



34th

Annual Report
2015

**BUILDING COMMUNAL
INSTITUTIONAL CAPITAL**



Vision statement

To become the first choice financial institution for the community we serve.

Mission Statement

To enhance the quality of life of our members and of the entire community, by providing superior quality financial services to them through a well trained staff and the utilization of appropriate technology.

Theme for AGM 2015

“Building Communal Institutional Capital”

Our Prayer

Lord, make me an instrument of thy peace,
Where there is hatred let me sow love,
Where there is injury, pardon;
Where there is doubt, faith;
Where there is despair, hope;
Where there is darkness, light;
And where there is sadness, joy.

O Divine Master, grant that I may not
So much seek to be consoled as to console;
To be understood as to understand;
To be loved as to love;
For it is giving that we received;
It is in pardoning that we are pardoned;
And it is in dying that we are born to eternal life.

Bless O Lord, our deliberations
And grant that whatever we may so do,
Will have thy blessing and guidance,
Through Jesus Christ our Lord,

Amen

Our Song

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

Chorus

**Together...we give and receive
Together we help each other to achieve
cause in our world today
It's not safe to be alone
Let's make each other's cares
To be our own.**

We all will be true savers
Though it is great or small
We will become shareholders
Providing loans for all
So when great need arises
Theres no uncertainty
Once in the Credit Union
Theres help for you and me

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

CONTENTS

Page : **4** Notice of 34th Annual General Meeting

Page : **5** Corporate Information

Page : **6** Standing Orders

Pages **7** Report from the Board of Directors

Pages **16** Treasurer Report

Pages **22** Report of the Credit Committee 2015

Pages **25** Report of the Supervisory Committee 2015

Pages **28** Nominating Committee Report

Pages **30** Budget 2016

Pages **35** Independent Auditor Report

Pages **65** Resolutions

Page **66** Deceased Members 2015

Pages **67** Messages from fellow Credit Unions

Page **69** Nomination Form

NOTICE OF THE 34th ANNUAL GENERAL MEETING

Dear Member,

Notice is hereby given that the 33rd Annual General Meeting of The Communal Co-operative Credit Union Limited will be held on Saturday 30th April 2016, at the Grenada Boys Secondary School, Tanteen, St. George's, Grenada, beginning at 12.30 p.m.

AGENDA

1. Call to Order
2. Opening Ceremony
3. Ascertainment of Quorum
4. Adoption of Agenda
5. Standing orders
6. Minutes of 33rd Annual General Meeting
 - a. Corrections and amendments
 - b. Confirmation
 - c. Matters arising
7. Reports for Discussion and Adoption
 - a. Board of Directors
 - b. Supervisory Committee
 - c. Credit Committee
8. Financial Reports
 - a. Treasurer's Report
 - b. Auditor's Report
9. Any other business / Members concerns
10. Nominations Committee Report/Elections
11. Resolutions:
 - a. Payment of a Dividend;
 - b. Approval of 2016 Budget;
 - c. Setting of Maximum Borrowing Limit for 2016;
 - d. Appointment of Auditors.
12. Conclusions
13. Refreshments



Petra Fraser

Secretary

CORPORATE INFORMATION

COMMUNAL CO-OPERATIVE CREDIT UNION LTD

Halifax Street
St. George's

Telephone: (473) 440-1755/435-2309

Fax: (473) 440-7545

Email: comcreditunion@spiceisle.com

Website: www.thecommunalcu.com

PERDMONTEMPS BRANCH OFFICE

Perdmontemps
St. David

Telephone/Fax: (473) 440-4264

GOUYAVE BRANCH OFFICE

Central Depradine Street
Gouyave
St. John's

Telephone/Fax: (473) 437-1129

CARRIACOU BRANCH OFFICE

Church Street
Carriacou

Telephone: (473) 443-6699

Fax: (473) 443-8899

AUDITORS

Pannell Kerr Forster

BANKERS

Republic Bank (G'da) Ltd

CIBC First Caribbean International Bank

SOLICITORS/ATTORNEYS

Law Office of George of E.D. Clyne
Wilkinson, Wilkinson & Wilkinson

EXECUTIVE OFFICERS

President:

Michael Francois

Vice President:

Joseph Sylvester

Treasurer:

Jusceno Jacob

Secretary:

Petra Fraser

Assist. Secretary/Treasurer:

Kathy Ann Thompson

General Manager:

Lennox J. Andrews

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

STANDING ORDER

1. (a) A member shall stand when addressing the Chair.
(b) Speeches shall be clear and relevant to the subject of the meeting.
2. A member shall only address the meeting when called upon by the Chairman to do so, after which he/she shall immediately take his/her seat.
3. No member shall address the meeting except through the Chairman.
4. A member shall not speak twice on the same subject except:
 - (a) The mover of a motion 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 negated.
6. The mover of a procedural motion (adjournments, postponement, lay on table) shall have no right of 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) In no event can a member call the Chair 'to order'
9. A question should not be put to the vote if a member desires to speak on it or move an amendment to it – except that a 'Procedural Motion', the Previous Question', 'Proceed to the next business' or the 'Closure', 'That the question be put now', 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 fails.
12. The Chairman shall have, in addition to his ordinary vote, a "Casting Vote" in the case where there are equal votes on the motion at hand.
13. If there is an equality of votes on an amendment and if the Chairman 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 motives against the Chairman, Board of Directors, Officers, or any other member.
16. Only members are allowed to vote.

Report

BOARD OF DIRECTORS



MICHAEL FRANCOIS
President



JUSCENO JACOB
Treasurer



PETRA FRASER
Secretary



KATHY ANN THOMPSON
Asst. Secretary/Treasurer



JENNIFER GULSTON-GITTENS



WAYNE SANDIFORD



JOSEPH SYLVESTER



PEARL DOUGHLIN



CLAUDIA ALEXIS

INTRODUCTION

The Communal Board of Directors is pleased to submit to the membership of The Communal its report on the financial and managerial operations of the institution for the period January to December 2015.

Members would recall that we approached the year 2015 with the Theme: "Efficiency in Implementation". Our intention then was to deliver quality services to members with the least possible cost as the basis of realizing a major surplus in our operations. Our intention was fulfilled both in terms of the quality of services and of the operational surplus.

It would also be brought to mind that the proceedings at our last AGM were punctuated with by a discussion on dividends payment. At that time, our institutional capital ratio was below the established benchmark for a dividend payment, and in keeping with GARFIN's recommendation no dividend was paid for 2014. In approaching 2016, we sought to correct that situation by focusing on raising the institutional capital ratio. In this regard, the Theme for 2016 has been appropriately termed "Building Communal Institutional Capital."

In this report, we would highlight the major achievements of The Communal in 2015. These achievements will be explained in the context of the economic situation that faced Grenada and the region. We would then provide a brief on the focus for 2016 before presenting the 2016 budget for your approval.

Grenada's Economic Performance 2015

The ECCB, in its September 2015 quarterly review on the economic and financial performance of the OECS countries pointed to increased activity arising from many sectors of these economies. This growth came in spite of lower real output in the major and emerging economies of the world.

The report indicated that growth was pronounced in Grenada fuelled mainly by positive output in the agriculture, tourism, manufacturing and construction sectors. Consumer prices fell during the year. Simultaneously, with the implementation of the structural adjustment programme, central government operations incurred a large primary balance and a small overall deficit. In the monetary sector, the country's monetary liabilities and net foreign assets grew, as well as liquidity in the banking system, but domestic credit contracted and the spread between weighted average interest rates of commercial banks on loans and deposits widened.

These monetary conditions would have influenced the financial decisions and operations of The Communal during the year.

Review of Communal Operations for 2015

Board of Directors

The following persons served on the Board for the period April 2015- December 2015:

Mr. Michael Francois

President

Mr. Sylvester Joseph

Vice-President

Miss Petra Fraser

Secretary

Mr. Jusceno Jacobs

Treasurer

Mrs. Kathy-Ann Thompson

Assistant Secretary/Treasurer

Miss Claudia Alexis

Member

Dr. Wayne Sandiford

Member

Mrs. Jennifer Gulston-Gittens

Member

Mr. Allan Simon¹

Member – resigned effective June 30, 2015

Miss Pearl Doughlin

Appointed by the Board to continue term of Mr. Simon until the next AGM

The Board met every month of the year to consider a report from management on the financial and administrative operations of the institution. The Board discussed those reports in detail and gave special policy directives to management. During the year a retreat was held to review the 2015-2017

Strategic Plan and to deliberate on the recommendations of GARFIN following its on-sight inspection of The Communal the previous year. The Board also reconstituted its committees to provide better oversight of the work of management. Fundamental in the work of the Board was the compilation of a list of existing policies at The Communal. Of special interest for the Board were the operations of the Recoveries Unit and the need to reduce the delinquency ratio. In this regard, through the Finance Committee, the Board gave specific directives to management for reducing the non-performing loan ratio. The implementation of those measures resulted in The Communal meeting the target for the delinquency ratio in December 2015.

Financial Overview and Performance 2015

Undoubtedly, the conditions that prevailed in the financial landscape in Grenada warranted the taking of appropriate actions to mitigate the negative consequences. As liquidity rose and interest rates on deposits fell, depositors were moving their capital to where the returns were highest and safest. Some institutions in adhering to strict financial guidelines closed branches and retrenched workers. Suitable investment and loan opportunities at home became scarce, resulting in the search for favorable circumstances in the external market. Moreover, appropriate monetary measures had to be adopted to keep expenses down and control the large inflow of deposits, without jeopardizing the positive image of the institution that was developing at the same time.

¹Mr. Allan Simon demitted office in the second quarter of 2015 and was replaced by Miss Pearl Doughlin



Standing- LtoR: Lance Smith, Randy Frank, Koss St. Bernard, Larry La Touche, Karel Collier, Elvis Frederick, Chinne Andrews, Dawnleigh Carrington, Magdalene Steele, Shirley Stephen, Alison Noel,, Stonna Barry, Annmarie Montrose, Lorna Cyrus, John Marryshow, Alonzo Pope, Kirlan Hosten, Morland Humphrey, Jade Williams, Lyndon Clyne

Sitting- L to R: Carol Paul, Shennel Alexander, Melissa Telesford, Betty Charles, Lennox J Andrews, Shurla Harris-Fields, Glennisha Williams, Jeanette Rattoo, Karena Tyson, Fiona Alexander-Baptiste

Our financial decisions in 2015 were also largely influenced by our inability to make dividend payments in 2014, given the low institutional capital ratio then. A plan to raise by 2017 The Communal's institutional capital to the required 7% of assets was submitted to GARFIN for approval. The plan concentrated on three main areas: reducing delinquency, increasing collections from written-off loans and bringing down the non-earning assets. The plan warranted a revision to the 2015 budget and in particular to the Operating Surplus which the Board moved upwards by 100% in March. We are therefore happy to report that that target has been surpassed, thus giving positive consideration to the payment of a dividend for 2015.

