



National Co-operative Credit Union Ltd.

2017 Annual Report

Building Resilience: Our Members, Our Priority



Credit Union Prayer

Prayer of St. Francis of Assisi

*Lord make me an instrument of your 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*

*Oh Divine Master
Grant that I may not so much seek
To be consoled as to console
To be understood as to understand
To be loved as to love
For it is in giving that we receive
It is in pardoning that we are pardoned
And it is in dying
That we are born to eternal life*

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Mission Statement

"To be the Leading Financial Institution Providing Services that Enhance the Quality of Life of ALL, Consistent with Co-operative Principles."

Our Co-operative Identity

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.

Our Co-operative Principles

- ✓ Voluntary and Open Membership
- ✓ Democratic Member Control
- ✓ Member Economic Participation
- ✓ Autonomy and Independence
- ✓ Education, Training and Information
- ✓ Cooperation Among Cooperatives
- ✓ Concern for the Community

Our Co-operative Values

- ✓ Self-help
- ✓ Self-responsibility
- ✓ Democracy
- ✓ Equality
- ✓ Equity
- ✓ Solidarity

Our Values

- ✓ Integrity
- ✓ Professionalism
- ✓ Loyalty
- ✓ Innovation
- ✓ Human Resource Development
- ✓ Confidentiality



STANDING ORDERS

1. a) A member shall stand when addressing the Chair.
b) Speeches are to be clear and relevant to the subject before the meeting.
2. A member shall only address the meeting when called upon by the Chairperson to do so, after which he shall immediately take his/her seat.
3. No member shall address the meeting except through the Chairperson.
4. A member shall may not speak twice on the same subject except:
a) The mover of a motion who has the right to reply.
b) He/she rises to object or to explain (with the permission of the Chair).
5. The mover of a “Procedural Motion” (Adjournment, Lay on the Table, Motion to Postpone) shall have no right of reply.
6. No speeches are to be made after the “Question” has been put and carried or negated.
7. A member rising on a “Point of Order” is to 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 to the Chair to a “Breach of Order.”
b) In no event can a member call the Chair to order.
9. A “Question” shall not be put to the vote if a member desires to speak on it or move an amendment to it, except that a “Procedural Motion: The Previous Question”, “Proceed to the Next Business” or the Closure: “that the Question be now put” may be moved at any time.
10. Only one amendment should be made before the meeting at one and the same time.
11. When a motion is withdrawn, any amendment to it fails.
12. The Chairperson shall have the right to a “Casting Vote.”
13. If there is equality of voting on an amendment, and if the Chairperson does not exercise his casting vote, the amendment is lost.
14. Provision is to be made for protection by the Chairperson from vilification (personal abuse).
15. No member shall impute improper motives against another member.



NOTICE

Notice is hereby given that the 8th Annual General Meeting of the National Co-Operative Credit Union [NCCU] Limited will be held on Thursday, June 28, 2018 at 5:00 p.m. at the Goodwill Parish Hall, Goodwill, Commonwealth of Dominica, to consider the following:

AGENDA

- 1. Credit Union Prayer**
- 2. Welcome Remarks**
- 3. Ascertainment of Quorum**
- 4. Apologies for Absence**
- 5. Adoption of Agenda**
- 6. Reading and Confirmation of Minutes of the 7th Annual General Meeting**
- 7. Matters Arising from the Minutes**
- 8. Reports:**
 - a. Board of Directors
 - b. Treasurer and Auditor
 - c. Supervisory and Compliance Committee
 - d. Credit Committee
- 9. Elections – Nominations Committee Report**
- 10. Unfinished Business**
- 11. New Business:**
 - a. Appropriation of Surplus
 - b. Appointment of Auditor
- 12. Any Other Business:**
 - a. Remarks and Suggestions
 - b. Lucky Bird Prizes
- 13. Adjournment**

CANDIA CARRETTE-GEORGE
SECRETARY

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



BOARD OF DIRECTORS



Josephine Dublin
President



Dexter Ducreay
Vice-President



Candia Carrette-George
Secretary



Aaron Dalrymple
Treasurer



Gerald Fregiste
Member



Clement Marcellin Jr.
Member



Kyra L'Homme
Member



Patrickson Albert
Member



Janice Roberts
Member



Damien Dublin
Member



Janice Jean-Jacques Thomas
Member



Cecil Shillingford
Member



Charmaine Brumant
Member





Board of Directors' Report

For the Year Ended December 31, 2017

OVERVIEW

The Board of Directors, Management and Staff are delighted to report to you that despite the ravages of Hurricane Maria, your Credit Union remained strong. The Credit Union was on course to celebrate the biggest year since amalgamation in 2010, when the hurricane struck. Notwithstanding, a significant provision for loan impairment of \$3,218,004 was made in preparation for International Financial Reporting Standard IFRS 9. A review of the operating results at the end of August 2017, revealed that the Society's surplus of \$4,411,494 had surpassed that of 2016 (\$4,055,137) reflecting an increase of \$356,357 or 8.79%.

In July 2017, the Assets and Liabilities of the South East Co-operative Credit Union were transferred to the NCCU - Branch Number 7, the La Plaine Branch which services the offices located at Grand Fond and Delices.

Despite the uncertainty and loss of several working days, there were successes during the year which can be highlighted. The total assets grew by \$69,753,276 over the previous year. Another area of growth was in the membership by 2853. The transfer of 1,473 members from the South East was the main contributing factor.

Like previous years, the loans portfolio grew but at a reducing rate, an increase of \$8,861,744.

MEMBERSHIP

During the year in review, the Society's membership increased to 46,295 as compared to 43,442 in the previous year, 2016, an increase of 2,853 partly due to the transfer of 1473 members from the Transfer of Assets from the South Eastern Co-operative Credit

Table 1 - MEMBER SHARE CAPITAL RATE OF GROWTH 2013 - 2017

	2017	2016	2015	2014	2013
Value of Shares	\$5,140,550	\$4,520,450	\$4,070,800	\$3,703,050	\$3,179,250
No. of Members	46,295	43,442	40,324	38,983	37,573
Rate of Growth in Shares	13.72%	11.05%	9.93%	16.48%	12.94%
Rate of Growth in Membership	5.5%	7.73%	3.44%	3.75%	3.62%

Union. The Member Share Capital again showed impressive growth increasing to \$5,140,550 from \$4,520,450 in the previous year - an increase of \$620,100 or 13.72%.

FINANCIAL PERFORMANCE

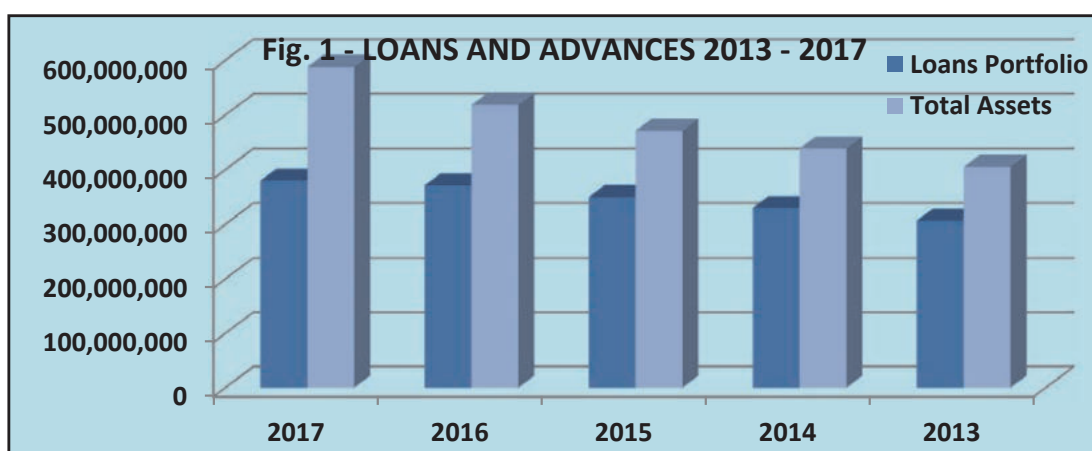
The Society was on course to record its strongest ever performance as at August 2017; however, the passage of Hurricane Maria slowed the growth in the loans portfolio.

LOANS AND ADVANCES

The Total Assets increased to \$588,069,125 as at December 31, 2017, compared to \$518,315,849 at the end of the previous year, an increase of \$69,753,276. The exponential increase is as a direct increase in members' savings.

Table 2 - LOANS AND ADVANCES VS TOTAL ASSETS (2013 - 2017)

YEARS	LOANS PORTFOLIO \$	TOTAL ASSETS \$
2017	379,763,559	588,069,125
2016	370,901,814	518,315,849
2015	349,829,748	471,206,380
2014	329,847,792	438,800,102
2013	306,637,032	405,220,051



To assist members with the restoration of their homes, purchase furniture and equipment, and the effecting of repairs to their vehicles, a special 'Rise & Restore' Loan was introduced with very favourable terms and conditions.

Access to loans for farming and fishing was also made easier with the introduction of a special low interest product.

LIQUIDITY MANAGEMENT

The Society's cash flow position remained very strong during the year under review. The significant increase in the Savings/Deposits was responsible for growth in the Society's interest-bearing liabilities. The Savings/Deposits grew by \$67,297,301 or 25.02%.

Table 3 - CHANGES IN LIABILITIES - Dec. 2017 and Dec. 2016

INDICATORS	Dec. 31, 2017	Dec. 31, 2016	Increase/(Decrease)	
	\$	\$	\$	%
Savings/Ordinary Deposits	336,313,249	269,015,948	67,297,301	25.02
Fixed Deposits	138,026,016	139,879,748	(1,853,732)	(1.33)
Member Retirement Account	37,495,004	34,657,082	2,837,922	8.19
Other Liabilities	9,065,145	11,532,770	(2,467,625)	(21.40)
TOTAL	\$520,899,414	\$455,103,548		

Table 4 - LIABILITIES MIX - Dec. 2017 and Dec. 2016

CATEGORY	DEC. 2017		DEC. 2016	
	\$	%	\$	%
Saving/Ordinary Deposits	336,313,249	64.56	269,015,948	59.11
Fixed Deposits	138,026,016	26.50	139,879,748	30.74
Member Retirement Account	37,495,004	7.20	34,657,082	7.62
Other Liabilities	9,065,145	1.74	11,532,770	2.53
TOTAL	\$520,899,414		\$455,103,548	

MEMBERS' EQUITY

As at December 31, 2017, the Society's Total Equity stood at \$67,169,711, an increase of \$3,857,410 or 6.10%. This increase was largely as a result of increases in Retained Earnings, Statutory Reserves and Share Capital.

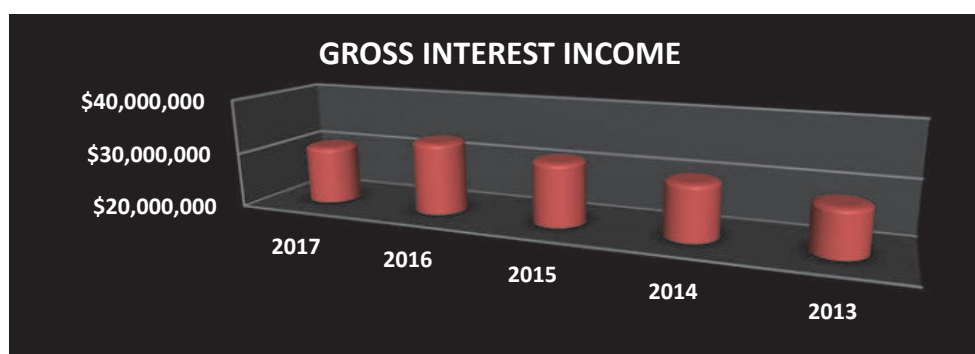
STATEMENT OF INCOME AND APPROPRIATION

For the year ended December 2017, the income on loans was \$27,872,388 compared to \$29,864,587 in the previous year, a decrease of (\$2,295,199) or (7.68%). As at the end of August 2017, the figures stood at \$20,532,713 as compared to the same period in 2016 which was \$19,936,040.

Interest and Investment Income totalled \$30,593,059 for the year in review, a reduction of (\$2,480,502) or (7.50%) when compared with the previous year.

Table 5 - INCOME TRENDS 2013 - 2017

YEARS	GROSS INTEREST INCOME \$	RATE OF GROWTH %
2017	30,593,059	- 7.50%
2016	33,073,561	5.40%
2015	31,378,889	4.83%
2014	29,932,166	5.51%
2013	28,370,374	6.24%



OPERATING EXPENSES

Despite the challenging operating circumstance, the operating costs for the year in review did not increase significantly. These cost totalled \$12,859,873 during the year under review, compared to \$12,542,086 in the previous year.

The decrease was in respect of General Expenses, Occupancy Expenses, Overseas Travel and Conferences.

INTEREST EXPENSES

The Interest Expenses are kept under constant review to reduce the Society's cost. At the commencement of the year under review, your Board took a decision to reduce the interest rate on the Members' Retirement Account from 6% to 4%.

Interest Expenses for the year in review was \$11,055,606 compared to \$11,421,103 at December 31, 2016, a reduction of \$365,497 or 3.20%.

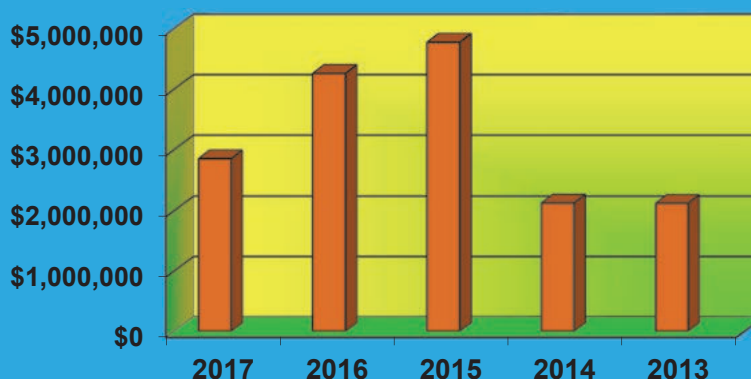
NET SURPLUS

The reduction in interest income seriously affected the Society's net surplus. We are however, happy to report that your Society recorded a net surplus of \$2,850,988 for the year under review compared to \$4,263,517 for the year ended December 31, 2016, a decrease of (\$1,412,529) or (33.13%).

