effectively perform their functions.
- Attending the requisite courses for certification as Credit Union Professionals.

## Credit Committee

- The Credit Committee shall be elected at the Annual General Meeting of the Credit Union. The committee has overall responsibility for the Loan Portfolio and Credit Administration of the Organization, guided by the Credit Policy approved by the Board of Directors. The functions of the Credit Committee include:
- Studying and implementing the Credit Policy of the Organization.
- Recommending amendments to the Credit Policy, where necessary.
- Evaluation and decision making on member loan requests
- Conducting interviews with loan applicants where required
- Determining the adequacy of security for loans
- Ensuring that delinquency is effectively controlled through the committee's evaluation and approval of loans.

## Supervisory Committee

- The Supervisory Committee shall be elected at the Annual General Meeting of the Credit Union and shall consist of not less than three members, none of whom shall be members of the Board of Directors or Credit Committee or Loan Officer or Employee.
- The Supervisory Committee is charged with the responsibility of being the Internal Audit Committee of the Credit Union for and on behalf of the members. The main functions of the committee include:
- Determining compliance with the Rules of the Credit Union, the Co-operative Societies Act and Regulations, the rules of the League and the Bank of Jamaica (Credit Unions) Regulations, when enacted.
- Ensuring that no irregular or unauthorized transactions are carried out by either employees or volunteers or any parties connected to these persons.
- Checking on the Credit Union's Credit Administration to ensure that delinquency is kept under control and that securities are adequately endorsed in the Credit Union's favour.
- Evaluating whether the policies and procedures established by the Board of Directors are documented and adhered to.
- Ascertaining whether the established systems of internal control provide reasonable assurance to the members that the assets of the Credit Union are adequately protected to ensure safeguards against errors, carelessness and fraud.
- Evaluating the Credit Union's compliance with applicable legislation and making recommendations to the Board of Directors where necessary.
- Receive and investigate any complaint made by any member affecting the proper running of the Credit Union.

# Parliamentary Rules of Order

1. (a) A member shall stand, when addressing the chair.

   (b) Speeches shall be clear and relevant to the subject before the meeting.

2. A member shall only address the meeting when called upon by the Chairman to do so, after which he/she immediately takes his/her seat.

3. No member shall address the meeting except through the Chairman.

4. A member shall not speak twice on the same subject except:

   (a) The mover of a motion who has the right to reply.

   (b) He/she rises to object or to explain (with permission of the Chair).

5. No speeches shall be made after the question has been put and carried or neglected.

6. The mover of a procedural motion (adjournments, postponement, lay on the table) shall have no right to reply.

7. 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.

8. (a) A member shall not call another member to order, but may draw the attention of

   the Chair to a "Breach of Order."

   (b) No event can a member call the Chair "to order."

9. A Question should not be put to the vote if a member desires to speak on it or move an amendment to it - except that a "Procedural Motion," the Previous Question "proceed to the next business" or the "closure." "That the question be now put," may be moved at any time.

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, in addition to his ordinary vote, a "Casting Vote" in the case of inequality votes.

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

14. The Chairman shall make provisions for the protection of members from vilification (personal abuse.)

15. No member shall impute improper motivates against the Chairman, Board of Directors, Officers of the Confederation or any other member.

## Fit and Proper Criteria for Credit Union Directors and Officers

### *What is the Fit and Proper Criteria?*

Requirement of the Bank of Jamaica Credit Union Regulations seeks to ensure that persons elected as Directors or officers of a Credit Union:-

- ✓ Are competent, diligent and able to exercise sound judgement.
- ✓ Have not been convicted of an offence involving honesty and are not Un-discharged Bankrupts.
- ✓ Have employment records free of acts of dishonesty or impropriety in the handling of financial affairs.

### *Fit and Proper Requirements for Credit Union Directors and Officers*

How does the process work?

- ✓ Notification of persons elected as Directors and Officers at a AGM or appointed by a committee and forwarded to the Supervisor.
- ✓ The Supervisor will assess the fitness of the persons.
- ✓ The Supervisor will advise the Credit Union if any person does not meet the fit and proper criteria.
- ✓ The Credit Union is then required to terminate the appointment of the affected person.