It should be stated that the Operating Surplus in 2015 was the highest ever achieved in the history of The Communal and you the members must be commended for this because the improvement was largely due to you meeting your financial commitments on time, with Communal.

Administrative and Operational Achievements 2015

The following were the major achievements of The Communal in 2015:

- In February a new loan product was launched for Carriacou Carnival;
- In March we launched a Small Business Loan Scheme in Carriacou. The broad objective of the scheme was to raise members' economic independence and increase the contribution of the small business sector to the economy of Grenada. As part of the launch, members in attendance received basic training in the preparation of business plans and record keeping;
- In April new revenue measures were approved and implemented. Those measures consisted of a number of fees and adjustments to deposit rates and in keeping with developments in the financial sector;

- As part of credit unions effort to raise their institutional capital ratio to the required level for a dividend payment, at the 2014 League AGM, Communal successfully championed a Resolution to reduce the transfer to the Development Fund to 1% from 5% of Credit Unions Operating Surpluses;
- Also in April we decided to install an Automatic Teller Machine at the Gouyave branch, in keeping with a suggestion from members at the previous AGM and after considering a cost/benefit analysis of such a project;
- In May after having established a working relationship with Royal Bank of Canada (RBC) Trinidad Ltd we received a presentation from RBC on international investments and The Communal took the decision to invest abroad given the limited opportunities available in Grenada's narrow financial space;
- The establishment of the Human Resource Department with support from a local consultant, took place in May following the decision in the previous month;
- Communal also reached agreement with TAWU on salary increases for unionized staff for the period 2014-2016;
- In May the Board reconstituted its committees to ensure that adequate support was given to management;



- In October, the ATM at Gouyave was launched and became fully operational;
- In November, we undertook a survey on the quality of the services we provide to our members at all our branches. The report indicated that our services are best delivered at the Carriacou branch.

Membership Performance 2015

The high increase in membership that started in 2012 continued in 2015. The following table shows that for the period 2012-2015

	2015	2014	2013	2012
Net members	22,312	20,508	18,542	17,170
% change	8.8%	10.6%	8.0%	9.3%

Approximately 75.5% of our members are between the age group 20-60 years. This is the most active and productive group of members with 77.3% of the shares, 56.3% of the savings and 93.3% of the loans. St. George's has the largest number of members, followed by St. David's and St. John's. Females account for 50.8% of the membership. During the year about 120 members closed their account for personal and other reasons pertaining to their economic situation.

Training for Staff in 2015

A detailed list of the training and beneficiary staff is presented below. The policy of upgrading our staff to meet the exigencies of the present financial market is paramount in the decision making of the institution.

Budget 2016

The 2016 budget was approved by the Board at its December 2015 meeting. This budget was prepared using the 2015 budgeted figures, since the preliminary actual outturn for the first eleven months of 2015 were very much in line with the 2015 budgeted numbers.

The budget for 2016 was prepared taking into consideration the estimated outturn for



2015 and the need to raise the institutional capital to the required 7% of assets by 2017, thereby allowing for the payment of dividends. In that regard, the surplus for 2016 is \$2.1M, in line with the approved plan for raising the institutional capital.

Focus for 2016

As indicated earlier, the focus for 2016 has been outlined in the 2015-2017 Strategic Plan and is reflected in the Theme for the AGM and in the 2016 budget. Specifically, the focus for 2016 is to achieve an institutional capital ratio of 5.8%. However, reaching that

Training received by Staff in 2015

DATE	TRAINING	HOSTED BY: (FACILITATOR)	ATTENDEES
February 21, 2015	Money Laundering & Terrorist Financing	Financial Intelligence Unit	Mrs. Treicia Mitchell-Frank Mrs. Cassandra Cox Peters
March 11 – 12, 2015	Performance Management	Grenada Employers' Federation	Ann Marie Montrose
March 19, 2015	Debt Collection Skills	Caribbean Asset Recovery Services	Mr. Larry La Touche
April 20-24, 2015	Mortgage Underwriter Programme, Module 2	Eastern Caribbean Home Mortgage Bank	Mr. Morland Humphrey Ms. Stonna Barry
June 11, 2015	Money Laundering & Terrorist Financing	Financial Intelligence Unit	Ms. Rhonda Charles Ms. Alison Noel Ms. Dawnleigh Carrington Mrs. Carol Paul Mr. Kirlan Hosten
June 11 – 12, 2015	Operational & Product Marketing	Caribbean Credit Card Corporations	Mrs. Shurla Harris-Fields Ms. Ayana Russell
June 20 – 23, 2015	57th Annual International Convention	Caribbean Confederation of Credit Unions	Mr. Michael Francois – <i>President, Board of Directors</i> Ms. Petra Fraser – <i>Secretary, Board of Directors</i> Mr. Lennox J. Andrews <i>General Manager</i>
July 6 – 7, 2015	Caribbean Corporate Governance	Caribbean Governance Training Institute	Mr. Joseph Sylvester – <i>Vice President, Board of Directors</i>
August 19 – 23, 2013	13th Annual OECS Credit Union Summit	St. Patrick's Co-operative Credit Union, Monserrat	Ms. Stephany Gordon – <i>Supervisory Committee member</i> Mr. John Marryshow Ms. Shirley Stephen
October 7 – 8, 2015	Pearls Training	Grenada Co-operative League	Mr. David Bruno – <i>Chairman</i> <i>Supervisory Committee</i> Mr. Elvis Frederick
October 28, 2015	Workshop for Pension Plan Trustees	Grenada Authority for the Regulation of Financial Institutions (GARFIN)	Mrs. Shurla Harris-Fields Ms. Ann Marie Montrose Mr. Elvis Frederick
November 16 – 18, 2015	Chartered Director Program	Caribbean Governance Training Institute	Mrs. Jennifer Gulston-Gittens – <i>Board member</i> Mr. Lennox J. Andrews – <i>General Manager</i>
November 23 – 27, 2015	Mortgage Underwriting Programme, Module 3	Eastern Caribbean Home Mortgage Bank	Mr. Morland Humphrey Ms. Stonna Barry
December 5 & 12, 2015	Data Management for Accountants	Institute of Chartered Accountants of the Eastern Caribbean	Mrs. Shurla Harris-Fields Mr. Elvis Frederick

target will depend on the size of the Operating Surplus. This requires, on the one hand that we keep expenditure as low as possible and on the other that we raise our total income, in particular interest income which is our core business.

Closely linked to the institutional capital ratio is the non-performing loan ratio, which at the end of December 2015 stood at 8.53% still above the required benchmark of 5%. Management could continue its efforts at getting members to pay their loan on time, and recover income from written off loans. This will avoid higher provisioning for delinquency and reduces the risk of not collecting revenue from available securities. The non-performing loan ratio target for 2016 is 5% and our focus is to at least achieve that number.

Apart from raising institutional capital our focus is also to improve the quality of the service we provide to our members. A recent customer service survey conducted for Communal revealed that our members are not satisfied with the quality of service provided by the front desk staff, especially at Headquarters. The appropriate training will be provided to the staff in that regard. The survey also identified the need to expand the range of services we provide to our members and for a greater use by members of existing services. One such service is the one provided by the Automatic Teller Machine. The focus will therefore be on issuing more Debit Cards to members thereby allowing for a greater use of the ATM.

While our membership shown constant growth over the last five years, there is still a

need to grow the membership under age 30. And as the competition in the financial sector tightens in the narrow domestic market, opportunities for mortgages and investments are becoming increasingly scarce. In this regard, we will continue to work with regional institutions and Grenadians residing abroad, in an effort to secure favorable investments, more mortgages and more members.

Acknowledgements and Conclusions

Fellow cooperators, the excellent performance of our institution in 2015 was only possible through the hard work of the management and staff. The Board wishes to express its profound thanks to The Communal's staff for their concerted efforts in enabling the institution's achievements in 2015 and look forward to their continued commitment in the future.

The Board would also like to convey gratitude to you the members of The Communal and in particular those of you who during the year met your financial commitments with the institution on time. It is precisely that commitment that would have accounted for the improved financial performance in 2015. We therefore encourage you to continue fulfilling your financial commitments on time and encourage you to make greater use of the services that you requested and we made available to you.

As most of you are aware this year, there are three persons demitting office on the Board of Directors, a similar number exits on the credit committee while one person will be leaving on the Supervisory and Compliance Committee. Noted among the persons on

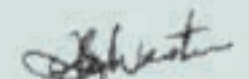


L to R: John Marryshow, Chinnel Andrews, Shurla Harris-Fields, Lennox J Andrews, Melissa Telesford, Ann Marie Montrose

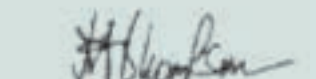
the Board are the Chairman and the Secretary, both of whom would have dedicated themselves fully to the institution over the last six years. The remaining members of the Board would like to extend to

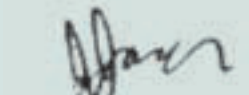
all departing members best wishes in their future endeavors and thank them for the exemplary assistance given to The Communal. Rest assured that The Communal remains in good hands.


Michael Francois

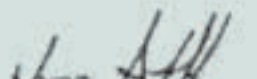

Sylvester Joseph


Petra Fraser

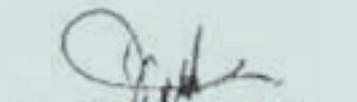

Kathy-Ann Thompson


Juscelino Jacobs


Claudia Alexis


Wayne Sandiford


Pearl Doughlin


Jennifer Gulston-Gittens

TREASURER REPORT FOR THE FINANCIAL YEAR ENDED DECEMBER 2015

Introduction

In keeping with Section 56 (E) of the Bye-Laws of Communal, the Treasurer of the Board of Directors of Communal is to prepare the Annual Statement of Accounts on the financial performance of Communal.

This Statement of Account for the year ended December 2015 is based on the Audited Financial Statement prepared by Communal external auditors, PKF. The statement allows for the analysis of Communal financial performance for 2015 under the following headings:

- Communal Assets and Liabilities for 2015;
- Communal Comprehensive Income for 2015; and
- Major Financial indicators as indicated by PEARLS.

It is useful to point out at the beginning that for the year 2015, Communal recorded an Operating Surplus of \$1.16M, the largest ever achieved in the history of the institution.