Table 6 - NET SURPLUS 2013 - 2017

YEARS	NET SURPLUS \$
2017	2,850,988
2016	4,263,517
2015	4,778,147
2014	2,131,067
2013	2,127,672

Fig. 3 - NET SURPLUS 2013 - 2017

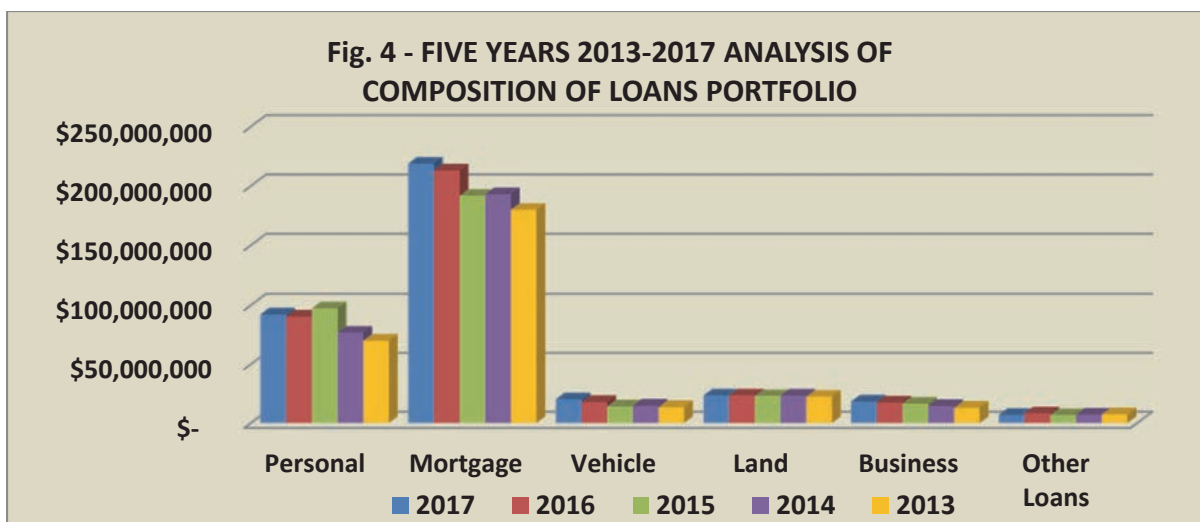


LOANS PORTFOLIO

The Loans Portfolio showed signs of growth during the period in review, albeit at a slower rate. The composition of the Loans Portfolio at the end of December 2017 is shown in Table 7 and Figure 4 below:

Table 7 - Composition of the Loans Portfolio

LOAN CATEGORY	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$
Personal	92,253,453	90,511,297	97,367,285	76,852,688	70,029,292
Mortgage	218,703,792	213,111,931	191,707,710	192,976,387	179,983,871
Vehicle	20,153,475	17,891,385	14,145,363	14,876,126	13,580,700
Land	23,414,793	23,546,008	22,972,669	23,321,453	22,477,545
Business	18,268,446	17,444,451	16,440,108	14,543,092	13,007,082
Other Loans	6,969,600	8,396,742	6,898,613	7,278,046	7,558,542



POST HURRICANE MARIA

Following the passage of Hurricane Maria, your Board took a decision to grant a four (4) months deferment on the payment of loan instalment to all members who were affected. A four (4) month waiver on the payment of interest was also provided which meant that the Society would not have collected interest for these months.

PHYSICAL PLANT

The Society lost all the air conditioning units located on the roof at the head office in Roseau as a result of the hurricane.

The site for erecting the La Salette office is no longer usable because, it was heavily flooded and considered a high risk area.

Major damages were sustained at the La Plaine, Grand Fond and Paix-Bouche offices where the roofs were almost totally destroyed.

Despite the damage to the offices, every effort was made to resume operations at the offices with less damage.

Estimated Cost of Damage to Property

The Society engaged the services of Estimators to provide estimates of damages to offices, furniture and equipment at all its locations following the passage of Hurricane Maria.

The report submitted to the insurance companies totalled \$1,291,970.

DECEASED MEMBERS

Our sincerest condolences are extended to all members who lost loved ones during the year ended December 31, 2017. May their souls rest in peace.

TRAINING & DEVELOPMENT

As a major part of the Society's development plan which is to ensure continuous improvement, the following training programmes were attended by employees.

- ✦ Understanding the Powers of Attorney, Probating of Wills, Deeds and Caveats
- ✦ Anti-Money Laundering - Staff Responsibility
- ✦ Work Ethics
- ✦ Delivering Exceptional Member Service
- ✦ Psycho - Social Support
- ✦ Building Codes and Standards
- ✦ Business Continuity and Disaster Recovery

SCHOLARSHIPS

The Haynes Baptiste Need Scholarship was awarded in 2017 to Mr. Donell Menill Leblanc. Mr. Baptiste (deceased) served as a President of the Vieille Case Co-operative Credit Union. A total of fourteen (14) new scholarships were awarded to students who were successful at the Grade Six National Assessment Exams, which increased the total scholarship holders to sixty-four (64)

CARIBBEAN CONFEDERATION OF CREDIT UNIONS (CCCU) ANNUAL CONVENTION & ANNUAL GENERAL MEETING

The Society was represented at the 60th Annual International Convention and 46th Annual General Meeting held in Varadero, Cuba by thirteen (13) members of the Board of Directors, Committees and Staff. The theme for the Convention was "Co-operative: Re-Shaping Caribbean Sustainable Development." Among the various educational and stimulating presentations were the following topics:

- Risk Management
- Disruptive Trends Affecting Caribbean Credit Unions
- Business Enhancement Through IT
- Partnering for Growth

THE BOARD OF DIRECTORS

At the 7th Annual General Meeting held at the Goodwill Parish Hall, on Sunday June 11, 2017, the following Directors were elected to serve:

- Mr. Clement Marcellin Jr.
- Dr. Damien Dublin
- Mrs. Janice Jean-Jacques Thomas

- Mr. Dexter Ducreay
- Mr. Aaron Dalrymple

Table 8 - MEETINGS ATTENDANCE RECORD Jan. 2017 – Dec. 2017

DIRECTORS	MONTHLY B.O.D. MEETINGS			SPECIAL B.O.D. MEETINGS			JOINT COMMITTEE MEETINGS		
	Total Called	Attended	Excused	Total Called	Attended	Excused	Total Called	Attended	Excused
Josephine Dublin - President	12	11	01	01	01	00	02	01	01
Dexter Ducreay - Vice President	05	04	01	01	01	00	01	01	00
Candia Carrette - George - Secretary	12	08	04	01	01	00	02	01	01
Aaron Dalrymple -Treasurer	05	04	01	01	01	00	01	00	01
Clement Marcellin Jr.	05	05	00	01	00	01	01	01	00
Dr. Kyra Paul	12	10	02	01	01	00	02	00	02
Patrickson Albert	12	11	01	01	01	00	02	02	00
Janice Roberts	12	07	05	01	00	01	02	02	00
Dr. Damien Dublin	05	05	00	01	01	00	01	00	01
Janice Jean-Jacques Thomas	05	02	03	01	01	00	01	01	00
Cecil Shillingford	12	08	04	01	00	01	02	02	00
Charmaine Brumant	12	02	10	01	01	00	02	00	02
Gerald Fregiste	12	11	01	01	01	00	02	02	00

FUTURE OUTLOOK

A high level of liquidity which characterizes the sector is expected to continue in the foreseeable future. The financial cost continues to rise as a direct result of increase in savings and deposits.

Your Society remains financially strong and has started exploring non-traditional avenues for investing excess cash which would yield additional income for the Society.

Improving of the Society's physical plant and the efficiency with which services are delivered to members is of critical importance. In that regard, the automation of the loan application process is at an advanced stage. Providing online access to members is an ongoing project which we anticipate will be implemented by the end of 2018.

ACKNOWLEDGEMENT

The Board of Directors wishes to record its profound appreciation to Management and Staff, whose loyalty and support ensured that most of the Branch offices were ready to provide albeit limited services to members within a short period of time following the passage of Hurricane Maria.

Special thanks are extended to the Supervisory and Compliance Committee and Credit Committee for their exemplary commitment to service.

Our thanks are once again extended to the many organizations and other stakeholders who partnered and facilitated the work of the Society including the Dominica Co-operative Societies League, Caribbean Confederation of Credit Unions, sister credit unions and the Financial Services Unit.



To you the members, the Society owes its continued success because, of your dedication and commitment to utilize all the services and products offered to grow the Society. We thank you for your continued patronage.

Your Credit Union continues to operate in an environment marked by excessive liquidity and limited investment opportunities; therefore your participation is paramount.

Our best wishes and thanks are extended to the many retiring volunteers who have all served the Society with distinction.

This Society's continued success is dependent on the participation of all members. Let us, therefore, continue to save wisely and repay loans in accordance with contract to ensure the survival of this our most cherished institution.



JOSEPHINE DUBLIN
PRESIDENT

For and on Behalf of the Board of Directors



NCCU 2017 High School Literacy Seminar



NCCU Annual Donation Penville Primary School



NCCU and Miss Dominica 2017 Being Crowned



Little girl with NCCU Piggy

Financial Highlights

For the Year Ended December 31, 2013 to December 31, 2017

STATEMENT OF FINANCIAL POSITION	2017	2016	2015	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS					
Cash and Bank Balances	96,658	37,879	19,854	12,549	9,041
Investment Held to Maturity & Available for Sale	67,419	65,091	58,460	58,489	57,411
Originated Loans (Net)	360,490	351,991	334,052	315,032	293,633
Property, Plant and Equipment	36,733	35,913	33,597	28,879	23,830
Other Assets/Shares	7,217	8,467	6,909	6,129	6,032
Statutory Reserves	19,552	19,191	18,335	17,723	18,638
	<u>\$588,069</u>	<u>\$518,532</u>	<u>\$471,206</u>	<u>\$438,801</u>	<u>\$408,585</u>
LIABILITIES					
Savings/Ordinary Deposits	336,313	269,016	234,683	217,180	199,406
Term Deposits	138,026	139,880	135,785	132,400	125,161
Member Retirement Account	37,495	34,675	32,651	29,532	27,753
Other	9,065	11,533	9,607	7,358	6,858
	<u>520,899</u>	<u>455,104</u>	<u>412,726</u>	<u>386,470</u>	<u>359,178</u>
EQUITY					
Share Capital	5,141	4,520	4,071	3,703	3,179
Statutory Reserve	18,707	33,300	16,523	15,292	14,738
Other Reserves	15,873		15,091	15,082	11,290
Retained Surplus	27,449	25,607	22,795	18,252	16,435
	<u>67,170</u>	<u>63,427</u>	<u>58,480</u>	<u>52,329</u>	<u>45,642</u>

Financial Highlights *(cont.)*

For the Year Ended December 31, 2013 to December 31, 2017

STATEMENT OF INCOME AND APPROPRIATIONS	2017	2016	2015	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000
Interest Income	30,593	33,074	31,378	29,932	28,370
Interest Expense	(11,056)	(11,421)	(12,162)	(12,773)	(12,109)
Net Interest Income & Investment Income	19,537	21,653	19,216	17,160	16,261
Other Income	1,476	1,210	1,198	998	1,013
Operating Income	21,013	22,863	20,414	18,158	17,274
Other Operating Costs	12,860	12,542	11,404	11,157	10,611
Net Operating Income	8,153	10,321	9,010	7,001	6,663
Other Expenses	4,559	4,940	2,962	4,304	3,970
Surplus before Other Comprehensive Income	3,594	5,380	6,048	2,697	2,693

FINANCIAL STATISTICS IN PERCENTAGE	2017	2016	2015	2014	2013
	%	%	%	%	%
Asset Growth	13.46	10.40	7.39	7.93	6.83
Loans and Advances Growth (Net)	2.41	5.37	6.04	7.29	7.51
Savings and Deposit Growth	25.02	14.63	8.06	8.81	4.77
Fixed Deposits Growth	1.33	3.02	2.49	5.78	11.44
Member Retirement Account Growth	8.13	6.20	9.55	6.41	2.40



MANAGEMENT



Aylmer A. Irish
Chief Executive Officer



Curth Charles
Chief Financial Officer



Coleen Bernabe
Branch Manager - Roseau



Maria Etienne-Pascal
Branch Manager - St. Paul



Valda Sweeny
Branch Manager - La Salette



Juliana Cuffy
Administrative Officer - St. David's



Jacqueline Roberts
Administrative Officer - Castle Bruce



Joan Thomas
Officer In Charge - Vieille Case

Treasurer's Report

For the Year Ended December 31, 2017



OVERVIEW

The Society endured another challenging year, mainly caused by the passage of Hurricane Maria. There was significant increase in loan deferment requests, zero interest payment granted to members affected by the hurricane and increased level of liquidity. Consequently, this negatively affected performance in key areas such as Interest in Income, Delinquent Loans and Financial Cost. The ultimate effect was a decrease in Net Surplus of \$1,412,529 as compared to the previous year. Table 1.1 reflects the overall performance of the Society.

Table 1.1: A breakdown of the Financial Highlights

Year Ended 31 December	2017 \$	2016 \$	Increase/(Decrease) 2017-2016 \$	Growth % 2017-2016
Operating Results				
Interest Income	27,572,388	29,864,587	(2,292,199)	(7.7%)
Interest Expenses	11,055,606	11,421,103	(365,497)	(3.2%)
Gross Income	32,069,126	34,283,233	(2,214,107)	(6.5%)
Total Expenses	28,474,901	28,902,798	(427,897)	(1.5%)
Net Surplus	2,850,988	4,263,517	(1,412,529)	(33.1%)
Financial Position				
Loans to members	379,763,558	370,901,815	8,861,743	2.4%
Investments	87,126,591	84,431,346	2,695,245	3.2%
Total Assets	588,069,125	518,315,849	69,753,276	13.5%
Savings and Deposits	336,313,249	269,015,948	67,297,301	25.0%
Term Deposits	138,026,016	139,879,748	(1,853,732)	(1.3%)
Member Ret. Account	37,495,004	34,675,082	2,819,922	8.1%
Total Liabilities	520,899,414	455,103,548	65,795,866	14.5%
Member Capital	5,140,550	4,520,450	620,100	13.7%
Members Equity	67,169,711	63,212,301	3,957,410	6.3%



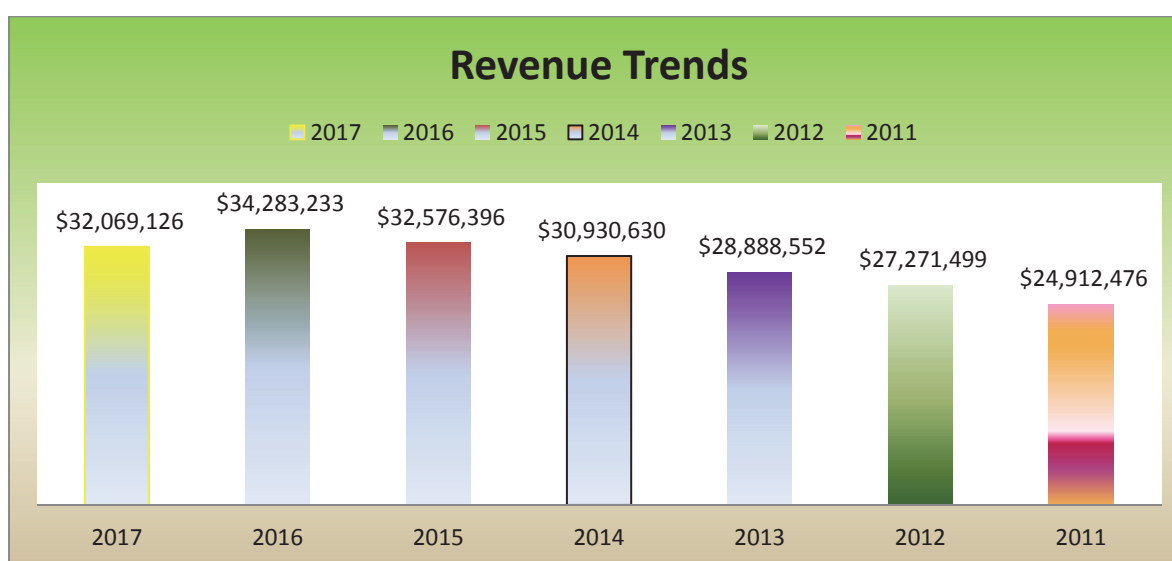
FINANCIAL PERFORMANCE

Gross Revenue

The Society recorded steady growing trends in gross revenue over the period 2011 to 2016; on the other hand, recorded a decrease in year 2017 (See Graph 1.0 Seven Year Breakdown of the Gross Revenue).