# *NATIONAL ANTHEM*

## ETERNAL FATHER

Eternal Father, bless our Land
Guard us with thy mighty hand,
Keep us free from evil powers,
Be our light through countless hours.
To our leaders, Great Defender
Grant true wisdom from above.
Justice, truth be ours forever.
Jamaica, land we love.
Jamaica, Jamaica, Jamaica,
Land we love

Teach us true respect for all,
Stir response to duty's call
Strengthen us the weak to cherish
Give us vision lest we perish.
Knowledge send us, Heavenly Father
Grant true wisdom from above
Justice, truth, be ours forever,
Jamaica, land we love.
Jamaica, Jamaica, Jamaica
Land we Love

# NOTES

# Internet Banking
## at your finger tips!

**Visit any of our branches or log on to**
**www.manchestercreditunion.com**

- You must have an active email address
- Complete internet banking application form
- Sign electronic banking services agreement
- Return forms to your nearest branch and receive your user log in

## Internet Banking allows you to:

- View account balances
- Make loan payments
- Transfer funds between your credit union accounts
- Transfer funds to another member's account




**At home or work**
**Whenever, wherever!**
**Sign up today!**

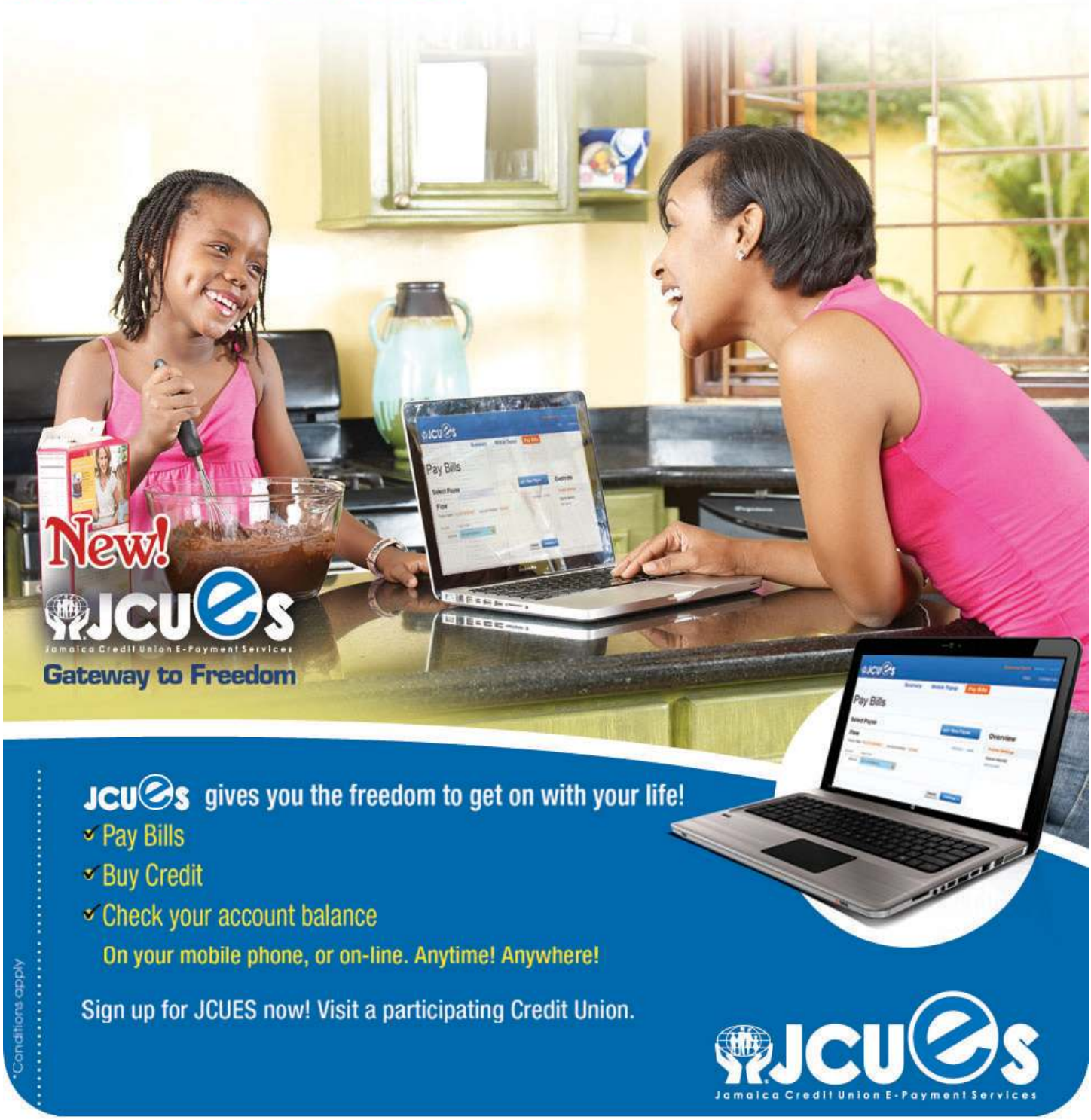
**...and make your life easier**

**Manchester Co-operative Credit Union (1977)Ltd.**

follow us on

*'Where Service Exceeds Expectation'*

# Cake to bake, bills to pay...
# All in the mix!




JCUES gives you the freedom to get on with your life!

- Pay Bills
- Buy Credit
- Check your account balance

On your mobile phone, or on-line. Anytime! Anywhere!

Sign up for JCUES now! Visit a participating Credit Union.

*Conditions apply

JCUES
Jamaica Credit Union E-Payment Services

www.jcues.com

POWERED BY
Mozido®

# Insurance Options

## The Family Indemnity Plan




Making provisions for the unexpected is important. At Manchester Co-op Credit Union we provide affordable security for you and your family through the Family Indemnity Plan. This insurance covers up to six (6) persons and pays cash upon death of member or other eligible family members

## Sagicor Health Insurance

Sagicor