Communal Assets and Liabilities for 2015

At the end of December 2015, Communal total assets stood at \$118.7M, a growth of 25.5% over the year 2014. This was largely due to an increase of 25.9% in Communal

earning assets as Members' loan (our major income earner) went up by 14.0% to \$75.3M. There was also a notable increase of 108.3% in financial assets held to maturity and a 55.1% rise in receivable financial assets, but those increases were from a low base. Those movements were necessary to cushion the high cost associated with large deposits received during the year.

On the other hand, at year end 2015 non-earning assets amounted to \$19.1M above the December 2014 figure by 60.4% as cash and cash equivalents jumped by 64.4% to \$18.1M and accounted for 94.7% of the total non-earning assets. Again, these cash and cash equivalents reflected the substantial rise in deposits experienced during the year.

On the capital and liabilities side, Communal institutional capital as indicated in the Audited Financial Statement amounted to \$11.9M, approximately 19.7% higher than in 2014 and represented 10.0% of Communal total assets. However, in keeping with GARFIN recommendation, institutional capital comprising only Statutory Reserves and Accumulated Surplus amounted to \$3.7M; above 2014 by 46.2%, and equivalent to 3.1% of total assets, but well below the benchmark of 7.5% as established by regulator GARFIN. Communal needs to continue its effort at raising this institutional capital ratio to the established 7.5% benchmark.

As regards current liabilities, members' deposits rose by 26.6% 105.0M. as indicated earlier, such high levels of deposits raised Communal liquidity and prompted actions to cushion the high cost of maintaining such large deposits.

Comprehensive Income

At the end of December 2015 Communal financial operations resulted in a net income of \$5.3M, a growth of 18.6% over 2014. That growth in net income resulted from a 15.7% jump in interest income reflecting the movement in members' loans. However as interest expense went up by 14.0% from high levels of deposits, net interest income amounted to \$4.2M from \$3.6M in the previous year.

From this net income of \$5.3M must be deducted general and administrative expenses of \$4.1M as well as bad debt expense of \$0.3M; leaving an operating

surplus of \$1.168M for 2015. This also represents net surplus before transfers as there is no finance cost.

In keeping with statutory requirements transfers totaling \$0.2M are to be made to the statutory reserve and the development. With these transfers made the Net Surplus for the year amounted to \$922,827, substantially above the \$467,716 recorded last year.

In conclusion, 2015 represented the fourth consecutive year of improvement in the financial operations of Communal.

The comprehensive income statement is also presented in the format indicated below to show the source of Communal income, the cost of operations and a statement on Communal assets.

Income and Expenditure Account: Members' Perspective

2015	OUR INCOME WAS EARNED FROM	2014	Increase/ (Decrease)	%
\$		\$		
6,902,662	Interest on members' loans	5,963,829	938,833	15.7
654,515	Interest on investments	562,193	92,322	16.4
238,748	Rental Income	234,150	4,598	2.0
447,188	Other income/recoveries	302,343	144,845	47.9
8,243,113		7,062,515	1,180,598	16.7
OUR COST TO OPERATE THE CREDIT UNION WERE				
4,392,957	Operating Expenses	4,067,541	325,416	8.0
2,682,021	Interest to members	2,352,582	329,439	14.0
7,074,978		6,420,123	654,855	10.2
1,168,135	Net profit before provisions for impaired assets	623,622	525,743	84.3
233,627	From which we set aside 20% for Statutory Reserve in relation to the Co-operative Societies Act.	124,724	108,903	87.3
11,681	Development Fund payable to the Grenada Co-operative League	31,181	(19,500)	(62.5)
922,827	Net Surplus for the year	467,717	436,340	93.3
795,150	To which is added undistributed surplus from previous years	466,846	328,304	70.3
24,945	Adjustment to development fund transfer 2014	-	24,945	-
12,870	Deduct dividend and bonus distribution and Health fund approved at a previous AGM for members	139,413	(126,543)	(90.8)
1,730,052	Leaving us with undistributed surplus at year end	795,150	934,902	117.6

Members' Statement of Net Assets Owned: Summary

2015		2014	Growth/ (Decrease)	%
\$		\$		
8,176,760	Shares	7,388,135	788,625	10.67
104,951,433	Savings and Deposits	82,887,582	22,063,851	26.62
1,971,187	Statutory Reserves	1,735,988	235,199	13.55
86,950	Other Reserves	99,565	(12,615)	(12.67)
1,730,052	Undistributed Surplus	794,193	935,859	117.84
1,821,142	Less amounts owed	1,732,998	88,144	5.09
118,737,524	Our Net Assets	94,638,461	24,099,063	25.46
75,262,508	Loans to us as members	65,999,758	9,262,750	14.03
16,881,571	Investments	9,154,073	7,727,498	84.42
18,078,315	Cash in hand and at bank	10,983,310	7,095,005	64.60
998,347	Other current assets	907,347	91,000	10.03
1,624,197	Investment Property	1,678,929	(54,732)	(3.26)
4,939,152	Land and Building	5,057,502	(118,350)	(2.34)
953,434	Other fixed assets	857,542	95,892	11.18
118,737,524	Agreeing our Net Investments with our asset owned	94,638,461	24,099,063	25.46

Major Financial Indicators

The following indicators further explain the performance of Communal in 2015 relative to previous years. We observe:

There has been consistent growth in income since 2012, but this growth has been pronounced in the last two years as it averaged 16.8%;

- Communal reserves have been up since 2013;

- Shares have grown consistently but a major jump took place in 2015;
- Loans have also shown consistent growth;
- There have major leaps in deposits in the last three years; and
- Assets have risen in the last five years.

In summary, 2015 has been an exceptional year in Communal financial performance.

% Change in Indicators	2015	2014	2013	2012	2011
Income	16.7	17.3	5.7	6.0	-3.1
Reserves	13.5	7.8	0.6	-3.8	-6.7
Shares	10.7	4.1	3.9	3.2	0.8
Loans	14.0	9.9	8.2	10.2	7.0
Deposits	26.6	28.8	12.2	13.9	7.8
Assets	25.5	18.6	12.9	12.2	6.2

²PEARLS Ratio Analysis

PEARLS is a set of financial ratios or indicators designed specifically to analyze the performance of credit unions by setting benchmarks for six (6) categories of indicators. The following table shows the behavior of these ratios in 2015 relative to 2014 in comparison with their established benchmarks.

²PEARLS: Protection, Effective Financial Structure, Asset Quality, Rates of Return and Costs, Signs of Growth.

PEARLS RATIO ANALYSIS
as at December 31, 2015

	Required Ratio	Actual Ratio 2015	Actual Ratio 2014	Ratings
PROTECTION				
Total Charge-Off of Delinquent Loans >12 months	100%	100.00%	100.00%	Good
Net Allowance for Loan Losses/ Allowances Required for Loans Delinquent less than 12 months	35%	35.00%	35.00%	Good
EFFECTIVE FINANCIAL STRUCTURE				
Net Loans / Total Assets	70-80%	63.39%	69.74%	Fair
Savings Deposits / Total Assets	70-80%	88.39%	87.58%	Poor
Institutional Capital / Total Assets	Min 7%	3.12%	2.67%	Poor
Members Shares/Total Assets	10-20%	6.89%	7.81%	Poor
ASSET QUALITY				
Total Loan Delinquency / Gross Loan Portfolio	<=5%	8.21%	8.30%	Poor
Non-Earning Assets / Total Assets	<=5%	19.45%	17.04%	Poor
RATES OF RETURN & COSTS				
Total Financial Investment Income / Average Financial Investments	Market Rate 3.2%	4.64%	5.84%	Excellent
Total Interest Cost on Savings Deposits / Average Savings Deposits	Market Rate 3%	2.86%	3.20%	Excellent
Total Interest Cost on External Credit / Average External Credit	Market Rate 9-10%	0.00%	0.71%	Excellent
Total Operating Expenses / Average Total Assets	10%	3.77%	4.41%	Excellent
LIQUIDITY				
S.T Investments + Liquid Assets - S.T Payables / Savings Deposits	Min. 15%	31.83%	23.43%	Excellent
Liquidity Reserves / Savings Deposits	10%	33.09%	24.02%	Excellent
Non-Earning Liquid Assets / Total Assets	<1%	15.93%	10.71%	Poor
SIGNS OF GROWTH				
Growth in Loans to Members	≥ 10%	14.03%	9.85%	Excellent
Growth in Savings Deposits	20%	26.62%	28.78%	Excellent
Growth in Institutional Capital	>5%	19.76%	8.10%	Excellent
Growth in Membership	>12%	10.71%	10.71%	Fair

Protection:

Communal has demonstrated a good performance with the two indicators in this category.

Effective Financial Structure:

None of the four indicators in this category met the required benchmark. This has been mainly due to the faster growth in the total assets. A similar situation existed in 2014. To improve performance in this category Communal needs to have a greater return from the assets, relative to the growth in assets itself.

Asset Quality

In 2015 Communal continues to perform poorly in this category. Non-earning assets have grown by 60.0% in 2015, much faster than the 25.5% increase in earning assets. At the same time, there has been a similar behavior in loan delinquency relative to the total loan portfolio. Moving forward efforts are to be tightened to reduce non-earning assets and lower non-performing loans.

Rates of Return and Costs

The four indicators in this category have shown excellent performance as was the case in 2014.

Liquidity

Two of the three liquidity ratios have been above the established benchmark in 2015. The other performed poorly and as has been explained earlier, was due to the faster growth in non-performing assets relative to that of earning assets.

Signs of Growth

Communal showed excellent performance in three of the four indicators making up the signs of growth category. While growth in membership is considered fair, the rate however is not far from the established benchmark. Membership growth is in the first instance very much constrained by the size of the domestic population.

In summary, the PEARLS ratio indicates that Communal has demonstrated satisfactory financial performance in 2015. The indicators requiring greater attention are those falling in the categories effective financial structure and asset quality.

Acknowledgements

In closing, I recognize the contribution of Board members and management of Communal in the execution of my duties as Treasurer of the Board. I remain committed to fulfill my fiduciary responsibility as a member of the Board and as Treasurer.



Jusceno Jacobs

Report of the Credit Committee For the Financial Year Ended 31st December 2015

The Credit Committee is pleased to present its report to the members of Communal Co-operative Credit Union Limited for the year ended December 31, 2015.