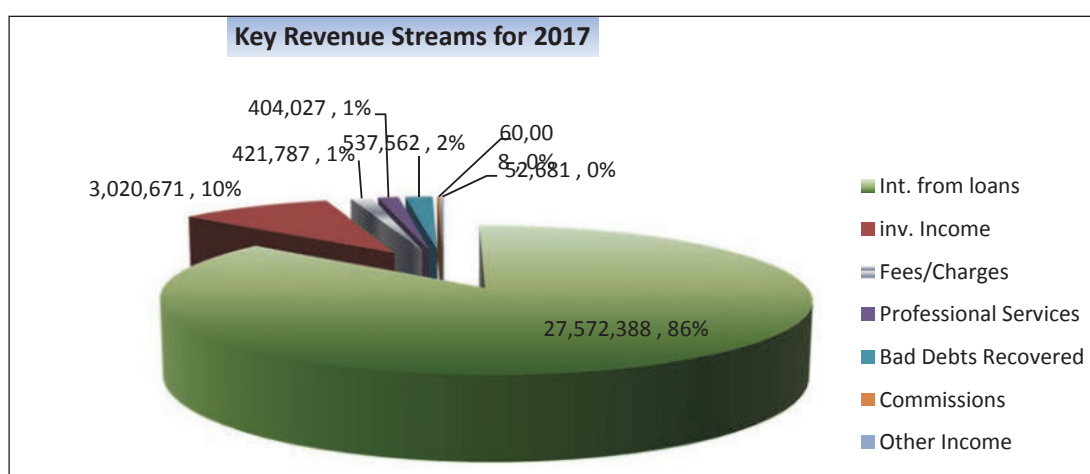
Total revenue for the year 2017 amounted to Thirty-two Million, and Sixty-Nine Thousand, One Hundred and Twenty-Six Dollars (\$32,069,126) moving from Thirty-Four Million, Two Hundred and Eighty-Three Thousand, Two Hundred and Thirty-Three Dollars (\$34,283,233) in year 2016. This constitutes a net value decrease of Two Million, Two Hundred and Fourteen Thousand, and One Hundred and Seven Dollars (\$2,214,107) or (6.5%) as compared to the year 2016.

Graph 1.0: Revenue Trends 2011-2017



The major sources of revenue for the year came from interest from loans of \$27,572,388, and Income from Investments of \$3,020,671 followed by Investment/Debt Recovery of \$537,562 (payment from the British American Investment).

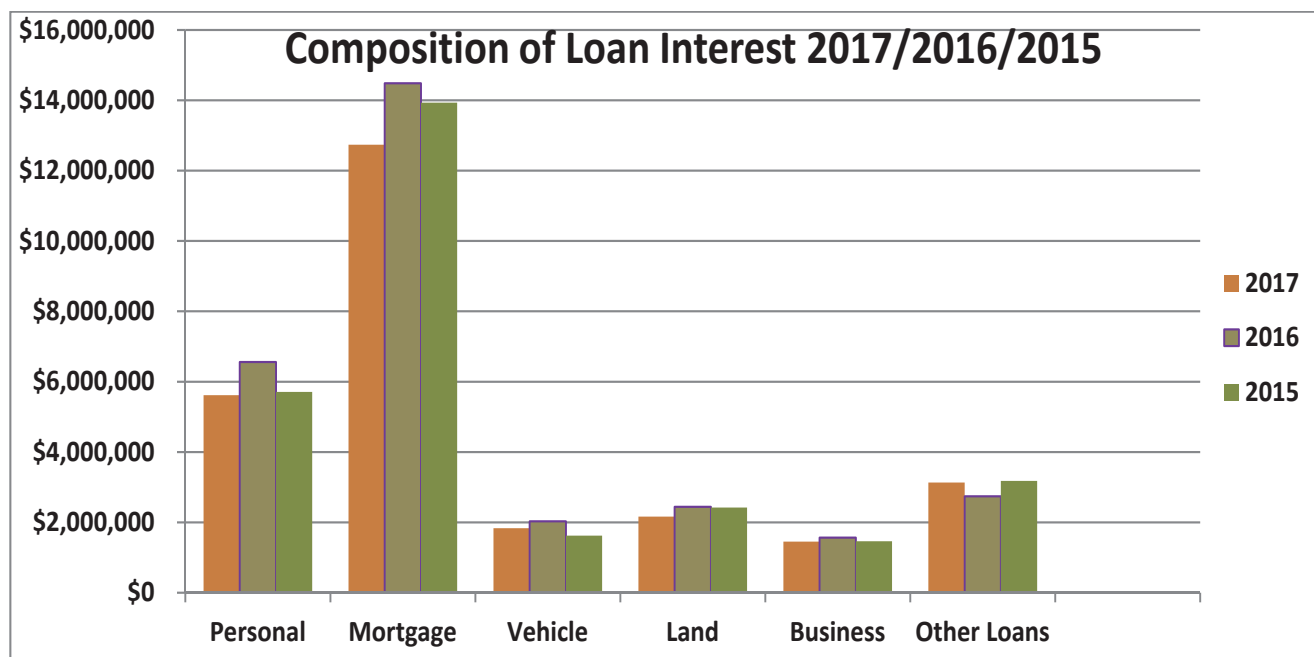
Graph 1.1: Key Revenue Streams for 2017



Interest Income

The Society recorded Two Million Eight Hundred and Eighty-Eight Thousand, Two Hundred and Fifty-One Dollars (\$2,888,251) or a (9.7%) decrease in interest income as compared to the previous year, due to short payment or non-payment of loans due to the effects of Hurricane Maria.

Graph 1.2: Composition of Loan Interest Income by Sector for Year 2017/2016/2015



Expenses

Total expenditure for the year 2017 amounted to Twenty-Eight Million, Four Hundred and Seventy-Four Thousand, Nine Hundred and One Dollars (\$28,474,901) as compared to the same period last year, when we recorded Twenty-Eight Million, Nine Hundred and Two Thousand, and Seven Hundred and Ninety-Eight Dollars (\$28,902,798). This constituted a net value decrease of Four Hundred and Twenty Seven Thousand, Eight Hundred and Ninety-Seven Dollars (\$427,897) or (1.5%) when compared to figures for the same period.

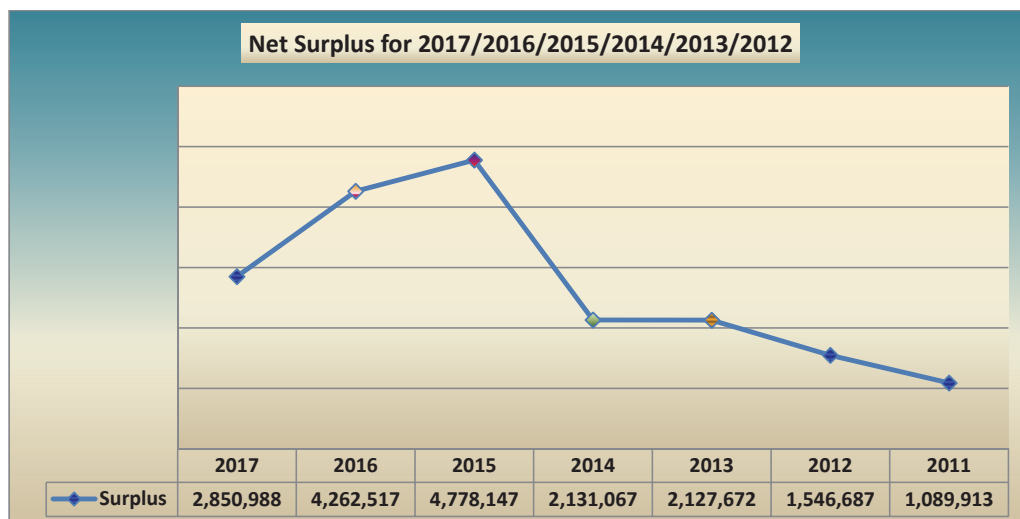
The leading adverse variances were recorded in three expense categories namely:

- ✦ Provision for Risk Assets with significant variance of \$1,118,000 (53.24%) due to the increased uncertainty of members meeting their monthly loans commitments.
- ✦ Personal Expenses showing \$517,368 (7.38%) due to increase in salary.
- ✦ Occupancy Expenses increased by \$119,869 (12.73%) due to maintenance of building.

Net Surplus

The Society experienced reduction in performance for the year 2017, recording a Net Surplus after appropriation of 2.8 million dollars.

Graph 1.3: Net Surplus for 2017/2016/2015/2014/2013/2012



FINANCIAL POSITION

Assets

The Society reports Assets in the amount of Five Hundred and Eighty-eight Million, Sixty-nine Thousand, and One Hundred and Twenty-Five Dollars (\$588,069,125). This represents a growth of 13.5% (\$69,753,276), mainly due to significant movements in the Cash and Bank balances, which increased by \$58 million or 155%.

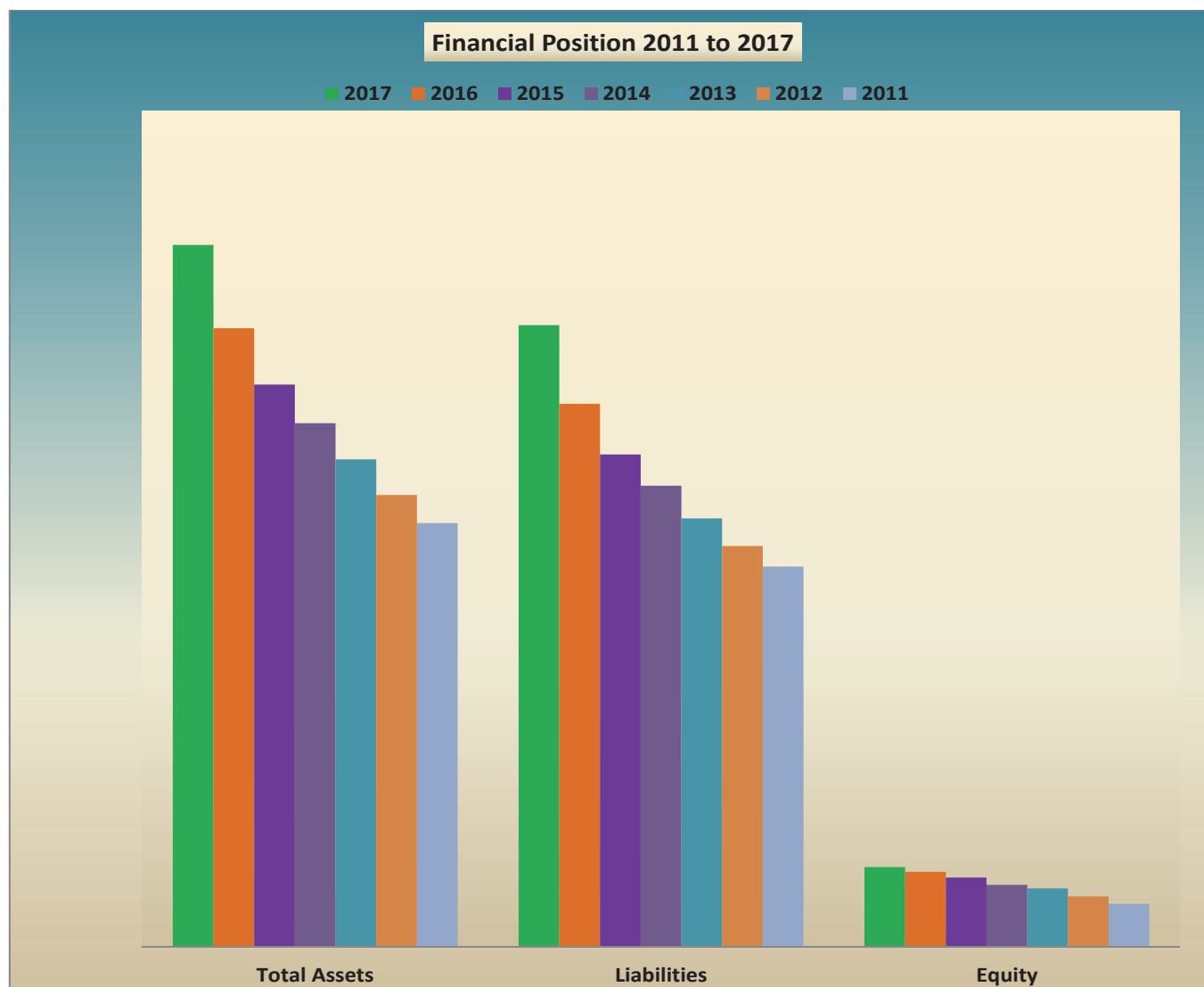
Liability

Liabilities have grown to Five Hundred and Twenty Million, Eight Hundred and Ninety-Nine Thousand, Four Hundred and Fourteen Dollars (\$520,899,414) showing a 14.5% (\$65,795,866) increase over financial year 2016. The main contributing factor was growth in Members' Savings/Ordinary Deposit by 25% or (\$67,297,301).

Equity

An increase in Members' Equity of Three Million, Nine Hundred and Fifty Seven Thousand Four Hundred and Ten Dollars (\$3,957,410) or 6.3% was recorded, when compared to the same period last year. (See Graph 2.3 re Financial Position).

Graph 2.3: Financial Position:



CONCLUSION AND ACKNOWLEDGEMENT

I wish to thank members of the Board of Directors, Committees, Management and Staff for facilitating the job of the Treasurer and the continued support in ensuring the Society meets its goals of minimizing expenses; growing revenues and efficient delivery of member services.