Wise Financial Thinking for Life

Offered by Sagicor.
Contact our Member Service Departments for details

# Loan Options

## Secure 24
### Same Day, Low Interest Loan

- Borrow up to 95% of your Savings
- Enjoy a low interest rate on the reducing balance
- Approval of loan within 24 hours
- Hassle free
- Loan available for any legal purpose
- Free Life Savings & Loan Protection Insurance.
- Earn interest on your savings while it is held as security for the loan.

*Conditions Apply

## Commercial Auto Business Solutions – CABS

CABS
Commercial Auto Business Solutions

To purchase vehicles for Public transport operators (Taxi Drivers, Bus Operators) and Operators of other commercial vehicles ( Goods Truck, Refrigerated Trucks)

- Borrow from $800,000.00 up to $2 million
- Financing available for Vehicles up to 8 years old
- Up to 5 years to repay
- Minimum Share Requirement 15%
- Weekly and Monthly payments allowed
- Builds savings while loan is being repaid

## Motor Vehicle Loan

Dream WHEELS

- Loan available for purchase of vehicles up to 10 years old
- Repayment terms of up to 7 years
- Competitive loan rates
- Motor Vehicle insurance coverage available.
- Loan Protection insurance up to 1,200,000.00*

*Conditions apply

## Real Estate Loans

With minimum share requirement of 10%, members may access up to $10 million towards the purchase of property, construction or as a home equity loan. Up to 20 years to repay at competitive interest rates

## Moni-Tree Line of Credit

MONI-TREE Line of Credit

Now you can have ongoing access to credit in a timely, hassle free and affordable way. With the Moni-Tree Line of Credit you gain easy access to credit without the need to make multiple applications. Once your loan is approved, you can access the funds using your Access Plus ATM Card or by making a withdrawal at any of our branches. Enjoy continuous access to funds that fall within your credit limit. *Conditions apply

# Other Services

## Remittances

People 2 People Money Transfers

- Facilitates money transfers from the Caribbean and the United States
- Funds can be sent directly to Credit Union accounts