The period under review began with the following members on the Committee:

- **Theresa Noel**
Chairperson
- **Marcia Baptiste**
Secretary
- **Ruth Jerome**
Member
- **Kelon John**
Member
- **Graceann Neptune**
Member

At our first meeting in April after the Annual General Meeting, the following persons were chosen to serve on the Committee in the positions indicated below:

- **Ruth Jerome**
Chairperson
- **Theresa Noel**
Secretary
- **Kelon John**
Member
- **Graceann Neptune**
Member
- **Marcia Baptiste**
Member

Meetings were held on Tuesdays to consider loan applications from management.

Overview

During the year, the Credit Committee worked diligently with officers of the Loans Department. In the face of economic hardship, some members experienced difficulty in meeting their financial obligations with the Credit Union. In that regard, the Committee in collaboration with management worked with the members to ensure their financial stability and that of the credit union.

In 2015, the credit union deliberated on 2,488 loan applications. Of that amount 2,390 were approved, an increase of 5.6% over 2014. The securities obtained from these loans were mortgages, bill of sales, cash, and the value of insurance policies.

The remaining 98 loans were declined. These loans had a value of \$3.0M. Some of the reasons for the decline were as follows:

- Inability to repay;
- Delinquent history;
- High debt service ratio; and
- High risk ventures with insufficient securities.

In 2015, the loan portfolio stood at \$76.1M, a growth of 14.4% (\$9.6M) over 2014.

DELINQUENCY

At the end of the year the delinquency ratio was 8.53%. The monthly average for the year was 9.35%; approximately 4.35 percentage points above the acceptable PEARLS standard of 5%. There were 386 delinquent loans with a value of \$6.5M. Though the number increased by 94 loans there was a decrease in value of \$332,939.40 from 2014.

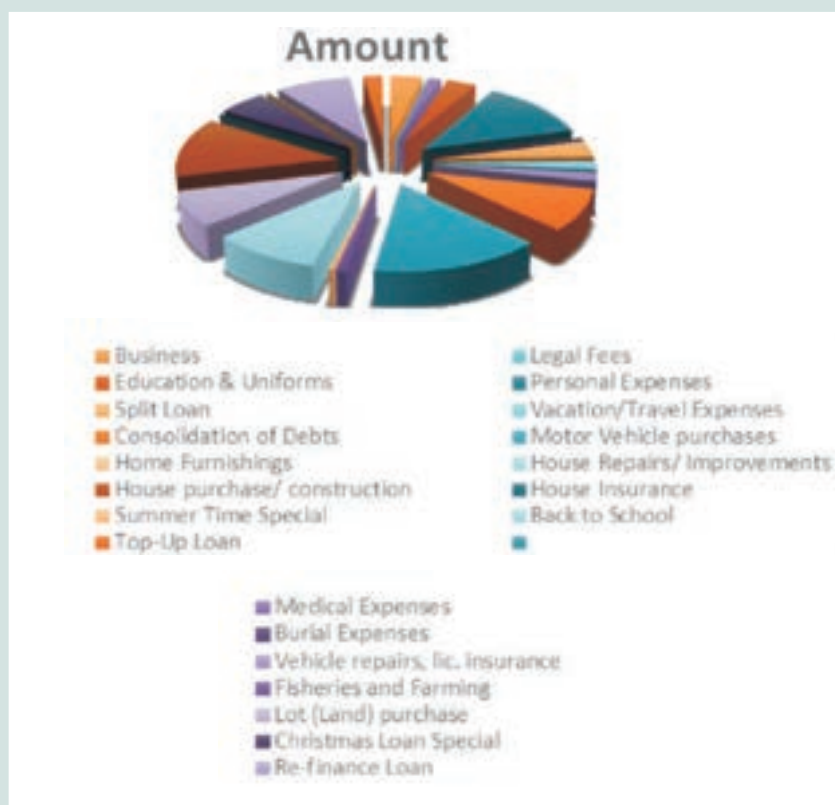
The Credit Committee recommends that in order to reduce the delinquency, the Credit Union should undertake the following functions:

1. Disburse sound loans that are well secured;
2. Prepare and implement relevant policies with proper follow-ups;
3. Take necessary and timely actions against delinquent members;
4. Ensure constant contact with members; and
5. Where possible reschedule loans.

ANALYSIS OF LOANS

The following table, organized according to category/purpose and their dollar amounts, shows the loans disbursed in 2015:

LOANS DISBURSED 2015			
	Amount	Number	Amt %
Business	\$ 1,492,507.02	82	3.60%
Legal Fees	\$ 18,700.00	3	0.05%
Medical Expenses	\$ 535,327.37	40	1.29%
Education & Uniforms	\$ 1,399,088.85	89	3.37%
Personal Expenses	\$ 5,186,124.54	914	12.51%
Burial Expenses	\$ 75,623.81	12	0.18%
Split Loan	\$ 1,492,049.51	122	3.60%
Vacation/Travel Expenses	\$ 761,309.81	72	1.84%
Vehicle repairs, lic. insurance	\$ 785,614.71	56	1.89%
Consolidation of Debts	\$ 3,668,872.22	87	8.85%
Motor Vehicle purchases	\$ 6,357,602.56	144	15.33%
Fisheries and Farming	\$ 370,857.66	10	0.89%
Home Furnishings	\$ 194,952.63	21	0.47%
House Repairs/ Improvements	\$ 4,055,960.42	186	9.78%
Lot (Land) purchase	\$ 3,133,984.33	26	7.56%
House purchase/ construction	\$ 5,299,762.45	26	12.78%
House Insurance	\$ 3,504.12	1	0.01%
Christmas Loan Special	\$ 2,230,932.02	235	5.38%
Summer Time Special	\$ 23,000.00	5	0.06%
Back to School	\$ 12,666.63	5	0.03%
Re-finance Loan	\$ 3,484,841.51	142	8.41%
Top-Up Loan	\$ 865,013.49	111	2.09%
	\$ 10,000.00	1	0.02%
TOTAL	\$41,458,295.66	2390	100.00%

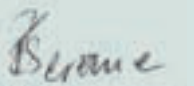





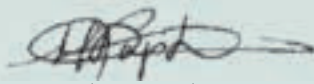
Standing: L to right: Austin Redhead, Graceann Neptune
Sitting: L to right: Marcia Gabriel-Baptiste, Ruth Jerome

Acknowledgements

The Credit Committee extends its gratitude to members, the Board of Directors, management and staff for their support and confidence demonstrated in the last year and looks forward to their continued support.


Ruth Jerome


Graceann Neptune


Marcia Baptiste


Austin Redhead

SUPERVISORY AND COMPLIANCE COMMITTEE REPORT FOR THE YEAR ENDED DECEMBER 31ST 2015

The Committee

The Supervisory and Compliance Committee is pleased to present its report to the members of the Communal Cooperative Credit Union (CCCU) Limited for the financial year ended December 31st, 2015.

At the 33rd Annual General Meeting held on 25th April, 2015, Messrs, Rolda Henry was elected to serve on the Supervisory Committee to replace Mr. Lescott Charles.

The other members of the Committee were:

- Mr. Devon La Touche
- Mr. David Bruno
- Mrs. Dawn Walker
- Ms. Stephany Gordon

Subsequent to the Annual General Meeting Mr. David Bruno and Mr. Devon La Touche were elected as Chairman and Secretary, respectively. Mrs Rolda Henry resigned from the Supervisory and compliance Committee on August 25, 2015. The committee extend best wishes to Mrs Henry.

Meetings

The scheduled monthly meetings of the Supervisory and Compliance Committee (SCC) were well attended. Members also attended Extraordinary Credit Committee (ECC) meetings that were scheduled from

time to time to consider loan applications for staff and members of the Management Committee. Two Joint Committee meetings were held in 2015/2016.

The Role of the Supervisory and Compliance Committee is to act as an internal auditor to safeguard the assets of the Communal Cooperative Credit Union by reviewing and sample testing operational procedures; monitoring the management of the credit union; and ensuring compliance with the Act, Regulations, By-laws and Policies of the Credit Union.

Scope of Work

In addition to the monthly reviewing of Reports and/or Minutes of the Board; Treasurer; Credit Committee; and General Manager, the Supervisory and Compliance Committee carried out the following activities during 2015:

- A. Examined the Audited Financial Statements for 2015 and the associated Management Letter;
- B. Observed Cash Counts at St. George's Branch;
- C. Monitored Management Committee Meeting Attendance;
- D. Served on the Erma Whint Fund Committee;
- E. Conducted Reviews of the Human Resource Files;

- F. Reviewed Management Loan Files;
- G. Analyzed the Delinquency Loan Files;
- H. Examined Communal Investment Portfolio;
- I. Reviewed additions to 2015 Fixed Assets;
- J. Monitored the Dormant Accounts.

Findings

- a) The Committee found that the issues raised in the external auditor management letter were dequately addressed by management;
- b) Results from the Cash Counts were satisfactory;
- c) Attendance to meeting by management Committee members was relatively good;
- d) The Committee met as needed and reports prepared as were necessary;
- e) Files at Communal were found to be properly maintained;
- f) Dormant accounts required addition reviewing and monitoring; and
- g) Results from the cases (e.g. assets, loans) tested were satisfactory.

Recommendations

- 1) The Committee recommends that the dormant accounts be reviewed more vigorously and emphasizes the need for closer monitoring to ensure stricter adherence to Communal's accounting policy;

- 2) The Credit Committee (given their role of providing prudent oversight of the loans portfolio, in accordance with Section 60 of the Co-operative Societies Act 2011) working with Management must continue efforts in dealing with members whose loans have become delinquent. In addition, both the Board and Credit Committee must ensure that Management achieve a higher rate of recovery;
- 3) The Security and Delinquency Unit needs to be more aggressive in their approach in dealing with members whose loans have become delinquent. This is absolutely necessary since Communal's cost of bad debt provision can affect the bottom line.

Observations

- The Supervisory and Compliance Committee notes that in 2015 only one complaint was brought to its attention pursuant to Section 74 (B) (8) of the By-Laws, which states that the Supervisory and Compliance Committee shall 'receive and investigate any complaints made by any member affecting the proper management of the society;'
- In collaboration with the Credit Union League effort was made to recruit an Internal Auditor however the candidate of choice did not accept the offer. We suggest that the process of recruiting an Internal Auditor be continued with urgency;
- We commend the Management for allocating resources towards further training in the use of the Emotelle Accounting software thus resolving some systems issues encountered by



L to R: Devon La Touche, David Bruno, Dawn Walker, Stephany Gordon

the staff in the proper utilization of the accounting software currently in use by the Credit Union. Management should ensure that all functions of the software are utilized to the fullest.