Aaron Dalrymple
Treasurer

For and Behalf of the Board of Directors



Crime Stoppers Dominica Thanks NCCU for its Continued Contributions



NCCU Donates to Fete Isidore Committee



NCCU La Salette Branch Donates Food Hamper to Simon George of Salton



Trophy Best Services and Products Booth at Family Fun Day



NCCU Donates to Rotary



NCCU St. David's Branch Training

INDEPENDENT AUDITOR'S REPORT

6 April, 2018

To the Members
National Co-operative Credit Union Limited
Roseau
COMMONWEALTH OF DOMINICA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Co-operative Credit Union Limited, which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Dominica, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard

Responsibilities of management and the board of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Moreau & Co.

MOREAU & CO

ROSEAU

COMMONWALTH OF DOMINICA



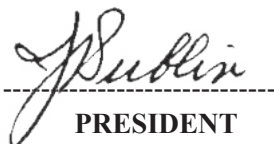
Statement of Financial Position

as at December 31, 2017

	Notes	2017 EC\$	2016 EC\$
ASSETS			
Cash and bank balances	4	96,658,192	37,878,539
Statutory reserve deposit	5	19,551,755	19,190,855
Shares at Dominica Co-operative Societies League	6	155,710	149,210
Investment securities: held to maturity	7	59,518,523	57,735,010
available-for-sale	8	7,900,603	7,356,271
Originated loans	9	360,489,571	351,990,952
Other assets	10	7,058,412	8,102,253
Property, Plant and Equipment	12	36,733,274	35,912,562
Leasehold Improvement	11	3,085	197
TOTAL ASSETS		<u>588,069,125</u>	<u>518,315,849</u>
LIABILITIES			
Members' savings/ordinary deposits	13	336,313,249	269,015,948
Term deposits	14	138,026,016	139,879,748
Accounts payable and provisions	17	3,981,320	4,882,397
Member Retirement Account	15	37,495,004	34,675,082
European Union Grant	16	21,415	21,415
Accrued Interest Payable	18	5,062,410	6,628,958
TOTAL LIABILITIES		<u>520,899,414</u>	<u>455,103,548</u>
MEMBERS' EQUITY			
Share capital	32	5,140,550	4,520,450
Statutory reserve (guarantee fund)	19	18,707,178	17,759,706
Education fund	20	400,960	335,650
Loan Protection fund	21	1,070,621	1,033,669
Capital Reserve		476,886	461,196
Capital Contribution	24	4,799,214	4,799,054
Revaluation Surplus	23	8,634,580	8,450,532
Fair Value Reserve		335,913	305,253
Development Fund	22	154,410	148,581
Retained Surplus		27,449,399	25,398,210
TOTAL MEMBERS' EQUITY		<u>67,169,711</u>	<u>63,212,301</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY		<u>588,069,125</u>	<u>518,315,849</u>

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

SIGN ON BEHALF OF THE BOARD


PRESIDENT


TREASURER



Statement of Income and Appropriation

for the Year Ended December 31, 2017

	NOTES	2017 EC\$	2016 EC\$
Interest and Investment Income	25	30,593,059	33,073,561
Interest Expense	25	<u>(11,055,606)</u>	<u>(11,421,103)</u>
Net Interest Income		19,537,453	21,652,458
Other Income	26	<u>1,476,067</u>	<u>1,209,671</u>
Operating Income		21,013,520	22,862,129
Operating Costs	27	(12,859,873)	(12,542,086)
Provision for loan impairment		(3,218,004)	(3,100,000)
Loan protection fund		(23,048)	----
Provision for loan protection fund		(60,000)	----
Education Fund		(19,208)	(20,323)
Development Fund		(43,495)	(12,869)
Depreciation		(1,195,469)	(1,804,043)
Leasehold/amortisation		<u>(198)</u>	<u>(2,374)</u>
Surplus before the other comprehensive income		3,594,225	5,380,434
Other Comprehensive income			
Entrance fees		<u>14,620</u>	<u>16,424</u>
Total comprehensive income before appropriation		<u>3,608,845</u>	<u>5,396,858</u>
Appropriation: Surplus before comprehensive income			
Transfer to statutory reserve		(721,769)	(1,079,372)
Transfer to development fund		<u>(36,088)</u>	<u>(53,969)</u>
NET SURPLUS AFTER APPROPRIATION		<u><u>2,850,988</u></u>	<u><u>4,263,517</u></u>

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

Statement of Changes in Equity

for the Year Ended December 31, 2017

Member Share	Statutory Reserve	Education Fund	Development Fund	Revaluation Surplus	Capital Reserve	Capital Contribution	Loan Protection Fund	Fair Value Reserve	Retained Surplus	Total
EC\$	EC\$	EC\$	EC\$	EC\$	EC\$	EC\$	EC\$	EC\$	EC\$	EC\$
Balance - 31-12-15	4,070,800	16,523,298	332,637	76,803	8,103,470	461,196	4,777,817	1,033,669	305,253	22,794,959
Appropriation	---	1,079,372	---	53,969	---	---	---	---	---	1,133,341
Transfers - Castle Bruce Credit Union	102,250	140,612	23,336	30,678	347,062	---	21,627	---	---	559,015
Rebate 2015	---	---	---	---	---	---	---	---	---	(1,139,944)
Payments	---	---	(20,323)	(12,869)	---	---	(700)	---	---	(700)
Receipts	347,400	---	---	---	---	---	310	---	---	347,710
Entrance Fee	---	16,424	---	---	---	---	---	---	---	---
Net Surplus	---	---	---	---	---	---	---	---	---	---
Write back -cadence lypso	---	---	---	---	---	---	---	---	---	---
Adjustments	---	---	---	---	---	---	---	---	---	---
Dividend	---	---	---	---	---	---	---	---	---	---
Balance - 31-12-16	4,520,450	17,759,706	335,650	148,581	8,450,532	461,196	4,799,054	1,033,669	305,253	63,212,301
Balance - 31-12-16	4,520,450	17,759,706	335,650	148,581	8,450,532	461,196	4,799,054	1,033,669	305,253	63,212,301
Appropriation	---	721,769	---	36,088	---	---	---	---	---	757,857
Transfers - La Plaine	232,000	211,083	84,518	13,236	184,048	15,690	---	---	---	385,880
Net surplus	---	---	---	---	---	---	---	---	---	2,850,988
Payments	---	---	(19,208)	(43,495)	---	---	---	---	---	---
Receipts	388,100	---	---	---	---	---	160	60,000	---	448,260
Adjustments	---	---	---	---	---	---	---	---	---	---
Entrance Fee	---	14,620	---	---	---	---	---	---	---	---
Dividend	---	---	---	---	---	---	---	---	---	---
Balance - 31-12-17	5,140,550	18,707,178	400,960	154,410	8,634,580	476,886	4,799,214	1,070,621	335,913	67,169,711

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



Statement of Cash Flow

for the Year Ended December 31, 2017

Notes	2017 EC\$	2016 EC\$
Cash flows from operating activities		
Surplus before appropriation	3,608,845	5,396,858
Adjustment for:		
Depreciation	1,195,469	1,804,043
Write back Cadence Lypso Recievable	----	(183,027)
Leasehold Amortization	198	2,374
Loan Protection fund	60,000	----
Write back interest	(52,803)	23,925
	4,811,709	7,044,173
Cash flow before changes in operating assets and liabilities		
Increase in statutory reserve deposit	(360,900)	(855,386)
(Increase) / Decrease in originated loans	(8,498,619)	(17,939,402)
(Increase) / Decrease in other assets	1,043,841	(1,510,498)
Increase in members' savings/demand deposits	67,297,301	34,332,837
Increase in term deposits	(1,853,732)	4,094,540
Increase in Members' retirement account	2,819,922	2,023,826
Increase in subsidiary company account	----	183,027
Increase in Dominica Societies Co-operative League Shares	(6,500)	(17,925)
European Union Grant	----	98
Increase / (Decrease) in accounts payable and provisions	(901,077)	1,677,627
Increase (Decrease) in accrued interest payable	(1,566,548)	248,142
Net cash from operating activities	62,785,397	29,281,059
Cash flow from investing activities		
Purchase of fixed assets	(2,016,181)	(4,119,978)
Purchase of investment securities: held to maturity	(1,783,513)	(4,554,994)
Leashold improvements	(3,086)	----
Purchase of investment securities: available for sale	(544,332)	(2,076,598)
Net cash from investing activities	(4,347,112)	(10,751,570)
Cash flows from financing activities		
Rebate	----	(1,139,944)
Share capital	620,100	449,650
Dividend paid	(432,772)	(271,438)
Transfers	153,880	435,138
Capital contribution	160	21,237
Net cash from financing activities	341,368	(505,357)
Net cash flows	58,779,653	18,024,132
Cash and cash equivalent - Beginning of year	37,878,539	19,854,407
Cash and cash equivalent - end of year	96,658,192	37,878,539

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



Notes to Financial Statements

for the Year Ended December 31, 2017

1. GENERAL INFORMATION

The National Co-operative Credit Union Limited (NCCU) was registered under the Co-operatives Societies Act No. 2 of 2011 of the Laws of the Commonwealth of Dominica.

The Society's Head Office is located at 31-37 Independence Street, Roseau. Other branches are located at: Pointe Mitchel, Mahaut and Riviere Cyrique and Vielle Case with Sub-Branches at Penville, Paix Bouche, Castle Bruce and Thibaud in the Commonwealth of Dominica.

2. SUMMARY OF 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 as at the year presented unless otherwise stated.

(a) Basis of Preparation

These financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings and of certain available-for-sale financial assets. The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period.

Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

(b) Summary of IFRS pronouncements effective 2015

The following is a summary of IFRS for pronouncements that must be applied, if applicable in 2015 a business entity with a calendar year-end that is preparing financial statements in accordance with IFRS. The pronouncements are effective for years beginning on or after January 1, 2015:

- Defined Benefit Plans: Employee Contribution (Amendments to IAS 19).
- Annual Improvements to IFRS 2010 – 2012 cycle
- Annual Improvements to IFRS 2011 – 2013 cycle
- IFRS 14 Regulatory Deferral Accounts
- Accounting for Acquisitions of Interest in Joint Operations (Amendments of IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
- Equity Method in separate financial statements (Amendments to IAS 27)
- Sale or contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Annual improvements to IFRS 2012 – 2014 cycle – various standards)

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....cont'd

(c) Cash and Cash Equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at cost. For the purpose of the Cash Flow Statement, cash and cash equivalents comprise balances with less than three months' (90 days) maturity from the date of acquisition including: non-restricted cash and current account balances at commercial banks, deposits with non-banking financial institutions, and other short-term securities.

(d) Financial Instruments

The Society initially recognizes loans and loan advances, deposits and loans payable on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date, that is, the date the Society becomes a party to the contractual provision of the instrument.

The classification of financial instruments at initial recognition depends on the purpose and management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are initially measured at a cost being their fair value plus transaction costs that are directly attributable to its acquisition or issue.

Financial Assets

A financial asset is any asset that is cash; an equity instrument of another entity; a contractual right to receive cash or another financial asset from another entity, or to exchange financial asset or financial liabilities with another entity under conditions that are potentially favorable to the entity; or a contract that will or may be settled in the entity's own equity instruments.

The Credit Union classifies its financial assets in the following categories:

Originated loans; Held-to-Maturity Investments; and Available-for-Sale Investments. Management determines the classification of its investments at initial recognition and re-evaluates the designation at every reporting date.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES....cont'd

(d) Financial Instruments....Cont'd

Originated loans

All member loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables.

Member loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

Member loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment (losses).

Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest is accounted for on the accrual basis for all loans.

If there is objective evidence that an impairment loss on member loans carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate, short-term balances are not discounted.

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial asset is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

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 recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in net income.



Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES....cont'd

(d) Financial Instruments....Cont'd

Bad Debts Written Off

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognized. If no provision had been recognized, the write offs are recognized as expenses in net income.

Investment Securities

Investment securities are classified as held-to-maturity and available for sale.

Held to Maturity

Held to maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that the Society's management has the positive intention and ability to hold to maturity.

Held to maturity investments are initially recognized at fair value including direct and incremental transaction cost and are measured subsequently at amortized cost, using the effective interest rate method. Interest on held to maturity investments is included in the Statement of Comprehensive Income.

In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognized in the Statement of Comprehensive Income.

Were the Credit Union to sell other than an insignificant amount of held to maturity assets, the entire category would be tainted and reclassified as available for sale.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES....cont'd

(d) Financial Instruments....Cont'd

Available for sale

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

Available-for-sale financial assets are initially recognized at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value, with gains and losses being recognized in the Statement of Comprehensive Income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized.

Unrealized gain or losses in available for sale investments are recognized directly in the fair value reserve in equity and reported under Other Comprehensive income.

Impairment of Financial Assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortized cost is calculated as the difference between the assets carrying amount and the present value of the expected future cash flows discounted at the financial instrument original interest rate. By comparison, the recoverable amounts of an instrument measured at a fair value are the present value of expected cash flows discounted at the current market rate of interest for similar financial asset. Interest earned whilst holding investment securities is reported as interest income.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Financial Instruments.....cont'd

Impairment of Financial Assets

The Society assesses at the end of each reporting period whether there is any objective evidence that financial asset or group of financial assets measured is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Society uses to determine that there is objective evidence of an impairment loss include:

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

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Financial Instruments....cont'd

Impairment of Financial Assets (cont'd)

The Credit Union first assesses whether any objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not 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 recognized, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on Loans and receivables or Held-to-Maturity Investments at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the Statement of Comprehensive Income.



Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Financial Instruments.....cont'd

Financial Liabilities

The Society's financial liabilities include members' savings and deposits, fixed deposits, Member Retirement Account and other liabilities. The Credit Union determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans payable, net of directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using effective interest rate method. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process. The EIR amortization, if any, is included in the statement of comprehensive income. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

(e) Foreign Exchange Transaction and Transaction

Foreign exchange transactions during the year are converted at rates prevailing on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies as at the year-end are translated into Eastern Caribbean Dollars as at that date.

All amounts stated in these financial statements are expressed in Eastern Caribbean Dollars, which is the functional and presentation currency of the Commonwealth of Dominica. (US\$=EC\$2.67)

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Investment in Subsidiary

The investment in the subsidiary is accounted for by the cost method whereby the investment is initially recorded at cost and income from the investment is recognized to the extent that it arises from distribution of accumulated profits arising after the date of acquisition.

(g) Impairment of Non-Financial assets

Non- financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Impairment charges are included in net income, except to the extent they reverse gains previously recognized in other comprehensive income.

(h) Property and equipment

Land and building are stated at valuations carried out in 2011 and 2012 with subsequent additions at cost, less subsequent depreciation for building. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.



Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Property and equipment....cont'd

All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual value over their estimated useful lives as follows:

Buildings	25-50 years
Furniture, fixtures and equipment	5-7 years
Computer systems	3-5 years
Motor vehicles	4 years

Land is not depreciated. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statement of Comprehensive Income.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and value-in-use.



Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Dividends

Dividends on shares are recognised in equity in the period in which they are declared. Dividends for the year that are declared after the reporting date are dealt with in a note on subsequent events.