## Union of Love Bridal Registry

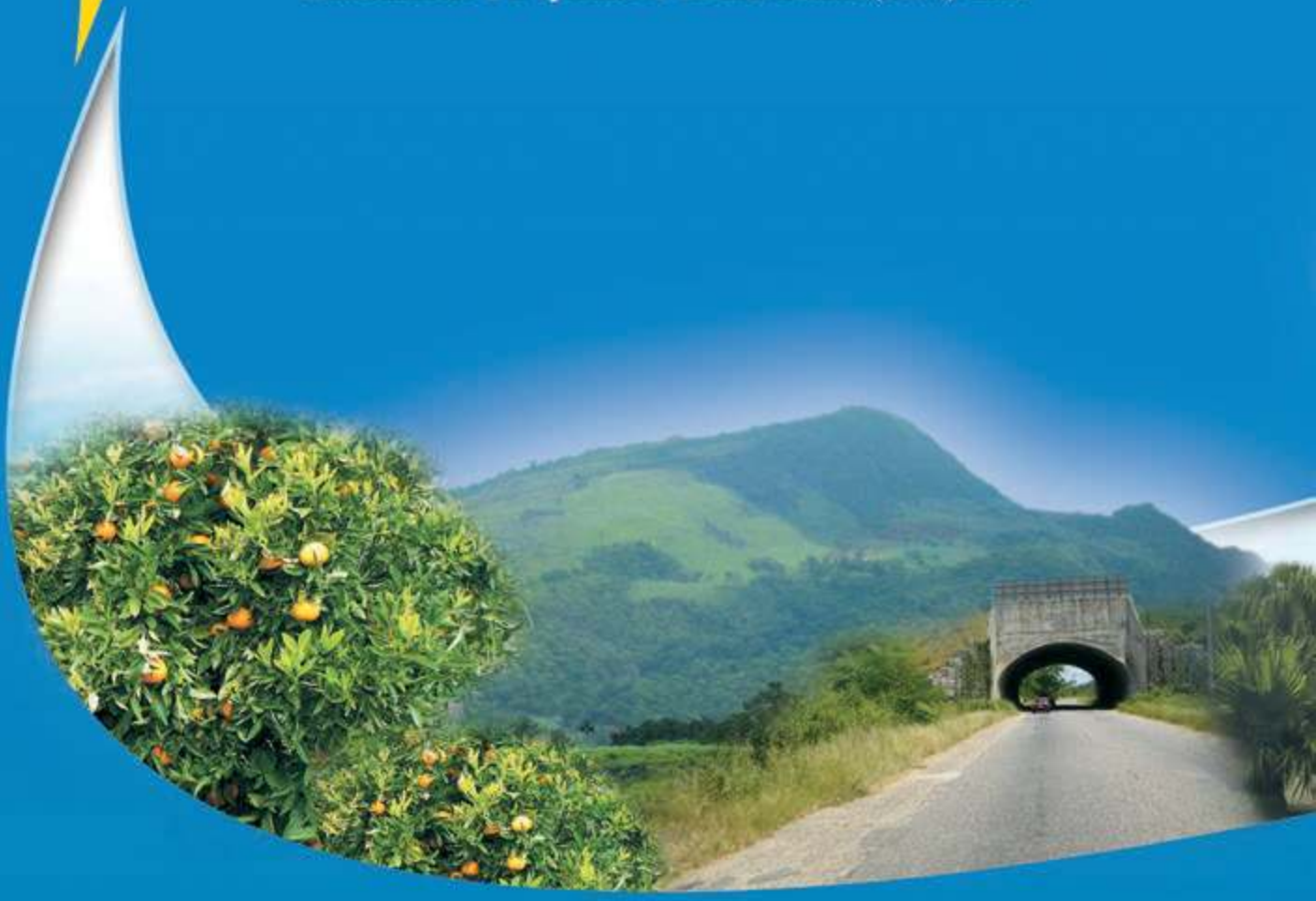



This bridal registry gives couples the chance to invest in their future together by having family, friends and well-wishers give cash gifts rather than the traditional gifts of yester year.

38th Annual General Meeting

# ANNUAL REPORT

## Manchester Co-operative Credit Union (1977) Ltd.




**Corporate/Mandeville Office**
2 Main Street, Mandeville, Manchester
Telephone: (876) 962-0401 / 3584
Fax: (876) 962-0205

**Christiana Office**
Main Street, Christiana, Manchester
Telephone: (876) 964-2408 / 3648
Fax: (876) 964-3270


www.manchestercreditunion.com


Cover Design by Blue Ember Concepts Ltd.....630-BLUE (2583)