Acknowledgements

The Supervisory and Compliance Committee expresses heartfelt thanks to the Communal Cooperative Credit Union members for giving us the opportunity to

serve you. At the end of the AGM Ms. Stephany Gordon will be retiring after having served two full terms on the Committee. We, the continuing members, would like to thank her for her hard work and invaluable services provided over the last six years. We would also like to express our thanks to the Board of Directors, Credit Committee and the Management and Staff for their cooperation and assistance. We look forward to further serving you in 2016.

Devon La Touche

David Bruno

Ms. Stephany Gordon

Mrs. Dawn Walker

NOMINATIONS COMMITTEE REPORT
Annual General Meeting 2015

NOMINATIONS COMMITTEE REPORT
Annual General Meeting 2015

Budget 2016

Account Classification	Budget 2016	Actual Jan-Oct 2015	Total Budget 2015	Actual 2014
INCOME				
Interest	6,861,913	5,739,150	6,535,156	5,950,724
Rental	239,286	197,000	239,286	235,750
Investments	923,505	490,141	615,670	545,229
Miscellaneous	565,507	377,005	372,374	344,691
TOTAL INCOME	8,590,211	6,803,295	7,762,486	7,076,394
EXPENSES				
Interest on members deposits	2,479,560	2,196,855	2,407,340	2,358,711
Personnel Costs	1,672,772	1,365,143	1,624,050	1,560,343
Financial Charges	0	34,033	30,750	44,583
Governance	122,095	119,184	119,701	117,256
Depreciation	417,788	341,731	409,596	379,866
Utilities	293,867	216,107	288,105	287,507
Members loan/savings Insurance	211,367	201,292	156,003	212,571
Marketing & Scholarship	150,000	239,868	286,547	277,793
General Admin	242,579	179,599	237,823	233,159
Delinquency	270,000	285,000	270,000	469,800
Office Rental	30,478	24,900	29,880	29,880
Business insurance	70,000	82,656	92,759	97,758
League Dues	117,300	95,833	115,000	115,000
Honorarium	91,869	69,371	90,068	88,400
Building,Equip, Maint,Taxes,Vat	164,962	144,054	161,727	166,052
Security Equipment and service	118,388	102,282	116,067	113,791
Credit Union celebrations & Members welfare	21,214	12,258	20,798	20,390
New activities	14,000		29,500	66,802.88
TOTAL EXPENSES	6,488,239	5,710,166	6,485,713	6,590,023
SURPLUS	2,101,972	1,093,130	1,276,773	486,371

In summary, the 2016 budget shows the following:

- Total income is to grow by 10.7%;
- Total expenses will increase by 0.04%;
- The total Operating Surplus will be up by 64.6%; and
- Communal Institutional Capital would be about 5.6% of total assets.

Collect your piggy bank when you open a
Piggy Savings Account
at the Communal Co-operative Credit Union.
Children should be taught to be thrifty in
their savings habit.
All kids can save.



KIDS CAN SAVE, TEACH THEM HOW

Do you remember your first Piggy Bank?
Do you remember the "thrill" of dropping coins and paper money
into the pig and watching it multiply?
Well you can give your children that same feeling by setting up a
Piggy Savings for each of them at the Communal Co-operative
Credit Union Ltd.
The Piggy bank encourages savings because it gives them a
physical place to save money.

The Piggy Savings can be the first step in creating a MONEY
SMART child.
Teach them the "Millionaire's secret" Save every time they receive
money.
Our Piggy Savings Account can help you show them how.
Start now! and watch the money grow.
Call us for more information.



**Communal Co-operative
Credit Union Limited**

To grow with us, save with us!

HOW TO START

Fill out an application Form for the Piggy Savings account
in your child's name.
Start with as little as fifty dollars (\$50.00).
Any amount accepted thereafter.
Present the child's birth certificate upon application.
For each account opened, you get a free piggy Bank.
Interest rate 4% per annum.
Membership required at age 18.

SAVINGS TIPS

This savings plan is opened to all children.
When you put your money in the piggy bank do not take
out any of it, put all in your Piggy savings account.
Save at least ¼ of all the money you receive everyday and
watch how fast it grows.
Even if you are tempted, do not take out any.

**Just Save! Save! Save!
And Watch It Grow! Grow! Grow!**



Visit or call us at any of our branches:

Halifax Street, St. George's	440-1755
Central Depradine Street, Gouyave	437-1129
Perdmontemps, St. David	440-4262
Hillsborough, Carriacou	443-6699

Website: www.thecommunalcu.com
E-mail: comcreditunion@spiceisle.com



Communal in Action

During the year Communal undertook a number of activities. These activities include the opening of the ATM at Gouyave and the launch of the Small Business Loan Scheme in Carriacou. These and other activities are shown in the pictures below.



Highlights from the launch of the Start & Grow business loan in Carriacou & Petite Martinique



Highlights from the ATM launch at our Branch office in Gouyave





Highlights from the Rodney Mauricette Scholarship presentation in the year 2015 five (5) full scholarships and five (5) grants were awarded to member's children who were successful in the 2015 CPEA exams. Students currently under the scholarship program were also recognized for outstanding performance during the 2014/2015 academic year.



Highlights from Credit Union Day 2015
The Communal Cooperative Credit Union won the March pass for the second consecutive year.





Education Savings



- **Designed to provide for your child's education**
- **Start as early as birth**
- **Matures every 5 years**
- **No fixed amount is required monthly**
- **Interest is paid quarterly**
- **Additional bonus from operating surplus**

Visit or call us at any of our branches:

Halifax Street, St. George's	440-1755
Central Depradine Street, Gouyave	437-1129
Perdmonemps, St. David	440-4264
Hillsborough, Carriacou	443-6699

Website: www.thecommunalcu.com

E-mail: comcreditunion@spiceisle.com



**Communal Co-operative
Credit Union Limited**

To grow with us, save with us!



BUILDING COMMUNAL
INSTITUTIONAL CAPITAL





Accountants &
business advisers

**THE COMMUNAL CO-OPERATIVE
CREDIT UNION LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER, 2015

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2015**

CONTENTS

Page

INDEPENDENT AUDITORS' REPORT	38
STATEMENT OF FINANCIAL POSITION	39
STATEMENT OF COMPREHENSIVE INCOME	40
STATEMENT OF CHANGES IN MEMBERS' EQUITY	41
STATEMENT OF CASH FLOWS	42
NOTES TO THE FINANCIAL STATEMENTS	43 to 63
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES	64

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS' OF THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

We have audited the accompanying financial statements of the Credit Union which comprise the statement of financial position at 31st December, 2015 and the related statement of comprehensive income, statement of changes in members' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Responsibility for the Financial Statements

Those charged with governance are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Credit Union as of 31st December, 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

GRENADA:

March 8th, 2016



Accountants & business advisers:

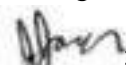
Partners: Henry A. Joseph FCCA (Managing), Michelle A. Millet B.A. CGA (Mrs.)

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER, 2015

	Notes	2015	2014
EARNINGS ASSETS			
Investment property	4	1,624,197	1,678,929
Members' loans	5	75,262,508	65,999,758
Loans and receivables financial assets	6	6,055,918	3,905,137
Available for sale financial assets	6	99,745	99,745
Held-to-maturity financial assets	6	<u>10,725,908</u>	<u>5,149,191</u>
Total earning assets		<u>93,768,276</u>	<u>76,832,760</u>
NON-EARNING ASSETS			
Property, plant and equipment	7	<u>5,892,586</u>	<u>5,915,044</u>
Other Assets			
Inventories	8	79,807	96,736
Receivables and prepayments	9	918,540	810,611
Cash and cash equivalents	10	<u>18,078,315</u>	<u>10,983,310</u>
Total non-earning assets		<u>19,076,662</u>	<u>11,890,657</u>
TOTAL ASSETS		<u>\$118,737,524</u>	<u>\$94,638,461</u>
CAPITAL AND LIABILITIES			
Institutional Capital			
Permanent shares	11	8,176,760	7,388,135
Statutory reserve	12	1,971,187	1,735,988
Accumulated surplus		1,730,052	795,150
Other Funds and Reserves			
Development fund	13	11,681	31,181
Micro-capital grant	14	54,696	54,696
Special fund	15	1,103	1,103
Members' health fund reserve	16	<u>19,470</u>	<u>11,623</u>
TOTAL EQUITY		<u>11,964,949</u>	<u>10,017,876</u>
Current Liabilities			
Members' deposits	17	104,951,433	82,887,582
Non-interest bearing liabilities	18	<u>1,821,142</u>	<u>1,733,003</u>
TOTAL LIABILITIES		<u>106,772,575</u>	<u>84,620,585</u>
TOTAL EQUITY AND LIABILITIES		<u>\$118,737,524</u>	<u>\$94,638,461</u>

Approved by the Board of Directors on March 8th, 2016 and signed on their behalf by:

 : Director

 : Director

The notes on pages 43 to 63 form an integral part of these financial statements

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2015**

	Notes	2015	2014
INCOME			
Interest income – members’ loans		6,902,662	5,963,829
Less: Interest payments to members		<u>2,682,021</u>	<u>2,352,582</u>
Net interest income		4,220,641	3,611,247
Interest - financial assets		654,515	562,193
Other operating income	19	<u>417,566</u>	<u>290,422</u>
		<u>5,292,722</u>	<u>4,463,862</u>
Net income		(4,062,475)	(3,869,161)
General and Administrative Expenses (Schedule A)		29,622	11,921
Bad debts recovered		238,748	234,150
Rental income		<u>(330,482)</u>	<u>(198,380)</u>
Bad debts expense		<u>(4,124,587)</u>	<u>(3,821,470)</u>
		1,168,135	642,392
Operating surplus for the year		—	<u>(18,770)</u>
Deduct: Finance cost	20		
		1,168,135	623,622
Net surplus for the year before transfers		<u>(233,627)</u>	<u>(124,725)</u>
Deduct: Transfer to statutory reserve		<u>(11,681)</u>	<u>(31,181)</u>
Transfer to development fund			
		<u>\$922,827</u>	<u>\$467,716</u>
Net surplus for the year after transfers			

The notes on pages 43 to 63 form part of these financial statements

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2015**

	Permanent Shares	Statutory Reserve	Other Fund and Reserves	Accumulated Surplus	Total
Balance at 1 st January, 2014	7,098,400	1,609,917	280,805	466,846	9,455,968
Net movement in shares	289,735	-	-	-	289,735
Entrance fees	-	1,347	-	-	1,347
Net movement on other funds and reserves	-	124,725	(182,202)	(160,319)	(217,796)
Dividends paid	-	-	-	(134,999)	(134,999)
Net surplus for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>623,622</u>	<u>623,622</u>
Balance at 31 st December, 2014	7,388,135	1,735,989	98,603	795,150	10,017,877
Net movement in shares	788,625	-	-	-	788,625
Entrance fees	-	1,572	-	-	1,572
Net movement on other funds and reserve	-	233,627	(11,654)	(233,233)	(11,260)
Net surplus for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,168,135</u>	<u>1,168,135</u>
Balance at 31 st December, 2015	<u>\$8,176,760</u>	<u>\$1,971,187</u>	<u>\$86,949</u>	<u>\$1,730,052</u>	<u>\$11,964,949</u>