According to Section 129 of the Co-operative Societies Act No. 2 of 2011 authorizes the Society to pay a dividend on its shares in proportion to their business with the Society at such rate as may be prescribed by its bye-laws. Unrealized gains or gains arising from asset revaluation are not considered in determining income for the distribution of dividends.

(j) Interest Income and expense

Interest income on originated loans is recognized in the Statement when received and/ or accrued for not more than three (3) months. Interest income and expense are recognized for all interest bearing financial instruments on an accrual basis, using effective interest rates. Interest income includes income on fixed investment.

If loans become doubtful, they would be written down to their recoverable amounts and interest income is thereafter recognized based on the rate of interest used to discount the future cash flow for the purpose of measuring the recoverable amount.

(k) Other income

Dividend income is recognized when the entity's right to receive payment is established. Other income, including fees and commissions are generally recognized on an accruals basis when the related service has been provided.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Taxation

The Society's income is exempt from taxation under Section 25(m) of the income Tax Act Chapter 67:01 of the laws of the Commonwealth of Dominica.

(m) Comparative Figures

Where necessary, certain comparative figures have been reclassified to conform to the current year's presentation.

(n) Member Deposits

All member deposits are initially measured at fair value, net of any transaction costs directly attributable to the insurance of the instrument. Member deposits are subsequently measured at amortized cost, using the effective interest rate method.

(o) Accounts payable and other liabilities

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

(p) Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(q) Members' Shares

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Revenue Recognition

Revenue from the provision of services of members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonable assured.

3. FINANCIAL RISK MANAGEMENT

Risk is inherent in the Credit Union's activities but is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls.

This process of risk management is critical to the Credit Union's continuing profitability and each individual is accountable for the risk exposures relating to his or her responsibilities. The Credit Union is exposed to credit risk, interest rate risk, liquidity risk, market risk and operational risk.

The Credit Union's aim therefore is to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance.

The Board of Directors has overall responsibility for the determination of the Society's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's finance function. The Board of Directors receives monthly reports from the Credit Union's Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Board of Directors has recently appointed an Assets Liabilities Management Committee comprising of the Treasurer, the Chief Executive Officer, The Accountant and a representative from the supervisory and compliance committee to monitor the key financial risks and key financial ratios and targets which the Board has set.

The supervisory and compliance Committee has the responsibility to monitor the overall risk process within the Credit Union



Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

3. FINANCIAL RISK MANAGEMENT (Cont'd)

The Credit Union has recently reviewed and updated most of its operational policies. The Internal Audit Department audits various processes during the year to determine whether set policies, guideline and procedures are being followed. The Board takes appropriate action based on the Internal Audit Department's findings.

(a) Credit risk

Credit risk is the risk of financial loss to the Credit Union if a counterparty to a financial instrument fails to make payments of interest and principal when due. The Credit Union is exposed to credit risk from claims against a debtor or indirectly from claims against a guarantor of credit obligations.

Risk Management

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan.

The Credit Union's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensures that management has a framework, and policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

(b) Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending and on its investment in fixed deposits with banks and other financial institutions.

The Credit Union's goal is to manage the interest rate risk of the statement of financial position to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

3. FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Liquidity Risk

Liquidity risk is the risk that Credit Union will not be able to meet all cash outflow obligations as they come due. The Credit Union mitigates this risk by monitoring cash activities and expected outflows so as to meet all cash outflow obligations as they fall due.

The Society is exposed to liquidity risk to the extent that it has unmatched positions of contractual maturities and interest rates of financial assets and liabilities. The Society manages liquidity risk by carefully monitoring and maintaining financial assets of adequate maturities to service commitments associated with financial liabilities that require outflows of cash or another financial asset at a particular date.

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest, currency risk and equity risk.

The Credit Union is mainly exposed to interest rate risk. The Credit Union's exposure to currency risk is minimal since it does not have any significant foreign currency denominated assets. The Eastern Caribbean dollar is pegged to the United States Dollar at EC\$2.67. Most of the financial assets and liabilities of the Society is based in Eastern Caribbean Dollars. However, some of the members who have loans are based overseas. Fluctuation in foreign currencies against Eastern Caribbean Dollar will influence the net amount remitted by members to service their loans.

(e) Operational Risk

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



Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

3. FINANCIAL RISK MANAGEMENT (Cont'd)

(e) Operational Risk

While operational risk is inherent to each other of the Credit Union's Business activities, the exposure is minimized by ensuring that the appropriate infrastructure, controls, systems and human resources are in place. Key policies and procedures, used in managing operating risk involve a strong internal audit function, segregation of duties, delegation of authority, and financial and managerial reporting.

Within the Credit Union, mitigation of operating risk is assigned to senior management supported by a well-defined organizational structure that segregates operational and administrative functions.

In addition periodic reviews are undertaken by the Internal Audit Department. The results of the reviews are discussed with senior management and Board of Directors.

(f) Fair Value of Financial Assets and Liabilities

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

The fair value cash resources, accounts receivable and accounts payable are assumed to approximate their carrying value due to their short term value. The fair values of securities are assumed to be equal to the estimated market value. The fair values of unquoted securities are estimated at book value which is not significantly different from their carrying value.

The estimated fair value of members' loans reflect changes in interest rates that have occurred since the loans were originated and is determined by discounting contracted future cash flows, over the remaining term to maturity, at current interest rates. The estimated fair values of members' loans are not significantly different from their carrying values. The estimated fair value of deposits with no stated maturity, which include non-interest bearing deposits, is the amount repayable on demand. Deposits payable on a fixed date are at rates which reflect market conditions and are assumed to have fair values which approximate carrying values.

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

	2017 EC\$	2016 EC\$
4. Cash and Bank Balances		
Cash on hand	3,227,017	2,739,260
Current accounts	93,431,175	35,139,279
	<u>96,658,192</u>	<u>37,878,539</u>
	2017 EC\$	2016 EC\$
5. Statutory Reserve Deposit		
Fixed Deposits at banks	17,653,113	17,335,889
Demand deposit at Dominica Co-op Societies League Ltd	1,898,642	1,854,966
	<u>19,551,755</u>	<u>19,190,855</u>
	2017 EC\$	2016 EC\$
6. Shares at Dominica Co-operative Societies League Ltd		
Share at cost	<u>155,710</u>	<u>149,210</u>
	2017 EC\$	2016 EC\$
7. Investment Securities: held to maturity		
E.C Home Mortgage Bank Bond	2,000,000	2,000,000
Fixed deposits at League and Credit Unions	2,796,542	2,919,305
Fixed deposits at banks and other institutions	54,721,971	52,815,705
Fixed deposits at Colonial Life Insurance Company (CLICO)	3,799,920	3,549,920
Fixed deposits at British American Insurance Company (BAICO)	3,990,223	4,292,035
	<u>67,308,656</u>	<u>65,576,965</u>
Provision for impairment loss on fixed deposit at CLICO & BAICO	<u>(7,790,133)</u>	<u>(7,841,955)</u>
	<u>59,518,523</u>	<u>57,735,010</u>

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

7. Investment Securities: held to maturity.....cont'd

	2017 EC\$	2016 EC\$
Provision for Impairment on investments		
Provision -Beginning of year	7,841,955	7,841,955
Additional Provision - La Plaine	461,298	----
British American Insurance Investment Recovery	(513,120)	----
Provision - end of year	<u>7,790,133</u>	<u>7,841,955</u>

Both Colonial Life Insurance and British American Insurance Company are insolvent and are under judicial management. The Society's management has made a 100% provision for these investments against possible losses.

	2017 EC\$	2016 EC\$
8. Investment Securities: available-for-sale		
Shares at NBD (229,298) shares	104,200	104,200
Shares at DOMLEC (148,058 shares @ \$4.10)	607,039	575,346
Shares at DUTC (less provision \$441, 400)	110	110
ECSE capitalization account (5,000 class C shares @ \$10)	50,000	50,000
E.C. Home Mortgage Bank:(250 shares @ \$100, 20,250 shares @ \$160)	3,265,000	3,265,000
DUTC. Income Fund (less diminution \$ 28,377)	110	110
First Citizen Investment services fixed income investment	1,283,691	1,260,065
Shares at Corp EFF	2,050,000	2,050,000
Government of Dominica - Treasury Bills	505,253	9,840
Government of Dominica - Bond	35,200	41,600
	<u>7,900,603</u>	<u>7,356,271</u>
 Fair Value of investment in DOMLEC		
Original cost of investments	301,785	270,092
Fair Value gain	<u>305,254</u>	<u>305,254</u>
	<u>607,039</u>	<u>575,346</u>

The fair value gain on investments is not available for distribution.

	2017 EC\$	2016 EC\$
9. Originated loans - Loans and advances to members		
Members loans	368,203,163	359,249,146
Overdraft	2,604,964	3,150,755
Staff advances and loans	8,955,431	8,501,913
Total	<u>379,763,558</u>	<u>370,901,814</u>
Less: Provision for loan impairment	<u>(19,273,987)</u>	<u>(18,910,862)</u>
	<u>360,489,571</u>	<u>351,990,952</u>



Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

9. Originated loanscont'd	2017 EC\$	2016 EC\$
(b) Sectoral Analysis		
Personal	92,253,453	90,511,297
Mortgage	218,703,792	213,111,931
Vehicle	20,153,475	17,891,385
Land	23,414,793	23,546,008
Business	18,268,446	17,444,451
Other Loans (Litigated Loans)	<u>6,969,600</u>	<u>8,396,742</u>
	<u><u>379,763,559</u></u>	<u><u>370,901,814</u></u>
(c). Provision for loan impairment		
Provision - at beginning of year	18,910,862	15,788,197
New Branch - La Plaine	207,588	----
Bad debts recovered	322,958	144,679
Bad Loan written off for the year	<u>(3,385,425)</u>	<u>(122,014)</u>
	16,055,983	15,810,862
Additional provision made	<u>3,218,004</u>	<u>3,100,000</u>
Provision at end of year	<u><u>19,273,987</u></u>	<u><u>18,910,862</u></u>

The Credit Union has determined the likely impairment loss which have not maintained the loan repayments in accordance with the loan agreement or where there is other evidence of potential impairment.



Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

	2017	2016
	EC\$	EC\$
10. Other Assets		
Interest receivable on investments	1,883,402	2,690,827
Inventory of stationery/office Supplies	363,426	437,587
Prepayments	373,994	426,787
Deferred expenses	590,620	663,414
Loans receivable interest	2,182,268	1,554,300
Debtors	1,449,171	1,950,536
Receivable staff education	41,968	30,691
Other Receivables	173,563	348,111
	<u>7,058,412</u>	<u>8,102,253</u>
	2017	2016
	EC\$	EC\$
11. Leasehold Improvement		
Balance - Beginning of year	197	2,571
Additions	3,085	----
Amortised during the year	(197)	(2,374)
Unamortised balance end of year	<u>3,085</u>	<u>197</u>



Notes to Financial Statements *(cont.)* for the Year Ended December 31, 2017

12. PROPERTY, PLANT AND EQUIPMENT

	LAND	BUILDING	FURNITURE & EQUIPMENT	COMPUTER SYSTEM	MOTOR VEHICLE	ATM	BUILDING In Progress	LEGAL LIBRARY	TOTAL
	EC\$	EC\$	EC\$	EC\$	EC\$	EC\$	EC\$	EC\$	EC\$
COST									
Balance - December 31, 2015	3,066,064	14,863,915	5,241,278	9,233,914	404,800	2,748,117	14,384,106	19,525	49,961,719
Additions for the year	----	545,221	792,784	31,809	147,500	465,145	2,193,894	----	4,176,353
BALANCE - December 31, 2016	3,066,064	15,409,136	6,034,062	9,265,723	552,300	3,213,262	16,578,000	19,525	54,138,072
Additions for the year	122,886	486,147	933,958	697,620	----	133,473	21,896	----	2,395,980
BALANCE - December 31, 2017	3,188,950	15,895,283	6,968,020	9,963,343	552,300	3,346,735	16,599,896	19,525	56,534,052
ACCUMULATED DEPRECIATION									
Balance - December 31, 2015	----	872,219	4,283,384	8,238,375	370,287	2,533,802	----	19,525	16,317,592
Disposals	----	25,037	78,838	----	----	----	----	----	103,875
Charge for the year	----	761,025	347,940	464,490	38,966	191,622	----	----	1,804,043
BALANCE - December 31, 2016	----	1,658,281	4,710,162	8,702,865	409,253	2,725,424	----	19,525	18,225,510
New Branch Opening Charge	----	180,465	106,472	92,371	----	----	----	----	379,308
Adjustments	----	----	(164)	----	----	655	----	----	491
Charge for the year	----	306,450	422,615	303,766	29,500	133,138	----	----	1,195,469
BALANCE - December 31, 2017	----	2,145,196	5,239,085	9,099,002	438,753	2,859,217	----	19,525	19,800,778
NET BOOK VALUE									
December 31, 2017	3,188,950	13,750,087	1,728,935	864,341	113,547	487,518	16,599,896	----	36,733,274
December 31, 2016	3,066,064	13,750,855	1,323,900	562,858	143,047	487,838	16,578,000	----	35,912,562

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

13. Members' savings/ordinary deposits

Members' Savings formerly called "members shares" are now recorded as a liability in accordance with International Financial Reporting Standards (IFRS) according to section 129 of the Co-operative Societies Act No.2 of 2011, the Credit Union may distribute by way of dividend or bonus amongst its members in proportion to their business with the Society at such rate as may be prescribed by its bye-laws. Members' savings and ordinary deposits subject to special terms and conditions are due on demand.

	2017 EC\$	2016 EC\$
Members' savings/ordinary deposits	<u>336,313,249</u>	<u>269,015,948</u>

14. Term Deposits

Interest bearing fixed deposits at rates in the range of 1.75% to 3% in 2017 and 2016.

	2017 EC\$	2016 EC\$
	<u>138,026,016</u>	<u>139,879,748</u>

15. Member Retirement Account

The Credit Union operates a retirement savings plan for the benefit of its members. Under the plan, members enjoy a rate of interest higher than the normal deposit interest rate on condition that the savings are not withdrawn before the member has reached normal retirement age. Currently members' savings are limited to EC\$1,000 per month to a maximum of \$12,000 in any calendar year. As at year end, the rate offered to members was 4% per annum.