The notes on pages 43 to 63 form an integral part of these financial statements

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2015**

	2015	2014
Cash Flows from Operating Activities		
Net surplus for the year before transfers	1,168,135	623,622
Adjustments for non-cash transactions:		
Depreciation	515,389	415,371
(Gain)/loss on disposal of property, plant and equipment	<u>(599)</u>	<u>2,983</u>
Operating surplus before working capital changes	1,682,925	1,041,976
Decrease/(increase) in inventories	16,929	(3,928)
Increase in receivables and prepayments	(107,929)	(194,166)
Increase in members' deposits	22,063,851	18,523,581
Increase in non-interest bearing liabilities	<u>88,139</u>	<u>1,006,935</u>
Net cash provided by operating activities	<u>23,743,915</u>	<u>20,374,398</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	600	-
Purchase of investment property	-	(27,869)
Transfer of property, plant and equipment	-	143,975
Increase in financial assets	(7,727,498)	(3,751,191)
Purchase of property, plant and equipment	(438,200)	(251,950)
Increase in members' loans	<u>(9,262,750)</u>	<u>(5,919,824)</u>
Net cash used in investing activities	<u>(17,427,848)</u>	<u>(9,806,859)</u>
FINANCING ACTIVITIES		
Net repayments of borrowings	-	(5,270,376)
Entrance fees received	1,572	1,347
Net movement in other funds and reserves	(11,259)	(217,811)
Shares issued	788,625	289,735
Dividends paid	<u>-</u>	<u>(134,980)</u>
Net cash provided by/(used in) financing activities	<u>778,938</u>	<u>(5,332,085)</u>
Net increase in cash and cash equivalents	7,095,005	5,235,454
Cash and cash equivalents - at beginning of the year	<u>10,983,310</u>	<u>5,747,856</u>
- at end of the year	<u>\$18,078,315</u>	<u>\$10,983,310</u>
REPRESENTED BY:		
Cash on hand	383,012	304,128
Cash at bank	16,734,432	10,227,046
Short-term investment	<u>960,871</u>	<u>452,136</u>
	<u>\$18,078,315</u>	<u>\$10,983,310</u>

The notes on pages 43 to 63 form an integral part of these financial statements

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015**

1. CORPORATE INFORMATION

The Credit Union was registered on 19th October, 1965 under the Co-operative Societies Ordinance as amended by the Co-operative Societies Act No. 8 of 2011 for the purpose of affording members of the Credit Union the opportunity to accumulate savings and to obtain credit for provident or productive purposes at reasonable rates of interest. The Credit Union employed on average thirty-seven (37) persons during the year (2014:34).

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention. Interest income however is recorded on the cash basis which is not in accordance with IFRS. The financial statements are expressed in Eastern Caribbean Currency Dollars.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Credit Union's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in Note 3.

(b) New Accounting Standards, Amendments and Interpretations

- (i) There are no new standards, amendments or interpretations that are effective for the first time for the financial year beginning on or after 1st January, 2015 that would be expected to have a material impact on the Credit Union's financial statement.
- (ii) Amendments and interpretations issued but not effective for the financial year beginning 1st January, 2015 and not early adopted. These either do not apply to the activities of the Credit Union or have no material impact on its financial statements.

IAS 1 Presentation of Financial Statements – Disclosure Initiative (amendments) – Effective for annual periods beginning on or after 1st January, 2016.

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2014
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES

(b) New Accounting Standards, Amendments and Interpretations (continued)

IAS 16 & 38	Property, plant and equipment and Intangible Assets: Classification of acceptable methods of Depreciation and Amortisation (Amendments) – Effective for annual periods beginning on or after 1st January, 2016.
IAS 24	Related Party Disclosures – Effective for annual periods beginning on or after 1st January, 2016.
IAS 34	Interim Financial Reporting: Disclosures of information elsewhere in the Interim Financial Report – Effective for annual periods beginning on or after 1st January, 2016.
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operation (Amendments) - Effective for annual periods beginning on or after 1st January, 2014.
IFRS 7	Financial Instruments: Disclosures (Amendments) - Effective for annual periods beginning on or after 1st January, 2016.
IFRS 9	Financial Instruments: Classification and Measurement - Effective for annual periods beginning on or after 1st January, 2018.
IFRS 11	Joint Arrangements – Accounting for Acquisition of Interest in Joint Regulatory - Effective for annual periods beginning on or after 1st January, 2016.
IFRS 14	Regulatory Deferral Accounts – Effective for annual periods beginning on or after 1st January, 2016.
IFRS 15	Revenue from Contracts with Customers – Effective for annual period beginning on or after 1st January, 2017.

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The rates used are as follows:

	Per annum
Buildings	2.5%
Leasehold improvements	20%
Furniture, fixtures and equipment	10%
Computers	20%

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

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

(d) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in production or supply of goods or services or for administrative purpose.

Investment property of the Credit Union comprises of land and building situated at Herbert Blaize Street, St. George's held for long-term rental yields and which is not occupied by the Credit Union. Investment property is treated as a long-term investment and is carried at cost less depreciation. The Credit Union investment property is being depreciated using the straight line method over a period of forty (40) years.

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised on the Credit Union's statement of financial position when the Credit Union becomes a party to the contractual provisions of the instrument.

Financial liabilities are derecognised when they are extinguished that is when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the statement of comprehensive income.

Financial assets

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date that is the date on which the Credit Union commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

The Credit Union classifies its financial assets into the following categories: loans to members, loans and receivables, held-to-maturity and available-for-sale. Management determines the appropriate classification of its financial assets at the time of purchase and re-evaluates this designation at every reporting date.

Loans to members

Loans are financial assets provided directly to members. These carry fixed or determinable payments and are not quoted in an active market and are stated at principal amounts outstanding net of any unearned interest and allowances for impairment losses.

Loans and receivables

Investments classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. The Credit Union's loans and receivables comprise of fixed deposits which are stated at cost or cost less provision for impairment if necessary.

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Held-to-maturity

Investments classified as held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Credit Union has both the intent and the ability to hold to maturity. These investments are stated at cost.

Available-for-sale

Investments are classified as available-for-sale as they are intended to be held for an indefinite period. These investments may be sold in response to needs for liquidity. These investments are carried at fair value, based on quoted market prices where available. However, where a reliable measure is not available, cost is appropriate. The majority of these investments continue to be carried at cost as in almost all cases they are not traded on an active market and methods of reasonable estimation of fair value are unavailable.

Impairment of financial assets

The Credit Union assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Credit Union about the following loss events:

- (i) Significant financial difficulty of the issuer or obligor.
- (ii) A breach of contract, such as default or delinquency in interest or principal payments.
- (iii) It is becoming probable that the borrower will enter in bankruptcy or other financial organization.

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

- (i) The disappearance of an active market for that financial asset because of financial difficulties.
- (ii) Observable data indicating that there is a measurable decrease in the estimated cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the Credit Union or national or economic conditions that correlate with defaults on assets in the Credit Union.

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

Impairment of financial assets

Impairment losses are recorded in an allowance account and are measured and recognised as follows:

- (i) Loans to members

All non-performing and individually significant loans are individually reviewed and specific provisions made for the impaired portion based on the requirements of the Co-operative Societies Act and the PEARLS Standards which recommends that delinquent loans less than three hundred and sixty-five (365) days in arrears are provided for to the extent of 35% while those in excess of that period are provided for in full.

When all efforts have been exhausted to recover a non-performing loan, that loan is deemed uncollectible and written off against the related provision for loan losses.

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Financial instruments (continued)*

(ii) Financial assets measured at cost

The difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognised in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been, had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the statement of comprehensive income.

Financial Liabilities

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the statement of comprehensive income.

(f) *Cash and cash equivalents*

Cash and cash equivalents comprise of cash on hand and at bank and short-term investments with maturity dates of three (3) months or less.

(g) *Receivables*

Receivables are amounts due in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets.

(h) *Accounts payables*

Payables are obligation to pay for goods or services that have been acquired in the ordinary course of the business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

(i) *Stated capital*

Permanent shares are classified as equity.

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Provisions

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

(k) Employee benefits

Pension benefits

The Credit Union operates a defined contribution pension plan which is administered by a registered insurance company in Grenada. The Credit Union pays fixed contributions into the fund and has no legal or constructive obligation to pay further contributions. The Credit Union's contribution is recorded as an expense in the statement of comprehensive income.

(l) Revenue recognition

i) Interest income

Interest income is recognized on a cash basis.

ii) Investment income

Investment income is recognized on an accrual basis.

ii) Rental income

Rental income is recognised on the accrual basis.

(m) Dividends

Dividends that are paid during the period are accounted for as an appropriation of retained earnings in the statement of changes in equity.

(n) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the statement of financial position date. The resulting profits and losses are dealt with in the statement of comprehensive income. There are no foreign currency borrowings.

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015
(continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Borrowings

Borrowings are recognised at fair value net of transaction cost incurred. Borrowings are subsequently stated at amortized cost: any difference between the proceeds, net of transaction cost, and the redemption value is recognised in the statement of comprehensive income over the period of borrowings. Borrowings are classified as current liabilities unless the Credit Union has an unconditional right to defer settlement of the liability for at least twelve (12) months after the statement of financial position date.

(p) Finance cost

Finance cost is recognised in the statement of comprehensive income as an expense in the period in which they are incurred.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Credit Union's reported assets, liabilities, revenues and expenses. The items which may have the most effect on these financial statements are set out below.

Fair value of available-for-sale investments

The fair values of financial instruments that are not quoted in active markets are determined using the last traded value for the investment. Where no such value exists the investment is carried at cost less impairment.

Impairment of financial assets

Management assesses at each statement of financial position date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

Property, plant and equipment

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

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015
(continued)**

4. INVESTMENT PROPERTY	2015	2014
Written down value – 1 st January, 2015	1,678,929	1,705,792
Additions	-	27,869
Less: Depreciation for the year	<u>(54,732)</u>	<u>(54,732)</u>
Balance at 31 st December, 2015	<u>\$1,624,197</u>	<u>\$1,678,929</u>
Investment property at cost	2,375,542	2,375,542
Less: Accumulated depreciation	<u>(751,345)</u>	<u>(696,613)</u>
Balance at 31 st December, 2015	<u>\$1,624,197</u>	<u>\$1,678,929</u>
5. MEMBERS' LOANS		
Total loans	77,258,490	67,731,962
Less: Provision for loan losses	(1,995,982)	(1,732,204)
	\$75,262,508	\$65,999,758

These loans are secured by mortgages, bills of sale and personal guarantees. Interest is payable at rates ranging between 8% and 12% per annum.

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015
(continued)**

7. PROPERTY, PLANT AND EQUIPMENT

	Land and Building	Leasehold Improvement	Furniture Fixtures and Equipment	Computer Equipment and Software	Total
Balance at 1st January, 2014					
Cost	5,785,575	48,241	1,533,916	415,825	7,783,557
Accumulated depreciation	(609,723)	(28,508)	(671,544)	(303,091)	(1,612,866)
NET BOOK VALUE	<u>\$5,175,852</u>	<u>\$19,733</u>	<u>\$862,372</u>	<u>\$112,734</u>	<u>\$6,170,691</u>
For the year ended 31st December, 2014					
Opening book value	5,175,852	19,733	862,372	112,734	6,170,691
Additions for the year	-	-	61,220	190,730	251,950
Transfers	-	-	(143,975)	-	(143,975)
Disposal during the year	-	-	(200)	(2,783)	(2,983)
Depreciation charge for the year	(118,350)	(6,750)	(117,340)	(118,199)	(360,639)
NET BOOK VALUE	<u>\$5,057,502</u>	<u>\$12,983</u>	<u>\$662,077</u>	<u>\$182,482</u>	<u>\$5,915,044</u>
Balance at 31st December, 2014					
Cost	5,785,575	48,241	1,450,828	591,000	7,875,644
Accumulated depreciation	(728,073)	(35,258)	(788,751)	(408,518)	(1,960,600)
NET BOOK VALUE	<u>\$5,057,502</u>	<u>\$12,983</u>	<u>\$662,077</u>	<u>\$182,482</u>	<u>\$5,915,044</u>
For the year ended 31st December, 2015					
Opening book value	5,057,502	12,983	662,077	182,482	5,915,044
Additions for the year	-	76,505	18,324	343,371	438,200
Disposals during the year	-	-	-	(1)	(1)
Depreciation charge for the year	(118,350)	(20,849)	(135,981)	(185,477)	(460,657)
NET BOOK VALUE	<u>\$4,939,152</u>	<u>\$68,639</u>	<u>\$544,420</u>	<u>\$340,375</u>	<u>\$5,892,586</u>
Balance at 31st December, 2015					
Cost	5,785,575	124,746	1,469,152	927,386	8,306,859
Accumulated depreciation	(846,423)	(56,107)	(924,732)	(587,011)	(2,414,273)
NET BOOK VALUE	<u>\$4,939,152</u>	<u>\$68,639</u>	<u>\$544,420</u>	<u>\$340,375</u>	<u>\$5,892,586</u>

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015
(continued)**

8. INVENTORIES

	2015	2014
IDC Material	67,048	76,762
Stationery and office supplies	5,613	7,080
Promotional materials	<u>7,146</u>	<u>12,894</u>
	<u>\$79,807</u>	<u>\$96,736</u>

9. RECEIVABLES AND PREPAYMENTS

Matured financial assets	1,745,282	1,745,282
Payroll deductions	-	331,048
Other receivables	585,025	265,530
Interest on investments	<u>333,515</u>	<u>214,033</u>
	2,663,822	2,555,893
Less: Provision for impairment	<u>1,745,282</u>	<u>1,745,282</u>
	<u>\$918,540</u>	<u>\$810,611</u>

Matured financial assets relate to matured fixed deposits with British American Insurance Company Limited and CLICO International Life totaling \$1,745,282. This amount has been provided for in full as there is considerable doubt concerning recovery.

10. CASH AND CASH EQUIVALENTS

Short-term investment	960,871	452,136
Cash on hand	383,012	304,128
Cash at bank	<u>16,734,432</u>	<u>10,227,046</u>
Cash and cash equivalents	<u>\$18,078,315</u>	<u>\$10,983,310</u>

11. PERMANENT SHARES

These shares are of a nominal value of \$5.00 when fully paid up. Each member is required to hold a minimum of forty (40) fully paid up shares. These shares are not with-drawable on demand.

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015
(continued)**

12. STATUTORY RESERVE

	2015	2014
Balance at 1 st January, 2015	1,735,988	1,609,917
Add: Transfer from surplus	233,627	124,724
Entrance fees	<u>1,572</u>	<u>1,347</u>
Balance at 31 st December, 2015	<u>\$1,971,187</u>	<u>\$1,735,988</u>

In accordance with Section 125 (4) of the Co-operative Societies Act No. 8 of 2011, at least 20% of the surplus for the year shall be transferred to a Reserve Fund. Entrance fees collected during the year are also credited to this reserve.

13. DEVELOPMENT FUNDS

This fund is calculated at 1% (2014: 5%) of the surplus for the year and is payable to the Grenada Cooperative League Limited in accordance with Section 126 of the Co-operative Societies Act No. 8 of 2011.

14. MICRO CAPITAL GRANTS

This represents un-disbursed funding originally provided to the Credit Union by donor organizations to facilitate micro-capital activities.

15. SPECIAL FUND

Balance at 1 st January, 2015	1,103	2,603
Less: Expenses for the year	<u>-</u>	<u>(1,500)</u>
Balance at 31 st December, 2015	<u>\$1,103</u>	<u>\$1,103</u>

This fund was created to assist with members' empowerment and development.

16. MEMBERS HEALTH FUND RESERVE

2% of the previous year's operating surplus is allocated to this fund to provide medical assistance to members.

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015
(continued)**

17. MEMBERS' DEPOSITS

	2015	2014
Term deposits	25,596,852	19,194,716
Regular savings	71,802,208	57,509,318
Special savings	304,099	79,929
Education savings plan	646,890	599,563
Retirement savings plan	2,544,316	1,835,742
Escrow savings	2,136,652	1,903,036
Gold account	552,743	857,477
Su Su savings	147,035	163,331
Other deposits	<u>1,220,638</u>	<u>744,470</u>
	<u>\$104,951,433</u>	<u>\$82,887,582</u>

Interest is payable on these amounts at rates varying between 2% and 5% per annum.

18. NON-INTEREST BEARING LIABILITIES

Interest payable	395,592	377,595
Death claims payable	87,303	40,418
Sundry creditors and accruals	50,752	1,199,010
Other payables	<u>1,287,495</u>	<u>115,980</u>
	<u>\$1,821,142</u>	<u>\$1,733,003</u>

19. OTHER OPERATING INCOME

Sale of passbooks	2,985	2,522
Information booklets	2,762	2,326
I.D. cards	18,399	15,855
Application fees	283,900	209,641
Miscellaneous	<u>109,520</u>	<u>60,078</u>
	<u>\$417,566</u>	<u>\$290,422</u>

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015
(continued)**

20. FINANCE COST

	2015	2014
Interest on borrowings	\$ <u> </u> -	\$ <u>(18,770)</u>

21. INCOME TAX

The Credit Union is exempt from the payment of Income Tax under Section 25 (P) of the Income Tax Act 1994.

22. FINANCIAL RISK MANAGEMENT

The Credit Union's activities expose it to the following risk from the use of financial instruments:

- Credit risk
- Liquidity risk
- Currency risk
- Interest rate
- Operational risk

Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies, principles, policies and procedures. Day to day adherence to risk principles are carried out by the executive management of the Credit Union in compliance with the policies approved by the Board of Directors.

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

The following committees are part of the management team of the Credit Union.

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015**

(continued)

22. FINANCIAL RISK MANAGEMENT (continued)

Credit Committee

This committee considers all applications for loans and makes recommendations to the Board in respect of the applications and performs such duties as prescribed in the articles of the Co-operative Act, the regulations and the By-Laws of the Credit Union.

Supervisory Committee

The supervisory committee examines the books of the Credit Union, confirms the deposits of the members and performs such other duties as are prescribed by the Co-operative Act, the regulation and the By-Law of the Credit Union.

Investment Committee

The Investment Committee is elected by the Board of Directors. This Committee assists in identifying the current and future investment opportunities available to the Credit Union.

Credit risk:

Credit risk is the risk of financial loss to the Credit Union if a member or counter-party to a financial instrument fails to meet its contractual obligations and arises principally from the Credit Union's receivables from the inability of members to repay loans, the inability of investments and cash and cash equivalents to be recuperated or interest on them to be realized, and receivables to not materialize.

Management credit risk

The Credit Union's main objective as regards to credit risk is to protect against any unwanted counterparty credit exposures, maintain credit risk at a manageable level and identify and avoid material credit failure that would impart earnings.

The Credit Union measures and manages credit risk on an aggregate basis by including all existing relationships with a particular customer or related entity of the same corporate organization. When measuring credit risk, the Credit Union takes a conservative view towards uncertainty and error in the direction of overstating the risk.

Loans

Exposure to credit risk is managed through regular analysis of the ability of borrowers to settle outstanding balances and meet repayment obligations, and by changing lending limits when appropriate.

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015
(continued)**

22. FINANCIAL RISK MANAGEMENT (continued)

Other financial assets

With respect to credit risk arising from the other financial assets of the Credit Union, which comprise cash and cash equivalents and investments, the Credit Union's exposure to credit risk arises from default of the counter-party. The Credit Union seeks to hold its funds with financial institutions which management regards as sound. The markets for investments are monitored regularly to ensure the returns are guaranteed.