	2017 EC\$	2016 EC\$
	<u>37,495,004</u>	<u>34,675,082</u>

16. EU GRANT

Technical assistance grant for small business development

	2017 EC\$	2016 EC\$
	<u>21,415</u>	<u>21,415</u>

17. Accounts payable and provisions

	2017 EC\$	2016 EC\$
Accounts payable	1,941,776	1,194,914
Audit fees	41,300	34,000
Clearing Accounts	1,998,244	1,604,158
Other	----	2,049,325
	<u>3,981,320</u>	<u>4,882,397</u>



Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

	2017 EC\$	2016 EC\$
18. Accrued Interest Payable	<u>5,062,410</u>	<u>6,628,958</u>

19. Statutory Reserve

The Co-operative Societies Act No.2 of 2011 Section 125 (4) stipulates that a Society shall credit no less than 20% of its net surplus reserve, and such Reserve Fund, maybe subject to the approval of the Registrar, be used in the business of the Society, for the purpose of an exceptional nature including unforeseen losses, unexpected shortfalls in liquid cash, capital retention, repair and maintenance and the avoidance of external borrowing:

	2017 EC\$	2016 EC\$
Movements during the year were as follows: -		
Balance - beginning of year	17,759,706	16,523,298
Add: Entrance fees	14,620	16,424
Appropriation from surplus	721,769	1,079,372
Adjustments	211,083	140,612
Balance - end of year	<u>18,707,178</u>	<u>17,759,706</u>

The Society's statutory reserve is represented by a fixed deposit at the Dominica Co-operative Societies League Limited and fixed deposits at banks. (See note 5)

	2017 EC\$	2016 EC\$
20. Education Fund		
Balance - beginning of year	335,650	332,637
Add: La Plaine	84,518	23,336
Less: disbursements	(19,208)	(20,323)
Balance - end of year	<u>400,960</u>	<u>335,650</u>

This represents funds appropriated from surplus for member education.



Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

	2017 EC\$	2016 EC\$
21. Loan Protection Fund		
This fund represents amounts set aside by the Society to cover that portion of members' loan not covered under the CORP-EFF Insurance Company Limited up to \$100,000.		
Balance - beginning of year	1,033,669	1,033,669
Disbursements	(23,048)	----
Add: Provisioning	60,000	----
Balance - end of year	<u>1,070,621</u>	<u>1,033,669</u>

	2017 EC\$	2016 EC\$
22. Development Fund		
Balance - beginning of year	148,581	76,803
Disbursements	(43,495)	(12,869)
Appropriation from surplus	36,088	53,969
Adjustments	13,236	30,678
Balance - End of year	<u>154,410</u>	<u>148,581</u>

Section 126 of the Co-operative Societies Act No.2 of 2011, states that every Society shall establish and maintain a Development Fund. Every Society that realises a surplus from its operations as ascertained by the annual audit shall make such annual contribution, not exceeding ten percent of that surplus, and the Co-operative Society shall use the funds for strengthening the capacity and growth of Co-operative Societies and for human development.

23. Revaluation Surplus

This represents the surplus on valuation over cost of the Society's land and building following valuations carried out in December 2012 by McKenzie Architect and Construction Services Incorporated. The valuations was accepted by the Board of Directors. The Excess of the revalued amount over cost is included under Revaluation Surplus.



Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

24. Capital Contribution

	2017	2016
	EC\$	EC\$
This represents the following balances:		
Construction cost of the Society's office building.	4,799,054	4,777,817
Adjustments	<u>160</u>	<u>21,237</u>
Balance - end of year	<u>4,799,214</u>	<u>4,799,054</u>

Seven (7) Credit Unions namely Roseau, La Salette, St.David, St.Paul, Castle Bruce, South East and Vielle Case Credit Union amalgamated in accordance with the Co-operative Societies Act to form the National Co-operative Credit Union Limited (NCCU). The assets and liabilities of the Seven (7) former Credit Unions were vested in the NCCU in accordance with the Co-operative Societies Act as of November 1, 2010. The resulting credit balance on amalgamation is accounted for under Members' Equity as capital contribution.



Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

	2017 EC\$	2016 EC\$
25. Net Interest & Investment Income		
Interest Income		
Income from loans	27,572,388	29,864,587
Income from Investments	712,035	376,659
Interest on fixed deposit	2,308,636	2,832,315
	<u>30,593,059</u>	<u>33,073,561</u>
Interest Expense		
Interest on term deposits	4,084,754	4,722,516
Interest on members' savings/deposits	5,343,002	4,721,159
Interest on borrowed funds	978	2,946
Interest on Member Retirement Account (MRA)	1,620,732	1,968,005
Interest on Christmas savings club	6,140	6,477
	<u>11,055,606</u>	<u>11,421,103</u>
Net Interest & Investment Income	<u><u>19,537,453</u></u>	<u><u>21,652,458</u></u>
26. Other Income		
	2017 EC\$	2016 EC\$
Rent	50,452	50,723
Cheque book fees	101,947	133,762
Sale of rule and pass books	26,915	31,200
Professional services	404,027	514,012
Sundry service charge	242,475	304,908
CUNA Rebates	----	18,667
Bad debts recovered/written off	537,562	6,277
Commissions	60,008	81,774
Other Income	52,681	68,348
	<u><u>1,476,067</u></u>	<u><u>1,209,671</u></u>



Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

	2017	2016
	EC\$	EC\$
27. Operating Costs		
Personnel expenses (see note 28)	7,531,367	7,013,829
Governance (Board & committees' expenses and honoraria)	142,901	100,220
CORP-EFF Insurance	985,798	972,241
Annual General Meeting	63,941	60,220
Scholarship	49,770	65,264
Overseas Travel and conference	115,607	208,348
Computer services and expenses	568,948	551,751
Stationery and office supplies	280,719	322,646
Fraternity expenses	237,038	272,704
Audit fee	41,300	45,775
Consultancy fees	----	----
Occupancy expenses	788,911	834,680
Sponsorship	----	32,029
Insurance building and content	205,850	137,243
General expenses (See note 30)	1,847,723	1,925,136
	<u>12,859,873</u>	<u>12,542,086</u>

	2017	2016
	EC\$	EC\$
28. Personnel Expenses		
Salaries, staff benefits & allowances	6,665,667	6,238,043
Social Security	392,604	341,574
Pension and insurance	35,454	31,127
Uniforms allowances and transportation	437,642	403,085
	<u>7,531,367</u>	<u>7,013,829</u>

Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

	2017 EC\$	2016 EC\$
29. Key Management Compensation		
Salaries and allowances	1,433,428	1,433,428
Gratuity	291,561	274,948
	<u>1,724,989</u>	<u>1,708,376</u>

	2017 EC\$	2016 EC\$
30. General Expenses		
Security services	146,594	158,089
Postage	11,484	17,476
Advertising, publicity and promotions/dues	426,968	537,749
4cs expenses	224,191	233,975
Donations	75,284	106,007
ATM services and expenses	301,336	380,852
Entertainment	176,619	31,672
Maintenance of fixed assets	228,181	176,830
Valuation and legal fees	12,350	----
Bank charges	177,841	229,075
Other	66,875	53,411
	<u>1,847,723</u>	<u>1,925,136</u>



Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

31. Related Party Transactions

Parties are considered to be related in one party had the ability to control the other party or exercise significant influence over the other party by making financial and operational decisions. As at the year end, related party transactions/balances were as follows:

	2017	2016
	EC\$	EC\$
<i>Loan balances at year end</i>		
Directors & Volunteers	5,245,429	3,360,269
Key Management Staff	3,082,979	2,897,865
TOTAL LOANS	<u>8,328,408</u>	<u>6,258,134</u>
<i>Savings balances at year end</i>		
Directors & Volunteers	3,294,039	4,569,429
Key Management Staff	2,967,893	2,450,101
TOTAL DEPOSITS	<u>6,261,932</u>	<u>7,019,530</u>

32. Share Capital

	2017	2016
	EC\$	EC\$
Issued and fully paid shares of \$50 par value per share		
Balance - beginning of year	4,520,450	4,070,800
Issued during the year 12,402, (2016: 8,993)	620,100	449,650
	<u>5,140,550</u>	<u>4,520,450</u>

The liability of each member is limited to the paid up shares.

Shares may with the consent of the Board, but not otherwise, be transferred from one member to another. Such transfers shall be in writing in such form as the Registrar may approve and shall be subject to payment by the transferee of such fee for each transfer as the Board of Directors may prescribe. The Board may, in its absolute discretion, purchase shares from a member in case of hardship.



Notes to Financial Statements *(cont.)*

for the Year Ended December 31, 2017

33. Commitments and Contingencies

Loans and advances committed but not yet drawn down at the balances sheet date totalled \$7,414,128 in 2017 and \$11,616,645 in 2016.

The Society has entered into a contract for the extension of its building in Roseau. The contracted sum for the project is EC\$15.2 million. As at December 31, 2017 the cost incurred was \$16.5 million.

34. Other Disclosure

At January 3, 2017, the assets and liabilities of the South Eastern Co-operative Credit Union Limited were transferred to the National Co-operative Credit Union Limited.





Annual Donations to the Testimonial Pre-School



Miss Dominica 2017 Visited Vieille Case Branch



NCCU Vieille Case Branch Annual Donations to the Paix Bouche and Dos D'Ane Primary Schools



NCCU Annual Donation Penville Primary School



NCCU 2017 Merit Scholarship Recipient



NCCU 2017 High School Literacy Seminar

CREDIT COMMITTEE



Chekira Lockhart
Chairperson



Keturah Deschamps
Secretary



Lise Dangleben
Member



Quincy Angol
Member



Sylvester Mark
Member



Jodie Dublin-Dangleben
Member



Hyacinth Durand-Ducreay
Member



Nyerere Richards
Member



David Maximea
Member



Ronald Smith
Member



Isabella Prentice
Member



Beryl Alexander
Member



Natasha Nation
Member

Credit Committee's Report

For the Year Ended December 31, 2017



The year ended December 31, 2017 was very challenging. Nonetheless, as demonstrated in previous years, the National Co-operative Credit Union continues to attain its objectives, despite increased competition and the passage of the category five Hurricane Maria on September 18, 2017.

The Credit Committee is pleased to report on activities for the period ending December 31, 2017. The Committee executed its functions in accordance with the requirements of the Co-operative Societies Act No. 2 of 2011 and By-Laws of the Credit Union.

The following is reflective of the composition of the Committee for the period under review:

Chairperson	-	Ms. Chekira Lockhart
Secretary	-	Ms. Keturah Deschamps
Members	-	Ms. Lise Dangleben
	-	Mr. Quincy Angol
	-	Mr. Sylvester Mark
	-	Mrs. Jodie Dublin-Dangleben
	-	Mrs. Hyacinth Durand-Ducreay
	-	Mr. Nyerere Richards
	-	Mr. David Maximea
	-	Mr. Ronald Smith
	-	Ms. Isabella Prentice
	-	Ms. Beryl Alexander
	-	Ms. Natasha Nation

Meetings Attended by Committee Members

At our last AGM held on June 11 2017, Ms. Isabella Prentice, Ms. Beryl Alexander and Ms. Natasha Nation were elected to serve.

Five members of the Committee meet twice weekly on a rotation schedule to review loans. The attendance of members is detailed below.

Table 1: Meetings Attended by Committee Members

NAME	Loan Review Meetings Scheduled	Loan Review Meetings Attended	Loan Review Meetings Cancelled	Joint Committee Meetings Scheduled	Joint Committee Meetings Attended
Ms. Chekira Lockhart	40	34	07	02	02
Ms. Keturah Deschamps	39	30	09	02	02
Ms. Lise Dangleben	39	28	09	02	02
Mr. Quincy Angol	34	28	07	02	02
Mr. Sylvester Mark	38	31	08	02	02
Mrs. Jodie Dublin-Dangleben	40	26	14	02	02
Mrs. Hyacinth Durand-Ducreay	36	26	08	02	02
Mr. Nyerere Richards	41	28	11	02	02
Mr. David Maximea	40	31	08	02	02
Mr. Ronald Smith	39	28	11	02	02
Ms. Isabella Prentice	20	11	10	01	01
Ms. Beryl Alexander	20	13	08	01	01
Ms. Natasha Nation	19	08	09	01	01

NB: Meetings cancelled mainly due to the passage of Hurricane Maria in September 2017.

Members of the Committee also attended and participated in several Joint Committee Meetings upon request by the Credit Union.

LOANS

Guided by the institution's Loan Policy, the Credit Union approved 6397 loans, a decline of 2604 or 29% below the corresponding period's total of 9001 loans. The total value of loans approved during the period under review was \$66,120,545.87 a decline of 15% below the corresponding year's total of \$78,001,615.41. This decline is attributed to the effects of the passage of Hurricane Maria, as the institution was on a growth trajectory in the months leading up to the hurricane.

The most requested loan product was the "Now-for-Now" loan, amounting to 1617 loans being approved with a value of \$3,804,385.18. "Domestic" loans were also popular, amounting to 1436 loans being approved with a value of \$4,582,328.98. This was then followed by "Debt Consolidation" amounting to 700 loans being approved with a value of \$6,684,393.46. There were 176 "Building Construction & Purchase" loans approved, accounting for \$19,400,942.57 in value.

Dedication during these challenging times. The Board of Directors and Supervisory and Compliance Committee must also be recognized for their support and contribution during the reporting period.

Table 2: Summary of Loans Approved by the Credit Union by Product Type for the period Ended December 31, 2017

Loans by Purpose	Volume				Value			
	2017	2016	Variance	%	2017	2016	Variance	
							\$	%
Building Construction & Purchase	176	261	-85	-33%	\$ 19,400,942.57	\$ 22,675,789.85	\$ (3,274,847.28)	-14%
Land	54	78	-24	-31%	\$ 2,975,328.82	\$ 4,269,743.98	\$ (1,294,415.16)	-30%
Debt Consolidation HR/CC	150	220	-70	-32%	\$ 1,001,011.09	\$ 1,058,524.85	\$ (57,513.76)	-5%
Debt Consolidation	700	1122	-422	-38%	\$ 6,684,393.46	\$ 10,036,051.44	\$ (3,351,657.98)	-33%
Business	161	280	-119	-43%	\$ 2,990,529.04	\$ 4,142,220.76	\$ (1,151,691.72)	-28%
Equipment	26	48	-22	-46%	\$ 404,711.36	\$ 628,910.54	\$ (224,199.18)	-36%
Travel	67	152	-85	-56%	\$ 465,379.95	\$ 944,672.16	\$ (479,292.21)	-51%
Agricultural Land	3	5	-2	-40%	\$ 17,631.10	\$ 190,970.08	\$ (173,338.98)	-91%
Motor Vehicle - Agriculture	0	0	0	0%	\$ -	\$ -	\$ -	0%
Motor Vehicle - Private	343	432	-89	-21%	\$ 5,975,834.23	\$ 9,082,438.57	\$ (3,106,604.34)	-34%
Household Goods	64	102	-38	-37%	\$ 614,621.50	\$ 761,106.80	\$ (146,485.30)	-19%
Dwelling House Repair	143	259	-116	-45%	\$ 1,455,255.20	\$ 2,792,828.37	\$ (1,337,573.17)	-48%
Education	125	199	-74	-37%	\$ 944,564.81	\$ 1,995,152.69	\$ (1,050,587.88)	-53%
Agricultural Expenses	21	39	-18	-46%	\$ 49,864.32	\$ 149,984.00	\$ (100,119.68)	-67%
Domestic	1436	3299	-1863	-56%	\$ 4,582,328.98	\$ 10,737,159.49	\$ (6,154,830.51)	-57%
Motor Vehicle Expenses	65	141	-76	-54%	\$ 437,583.87	\$ 695,705.18	\$ (258,121.31)	-37%
Legal Expenses	17	43	-26	-60%	\$ 104,560.11	\$ 291,045.95	\$ (186,485.84)	-64%
Learn While U Earn	36	50	-14	-28%	\$ 135,211.95	\$ 334,541.70	\$ (199,329.75)	-60%
Medical	71	107	-36	-34%	\$ 529,804.26	\$ 785,465.39	\$ (255,661.13)	-33%
Line of Credit	59	116	-57	-49%	\$ 298,000.00	\$ 664,971.07	\$ (366,971.07)	-55%
Now 4 Now	1617	1984	-367	-18%	\$ 3,804,385.19	\$ 5,341,770.16	\$ (1,537,384.97)	-29%
Special Agriculture	7	0	7	100%	\$ 58,800.00	\$ -	\$ 58,800.00	100%
Special Education	480	3	477	15900%	\$ 25,775.25	\$ 4,900.00	\$ 20,875.25	426%
Savings/Deposit Loans @ 5.99%	576	61	515	844%	\$ 13,164,028.81	\$ 417,662.38	\$ 12,746,366.43	3052%
Total	6397	9001	-2604	-29%	\$ 66,120,545.87	\$ 78,001,615.41	\$ (11,881,069.54)	-15%