Exposure to credit risk

The Credit Union's maximum exposure to credit risk before collateral held and other credit enhancement is as follows:

	Maximum exposure	
	2015	2014
Cash and cash equivalents	18,078,315	10,983,310
Financial assets	16,881,571	9,154,073
Receivables and prepayments	918,540	810,611
Members' loans	<u>75,262,508</u>	<u>65,999,758</u>
	<u>\$111,140,934</u>	<u>\$86,947,752</u>

Concentration of credit risk on members' loans:

House/land purchase	43,668,633	38,522,298
Motor vehicle	3,941,110	3,010,385
Business	342,536	200,105
Personal/other	<u>29,306,211</u>	<u>25,999,174</u>
	<u>\$77,258,490</u>	<u>\$67,731,962</u>

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015
(continued)

22. FINANCIAL RISK MANAGEMENT (continued)

Analysis of members' loans that are past due but not impaired:

	Neither past due nor impaired	Past due and not impaired				Total
		1-3 months	3-6 months	6-12 months	Over 1 year	
2015	<u>\$68,840,222</u>	<u>\$1,075,072</u>	<u>\$1,100,331</u>	<u>\$2,223,314</u>	<u>\$2,023,569</u>	<u>\$75,262,508</u>
2014	<u>\$59,287,206</u>	<u>\$2,796,028</u>	<u>\$1,139,150</u>	<u>\$2,115,451</u>	<u>\$661,923</u>	<u>\$65,999,758</u>

Analysis of financial assets individually impaired:

	Carrying Amount	Provision	Net book value	
			2015	2014
Members' loans	<u>\$6,316,045</u>	<u>\$1,995,982</u>	<u>\$4,320,063</u>	<u>\$3,886,754</u>
Receivables and prepayments	<u>\$1,745,282</u>	<u>\$1,745,282</u>	\$ _____ -	\$ _____ -

Write off policy

The Credit Union writes off a loan when it determines that the loan is uncollectible after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer meet the obligation, and that proceeds from collateral will not be sufficient to recover the entire exposure.

Provision for loan losses

Allowance for doubtful loans are based on the requirement of The Co-operative Societies Act – (Act. No. 8 of 2011) and the PEARLS standards which recommends that delinquent loans less than three hundred and sixty five (365) days in arrears are provided for to the extent of 35% while those in excess of that period are provided for in full.

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015
(continued)**

22. FINANCIAL RISK MANAGEMENT (continued)

Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The Credit Union has guidelines that set out the acceptability of different types of collateral.

The types of collateral held by the Credit Union are registered mortgages over property, bills of sale on motor vehicles and other assets, liens on deposits and shares, guarantees and promissory notes.

Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Liquidity risk:

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

Management of liquidity risk

The Credit Union's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Credit Union's reputation. Liquidity, funding risk, and related processes and policies are overseen by management of the Credit Union.

Liquidity management is primarily designed to ensure that funding requirement of the Credit Union can be met or to satisfy the demands of customers for additional borrowing. The primary source of funds of the Credit Union is from members' deposit. Additional funds are also sourced through credit facilities from the Credit Union's bankers.

All of the Credit Union's financial liabilities at year end are payable on demand.

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER, 2015
(continued)**

22. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that the value of cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Credit Union operates primarily in the Eastern Caribbean Dollars and is therefore not subject to significant foreign currency risk. However, some of its transactions are in United States Dollars but as the Eastern Caribbean Dollar is pegged to the United States Dollar, there are no significant currency risk exposures.

Interest rate risk:

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

Exposure to interest rate risk

Floating rate instrument expose the Credit Union to cash flow interest risk where as fixed rate instruments expose the Credit Union to fair value interest rate risk.

Management of interest risk rate

The Credit Union's exposure to interest risk is managed through the matching of funding products with financial services and monitoring market conditions and yields.

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, personal, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of good corporate behaviour. Operational risk arises from all of the Credit Union's operations. The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Credit Union's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Credit Union standards for the management of operational risk in the following areas:

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

THE COMMUNAL CO-OPERATIVE CREDIT UNION LIMITED

**GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED 31ST DECEMBER, 2015**

SCHEDULE A

GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Salaries and wages	1,338,313	1,303,981
Uniform expenses	22,925	25,655
Staff incentives and benefits	3,120	3,157
National Insurance Scheme contributions	62,386	59,675
Telephone and electricity	258,743	291,465
Stationery and office supplies	105,574	98,012
Insurance - members	243,618	212,571
- general	69,886	72,455
- bond	6,289	25,192
Donations and subscription	27,923	21,021
Travel and accommodation	97,477	97,786
Advertising and promotion	240,163	202,340
Annual General Meeting/Committee Meeting expenses	57,089	67,757
Audit fees	17,000	15,000
Miscellaneous expenses	19,915	6,082
Repairs and maintenance	208,242	154,971
Bank charges	38,696	24,233
League dues	115,000	115,000
Postage	4,304	3,705
Scholarship fund	29,679	20,979
Depreciation – property, plant and equipment	460,657	360,639
- investment property	54,732	54,732
Capital grant depreciation	-	(962)
Stipend and honorarium	87,346	78,395
Credit Union Day celebration	15,263	21,460
Computer maintenance and expenses	3,726	7,371
Land tax and water rates	20,619	20,298
Pension and medical plan contributions	90,823	82,962
Professional services	55,776	33,503
Employees and members' development	88,080	83,877
Security	125,059	115,569
Carriacou office - rent	11,880	11,880
Gouyave office - rent	18,000	18,000
50 th Anniversary celebration	-	63,256
Cumis licence fee	24,677	21,295
I.D. cards	1,555	2,258
Officials development	17,907	12,933
(Gain)/loss on disposal of property, plant and equipment	(599)	2,983
IDC office expenses	15,632	57,675
Garfin fees	5,000	-
	<u>\$4,062,475</u>	<u>\$3,869,161</u>

RESOLUTIONS 2016

1. Payment of Dividend

Whereas The Communal Co-operative Credit Union limited has achieved a net surplus of \$922,827 for the year ended 31st December 2015 after making transfers to the Development Fund and The Statutory Reserves;

And whereas the Communal Institutional Capital now stands at 3.1% of total assets;

And whereas in keeping with GARFIN recommendation no dividend can be paid if the Institutional Capital ratio is less than 7.5% of total assets;

Be it resolved that no dividend be paid to shareholders of The Communal Co-Operative Credit Union for the year ended 2015.

2. Approval of 2016 Budget

Whereas section 37 B 8 of the Bye Laws Of the Communal states that the annual budget for the current year be approved at the AGM and such budget is presented in the Annual Report ,

Be it resolved that the budget as presented in the Annual report be approved.

3. Appointment of Auditors for 2016

Whereas the Accounting Firm of Pannell Kerr Forster continues to provide satisfactory service as the Credit Union's auditors

Be it resolved that the firm PKF be reappointed as the Credit Union's auditors for the year 2016.

4. Fixing the Maximum Borrowing Limit for the ensuing year

Whereas it is required by the By-Laws Article X1 – Section 37 B-14 to fix the maximum borrowing limit for the ensuing year;

And whereas the Communal Credit Union may need to borrow in 2016 to meet unforeseen capital expenditure needs;

Be it resolved that the maximum borrowing limit for the year 2016 be fixed at \$500,000.00.

DECEASED MEMBERS 2015

NAME	ADDRESS
Austin Carter	Woburn, St. George
Joslyn Charles	Perdmontemps, St. David
Harris James	Boca, St. George
Richard Charles	Grand Anse, St. George
Simon Sandiford	Park Lane, St. George's
Fitzroy P. James	Cemetery Hill, St. George's
Lyndon Antoine	Vincennes, St. David
Olga Robertson	Woodford, St. John
Nigel L. Griffith	Springs, St. George
Leslie Griffith	Springs, St. George
Ann Morin	Snell Hall, St. Patrick
Carol Jean Alexander	Grand Anse Valley, St. George
Mike C. Nicholas	Mt. Craven, St. Patrick
Olive Nora Calliste	Grand Anse, St. George
Junior Simon	Dominic St., Gouyave, St. John
Gerald J. Primus	Windsor Forest, St. David
Mary A. Thomas	Belmont, St. George
Martina Claudia Joseph	Belmont, St. George
Veronica St. Bernard	Woburn, St. George
Attley L. Williams	Woodlands, St. George
Jerome Mc. Burnie	
John Anthony George	Fontenoy, St. George
Richard John Purcell	Mt. Gay, George
Kenrick Bartholomew	Vendomme, St. George
Slyvia La Crette	Lowthers Lane, St. George
Desmond Dinnah	Gouyave Estate, St. John
Joycelyn Pascal	Springs, St. George
Godwin Mc Meo	Darbeau, St. George
Keptlyn Mark	Boca, St. George
James Alexander	Mardigras, St. George
Carol Alexander	Mt. Airy, St. Paul's, St. George
Theresa Baker Charles	Springs, St. George
Clanton Leroy Robinson	Church Street, St. George
Godwin A. Charles	Darbeau, St. George
Mary Hinds	Perdmontemps, St. David
Jamar Isaac	Springs, St. George
Dennis Mc Phie	Gouyave Estate, St. John
Joseph Emmons	Beausejour, Carriacou
Amanda Cindi Bruno	Grand Anse, St. George
Augustine Matthias Frank	Pomme Rose, St. David
John Strachan	Perdmontemps, St. David
Leon Samuel-Scott	River Road, St. George
Michael A. Mitchell	122 Summit Ave. Mt. Vernon N.Y. 10550 U
Nellice E. Campbell-Nedd	Tempe, St. George
Rudolph I. Hayling	Marlmount, St. David
Leon A Lawrence	Beaulieu, St. George
Madona Charles	Corinth, St. David
Wilfred Hayes	St. Paul's, St. George
John J. Noel	Mt. Parnassus, St. George



SOLIDARITY MESSAGES

Fellow Co-operators

I greet you in the true spirit of co-operation on the auspicious occasion of your 34th Annual General Meeting and I thank you for the opportunity to celebrate another year of financial success with you. Your theme "Building Communal Institutional Capital" gets top admiration especially in this era where credit unions are called upon to build a stronger platform for the future prosperity of its members.

It is time indeed, that building healthy Institutional Capital becomes top priority of the business objectives for credit unions if we ought to protect the resources for future generations. This will be the only time when you would be able to boast of real strength and success. Credit Unions represent a movement of people thriving together for a common goal of 'financial freedom and independence'. However if you did not take the time to build a strong capital base now, the opportunity to enjoy these benefits will not become a reality.

As we speak, Credit Unions in Grenada are faced with many challenges but one of the most significant challenges for all of us is that of inadequate institutional capital. As a movement, credit unions are called upon by GARFIN to build a strong capital base. The Communal Credit Union is known for strong financial performances and this year is of no exception. This trend towards greater profitability must continue in order to allow for the build up of institutional capital through retained earnings. Members must also be prepared to take a greater stake in the business by buying more equity shares. When members take decisive actions to preserve a Credit Union everyone, including the regulators, will have more confidence in the way we do business.

May God bless the Communal Credit Union and best wishes for a very successful AGM.

Philip Telesford

President GPSCU

Poultry ad

THE COMMUNAL CO-OPERATIVE CREDIT UNION LTD.

Nomination form:

Board of Directors:

A. -----

B. -----

C. -----

Supervisory Committee:

D. -----

Credit Committee

E. -----

F. -----

G. -----



COMMUNAL CO-OPERATIVE
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