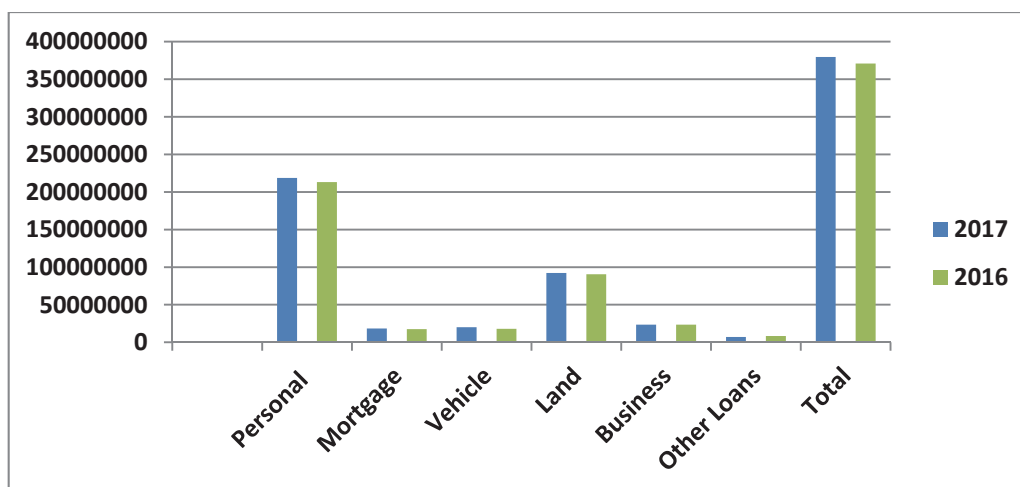
In terms of the size of the loan categories, increases were registered in all but two categories. This is encouraging, as at the close of this period, a 2% increase was recorded over the corresponding year's total. Your Credit Union continues to provide products and services to members without compromising the viability of the institution.

The table below summarizes the Loan Portfolio (by category) for 2017, with comparative figures of the previous year (2016) and the percentage increase or decrease for each category.

Table 3: Loans Portfolio by Category for Year Ended Dec. 31, 2017 Vs 2016 Results

LOAN CATEGORY	2017 \$	2016 \$	INCREASE / (DECREASE)	%
Personal	218,703,792	213,111,931	5,591,861	3
Mortgage	18,268,446	17,444,451	823,995	5
Vehicle	20,153,475	17,891,297	2,262,178	13
Land	92,253,453	90,511,297	1,742,156	2
Business	23,414,793	23,546,008	-131,215	-1
Total	379,763,559	370,901,726	8,861,833	2

The following chart further illustrates the performance of each category of loans for the period under review.



Oversight

The Credit Committee randomly reviewed loans as part of its oversight responsibility. Reviews were conducted at both the Vieille Case and Roseau Branches during the period. All concerns were effectively addressed by the management of the Credit Union.

The Committee was challenged with its outreach efforts this period, as the majority were either cancelled or rained out. However, the Credit Committee was successful in meeting with the Loans Departments of the Roseau and Vieille Case Branches. Both Branches were engaged in discussions as to how the services of the Loans Department could be improved and ways in which the seven (7) branches of the NCCU could standardize loan documents. All relevant reports derived from these sessions were disseminated to the Board of Directors and Supervisory and Compliance Committee of the institution.

Training

Members of the Credit Committee were engaged and fully participated in the following trainings as offered by the Credit Union through the Dominica Co-operatives Societies League:

- Governance
- De-Risking
- Human Resource Management

The following members of the Committee were privileged to attend the CCCU 60th Convention & 46th AGM in Cuba in June 2017.

- Ms. Lise Dangleben
- Mr. Quincy D. Angol

RECOMMENDATION

The Credit Committee reiterates the need for members to make more use of the loans provided by the NCCU. It is through your continued participation that your Credit Union will continue to grow. Additionally, the Committee supports the transition of online services and continues to encourage members to participate in community outreach and educational programs planned by the institution. There is a lot to be learnt about the products and services offered by your Credit Union during these sessions. Most importantly, the Committee urges members to honour their loan commitments as delinquency cannot be encouraged at our Credit Union. As such, we must all work sternly towards decreasing and eliminating same.

CONCLUSION

In the dispensation of its functions, members of the Credit Committee worked diligently and cohesively with Management and Staff to achieve desired results. Our expressed thanks are extended to all, inclusive of the Board of Directors, Supervisory and Compliance, Management and Staff for their commendable effort and dedicated work, especially after the passage of Hurricane Maria. Let us continue to work together to build our Credit Union as we are indeed stronger together as "One Big Family".

May God bless our Credit Union.



CHEKIRA LOCKHART
CHAIRPERSON

FOR AND ON BEHALF OF THE CREDIT COMMITTEE

Summary of Loans Approved by the Credit Committee and Manager

For the Year Ended December 31, 2017

	LOANS APPROVED IN 2017					
	BY THE MANAGER ON BEHALF OF THE CREDIT COMMITTEE		DIRECTLY BY THE CREDIT COMMITTEE		TOTAL APPROVED BY THE CREDIT COMMITTEE	
	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT
BUILDING CONSTRUCTION & PURCHASE	85	\$ 880,268.46	91	\$ 18,520,674.11	176	\$ 19,400,942.57
LAND	47	\$ 1,770,604.60	7	\$ 1,204,724.22	54	\$ 2,975,328.82
DEBT CONSOLIDATION HR/CC	136	\$ 637,421.21	14	\$ 363,589.88	150	\$ 1,001,011.09
DEBT CONSOLIDATION	666	\$ 4,733,966.26	34	\$ 1,950,427.20	700	\$ 6,684,393.46
BUSINESS	157	\$ 1,754,347.28	4	\$ 1,236,181.76	161	\$ 2,990,529.04
EQUIPMENT	25	\$ 207,229.95	1	\$ 197,481.41	26	\$ 404,711.36
TRAVEL	66	\$ 418,379.95	1	\$ 47,000.00	67	\$ 465,379.95
AGRICULTURAL LAND	2	\$ 600.00	1	\$ 17,031.10	3	\$ 17,631.10
MOTOR VEHICLE - AGRICULTURE	0	\$ -	0	\$ -	0	\$ -
MOTOR VEHICLE - PRIVATE	320	\$ 4,626,778.65	23	\$ 1,349,055.58	343	\$ 5,975,834.23
HOUSE HOLD GOODS	60	\$ 459,169.98	4	\$ 155,451.52	64	\$ 614,621.50
DWELLING HOUSE REPAIR	142	\$ 1,362,897.37	1	\$ 92,357.83	143	\$ 1,455,255.20
EDUCATION	122	\$ 698,634.15	3	\$ 245,930.66	125	\$ 944,564.81
AGRICULTURAL EXPENSES	21	\$ 49,864.32	0	\$ -	21	\$ 49,864.32
DOMESTIC	1436	\$ 4,492,960.96	0	\$ 89,368.02	1436	\$ 4,582,328.98
MOTOR VEHICLE EXPENSES	64	\$ 421,355.98	1	\$ 16,227.89	65	\$ 437,583.87
LEGAL EXPENSES	16	\$ 91,553.10	1	\$ 13,007.01	17	\$ 104,560.11
LEARN WHILE U EARN	35	\$ 112,761.29	1	\$ 22,450.66	36	\$ 135,211.95
MEDICAL	69	\$ 444,204.26	2	\$ 85,600.00	71	\$ 529,804.26
LINE OF CREDIT	59	\$ 298,000.00	0	\$ -	59	\$ 298,000.00
NOW 4 NOW	1617	\$ 3,804,385.19	0	\$ -	1617	\$ 3,804,385.19
SPECIAL AGRICULTURE	7	\$ 58,800.00	0	\$ -	7	\$ 58,800.00
SPECIAL EDUCATION	480	\$ 25,775.25	0	\$ -	480	\$ 25,775.25
SAVINGS/DEPOSIT LOANS @ 5.99%	576	\$ 13,164,028.81	0	\$ -	576	\$ 13,164,028.81
TOTAL	6208	\$ 40,513,987.02	189	\$ 25,606,558.85	6397	\$ 66,120,545.87

Summary of Loans Approved by the Credit Committee and Manager *(cont.)*

For the Year Ended December 31, 2017

LOANS APPROVED IN 2016							
BY THE MANAGER ON BEHALF OF THE CREDIT COMMITTEE		DIRECTLY BY THE CREDIT COMMITTEE		TOTAL APPROVED BY THE CREDIT COMMITTEE		COMPARATIVE INCREASE/DECREASE OVER 2016	
NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	AMOUNT	%
104	\$ 1,700,007.64	157	\$ 20,975,782.21	261	\$ 22,675,789.85	\$ (3,274,847.28)	-14%
70	\$ 3,051,982.43	8	\$ 1,217,761.55	78	\$ 4,269,743.98	\$ (1,294,415.16)	-30%
181	\$ 816,404.47	39	\$ 242,120.38	220	\$ 1,058,524.85	\$ (57,513.76)	-5%
988	\$ 7,226,734.31	134	\$ 2,809,317.13	1122	\$ 10,036,051.44	\$ (3,351,657.98)	-33%
253	\$ 2,472,978.42	27	\$ 1,669,242.34	280	\$ 4,142,220.76	\$ (1,151,691.72)	-28%
48	\$ 628,910.54	0	\$ -	48	\$ 628,910.54	\$ (224,199.18)	-36%
140	\$ 819,573.16	12	\$ 125,099.00	152	\$ 944,672.16	\$ (479,292.21)	-51%
2	\$ 75,171.97	3	\$ 115,798.11	5	\$ 190,970.08	\$ (173,338.98)	-91%
0	\$ -	0	\$ -	0	\$ -	\$ -	
374	\$ 6,942,765.19	58	\$ 2,139,673.38	432	\$ 9,082,438.57	\$ (3,106,604.34)	-34%
90	\$ 612,426.30	12	\$ 148,680.50	102	\$ 761,106.80	\$ (146,485.30)	-19%
249	\$ 2,555,815.01	10	\$ 237,013.36	259	\$ 2,792,828.37	\$ (1,337,573.17)	-48%
181	\$ 1,307,085.89	18	\$ 688,066.80	199	\$ 1,995,152.69	\$ (1,050,587.88)	-53%
37	\$ 131,834.00	2	\$ 18,150.00	39	\$ 149,984.00	\$ (100,119.68)	-67%
3268	\$ 10,547,179.93	31	\$ 189,979.56	3299	\$ 10,737,159.49	\$ (6,154,830.51)	-57%
132	\$ 600,172.64	9	\$ 95,532.54	141	\$ 695,705.18	\$ (258,121.31)	-37%
40	\$ 225,369.94	3	\$ 65,676.01	43	\$ 291,045.95	\$ (186,485.84)	-64%
48	\$ 293,014.52	2	\$ 41,527.18	50	\$ 334,541.70	\$ (199,329.75)	-60%
105	\$ 765,465.39	2	\$ 20,000.00	107	\$ 785,465.39	\$ (255,661.13)	-33%
115	\$ 661,971.07	1	\$ 3,000.00	116	\$ 664,971.07	\$ (366,971.07)	-55%
1982	\$ 5,331,821.39	2	\$ 9,948.77	1984	\$ 5,341,770.16	\$ (1,537,384.97)	-29%
0	\$ -	0	\$ -	0	\$ -	\$ 58,800.00	
3	\$ 4,900.00	0	\$ -	3	\$ 4,900.00	\$ 20,875.25	426%
60	\$ 401,445.43	1	\$ 16,216.95	61	\$ 417,662.38	\$ 12,746,366.43	3052%
8470	\$ 47,173,029.64	531	\$ 30,828,585.77	9001	\$ 78,001,615.41	\$ (11,881,069.54)	-15%



Supervisory & Compliance Committee



(L-R) Clare Seraphin-Wallace, Calvin Esprit, Beran Cuffy, Corinthia Carbon, Kayan Toussaint, Hannah Leblanc-Pierre, Linda Gonzalez-Peltier, Julie Shillingford-Durand, Ian-Michael Anthony, Evadney Esprit, Jerome Bardouille, Sophia Albert-Charles, Bernard Nation

Supervisory and Compliance Committee's Report

For the Year Ended December 31, 2017



Pursuant to Section 65 of the Cooperative Societies Act No. 2 of 2011, the Supervisory and Compliance Committee is pleased to report on its activities for the year ended December 31, 2017. Members serving on the Supervisory and Compliance Committee for the year under review were:

Mr. Rupert Lance	Chairperson	(Jan – June 2017)
Ms. Evadney Esprit	Member	(Jan – June 2017)
	Chairperson	(June – December 2017)
Mr. Ian-Michael Anthony	Vice Chairperson	(Jan –December 2017)
Mr. Mervyn Dailey	Secretary	(Jan – June 2017)
Mrs. Hannah Leblanc Pierre	Member	(Jan – June 2017)
	Secretary	(June – December 2017)
Mrs. Julie Shillingford-Durand	Member	(Jan – December 2017)
Mr. Jerome Bardouille	Member	(Jan – December 2017)
Mrs. Corinthia Carbon	Member	(Jan – December 2017)
Mrs. Clare Seraphin-Wallace	Member	(Jan – December 2017)
Mrs. Sophia Albert Charles	Member	(Jan – December 2017)
Mr. Beran Cuffy	Member	(Jan – December 2017)
Mr. Calvin Esprit	Member	(Jan – December 2017)
Mr. Bernard Nation	Member	(Jan – December 2017)
Ms. Kayan Toussaint	Member	(June – December 2017)
Ms. Linda Gonzalez-Peltier	Member	(June – December 2017)

The following table provides a record of the attendance of members at regular and special meetings of the Committee.

Committee Members	Meetings Scheduled During Tenure		Total Meetings Scheduled	Meetings Attended		Excused/ Absent
	Regular	Joint		Regular	Joint	
Evadney Esprit	15	2	17	13	2	2/0
Ian Anthony	15	2	17	10	2	5/0
Jerome Bardouille	15	2	17	11	2	4/0
Corinthia Carbon	15	2	17	11	2	4/0
Hannah Leblanc-Pierre	15	2	17	11	2	4/0
Sophia Albert-Charles	15	2	17	12	2	3/0
Clare Seraphin-Wallace	15	2	17	14	2	1/0
Beran Cuffy	15	2	17	10	1	5/1
Julie Shillingford-Durand	15	2	17	15	2	0/0
Calvin Esprit	15	2	17	8	2	6/1
Bernard Nation	15	2	17	10	1	6/0
Kayan Toussaint	6	1	7	6	1	0/0
Linda Gonzalez-Peltier	6	1	7	5	1	1/0
Rupert Lance	9	1	10	9	0	1/0
Mervin Dailey	9	1	10	9	1	0/0

Summary of Major Activities

The Supervisory and Compliance Committee remained engaged during the year by conducting tests to ascertain that the Society's business was conducted in accordance with the policies and procedures of the Society and the Cooperative Societies Act No. 2 of 2011. Visits were made to five (5) branches during the year with scheduled visits to the others being prevented by the passage of Hurricane Maria. The following were among the main activities pursued during the year:

- Evaluation meetings with the Board of Directors;
- Meeting with Managers/Head of Departments;
- Meeting with the Credit Committee, Compliance Officer and Internal Auditor;
- Perusal of reports on delinquent loans;
- Conducting of cash counts at all branches;
- Analysis of monthly financial reports;
- Examination of accounts and loan files of volunteers and staff;
- Conduct share to loan ratio testing;
- Inspection of physical plants;

- Review of policies;
- Review of HR Audit Report and
- Attendance at developmental seminars organized by the Dominica Cooperative Societies League and the Caribbean Confederation of Credit Unions (CCCU)

Meetings were convened with the Compliance Officer, Internal Auditor, Legal Officer and Information Technology personnel to examine reports, obtain departmental updates review work plans and where necessary make recommendations to the Board of Directors.

The Committee also met with the Credit Committee and from time to time, Committee members also attended meetings of the Board of Directors as observers.

Human Resource and Training

During the period under review, members of the Supervisory and Compliance Committee benefited from various training sessions and workshops organized by the Dominica Co-operative Societies League Ltd as follows:

- | | |
|---------------------------------------|--------------------|
| • Understanding the Power of Attorney | February 18, 2017 |
| • CCCU AGM/Convention in Cuba | June 16 – 21, 2017 |
| • Induction Training | June 22, 2017 |

Members who attended the above sessions shared with those unable to attend, thus giving the entire Committee exposure and information related to the sessions.

The Financial Services Unit (FSU) through the Director held the first of its kind “Meet the Regulators” Forum in August 2017, which the Chairperson attended. The performance of Credit Unions was reviewed individually and collectively as a sector, with major weaknesses highlighted. The key areas discussed were: -

- Institutional Capital – the need to meet the PEARLS standard of Share Capital;
- Delinquency and
- Provisioning – considering the new accounting standard IFRS 9.

Policy and Procedures

From January to September 2017, part of the Committee’s work plan was the review of all policies governing the Society. That plan stemmed out of the Committee having new members who needed to become familiar with what governs the mandate of the Committee.

The Internal Auditor regularly reported on internal control testing conducted on the operational policies and procedures of the Society with recommendations for improvements. The Supervisory and Compliance Committee continues to be particularly concerned over the level of adherence to the policies and procedures related to:

- Dormant Accounts;
- Loan underwriting policies; and
- General cashing procedures.

Continuous training and increased awareness of the level of risk associated with non-adherence to the policies and procedures is crucial in ensuring that the Society continues to operate within the

guidelines of the policies and procedures.

Compliance

Compliance continues to be at the forefront as it relates to the governance and regulation of the Society. Strategies had to be developed and policies amended to respond to changes in the regulatory environment. The Co-operative Societies Act. No. 2 of 2011, the Co-operative Societies Regulations SRO 26 of 2001, the Anti-Money Laundering Act No. 8 of 2011, Anti-Money Regulations SRO 4 of 2013, Suppression of Financing of Terrorism Act No. 9 of 2011, Financial Services Unit Act No. 18 of 2008 and the pending implementation of Foreign Accounts Tax Compliance Act (FATCA) must all be used to guide and govern the operations of the NCCUL. The Supervisory and Compliance Committee met with the Compliance Officer during the year to discuss his reports on the overall compliance of the Society on all of the above regulations. Although there is still work to be done, the Committee is pleased with the regulatory compliance of the NCCUL during 2017. We look forward to continue working with the Compliance Officer and his team in achieving 100% in both internal and regulatory compliance.

Finance & Management

The Society continued to show financial and membership growth during 2017. We saw the Transfer of Assets and Liabilities of the South East Co-operative Credit Union (SECCU) being finalized during the year. The Supervisory and Compliance Committee members strongly represented the NCCUL at a meeting held in February 2017 to educate the members of the SECCU of the benefits of the transfer as well as all the changes that were inevitable due to the transfer.

Monthly financial analysis of the management financial reports was done by the Committee during the year with inquiries on trends made to the Accountant. A review of the Society's schedule of insured assets was done to ensure insurance coverage was in effect and up to date.

Cash counts were conducted at all the branches visited during the year with share to loan ratio tests to ensure that the requirement of Member Share Capital was met. In addition, the usual end-of-year cash count was undertaken in collaboration with the External Auditor.

The manual loan application process continues to be a subject of discussion; however, the Strategic Plan of 2017 – 2019 has key objectives to automate the loan application process. We look forward to the completion of that project which would significantly increase the efficiency of the Loans Department.

Board of Directors' Evaluation Meetings

The Committee held meetings with the Board of Directors to evaluate its' performance. These meetings afforded the opportunity to highlight issues and where necessary seek clarifications. In some cases, and based on the discussions held, recommendations were made to the Board of Directors.

Some of the issues discussed included:

- Transfer of the Assets and Liabilities of the South East Cooperative Credit Union;
- Online loan applications;
- The Society's financial performance and capital structure;
- Off-Site Data Storage as part of Risk Management;
- Overdraft Facilities/Revised Loans Policy/IT Policy;
- JN Money Transfer Services;
- NCCU Cadence Lypso Inc.; and

- Delinquency Committees

Physical Plant

Construction works on the Head Office Expansion project was completed during the year after some delays.

Inspection of physical plant was conducted at Roseau, La Salette, St. Paul, La Plaine and St. David during branch visits done for the year. The issue of adequate space at the rented buildings housing La Salette, Castle Bruce, St. David and the newly transferred SECCU remained a challenge during the year.

Renovation works undertaken at the St. Paul Member Services area during the month of March 2017 was well received by the members and the public. Plant inspection during this period concluded that the building was generally in good condition.

The passage of Hurricane Maria during the month of September caused damage on the physical plants of the Society. Some of the major issues observed included: -

Head Office/Roseau Branch

- Air-condition units were damaged and were rendered non-functional immediately after the storm. New air-condition units had to be installed in the computer room on the third level and temporary repairs undertaken in the plant room. Glass panes on the upper level had to be removed to deal with the heat due to the non-functional air-condition units.
- The felt material on the roof was compromised in some areas and would need to be replaced.

St. Paul

There was major flooding in the basement from the adjoining ravine. Equipment and documents stored in the basement were all lost as a result. However, there was no loss of critical data.

La Salette

- The generator was affected by major flooding in the area and had to be relocated.
- Doors were affected by the wind and rain and had to be replaced.

Castle Bruce

Windows were broken and had to be boarded up pending replacement.

Vieille Case

The generator was flooded, and several windows were damaged.

Vieille Case Sub Office – Thibaud

Some windows were damaged.

Vieille Case Sub Office - Paix Bouche

The roof was blown off; equipment was compromised.



Vieille Case Sub Office – Penville

Some windows were damaged.

La Plaine

The roof was blown off, equipment was damaged.

La Plaine Sub Office - Grand Fond

The roof of the office building was blown off, equipment was compromised.

Connectivity remained a major challenge immediately post Hurricane Maria leaving only the Roseau branch to be opened to offer curtailed cash transactions to members. As at the end of the year, all branches except for La Plaine were opened to conduct transactions.

Looking Ahead

There is need for:

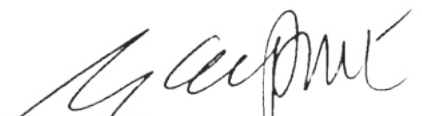
- Increased Member Share Capital;
- Reduction in the level of delinquency;
- Training in PEARLS Monitoring System;
- Increased interaction with the membership and staff;
- Automation of loan application;
- Review and testing of disaster plan; and
- Continuous training in the areas of:
 - Compliance; and
 - Risk Management.

Conclusion

The Supervisory and Compliance Committee plays a major role in the governance of the Society with compliance and adherence to the internal policies and the regulatory requirements crucial to our longevity.

The ability of the Society to meet its objectives – both qualitative and quantitative – over the past year was dependent on a team of committed and dedicated employees and volunteers, a solid management structure and most importantly the confidence and loyalty of you, the membership.

The Committee would like to sincerely thank the Management and Staff, Directors of the Board, the Credit Committee and the general membership for the support given during the year.



EVADNEY ESPRIT
CHAIRPERSON

FOR AND ON BEHALF OF THE SUPERVISORY AND COMPLIANCE COMMITTEE

Nominations Committee's Report

For the Year Ended December 31, 2017

In accordance with the Society's By-Law 59(a), the Board of Directors appointed a Nominations Committee, with the responsibility to propose one member for each vacancy to fill on the Board of Directors, Supervisory and Compliance Committee and the Credit Committee.

Through media advertisements, members of the Society were invited to nominate eligible and willing members to serve as volunteers on the various committees. All nominations received were considered during the Committee's deliberations.

The Nominations Committee comprised the following persons:

- Mrs. Josephine Dublin - Chairperson

- Mr. Clement Marcellin
- Mrs. Julie Shillingford-Durand
- Mr. Ronald Smith
- Mr. Aylmer A. Irish

An integral part of the Committee's deliberations was the nominees standing with the Society. The Committee's recommendations were guided by:

- Co-operative Societies Act No. 2 of 2011, Section 53(4).
- Financial Services Act No. 8 of 2008 Section 27
- The Society's By-Laws No. 1 of 2012

The Committees recommends the following nominees to you the members for a three (3) year term as follows:

BOARD OF DIRECTORS	Term
Mr. Patrickson Albert <ul style="list-style-type: none"> - Served in the Commonwealth of Dominica Police Service for over thirty years. - Currently serving as a Director on the Co-operative Societies League Board. 	Three (3) years
Dr. Kyra Paul-L'Homme <ul style="list-style-type: none"> - Employee of the Government of Dominica. Holder of a PhD in Gender Affairs from the UWI. 	Three (3) years
Ms. Charmaine Brumant <ul style="list-style-type: none"> - Retired Lab Technician with the Government of Dominica. - Holder of an Executive Diploma. 	Three (3) years
Ms. Sonia Williams <ul style="list-style-type: none"> - Retired School Principal and Past President of the RCCU. 	Three (3) years
Mrs. Janice Jean-Jacques Thomas <ul style="list-style-type: none"> - Holds the position of Director Dominica Social Security. - Bsc (Hons) UWI Management - MBA (Hons) UWI 	Three (3) years



SUPERVISORY AND COMPLIANCE COMMITTEE	Term
Mr. Ian-Michael Anthony <ul style="list-style-type: none"> - Currently employed as Chief Elections Officer. Holder of a Law Degree. 	Three (3) years
Ms. Hannah Leblanc-Pierre <ul style="list-style-type: none"> - Employee at Dominica Solid Waste Management - BSc in Human Resource Management 	Three (3) years
Ms. Clare Seraphin-Wallace <ul style="list-style-type: none"> - Trade Officer in the Ministry of Trade - Holds a BSc in Management and LLB in Law from UWI 	Three (3) years
Mr. Jerome Bardouille <ul style="list-style-type: none"> - Former School Principal and UWI Graduate. - Seconded to the Football Association as Technical Director 	Three (3) years
Mrs. Corinthia Carbon <ul style="list-style-type: none"> - Currently employed at International Organization for Migration - Holds a LLB Law Degree and Certificate Business Administration 	Three (3) years

CREDIT COMMITTEE	Term
Chekira Lockhart <ul style="list-style-type: none"> - Assistant Bursar at Dominica State College 	Three (3) years
Quincy D. Angol <ul style="list-style-type: none"> - Engineer - Employed with DOWASCO 	Three (3) years
Keturah Deschamps <ul style="list-style-type: none"> - Employed at DOWASCO as Accounts Receivable Clerk 	Three (3) years
Vera Daniel-Guiste <ul style="list-style-type: none"> - Employee of the Government of Dominica attached to the Agriculture Investment Unit 	Three (3) years

The names of other members submitted by the membership who are willing to serve are:

BOARD OF DIRECTORS:

- Ms. Yakima Cuffy - Attorney-at-Law
- Mr. Brian Meade - Director of Facilities & Operations at Dominica State College
- Mr. Michael Augustine-Teacher at Dominica Grammar School/Past President NCCU
- Mr. Glenworth Ducreay - Attorney-at-Law

SUPERVISORY AND COMPLIANCE & CREDIT COMMITTEE:

- Ms. Christina Peltier - Accountant at Unicomer Dominica


The Nominations Committee has the pleasure of presenting this report to you the members.



Mrs. Josephine Dublin



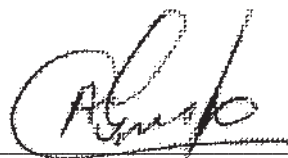
Mr. Clement Marcellin Jr.



Mrs. Julie Shillingford-Durand



Mr. Ronald Smith



Mr. Aylmer A. Irish

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Roseau Branch/Head Office

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Roseau, Commonwealth of Dominica, W.I.
Tel: 255 2172

Vieille Case Branch

7021 Church Street, Vieille Case
Commonwealth of Dominica, W.I.
Tel: 255 2241

St. Paul Branch

Cnr of Main Rd & Campbell Rd.
Mahaut
Commonwealth of Dominica, W.I.
Tel: 255 2215

St. David's Branch

Riviere Cyrique
Commonwealth of Dominica W.I.
Tel: 255 2256

La Salette Branch

Pointe Michel
Commonwealth of Dominica, W.I.
Tel: 255 2228

Castle Bruce Branch

Glu-Glu, Castle Bruce
Commonwealth of Dominica, W.I.
Tel: 255 2264

La Plaine

Main Street, La Plaine
Commonwealth of Dominica, W.I.
Tel: 255 2275

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